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India's Export – Import Procedure and Documentation Impact Economic Growth Rate of Multinational Companies

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Abstract: **International trade is the exchange of goods and services across national boundaries. It is the most traditional form of international business activity and has played a major role in shaping world history. It is also the first type of foreign business operation undertaken by most companies because importing or exporting requires the least commitment of, and risk to, the company's resources. For example, a company could produce for export by using its excess production capacity. This is an inexpensive way of testing a product's acceptance in the market before investing in local production facilities. A company could also use intermediaries, who will take on import-export functions for a fee, thus eliminating the need to commit additional resources to hire personnel or maintain a department to carry out foreign sales or purchases (Daniels and Radebaugh, 2004). International trade in services has grown over the past decade at an annual rate of about 18 percent compared to that of approximately 9 percent for merchandise trade. Trade in services constitutes 25 percent of overall world trade in 2004 (WTO, 2004a). In some countries, such as Panama and the Netherlands, services account for about 40 percent or more of total merchandise trade. Typical service exports include transportation, tourism, banking, advertising, construction, retailing, and mass communication.**

The vast majority of organizations, institutions, governments, academics, business managers, owners, politicians, and researchers have repeatedly underlined the importance of the existence of SMEs for every country. A large number of empirical research studies focused on the subjects of: a) the most important problems that SMEs face in their efforts to survive and grow in the highly competitive business arena, and b) the export procedure of SME.

In the era of globalization Foreign Trade has become the lifeline of any economy. Its primary purpose is not merely to earn of foreign exchange, but to stimulate greater economic activity. The Export Import policy of a nation must be of a competitive and facilitative nature that helps in nurturing local enterprises as national champions and enables them to compete globally and become world champions. The better understanding of the Export Import policy is essential for a Chartered Accountant because being a service provider for the business communities; they can ensure better compliance of law and provide valuable suggestions for improvement and strengthening the policy as well

Exports have played an increasingly important role in India's economic growth in the last two decades. This paper analyses the performance of India's exports and the various economic factors which have contributed to its growth

Keywords: **export performance, manufacturing sector, export competitiveness, trade policy reforms Small & Large Economies, Exchange Rate, Exports, and GDP.**

1. INTRODUCTION

Whether a business student is studying marketing, finance, accounting, strategy, human relations, or operations management, the differences between countries in which a firm does business will affect decisions that must be made. A fundamental shift is occurring in the world economy. The world is getting closer in terms of cross border trade and investment, by distance, time zones, languages and by national differences in government regulation, culture and business systems and toward a world in which national economies are merging into one huge interdependent global economic system. Globalization is affecting firms that previously operated in a nice, easy, protected national market. It also illustrates the increasing importance of thinking globally. However the world we live is not perfect. It is characterized by considerable amount of uncertainty regarding the demand, market price, quality and availability of own products and those of suppliers. There are transaction costs for purchasing or selling goods or securities. Information is costly to obtain and is not equally distributed. There are spreads between the borrowings and lending rates for investments and financings of equal risks. Similarly each organization is faced with its own limits on the production capacity and technologies, it can employ there are fixed as well as variable costs associated with production goods. In other words, the markets in which real firm operated are not perfectly competitive

The ever changing world of complex internationational rules, laws and regulation ,even seasoned export/import professional may find themselves in unfamiliar situations .As we all know we are living in a global village and there is hardly anything that doesn't shift between border be it rations, home items , chemical goods and even automobile . Export –import trade is a regular practice for several manufacturing industries, and the basis for living for others .A comman saying is that exporting and importing has nothing much to do with products and a lot to do with documentation .It sound completely odd but it is true .The significance of correct paperwork cannot be underplayed in accurately organizing exporting and importing .Export –import credentials are the keystone of global trade and make the process easy to understand.

Creation of appropriate institutional framework and supportive environment facilitates the growth of external trade. In a developing country like India, the real barometer of sustained

International trade allows manufacturers and distributors to seek out products, services, and components produced in foreign countries. Companies acquire them because of cost advantages or in order to learn about advanced technical methods used abroad; for example, methods that help reduce the cost of production lower prices and in turn, induce more consumption thus producing increased profit. Trade also enables firms to acquire resources that are not available at home. Besides providing consumers with a variety of goods and services, international trade increases incomes and employment. In 1990, the number of U.S. jobs supported by merchandise exports to all foreign markets reached 7.2 million. U.S. merchandise exports to all foreign markets contributed to 25 percent of the growth in U.S. civilian jobs between 1986 and 1990 (Davies, 1992). It is estimated that each billion dollars of merchandise exports supports about 25,000 jobs. A survey of 3,032 small- and medium-sized manufacturing enterprises in Canada over a three year period (1994-1997) strongly indicates that growth in exports is associated with an increase in jobs (Lefebvre and Lefebvre, 2000). Even though imports are associated with loss of jobs due to plant closings or production cutbacks of domestic industries, the export job-generation effect is about 7.5 percent larger than the import job-loss effect (Belous and Wyckoff, 1987). During the 1979-1999 periods, about 6.4 million U.S. jobs were displaced due to import competition. Such losses are largely concentrated in electrical/nonelectrical machinery, apparel, motor vehicles, and blast furnaces. A quarter of displaced workers reported earning losses of about 30 percent, while 36 percent indicated comparable or higher earnings than from their previous job (Kletzer, 2001). Most occupations show a net job gain from an equal amount of exports and imports except for blue-collar occupations, which are shrinking in most developed countries due to increasing pressure from low-wage imports. Exports create high-wage employment. In a study of recent wage statistics, the U.S. Trade Representative's Office found that U.S. workers employed in export-related jobs earn 17 percent more than the average worker in the United States. Export-related wages are higher for manufacturing and service sector jobs. While service-related jobs generally pay less than manufacturing jobs, service jobs in the export sector were found to pay more on average than manufacturing jobs in the overall economy (U.S. Department of Commerce, 1994). A recent study on wages and trade finds a strong positive correlation between export intensity and wages. This could be partly explained by the fact that export intensive sectors tend to show higher levels of productivity than other firms. It is also consistent with economic theory, as industries in which a nation enjoys comparative advantage are likely to be those in which workers are more productive and therefore receive higher wages. It also shows that greater import penetration is associated with greater demand elasticity, which reduces workers 'bargaining power (Harless, 2006) economic development is the growth index of exports. Sustained growth in exports can only be accelerated by conducive framework. The primary objective and emphasis of the framework is towards accelerated development with the required regulation to support the framework structure. The role of regulation is to protect the interests of consumers, obtain conditions of competition and foster the institutional framework. The present regulatory framework in India is highly supportive. The attitude of the government, a very important aspect for faster pace, is poised in that direction to make the framework achieve the sustained growth, removing the bottlenecks, hindering the path of progress and development. Trade policy is one of the many economic instruments for achieving economic growth. The basic twin objectives of the trade policy have been to promote exports and restrict imports to the level of foreign exchange available in the country. The inherent problems of the country have been non-availability/acute shortage of crucial inputs like industrial raw materials, supporting relevant technology and required capital goods. The problems can be removed by imports. But, continuous imports are neither possible nor desirable. The gap between exports and imports is financed through borrowing and foreign aid. However, imports must be financed by exports, in the long run. The basic objective of the trade policy revolves round the instruments and techniques of export promotion and import management.

Creation of appropriate institutional framework and supportive environment facilitates the growth of external trade. In a developing country like India, the real barometer of sustained economic development is the growth index of exports. Sustained growth in exports can only be accelerated by conducive framework. The primary objective and emphasis of the framework is towards accelerated development with the required regulation to support the framework structure. The role of regulation is to protect the interests of consumers, obtain conditions of competition and foster the institutional framework. The present regulatory framework in India is highly supportive. The attitude of the government, a very important aspect for faster pace, is poised in that direction to make the framework achieve the sustained growth, removing the bottlenecks, hindering the path of progress and development

Foreign trade is recognized as the most significant determinants of economic development of a country, all over the world. For providing, regulating and creating necessary environment for its orderly growth, several Acts have been put in place. The foreign trade of a country consists of inward and outward movement of goods and services, which results into outflow and inflow of foreign exchange. The foreign trade of India is governed by the Foreign Trade (Development & Regulation) Act, 1992 and the rules and orders issued there under. Payments for import and export transactions are governed by Foreign Exchange Management Act, 1999. Customs Act, 1962 governs the physical movement of goods and services through various modes of transportation. To make India a quality producer and exporter of goods and services, apart from projecting such image, an important Act—Exports (Quality control & inspection) Act, 1963 has been in vogue. Developmental pace of foreign trade is dependent on the Export-Import Policy adopted by the country too. Even the Exim Policy 2002-2007 lays its stress to simplify procedures, sharply, to further reduce transaction costs. Today's international trade is not only highly competitive but also dynamic. Necessary responsive framework to make exports compete globally, is essential. In order to harness these gains from trade, the transaction costs, in turn dependent on the framework support, involved need to be low for trading within the country and for international trade. International trade is a vital part of development strategy and it can be an effective instrument of economic growth, employment generation and poverty alleviation. Market conditions change, almost daily, requiring quick response and more importantly, anticipation of the future requirements is the need of the hour. To gear with the changing requirements, it is essential that the framework has to remain in pace and change in anticipation, accordingly, and then only international trade can pick up the speed envisaged.

2. HISTORY OF FOREIGN TRADE POLICY

Historically, India ran a trade surplus for centuries together through export of spices, handicrafts, textiles etc. No restrictions on imports or exports were officially maintained. But, the situation changed after the British took over power. Before India got Independence, import of goods from Great Britain received official encouragement through Imperial preferences. There was a corresponding disincentive for import of goods from other countries.

Most of the importers were British. Most of the European powers were at loggerheads. The British traders naturally preferred to import from Britain or whenever convenient, from the British colonies. The bias for imports from Britain was inherent in the given situation.

Statutorily, it was the Sea Customs Act, 1878 that provided the basis for implementing the official bias in favour of imports from Britain. Goods originating from other countries could be simply charged higher import duties than the goods originating from Britain or territories favoured by Britain.

There was, however, no separate statutory mechanism or enactment to prohibit or restrict import of goods, except under the Sea Customs Act, 1878. In other words, goods could be freely imported provided the import duties were paid. Under the Sea Customs Act, 1878, only a few goods were subjected to import duties and the duty rates were also not too high. The Imperial government preferred Land Revenue as the principal means to raise revenues. Import duties did not constitute a significant share of the revenues.

The Government of India Act, 1935 granted the Central government the exclusive legislative powers to regulate import of goods into India and export of goods from India. However, this power was never used till 1947, when the Imports and Exports (Control) Act, 1947 was enacted. The need for the Act arose out of the consequences of the Second World War.

During the Inter-War years, quite a few Indian businessmen had taken to manufacturing as well as trading. The initial monopoly of British importers and exporters was being challenged. It was getting increasingly difficult to rely on only the loyalty of the British traders to ensure that most goods were imported only from Britain or British colonies.

The Second World War diverted significant resources to the War effort. A great deal of shipping space in the Indian Ports had to be surrendered for War purposes. The War caused severe shortages and the available foreign exchange had to be conserved for the War effort. Initially, the Govt. used the Defence of India Rules, 1939 to control imports of 68 commodities. Soon more and more commodities were brought under control through notifications. The end of Second World War meant the lapse of Defence of India Rules, 1939 but through the Emergency Provisions (Continuance) Ordinance, 1946, the Govt. continued the emergency provisions, including restrictions under Import Trade Control.

In 1947, the need was felt to replace the emergency provisions through a permanent enactment and that is how a specific statute, the Imports & Exports (Control) Act, 1947 came into effect on 25th March 1947.

The Imports & Exports (Control) Act, 1947 was enacted “to continue for a limited period, the powers to prohibit and/or control imports and exports”. The initial life of the Act was three years but it was extended from time to time till 1971. Thereafter, the Act ceased to be a temporary measure and became a permanent statute.

In the early fifties, the Indian Govt. took several measures to build an industrial base in the country. It allocated substantial resources for infrastructure building such as steel plants and developing the core sector. The private sector was also encouraged to set up industries in the non-core sector. These infant industries needed protection from influx of imported goods. So, the Govt. issued the Imports (Control) Order 1955 allowing most of the imports only against an import licence.

In 1976, far-reaching changes were made to the Imports & Exports (Control) Act, 1947. The amended Act gave the Central Government wider powers to prohibit, restrict and control the Imports and Exports Trade. The Act covered practically all articles of trade and manufacture except those permitted to be imported under a licence or customs clearance permit or an Open General Licence. The Exports (Control) Order 1988 held sway before liberalization process was launched in 1991.

In the meantime, the Sea Customs Act, 1878 was replaced by the Customs Act, 1962. Section 11 of the Customs Act, 1962 controlled the import and export of certain goods. The import and export of Gold, Silver, Currency Notes, Coins and securities were controlled under the provisions of Foreign Exchange Regulations Act, 1973.

In 1991, the Central Govt. ushered in economic reforms in the country. One of the basic aims of the reforms process was to progressively integrate the Indian economy with the rest of the world. The process called for progressive liberalization of controls and elimination of discretionary licensing for imports and exports. The legal framework had also to be amended so as to reflect the new realities.

The Government introduced in Parliament, the Foreign Trade (Development & Regulation) Bill, 1992 to provide for the development and regulation of foreign trade by facilitating imports into India and augmenting exports from India. As the Parliament was not in session, the President, promulgated the Foreign Trade (Development & Regulation) Ordinance no. 11 of 1992, on 19th June 1992.

The Foreign Trade (Development & Regulation) Act, 1992 replaced the Ordinance on 7th August 1992. The provisions of the Act were deemed to have come into force from 19th June 1992, except sections 11 to 14, which came into effect from 7th August 1992.

The Central Govt. used to notify the Import and Export Policy every year. The Policy book was known as the ‘Red Book’. In 1985, the Government started the practice of notifying three year Policy. The 1988-91 Policy, however, was prematurely terminated and replaced by the 1990-93 Policy. This Policy, inturn, died a premature death and gave way to a five year 1992-97 Policy and in 1997, the next five year Policy for the period 1997- 2002 was notified. The tenure of the policy was 5 years in order to provide stability and thereby minimize the uncertainties for exporters and importers. The Five year Policy for the period 2002- 07 was modified in 2004 with the change in government and was incorporated into the new five year Foreign Trade Policy for the period 2004-09.

The Import Policies prior to 1992 contained an Open General Licence or OGL under which specific goods could be imported by specific categories of importers subject to fulfillment of certain conditions. Similar Open General Licence was needed for exports. In 1992, the Policy was amended to do away with Open General Licence and allow imports and exports of all goods without a licence, except those specifically mentioned in a small negative list.

In 1995, the World Trade Organisation was established and India became one of the founder members of the WTO. As per the commitments under the Agreements of the WTO , India could maintain quantitative restrictions i.e import licensing only under certain exceptions namely on grounds of public health, safety, security etc. India, however, continued to maintain quantitative restrictions on grounds of Balance of Payments (BOP) difficulties. The quantitative restrictions were dismantled in April 2001 when the Balance of Payments difficulties had eased. The restrictions now in place are compatible with the commitments undertaken by India under the Agreements of the WTO.

To recapitulate, the objectives of the new Foreign Trade Policy are as below : (i) To double India's percentage share of global merchandise trade within the next five years; and (ii) To act as an effective instrument of economic growth by giving a thrust to employment generation. The new Foreign Trade Policy came into force from 1st September 2004 and will continue till 31st March 2009.

The annual supplement to the new Foreign Trade Policy announced on 11th April 2008 fine-tunes some of the provisions in response to the changing global trading environment and representations from the exporters and importers. 2.20 Some of these provisions include the liberalization of the EPCG Scheme by reduction in duty from 5% to 3%; additional duty credit under the Focus Product Scheme for export of sports goods and toys; additional credit under the VKGUY for exports of fresh fruits, vegetables and flowers; interest relief for exports affected by the appreciation of the rupee etc

Foreign Trade (Development & Regulation) Act, 1992:

Imports and exports are the two important components of a foreign trade. Foreign trade is the exchange of goods and services between the two countries, across their international borders.'Imports' imply the physical movement of goods into a country from another country in a legal manner. It refers to the goods that are produced abroad by foreign producers and are used in the domestic economy to cater to the needs of the domestic consumers. Similarly, 'exports' imply the physical movement of goods out of a country in a legal manner. It refers to the goods that are produced domestically in a country and are used to cater to the needs of the consumers in foreign countries. Thus, the imports and exports have made the world a local market. The country which is purchasing the goods is known as the importing country and the country which is selling the goods is known as the exporting country. The traders involved in such transactions are importers and exporters respectively.

In India, exports and imports are regulated by the Foreign Trade (Development and Regulation) Act, 1992, which replaced the Imports and Exports(Control) Act, 1947, and gave the Government of India enormous powers to control it. The salient features of the Act are as follows:-

* It has empowered the Central Government to make provisions for development and regulation of foreign trade by facilitating imports into, and augmenting exports from India and for all matters connected therewith or incidental thereto.
* The Central Government can prohibit, restrict and regulate exports and imports, in all or specified cases as well as subject them to exemptions.
* It authorizes the Central Government to formulate and announce an Export and Import (EXIM) Policy and also amend the same from time to time, by notification in the Official Gazette.
* It provides for the appointment of a Director General of Foreign Trade by the Central Government for the purpose of the Act. He shall advise Central Government in formulating export and import policy and implementing the policy.
* Under the Act, every importer and exporter must obtain a 'Importer Exporter Code Number' (IEC) from Director General of Foreign Trade or from the officer so authorised.
* The Director General or any other officer so authorised can suspend or cancel a licence issued for export or import of goods in accordance with the Act. But he does it after giving the licence holder a reasonable opportunity of being heard.
* As per the provisions of the Act , the Government of India formulates and announces an Export and Import policy (EXIM policy) and amends it from time to time. EXIM policy refers to the policy measures adopted by a country with reference to its exports and imports. Such a policy become particularly important in a country like India, where the import and export of items plays a crucial role not just in balancing budgetary targets, but also in the over all economic development of the country. The principal objectives of the policy are:-

- To facilitate sustained growth in exports of the country so as to achieve larger percentage share in the global merchandise trade.
- To provide domestic consumers with good quality goods and services at internationally competitive prices as well as creating a level playing field for the domestic producers.
- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods required for augmenting production and providing services.
- To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitiveness to meet the requirements of the global markets.
- To generate new employment opportunities and to encourage the attainment of internationally accepted standards of quality.

The Salient features of the Act are as follows:

(1) Objective: Development and regulation of foreign trade by facilitating imports and augmenting exports. (The objective of the repealed Act was to 'prohibit and control imports and exports')

(2) Section 3: Enables the Central Govt. to make development and regulation of foreign trade and prohibit, restrict or otherwise regulate import and export of goods

(3) Section 5: Enables the Central Govt. to formulate and announce the Export and Import Policy and also amend the Policy

(4) Section 6: Provides for appointment of Director General of Foreign Trade to advise the Central Govt. in the formulation of the Export and Import Policy and be responsible for implementation of the same.

(5) Section 7: Provides that any import/export can be made only by a person holding an Importer Exporter Code Number

(6) Sections 8 and 9: Provide for issue, renewal, refusal or cancellation of Importer Exporter Code Number or licence to export or import

(7) Sections 10 to 14: Provide for search and seizure, fiscal penalty/confiscation in the event of contravention, and adjudication and reasonable opportunity to the owner of goods

(8) Section 15 to 17: Provide for Appeal, Revision and powers of adjudicating and other authorities

(9) Section 18 to 20: Protects action taken in good faith, Central Govt.'s powers to make Rules, Repeal and Savings

3. EXPORT IMPORT DOCUMENTATIONAND POLICIES

- **Trade policy** is one of the many economic instruments for achieving economic growth. The basic twin objectives of the trade policy have been to promote exports and restrict imports to the level of foreign exchange available in the country. The inherent problems of the country have been non availability/acute shortage of crucial inputs like industrial raw materials, supporting relevant technology and required capital goods. The problems can be removed by imports. But, continuous imports are neither possible nor desirable. The gap between exports and imports is financed through borrowing and foreign aid. However, imports must be financed by exports, in the long run. The basic objective of the trade policy revolves round the instruments and techniques of export promotion and import management.

- **Foreign trade** is recognized as the most significant determinants of economic development of a country, all over the world. For providing, regulating and creating necessary environment for its orderly growth, several Acts have been put in place. The foreign trade of a country consists of inward and outward movement of goods and services, which results into outflow and inflow of foreign exchange. The foreign trade of India is governed by the Foreign Trade (Development & Regulation) Act, 1992 and the rules and orders issued there under. Payments for import and export transactions are governed by Foreign Exchange Management Act, 1999. Customs Act, 1962 governs the physical movement of goods and services through various modes of transportation. To make India a quality producer and exporter of goods and services, apart from projecting such image, an important Act—Exports (Quality control & inspection) Act, 1963 has been in vogue. Developmental pace of foreign trade is dependent on the Export-Import Policy adopted by the country too. Even the Exim Policy 2002-2007 lays its stress to simplify procedures, sharply, to further reduce transaction costs. Today's international trade is not only highly competitive but also dynamic. Necessary responsive framework to make exports compete globally, is essential. In order to harness these gains from trade, the transaction costs, in turn dependent on the framework support, involved need to be low for trading within the country and for international trade. International trade is a vital part of development strategy and it can be an effective instrument of economic growth, employment generation and poverty alleviation. Market conditions change, almost daily, requiring quick response and more importantly, anticipation of the future requirements is the need of the hour. To gear with the changing requirements, it is essential that the framework has to remain in pace and change in anticipation, accordingly, and then only international trade can pick up the speed envisaged.

- **SIMPLIFICATION IN DOCUMENTATION (Developments in August, 2005):**

❖ **DGFT Related Documentation at a Single Place:**

Importers and exporters have to fill multiple application forms at various stages of their business activity to meet procedural requirements of different Departments/Ministries under different Acts. The objective of Government has been to simplify procedures and reduce documentation requirements so as to reduce the transaction costs of the exporters and thereby increase their competitiveness in international markets. With this in mind, a Committee to look into procedural simplification and reduction of transaction costs has been set up under the Chairmanship of Director General of Foreign Trade. As a first step towards this exercise, the DGFT has devised a single common application form called 'Aayaat Niryaat Form'. This 50-page set of forms, as against the 120-page set currently in existence, provides availability of information on DGFT related Documentation at a single place. It has a web interface for on-line filing by exporters and retrieval of documents by the licensing authorities. This is a major leap towards paperless trading, in the series of initiatives in the direction of moving towards reduced paper transactions through procedural simplifications. A single common application form called "Aayaat Niryat Form" is being introduced, reducing the documentation requirements by more than 60%.

❖ **REDUCTION OF DOCUMENTS TO FIVE FOR CUSTOMS PURPOSES:**

Government has decided to do away with a number of declarations that exporters, presently, have to file under various promotion schemes, including duty drawback and duty entitlement pass book. The decision has been taken by the finance ministry in line with the recommendations of the sub-committee headed by the Chief Commissioner of Customs, Delhi. The panel has been formed to study the problems faced by traders under the present exports documentation procedure, following complaints from industry about cumbersome requirements that have often resulted in unnecessary delay and additional transaction costs. The sub-committee has comprised representatives from the Customs department, the Directorate General of Foreign Trade, the Reserve Bank of India, Fieo and the Delhi Exporters Association. After a scrutiny of requirements under the electronic data interface (EDI) system, the sub-committee has concluded that there are just five documents required for customs purposes. These include commercial invoice, packing list, self-declaration form, ARE-1 (application for removal of excisable goods for export) and the declarations pertaining to various export promotion schemes. While the identified documents can not be dispensed with, the sub-committee has stated that a number of documents being filed by exporters for various export promotion schemes have outlived their utility and do not serve any useful purpose. It has recommended 4 Export-Import Procedures, Documentation and Logistics that such declarations should be done away with. The revenue department, after going through the sub-committee's recommendations, has also decided not to ask for any declaration on the duty drawback scheme and the duty-free replenishment certificate scheme. The department has agreed to issue a suitable draft notice and standing order for guiding industry and staff, in this context.

- **The Customs Act, 1962:**

The Customs Act. 1962 is the basic Act for levy and collection of customs duty in India. I contain various provisions relating to imports and exports of goods and merchandize as well as baggage of persons arriving in India. The main purpose of Customs Act, 1962 is the prevention of illegal imports and exports of goods. The Act extends to the whole of the India. It was extended to Sikkim w.e.f 1st October 1979.

- **The Customs Tariff Act, 1975:**

All goods imported or exported from India at the rates specified under the Customs Tariff Act, 1975.The Act contains two schedules - Schedule 1 gives classification and rate of duties for imports, while schedule 2 gives classification and rates of duties for exports. In the present Act, the Tariff Schedule was replaced in 1986. The new Schedule is based on Harmonised System of Nomenclature (HSN) the internationally accepted Harmonised Commodity Description and Coding System.

Central Board of Excise and Customs (CBEC) is a part of the Department of Revenue under the Ministry of Finance, Government of India. It deals with the tasks of formulation of policy concerning levy and collection of Customs & Central Excise duties and Service Tax, prevention of smuggling and administration of matters relating to Customs, Central Excise, Service Tax and Narcotics to the extent under CBEC's purview. The Board is the administrative authority for its subordinate organizations, including Custom Houses, Central Excise and Service Tax Commissionerates and the Central Revenues Control Laboratory

CUSTOM DUTY is imposed under the **Indian Customs Act formulated in 1962** by the Constitution of India under the Article 265, which states that "no tax shall be levied or collected except by authority of law. So, the **Indian Custom** Act was introduced that allow the Central Government to collect the taxes under the name of Custom Duty.

Custom Duties are usually levied with ad valorem rates and their base is determined by the domestic value 'the **imported goods** calculated at the official **exchange rate**. Similarly, export duties are imposed on export values expressed in domestic **currency**.

Export duties are levied occasionally to clear up excess profitability in **international price** of goods in respect of which domestic prices may be low at given time. But the concept of import duty is wide and almost universal, except for a few goods like food grains, fertilizer, life saving drugs and equipment etc.

The Indian Customs Duties are major source of revenue for the Union Government and constitute around 30% of its tax revenues. Together with **Central Excise duties**, the contribution amount to nearly three-fourth of total tax revenue of the Union Government.

Custom duty not only raises money for the Central Government but also helps the government to prevent the illegal **imports** and illegal **exports** of goods from India. The Central government has emergency powers to increase import or export duties whenever necessary after a **notification** in the session of Parliament.

4. HISTORY OF INDIAN CUSTOMS

The Custom Duty in its present form dates back to 1786, when Bruisers formed the first Revenue Board in Calcutta. In 1808, a new **Trade Board** was introduced for **export and import of goods from India.** Once again, in 1859 Customs Duties Act was introduced in which provincial import duties were replaced by uniform Tariff Act and was applicable to all Indian territories within the country.

In the subsequent year several changes in the Custom Policy took places and are as follow:

- Sea Customs Act was passed by Government in 1878.
- Indian Tariff Act was passed in 1894.
- Air Customs having been covered under the India Aircrafts Act of 1911,
- Land Customs Act was passed in 1924.

After Independence, the Sea Customs Act and other allied enactments were repealed by a consolidating and amending legislation entitled the **Customs Act, 1962** (CA). Similarly the Act of 1934 was repealed by the**Customs Tariff Act, 1975(CTA**).

Governing Body:

As per Section12 of the India Customs Act, **Custom Duty** is imposed on Goods, belonging to Government as well as goods not belonging to Government. Section 2(22), gives inclusive definition of 'goods' as - 'Goods' includes:

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As per **Section12** of the India Customs Act, Custom Duty is imposed on Goods, belonging to Government as well as goods not belonging to Government. Section 2(22), gives inclusive definition of 'goods' as - 'Goods' includes:

- Vessels, aircrafts and vehicles

- Stores
- **Baggage**
- Currency and negotiable instruments and
- Any other kind of movable property.

Objectives of Custom Duties:

The customs duty is levied, primarily, for the following purpose:

- Restricting Imports for conserving foreign exchange.
- Protecting Indian Industry from undue competition.
- Prohibiting imports and exports of goods for achieving the policy objectives of the Government.
- Regulating export.
- Co-coordinating legal provisions with other laws dealing with foreign exchange such as **Foreign Trade Act,Foreign Exchange Regulation Act**, Conservation of **Foreign Exchange and Prevention of Smuggling Act,**etc.

Mode of Levy of Customs Duty:

Basically there are three modes of imposing Customs Duty:

1. **Specific Duties:** - Specific custom duty is a duty imposed on each and every unit of a commodity imported or exported. For example, Rs.5 on each meter of cloth imported or Rs.500 on each T.V. set imported. In this case, the value of commodity is not taken into consideration.

2. **Advalorem Duties:** Advalorem custom duty is a duty imposed on the total value of a commodity imported or exported. For example, 5% of F.O.B. value of cloth imported or 10% of C.LF. value of T.V. sets imported. In case of Advalorem custom duty, the physical units of commodity are not taken into consideration.

3. **Compound Duties:** - Compound custom duty is the combination of specific and advalorem custom duties. In this case, the quantities as well as the value of the commodity are taken into consideration while computing tariff. For example, 5% of F.O.B. value plus, 50 paisa per meter of cloth imported.

Decline in Customs Duty:

India's **customs tariff rates** have been declining since 1991. The "peak" rate has come down from 150% in 1991-2 to 40% in 1997-98. The downward momentum was reversed the next year with the imposition of a surcharge. This momentum has resumed with the reduction of the "peak" rate to 35% in 2001-2 and 30% in 2002-2003

Foreign Exchange Management Act, 1999 (FEMA) is an Act of the Parliament of India "to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India". It was passed in the winter session of Parliament in 1999, replacing the Foreign Exchange Regulation Act (FERA). This act makes offences related to foreign exchange civil offenses. It extends to the whole of India.,[1] replacing FERA, which had become incompatible with the pro-liberalisation policies of the Government of India. It enabled a new foreign exchange management regime consistent with the emerging framework of the World Trade Organisation (WTO). It also paved the way for the introduction of thePrevention of Money Laundering Act 2002, which came into effect from 1 July 2005.

Unlike other laws where *everything is permitted unless specifically prohibited*, under this act *everything was prohibited unless specifically permitted*. Hence the tenor and tone of the Act was very drastic. It required imprisonment even for minor offences. Under FERA a person was presumed guilty unless he proved himself innocent, whereas under other laws a person is presumed innocent unless he is proven guilty.

FEMA is a regulatory mechanism that enables the Reserve Bank of India and the Central Government to pass regulations and rules relating to foreign exchange in tune with the Foreign Trade policy of India.

FERA, in place since 1974, did not succeed in restricting activities such as the expansion of(TNCs). The concessions made to FERA in 1991-1993 showed that FERA was on the verge of becoming redundant.After the amendment of FERA in 1993, it was decided that the act would become the FEMA. This was done in order to relax the controls on foreign exchange in India, as a result of.FEMA served to make transactions for external trade and easier – transactions involving current account for external trade no longer required RBI's permission. The deals in Foreign Exchange were to be 'managed' instead of 'regulated'. The switch to FEMA shows the change on the part of the government in terms of for the capital.

The buying and selling of foreign currency and other debt instruments by businesses, individuals and governments happens in the foreign exchange market. Apart from being very competitive, this market is also the largest and most liquid market in the world as well as in India.It constantly undergoes changes and innovations, which can either be beneficial to a country or expose them to greater risks. The management of foreign exchange market becomes necessary in order to mitigate and avoid the risks.Central banks would work towards an orderly functioning of the transactions which can also develop their foreign exchange market.Foreign Exchange Market Whether under FERA or FEMA's control, the need for the management of foreign exchange is important. It is necessary to keep adequate amount of foreign exchange from Import Substitution to Export Promotion.

Main Features:

- Activities such as payments made to any person outside India or receipts from them, along with the deals in foreign exchange and foreign security is restricted. It is FEMA that gives the central government the power to impose the restrictions.

- Without general or specific permission of the MA restricts the transactions involving foreign exchange or foreign security and payments from outside the country to India – the transactions should be made only through an authorised person.

- Deals in foreign exchange under the current account by an authorised person can be restricted by the Central Government, based on public interest generally.

- Although selling or drawing of foreign exchange is done through an authorized person, the RBI is empowered by this Act to subject the capital account transactions to a number of restrictions.

- Residents of India will be permitted to carry out transactions in foreign exchange, foreign security or to own or hold immovable property abroad if the currency, security or property was owned or acquired when he/she was living outside India, or when it was inherited by him/her from someone living outside India.

EXPORT (QUALITY CONTROL AND INSPECTION) ACT, 1963:

EIC is the official certification body of the Government of India. It has been established under the Export (Quality Control and Inspection) Act, 1963 (22 of 1963), for advising the Central Government on measures to be taken for EIAs are the five Export Inspection Agencies having headquarters at Bombay, Calcutta, Cochin, Delhi & Madras. EIAs are autonomous bodies established by the Central Government under the Export (Quality Control and Inspection) Act, 1963 (22 of 1963), as the field organisations for implementing the policies of the Central Government with respect to quality control and / or pre – shipment inspection of export commodities from India.development of export trade through quality control & pre-shipment inspection.

The Export Inspection Council (EIC) was set up by the Government of India under Section 3 of the Export (Quality Control and Inspection) Act, 1963 (22 of 1963), in order to ensure sound development of export trade of India through Quality Control and Inspection and for matters connected thereof.

EIC is an advisory body to the Central Government, which is empowered under the Act to:

Notify commodities which will be subject to quality control and/ or inspection prior to export,

EIC is an advisory body to the Central Government, which is empowered under the Act to:

Notify commodities which will be subject to quality control and/ or inspection prior to export,

Establish standards of quality for such notified commodities, and

Specify the type of quality control and / or inspection to be applied to such commodities.

Besides its advisory role, the Export Inspection Council, also exercises technical and administrative control over the five Export Inspection Agencies (EIAs), one each at Channai, Delhi, Kochi, Kolkata and Mumbai established by the Ministry of Commerce, Government of India, under Section 7 of the Act for the purpose of implementing the various measures and policies formulated by the Export Inspection Council of India.

Export Inspection Council, either directly or through Export Inspection Agencies, its field organisation renders services in the areas of:

Certification of quality of export commodities through installation of quality assurance systems (In-process Quality Control and Self Certification) in the exporting units as well as consignment wise inspection.

Certification of quality of food items for export through installation of Food safety Management System in the food processing units.

Issue of Certificates of origin to exporters under various preferential tariff schemes for export products.

Organization Setup:

Under the Export Quality Control & Inspection Act, 1963, the Council, which is constituted by the Central Government, is the apex body, and has powers to constitute specialist committees to assist it in discharge of its functions. Accordingly, the Council has constituted Administrative Committee to advise it on administrative matters and a Technical Committee to advise it on technical matters Setup

5. DEEMED EXPORT

The transactions in which the supplied goods do not leave the country and the suppliers in India will receive the payment for these supplies either in the form of Indian rupees or in the form of free foreign exchange. In short, the supplied goods do not have to move out of the country to treat them as “deemed exports”.

The benefits available under deemed exports in terms of manufacture and supply of goods are as follows:

- Deemed exports drawback scheme which means under deemed exports the drawback at the fixed rate by the Ministry of Finance for the DGFT or his regional officers pay the goods physically exported.
- Special Import License” at the rate of 6% of the FOB value (excluding all the taxes and levies).
- Special Imprest License/Advance Intermediate License.
- Refund of terminal excise duty (means Central Excise Duty), if paid any, on the supplied good under deemed exports is refunded by the DGFT or his regional officers.
- The supplier will be entitled for the benefit of deemed exports drawback scheme, refund or terminal excise duty and Special Imprest License, if he has made the supplies against ARO (Advance Release Order) OR Back to Back Letter of Credit.
- The suppliers will be entitled to the above mentioned benefits except, (in terms of supply of capital goods to EPCG license holder) the benefit of special imprest license or deemed export drawback scheme will be available only in case the supplies are made up to 0 duty EPCG license holder.

Advance License:

An advance licence is granted for the import of inputs without payment of basic customs duty. Such licences shall be issued in accordance with the policy and procedure in force on the date of issue of the licence and shall be subject to the fulfillment of a time-bound export obligation, and value addition as maybe specified. Advance licences maybe either value based or quantity based.

As per the latest amendments to the EXIM Policy, the facility of Back to Back Inland Letter of Credit has been introduced, to enable an Advance Licence holder to source his inputs from domestic suppliers.

Value based advance license:

Under a value based advance licence, any of the inputs specified in the licence maybe imported within the total CIF value indicated for those inputs, except inputs specified as sensitive items.

Under a value based advance licence, both the quantity and the FOB value of the exports to be achieved shall be specified. It shall be obligatory on the part of the licence holder to achieve both the quantity and FOB value of the exports specified in the licence.

Amendments to the Advance License Scheme:

The Advance License Scheme has been expanded and liberalised with the amendments made to the EXIM Policy, announced on 31st March 1995.

- Modvat credit can be taken on inputs which go into the manufacture of export products, under the Advance License Scheme.
- Expansion of the concept of Advance Intermediate License, which hitherto was only quantity based to value based.
- Advance licenses can now be transferred after the export obligation has been fulfilled, and the bank guarantee or LUT redeemed.
- Drawbacks are permitted in respect of duty paid materials, which are imported or indigenous.
- Import of mandatory spares upto 5% of the CIF value of the license is now allowed.
- The list of sensitive items has been pruned. Flexibility has also been granted to the exporter for using the unutilized CIF value of sensitive items for importing non-sensitive items.

On the 1st of March, 1995, the Engineering Products Export (Replenishment of Iron and Steel Intermediates) scheme was announced as an alternative to the International Price Reimbursement Scheme, which was withdrawn in April 1994. Under the new scheme, primary steel producers would be able to import intermediates like coal and fuel, using advance licences, and then provide steel to engineering exporters at international .

INCOTERMS:

International Commercial Terms ('Incoterms') are internationally recognized standard trade terms used in sales contracts. They're used to make sure buyer and seller know:

- Who is responsible for the cost of transporting the goods, including insurance, taxes and duties
- Where the goods should be picked up from and transported to
- Who is responsible for the goods at each step during transportation The current set of Incoterms is Incoterms 2010. A copy of the full terms is available from the International Chamber of Commerce.

Incoterms are used in contracts in a 3-letter format followed by the place specified in the contract (e.g. the port or where the goods are to be picked up). There are different terms for sea and inland waterways (e.g. rivers and canals) compared to all other modes of transport. For more detail, including terms that were in use before 1 January 2011, please visit the International Chamber of Commerce (ICC) website. There are also example contracts and clauses available from the ICC. VAT isn't covered by Incoterms - you need to specify who pays the VAT on both imports and exports.

XW ('Ex Works') The seller makes the goods available to be collected at their premises and the buyer is responsible for all other risks, transportation costs, taxes and duties from that point onwards. This term is commonly used when quoting a price

FCA ('Free Carrier') The seller gives the goods, cleared for export, to the buyer's carrier at a specified place. The buyer is then responsible for getting transported to the specified place of final delivery. This term is commonly used for containers travelling by more than one mode of transport.

CPT ('Carriage Paid To') The seller pays to transport the goods to the specified destination. Responsibility for the goods transfers to the buyer when the seller passes them to the first carrier

CIP ('Carriage and Insurance Paid') The seller pays for insurance as well as transport to the specified destination. Responsibility for the goods transfers to the buyer when the seller passes them to the first carrier. CIP ('Carriage and Insurance Paid') is commonly used for goods being transported by container by more than one mode of transport. If transporting only by sea, CIF is often used

DAT ('Delivered at Terminal') The seller pays for transport to a specified terminal at the agreed destination. The buyer is responsible for the cost of importing the goods. The buyer takes responsibility once the goods are unloaded at the terminal.

DAP ('Delivered at Place') The seller pays for transport to the specified destination, but the buyer pays the cost of importing the goods. The seller takes responsibility for the goods until they're ready to be unloaded by the buyer.

DDP/DTP ('Delivered Duty Paid') The seller is responsible for delivering the goods to the named destination in the buyer's country, including all costs involved.

FAS ('Free Alongside Ship') The seller puts the goods alongside the ship at the specified port they're going to be shipped from. The seller must get the goods ready for export, but the buyer is responsible for the cost and risk involved in loading them. This term is commonly used for heavy-lift or bulk cargo (e.g. generators, boats), but not for goods transported in containers by more than one mode of transport.

FOB ('Free on Board') The seller must get the goods ready for export and load them onto the specified ship. The buyer and seller share the costs and risks when the goods are on board. This term is not used for goods transported in containers by more than one mode of transport (FCA is usually used for this).

CFR ('Cost and Freight') The seller must pay the costs of bringing the goods to the specified port. The buyer is responsible for risks when the goods are loaded onto the ship.

CIF ('Cost, Insurance and Freight') The seller must pay the costs of bringing the goods to the specified port. They also pay for insurance. The buyer is responsible for risks when the goods are loaded onto the ship.

6. CONCEPT AND ELEMENTS OF EXPORT SALES CONTRACT

Export Sales Contract (ESC) or Export Contract is defined as a contract whereby the exporter (seller) transfers or agrees to transfer the property in the goods to the importer (buyer) for a price. This definition impharases following essential elements of ESC.

1) It is a contract between two distinct parties, i.e. an exporter and an importer who must be competent to contract.

2) Goods which form the subject matter of the contract must be movables and may be either existing goods owned and possessed by the exporter or future goods (to be procured or manufactured).

3) The exporter transfers or agrees to transfer the property (ownership) in the goods to the importer. Transfer of general property in the goods or ownership is the essence of the contract of export sales.

4) The transfer of property in the goods from the exporter to the importer is for consideration which must be money, called the price. When goods are exchanged for goods it is not an export (or a sale) but a barter. When the consideration is partly in cash and partly in goods, the transaction is an export sale.

5) The other essential elements of a contract like the competency of the parties, lawful object and consideration, certainty of meaning etc. are also applicable to ESC.

You have learnt that the ESC involves two parties called exporter and importer. We would like to mention that an exporter is a person who exports or agrees to export and an importer is a person who imports or agrees to import goods. Export Sales Contract (ESC), like Domestic Sales Contract (DSC), includes both export (sale or outright sale) and an agreement to export (agreement to sell). Export or sale involves transfer of property in the goods at the time of making of the contract whereas an agreement to export or sell involves transfer of property in the goods subsequent to the making of the contract or at a future date or on the fulfilment of certain specified conditions. Export (sale) is an absolute and executed contract, whereas an agreement to export or sell is an executory and conditional contract. Since export transactions involve a foreign element and a lot of legal and other formalities, exports are hardly effected on the basis of sale or outright sale. In view of this, most exports are conducted on the basis of an agreement to sell which operate as a present agreement to sell future goods i.e. the goods which are yet to be either procured or produced for export after entering into a contract of sale. An agreement to export or sell becomes an export or actual sale at a future date when goods are ultimately exported or on fulfilment of certain specified conditions.acceptance (to sell or buy goods respectively) by the other party. The contract is made in writing or by word of mouth or partly in writing and partly by word of mouth. The contract may also be implied from the conduct of the parties or from the course of dealing between the parties. Although oral contracts are valid, it is always safe and secure to have a formal written contract.

Difference between ESC and DSC:

Although the essential elements of a valid ESC and those of the DSC are same, there are some differences between these two contracts. This is mainly because all export sales involve overseas parties which is absent in all domestic sales. The ESC (which legalises the export sales) involves parties who are called exporter and importer belonging to different countries. The price (consideration) under the ESC is quoted and realised in foreign currency. The goods (forming the subject matter of ESC) are exported across the boundary of the exporter's country. The applicable law and jurisdiction under the ESC may or may not be the exporter's country law and jurisdiction. The ESC is concluded subject to the provisions of certain laws on Foreign Exchange Regulations, Foreign Trade Development and Regulations etc., which are not relevant for domestic sales. Lastly, export sales are subjected to various legal and procedural formalities, policy and documents which are not applicable to domestic sales.

Principal Provisions of ESC:

The ESC needs to be comprehensive in terms of both structure and contents to avoid and or reduce the possibility of any differences and disputes between the parties which may arise due to various omissions and commissions. The comprehensiveness largely depends on the negotiating ability of the parties and the various aspects agreed to be incorporated in the contract ultimately. The exporter should try, to the extent possible, to include and incorporate all the relevant provisions and required details to make the ESC as comprehensive as possible to safeguard his interests. ESC is broadly, structured and divided into two parts namely: substantive part and regulatory part. The substantive part defines the contractual rights and obligations of the parties while the regulatory part contains provisions designed to regulate their commercial relations.

Keeping all this in view, the ESC should, by and large, contain the following clauses or provisions to make the contract reasonably comprehensive and standardised.

Substantive part:

1. Parties (name and address)
2. Product (specification/description)
3. Product Quality/Standards
4. Quantity
5. Price Per Unit
6. Total Value
7. Price Escalation
8. Currency
9. Packing details
10. Marking and labelling details
11. Mode of transport including Port of Shipment/discharge, part and transshipment.

7. CERTIFICATE OF ORIGIN

Certificate of Origin is an instrument which establishes evidence on origin of goods imported into any country.These certificates are essential for exporters to prove where their goods come from and therefore stake their claim to whatever benefits goods of Indian origin may be eligible for in the country of exports.

There are two categories of Certificate of Origin – (1) Preferential and (2) Non-Preferential

Preferential arrangement/scheme under which India is receiving tariff preferences for its exports are:

· Generalised System of Preferences (GSP)

Global System of Trade Preferences (GSTP)

SAARC Preferential Trading Agreement (SAPTA)

Asia-Pacific Trade Agreement (APTA)

India-SriLanka Free Trade Agreement (ISLFTA)

Indo-Thailand Free Trade Agreement

ndia-Malaysia Comprehensive Economic Cooperation Agreement (IMCECA)

India-Korea Comprehensive Economic Partnership Agreement (CEPA)

India-Japan Comprehensive Economic Partnership Agreement (IJCEPA)

Asean-India Free Trade Agreement

These Preferential arrangements/agreements prescribe Rules of Origin which have to be met for exports to be eligible for tariff preference.

Authorized agencies on charging a fee asprescribed by them provides services relating to issue of Certificate of Origin, including details regarding rules of origin, list of items covered by an agreement, extent of tariff preference, verification and certification n of eligibility.

Export Inspection Council (EIC) is agency authorized to print blank certificates.

Generalized System of Preferences (GSP):

It is a non-contractual instrument by which industrialized (developed) countries unilaterally and based on non-reciprocity extend tariff concessions to developing countries. Presently following countries extend tariffpreferences under their GSP Scheme:

(i)USA	(ii)New Zealand	(iii)Belarus
(iv)EU	(v)Japan	(vi)Russia
(vii)Canada	(viii)Norway	(ix)Australia (only to LDCs)
(x)Switzerland	(xi)Bulgaria	

Normally Customs of GSP offering countries require information in Form ‘A' (prescribed for GSP Rules of Origin) duly filled by exporters of beneficiary countries and certified by the authorized agencies.

List of agencies authorized to issue GSP Certificate of Origin is given at Appendix 4A to the Hand Book of Procedures vol.I

Global System of Trade Preference (GSTP):

UnderGSTP, tariff concessions are exchanged among developing countries who have signed agreement.Presently 46 countries are members of GSTP and India has exchanged tariff concessions with 12countries on a limited number of products.Export Inspection Council (EIC)is sole agency authorized to issue Certificate of Origin under GSTP.

SAARC Preferential Trading Agreement (SAPTA):

SAARC members namelyIndia, Pakistan, Nepal, Bhutan, Bangladesh, Sri Lanka and Maldives offering tariff concessions among SAARC countries. List of agencies authorized to issue Certificate of Origin is given at Appendix 4B to the Hand Book of Procedures vol.I(FIEO is one of the agencies authorized to issue Certificate)

Asia-Pacific Trade Agreement (APTA):

APTA offers liberalization of tariff and non-tariff barriers in order to expand trade in goods in Economic and Social Commission for Asia and Pacific (ESCAP) region.Presently Bangladesh, Sri Lanka, South Korea, India and China are exchanging tariff concessions under APTA.List of Agencies authorized to issue Certificate of Origin under APTA is given in Appendix 4B to the Hand Book of Procedures vol.I (FIEO is one of the agencies authorized to issue Certificate)

India-Sri Lanka Free Trade Agreement (ISLFTA):

This Free Trade Agreement is between India and Sri Lanka which offers tariff concession by the Governments of both countries.Export Inspection Council is sole agency to issue Certificate of Origin under this agreement.

India Afghanistan Preferential Trade Agreement:

This preferential trade agreement is betweenGovernments of India and Afghanistan.ExportInspection Council is the sole agency to issue Certificate of Origin under this Agreement.

India – Thailand Frame work Agreement for Free Trade Area:

India and Thailand have signed protocol to implement Early Harvest Scheme under India-Thailand Free Trade Agreement offering tariff preferences for imports on items of Early Harvest Scheme only to those products which satisfy Rules of Origin criteria notified by the Department of Revenue, Ministry of Finance vide notification no 101/2004-Customs dated 31.08.2004.Export Inspection Council is the sole agency to issue Certificate of Origin under this protocol.

India- Malaysia Comprehensive Economic Cooperation Agreement (IMCECA):

This Comprehensive Economic Cooperation agreement is between Government of India and Malaysia. Export Inspection Council is the sole agency to issue Certificate of Origin under this Agreement, with effect from 1st July 2011.

India-Korea Comprehensive Economic Partnership Agreement (CEPA)

The Government of India and the Republic of Korea have signed the Comprehensive Economic Partnership Agreement (CEPA) to liberalize and facilitate trade in goods and services and expand investment between the Countries. Export Inspection Council is the sole agency to issue **Certificate of Origin under this Agreement.**

India-Japan Comprehensive Economic Partnership Agreement (IJCEPA):

The Government of India and the Government of Japan have signed the Comprehensive Economic Partnership Agreement (CEPA) to increase investment opportunities and strengthen protection for investments and investment activities between the Countries. Export Inspection Council is the sole agency to issue Certificate of Origin under this Agreement.

8. COMMERCIAL INVOICE

A commercial invoice is a document used in foreign trade. It is used as a customs declaration provided by the person or corporation that is exporting an item across international borders.[1] Although there is no standard format, the document must include a few specific pieces of information such as the parties involved in the shipping transaction, the goods being transported, the country of manufacture, and the Harmonized System codes for those goods. A commercial invoice must also include a statement certifying that the invoice is true, and a signature. A commercial invoice is used to calculate tariffs, international commercial terms (like the Cost in a CIF) and is commonly used for customs purposes. Commercial invoices are in European countries not normally for payment. The definitive invoice for payment usually has only the words "invoice". This invoice can also be used as a commercial invoice if additional information is disclosed.

BILL OF LADING:

A legal document between the shipper of a particular good and the carrier detailing the type, quantity and destination of the good being carried. The bill of lading also serves as a receipt of shipment when the good is delivered to the predetermined destination. This document must accompany the shipped goods, no matter the form of transportation, and must be signed by an authorized representative from the carrier, shipper and receiver.

For example, suppose that a logistics company must transport gasoline from a plant in Texas to a gas station in Arizona via heavy truck. A plant representative and the driver would sign the bill of lading after the gas is loaded onto the truck. Once the gasoline is delivered to the gas station in Arizona, the truck driver must have the clerk at the station sign the document as well.

TYPES OF BILL OF LADING:

Bills of lading have a number of additional attributes, such as on-board, and received-for-shipment. An on-board bill of lading denotes that merchandise has been physically loaded onto a shipping vessel, such as a freighter or cargo plane. A received-for-shipment bill of lading denotes that merchandise has been received, but is not guaranteed to have already been loaded onto a shipping vessel. Such bills can be converted upon being load

CLAUSE BILL OF LADING:

A bill of lading that denotes that merchandise is in good condition upon being received by the shipping carrier is referred to as a "clean" bill of lading, while a bill of lading that denotes that merchandise has incurred damage prior to being received by the shipping carrier would be known as a foul or "claused" bill of lading. A claused bill of lading will have a statement (clause) written onto the bill of lading noting down any damage or other issues. Letters of credit usually will not allow for foul bills of lading.

ELECTRONIC BILL OF LADING:

For many years, the industry has sought a solution to the difficulties, costs and inefficiencies associated with paper bills of lading. The obvious answer is to make the bill an electronic document. Electronic bill of lading or eB/L is the legal and functional equivalent of a paper bill of lading

An electronic bill of lading (eB/L) must clearly replicate the core functions of a paper bill of lading, namely its functions as a receipt, as evidence of or containing the contract of carriage and, if negotiable, as a document of title.

AIRWAY BILL:

A document that accompanies goods shipped by an international courier to provide detailed information about the shipment and allow it to be tracked. The air waybill has multiple copies so that each party involved in the shipment can document it.
The bill contains the shipper's name and address, consignee's name and address, three letter origin airport code, three letter destination airport code, declared shipment value for customs, number of pieces, gross weight, a description of the goods and any special instructions (e.g,. "perishable"). It also contains the conditions of contract that describe the carrier's terms and conditions, such as its liability limits and claims procedures.

POST PARCEL RECEIPT:

The parcel post receipt is an acknowledgement showing that a postal service delivered a shipment to a particular recipient. The parcel post receipt can help prove that a shipment was indeed carried out by the service. The postmark date shows the day on which the item was dispatched. If an item is sent by airmail, the corresponding document is the airmail receipt.

INSURANCE CERTIFICATE OR POLICY:

The Certificate of Origin (CO) is required by some countries for all or only certain products. In many cases, a statement of origin printed on company letterhead will suffice. The exporter should verify whether a CO is required with the buyer and/or an experienced shipper/freight forwarder or the Trade Information Center.

Note: Some countries (i.e., numerous Middle Eastern countries) require that certificate of origin be notarized, certified by local chamber of commerce and legalized by the commercial section of the consulate of the destination country. For certain Middle Eastern countries, the National U.S.-Arab Chamber of Commerce may also provide such services.

For textile products, an importing country may require a certificate of origin issued by the manufacturer. The number of required copies and language may vary from country to country.

Certificate of Origin for claiming benefits under Free Trade Agreements:

Special certificates may be required for countries with which the United States has free trade agreements (FTAs). Watch our FTA webinar for more information. Some certificate of origin including those required by the North American Free Trade Agreement (NAFTA), and the FTAs with Israel and Jordan, are prepared by the *exporter*. Others including those required by the FTAs with Australia; the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) countries; Chile; and Morocco; are the *importer's* responsibility). Click on a specific country below to learn details on how to document origin.

- Australia (CO samples)

- Bahrain (importer to check with Govt. of Bahrain on format/information)
- CAFTA-DR (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras CO sample)
- Chile (CO sample)
- Israel (CO sample Note: The green form needs to be purchased from Vendor or US-Israel Chamber of Commerceor a publishing house.)
- Jordan (notarized generic certificate of origin required)
- Morocco (importer makes a claim on the basis of supporting evidence)
- NAFTA (CO sample and relevant videos)
- Singapore (No certificate of origin is required. However, the importer is required to produce the necessary permits together with an invoice, at the time of cargo clearance.)
- Peru (There is no prescribed format. However, specific information is required. See implementing instructions and sample certification guidance for Peru.
- Korea (There is no prescribed format. However, specific information is required. See documenting origin guidance and required data elements for certification for Korea.
- Panama (there is no prescribed format; however, specific information is required. Read implementing instructions and certification guidance for Panama and view a Panamanian Customs (optional) Sample Certificate of Origin.

9. BILL OF EXCHANGE

A written, unconditional order by one party (the drawer) to another (the drawee) to pay a certain sum, either immediately (a sight bill) or on a fixed date (a term bill), for payment of goods and/or services received. The drawee accepts the bill by signing it, thus converting it into a post-dated check and a binding contract.

A bill of exchange is also called a draft but, while all drafts are negotiable instruments, only "to order" bills of exchange can be negotiated. According to the 1930 Convention Providing A Uniform Law For Bills of Exchange and Promissory Notes held in Geneva (also called Geneva Convention) a bill of exchange contains: (1) The term bill of exchange inserted in the body of the instrument and expressed in the language employed in drawing up the instrument.

DEMAND BILL:

A demand bill is due for payment immediately after presentation, whereas a usance bill is due for payment after a certain specified fixed period time . A demand bill does not attract stamp duty, whereas ,the usance bill attract stamp duty .Bank normally purchases demand bill whereas usance bill discounted . Remuneration from the former is exchange , whereas in the latter case ,it is discount . A demand bill does not require acceptance , where as a usance bill to be accepted . The collecting bank against acceptance delivers documents of usance bill by the drawee or his authorised agent . In case of demand bill documents are delivered against full payment

LEGAL DOCUMENTS REQUIRED FOR EXPORTS FROM INDIA:

Export documents based on the functions performed by them are broadly classified into four types:

1. Commercial Documents

2. Regulatory Documents

3. Export Assistance Documents

4. Documents required by Importing Countries.

Let us now discuss the specific documents and functions performed by them under each category.

Commercial Documents:

1. Commercial Invoice:

This is the first basic and the only complete document in an export transaction. It is, in fact, a document of contents containing information about goods. Harmonized System Nomenclature (HSN), price charged, the terms of shipment and marks and numbers on the packages containing the merchandise.

The exporter needs this document for other purposes also such as:

(i) Obtaining export inspection certificate

(ii) Getting excise clearance

(iii) Getting customs clearance and

(iv) Securing such incentives as cash compensatory support (CCS) and import license.

This document is prepared at both the pre-shipment and post-shipment stages.

Besides commercial invoice, there is a proforma invoice also. It is a temporary commercial invoice which is sent by the exporter to the importer. It covers contemplated shipment which may or may not be made in future.

The importer requires this document for obtaining an import license and opening a letter of credit in favour of the exporter. With such obvious importance of proforma invoice, the exporter should cultivate a habit of sending proforma invoice to the importer, even if the same is not demanded.

2. Bill of Lading:

Bill of lading (B/L) is a document which is issued by the shipping company acknowledging that the goods mentioned therein are either being shipped or have been shipped. This is also an undertaking that the goods in like order and condition as received will be delivered to the consignee, provided that the freight specified therein has been duly paid.

Bill of lading serves three distinct functions:

(i) It is an evidence of the contract of affreightment (transport).

(ii) It is a receipt given by the shipping company for cargo received by it.

(iii) It is a document of title to the goods shipped.

The bill of lading gives the details about the exporter, carrying vessel, goods shipped, port of shipment, destination, consignee and the party to be notified on arrival of the goods at destination. Bill of ladings is made the sets.

3. Airway Bill:

In air carriage, the transport document is known as the airway bill. This document performs three functions of a forwarding note for the goods, receipt for the goods tendered, and authority to obtain delivery of goods. Since it is non-negotiable, so it does not carry the same validity as a bill of lading for sea transport carries.

4. Bill of Exchange (B/E):

Bill of exchange is an instrument or draft used for the payment in international / export business. It is an instrument in writing containing an unconditional order, signed by the marker, directing a certain person to pay a certain sum of money only to or to the order of a person or to the bearer of the instrument. The person to whom the bill of exchange is addressed is to pay either on demand or at a fixed or a determinable future.

There are three parties involved in a bill of exchange:

(i) The Drawer (Exporter):

The person who makes and executes the B/E or say, the person to whom payment is due.

(ii) The Drawee (Importer):

The person on whom the B/E is drawn and who is required to meet the terms of the document.

(iii) The Payee (Exporter or Exporter's Bank):

The party to receive the payment.

5. Letter of Credit:

It is a written instrument issued by the buyer's (importer's) bank, authorising the seller (exporter) to draw in accordance with certain terms and stipulating in a legal form that all such bills (drafts) will be honoured. Letter of credit provides the exporter with more security than open accounts or bills of exchange.

A commercial letter of credit involves the following three parties:

(i) The opener or importer – the buyer who opens the credit

(ii) The issuer – the bank that issues the letter of credit.

(iii) The beneficiary – the seller in whose favour the credit is opened.

Based on differing conditions, letters of credit may be of the following types:

(a) Revocable and Irrevocable:

In case of revocable letter of credit, the buyer or issuer can cancel or change an obligation at any time prior to payment without prior notice to the exporter or seller. When the letter is irrevocable, the buyer cannot cancel or change obligation without the exporter's permission.

(b) Confirmed and Unconfirmed:

In case of confirmed letter of credit, the payment is guaranteed by the issuing bank. When the letter is unconfirmed, no such guarantee is given by the bank.

(c) With and Without Recourse:

With recourse means if the buyer fails to pay the bank after a specified period, the bank can have recourse on the exporter. There is no such provision in the letter of credit without recourse.

Regulatory Documents:

1. Legal Documents for Export from India:

There are two types of regulatory documents:

(i) Documents needed for registration, and

(ii) Documents needed for shipment.

The first category documents include applications and other supporting documents for obtaining:

(i) Code number from the Reserve Bank of India (RBI),

(ii) Importers and exporters' code numbers from the Chief Controller of Imports and Exports,

(iii) Registration-cum-membership certificate (RCMC), etc.

The documents needed for shipment of goods include the following:

(i) GR Form:

It is required to be filled in duplicate for all exports other than by post. Both of the copies have to be submitted to the customs authorities at the port of shipment. They will retain the original copy to be sent to the Reserve Bank of India directly.

They will return the duplicate copy which is submitted to the negotiating bank along with other documents after shipment of goods. The negotiating bank sends the duplicate copy to the RBI after the export proceeds have been realised.

(ii) PP Form:

Exports to all countries by parcel post (PP), except when made on 'value payable' or 'cash on delivery' basis should be declared on PP forms.

(iii) VP/COD Form:

It is required to be filled in one copy for exports to all countries by post parcel under arrangements to realise proceeds through postal channels on 'value payable' or 'cash on delivery' basis.

(iv) EP Form:

Shipment to Afghanistan and Pakistan other than by post should be declared on EP forms.

(v) SOFTEX Form:

It is required to be prepared in triplicate for export of computer software in non-physical form.

2. Shipping Bill:

The shipping bill is the main document on the basis of which the custom's permission for export is given. Post parcel consignment requires customs declaration form to be filled in. There are three types of shipping bills available with the customs authorities.

These are:

(i) Free Shipping Bill:

It is used for export of goods for which there is no export duty.

(ii) Dutiable Shipping Bill:

Printed on yellow paper, it is used in case of goods which are subject to export duty/cess.

(iii) Drawback Shipping Bill:

It is usually printed on green paper and is used for export of goods entitled to duty drawback.

3. Marine Insurance Policy:

It is the basic instrument in marine insurance. A marine policy is a contract and a legal document which serves as evidence of the agreement between the insurer and the assured. The policy must be produced to press a claim in a court of law. An exporter must also put up the marine insurance policy as a collateral security when he gets an advance against his bank Credit.

Exports Assistance Documents:

For availing of a number of incentives and assistance, an exporter is required to fill in a number of documents.

Some of the important ones of these are discussed here:

1. Application Form for Registration:

Exporters desirous of availing themselves of the benefits of the import policy are required to register themselves with the appropriate registering authority such as Export Promotion Councils (EPC), Commodity Boards and Chief Controller of Imports and Exports (CCIE), New Delhi.

The application for registration should be accompanied by a certificate from the exporter's bankers in regard to his financial soundness. In case of a firm having branches, the application for registration shall be submitted only by the Head Office.

2. Allotment of Indigenous Raw Materials on Priority Basis:

Manufacturer- exporters may apply to the Director of Export Promotion, Ministry of Commerce, for replenishment of the indigenous materials used in the manufacture of goods for export.

3. Duty Drawback:

For claiming this incentive, the main document is the customs attested drawback copy of shipping bill. This is to be accompanied by other documents such as drawback payment order, final commercial invoice and a copy of bill of lading or airway bill, as the case may be.

4. REP License and CCS:

For claiming REP license and cash compensatory support (CCS), the exporter is required to prepare and file a number of documents.

The main documents in this regard are:

(i) Application in the prescribed form

(ii) Acknowledgement slip

(iii) Bank challan issued by the treasury for the application fee paid.

(iv) Advance receipt for cash assistance amount

(v) A duly certified copy of shipping bill.

(vi) Non-negotiable copy of bill of lading/airway bill.

Documents required by importing Countries:

In case of export business, the importing countries need some documents because of the legal necessity. These documents are obtained by the exporter and are sent to the importer.

Some of the well-known documents are as follows:

1. Consular Invoice:

It is usually issued on the specified form by the consulate of the importing country situated in the exporting country. It gives a declaration about the true value of goods shipped. The customs authorities of importing company charge valorem based on the value mentioned on consular invoice.

2. Certificate of Origin:

This certificate is issued by the independent bodies like chamber of commerce or export promotion council in the exporting country. This is a certification that the goods being exported were actually produced in that particular country.

3. GSP Certificate of Origin:

Goods which get the benefit preferential import-duty treatment in countries which implement the Generalised System of Preferences (GSP) should be accompanied by the GSP certificate of origin. This certificate is given on the forms prescribed by the importing countries.

4. Customs Invoices:

It is also made out on a specified form prescribed by the customs authority of the importing country. The details given on the document will enable the customs authority of the importing country to levy and charge import duty.

5. Certified Invoice:

This is the self-certified invoice by the exporter about the origin of the goods.

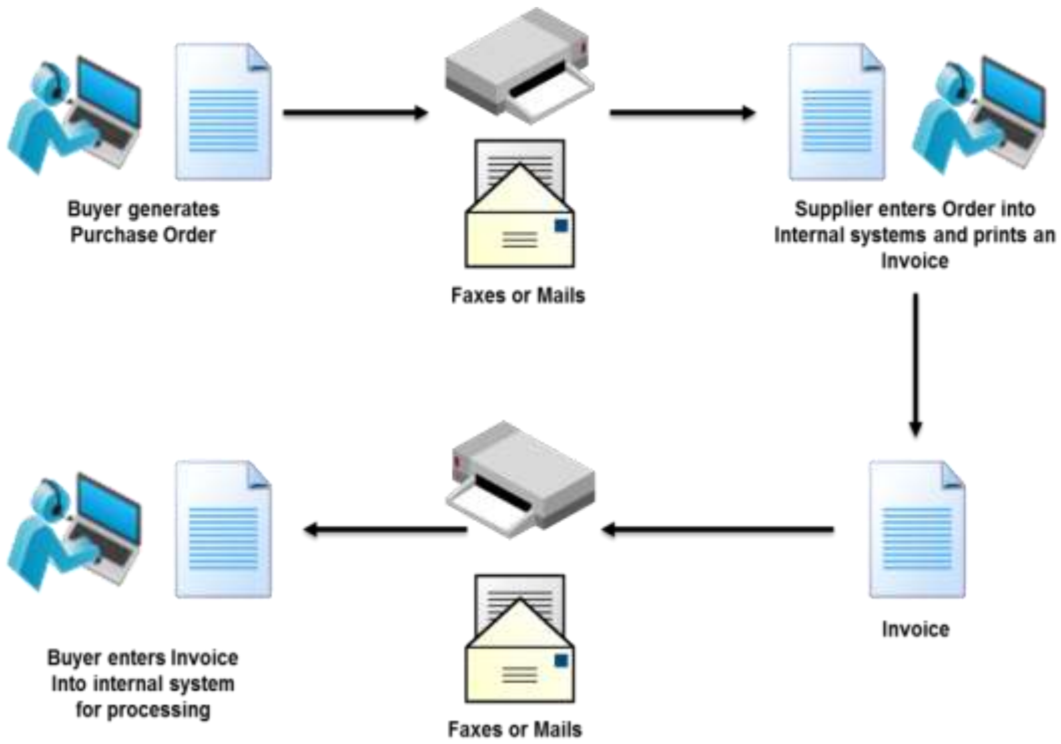
10. ELECTRONIC DATA INTERCHANGE

Electronic Data Interchange (EDI) is the computer-to-computer exchange of business documents in a standard electronic format between business partners.

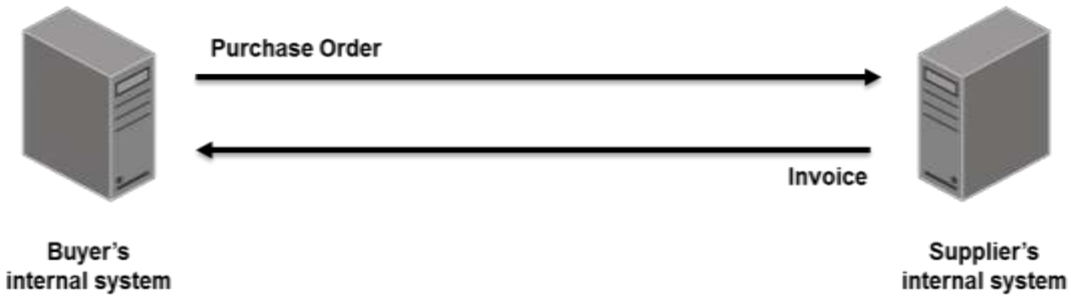
By moving from a paper-based exchange of business document to one that is electronic, businesses enjoy major benefits such as reduced cost, increased processing speed, reduced errors and improved relationships with business partners. Learn more about the benefits of EDI here. »

Each term in the definition is significant:

- **Computer-to-computer**– EDI replaces postal mail, fax and email. While email is also an electronic approach, the documents exchanged via email must still be handled by people rather than computers. Having people involved slows down the processing of the documents and also introduces errors. Instead, EDI documents can flow straight through to the appropriate application on the receiver's computer (e.g., the Order Management System) and processing can begin immediately. A typical manual process looks like this, with lots of paper and people involvement:



The EDI process looks like this — no paper, no people involved:



- **Business documents** – These are any of the documents that are typically exchanged between businesses. The most common documents exchanged via EDI are purchase orders, invoices and advance ship notices. But there are many, many others such as bill of lading, customs documents, inventory documents, shipping status documents and payment documents.

- **Standard format**– Because EDI documents must be processed by computers rather than humans, a standard format must be used so that the computer will be able to read and understand the documents. A standard format describes what each piece of information is and in what format (e.g., integer, decimal, mmddyy). Without a standard format, each company would send documents using its company-specific format and, much as an English-speaking person probably doesn't understand Japanese, the receiver's computer system doesn't understand the company-specific format of the sender's format.

○ There are several EDI standards in use today, including ANSI, EDIFACT, TRADACOMS and ebXML. And, for each standard there are many different versions, e.g., ANSI 5010 or EDIFACT version D12, Release A. When two businesses decide to exchange EDI documents, they must agree on the specific EDI standard and version.

○ Businesses typically use an EDI translator – either as in-house software or via an EDI service provider – to translate the EDI format so the data can be used by their internal applications and thus enable straight through processing of documents.

- **Business partners** – The exchange of EDI documents is typically between two different companies, referred to as business partners or trading partners. For example, Company A may buy goods from Company B. Company A sends orders to Company B. Company A and Company B are business partners.

ELECTRONIC DATA INTERCHANGE FOR ADMINISTRATION COMMERCE AND TRANSPORT:

United Nations/Electronic Data Interchange For Administration, Commerce and Transport (**UN/EDIFACT**) is the international EDI standard developed under the United Nations.

In 1987, following the convergence of the UN and US/ANSI syntax proposals, the UN/EDIFACT Syntax Rules were approved as the ISO standard ISO 9735 by the International Organization for Standardization.

The EDIFACT standard provides:

- a set of syntax rules to structure data
- an interactive exchange protocol (I-EDI)
- standard messages which allow multi-country and multi-industry exchange

The work of maintenance and further development of this standard is done through the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) under the UN Economic Commission for Europe, in the Finance Domain working group UN CEFACT TBG5.

11. VALUE-ADDED NETWORK

A private network provider hired by a company to facilitate electronic data interchange (EDI) and/or provide other network services such as message encryption, secure email and management reporting. A Value-Added Network (VAN) simplifies the communications process by reducing the number of parties with which a company needs to communicate. The VAN accomplishes this by acting as an intermediary between business partners that share standards based or proprietary data. VANs may be operated by large companies for efficient supply chain management with their suppliers, or by industry consortiums or telcos. VANs usually operate in a mailbox setting, wherein a company sends a transaction to a VAN and the VAN places it in the receiver's mailbox. The receiver contacts the VAN and picks up the transaction, and then sends a transaction of its own. The system is similar to email, except that it is used for standardized structured data rather than unstructured text.

The ubiquity of the internet has lessened the attraction of VANs, largely due to cost considerations, since it is much more cost-effective to move data over the internet than to pay the minimum monthly fees and per-character charges included in typical VAN contracts. VANs have countered the challenge from the internet by focusing on specific industry verticals such as healthcare, retail and manufacturing, and by expanding the range of services they offer customers.

CENTRAL EXCISE CLEARANCE:

All goods produced or manufactured in India, other than alcoholic liquors, opium and narcotic substances, attract a federal commodity tax called Central Excise Duty. This tax is in a way comparable to Value Added Tax though it is confined to the manufacturing stage.

The nomenclature adopted for levying this duty is by and large aligned with the Customs Tariff nomenclature and generally the rates applied are ad-valorem in nature. Over the years , the incidence of this duty has been lowered and at present the average incidence of this duty is around 20%.

Registration:

Every manufacturer of excisable goods, other than 'nil' rated goods, has to get registered before commencing production.

Assessment and Clearance Procedure:

- All dutiable goods can be removed from a factory only on payment of duty. Exceptions to this rule are goods permitted to be removed in bond(e.g. petroleum products).
- Before removal of dutiable goods, a declaration giving the description of the goods manufactured , the tariff heading, sub heading, and the effective rate of duty is required to be filed.
- This declaration serves as the basis for assessment of duty.
- Manufacturers generally operate under self removal procedure. They determine and pay the duty on the goods before their removal from the place of manufacture.

- This procedure is applicable to all goods except tobacco products, including cigarettes, which are under physical control system.In respect of the latter, the assessment and removal is supervised by the central Excise officers.

- Manufacturers maintain records on production, stogage, and removal of excisable goods. They maintain on their own a duty payment account showing deposits made in the bank as 'Credit' and duty paid on removal as 'Debit'.

- The manufacturers file a monthly return indicating production, clearances, duty paid, goods cleared for exports under bond(without payment of duty) or on payment of duty for subsequent rebate.

- The return is assessed by the Tax Officer and in case of any under or excess payment the manufacturer/assessee is required to pay the dues or is given a refund.

Valuation of Goods:

Goods subject to advalorem duties are valued for assessment on the basis of invoice price. Such a price should , however not be one influenced by any relationship between the seller and buyer.

Central Value Added Tax (CENVAT):

- Duty paid on inputs that go into the manufacture of a final product is given as credit to the manufacturers under the CENVAT scheme.

- This scheme has also been extended to capital goods used for manufacturing process. The policy thrust is towards a full fledged VAT.

Dispute Settlement:

- Disputes between an assessee and the department, are resolved through quasi-judicial proceedings by the departmental officers and a tax tribunal.

- The appellate authorities function in an independent manner and observe the due process of law and the principles of natural justice

- Settlement commission has been set up to settle the disputes between the assessee and the department after the issuance of Show Cause Notice by the Department.

Tax on Services:

- A tax on a few selected services is levied as a percentage of the value of services or billed amounts

- This tax is attracted on telephones, sharebroking, insurance, radio paging, advertising and courier services.

12. INDIA NEW FOREIGN TRADE PROCEDURE 2015-2020

Exim Policy or **Foreign Trade Policy** is a set of guidelines and instructions established by the **DGFT** in matters related to the import and export of goods in India.

The **Foreign Trade Policy** of India is guided by the Export Import in known as in short **EXIM Policy** of the Indian Government and is regulated by the **Foreign Trade Development and Regulation Act, 1992**.

DGFT (Directorate General of Foreign Trade) is the main governing body in matters related to Exim Policy. The main objective of the Foreign Trade (Development and Regulation) Act is to provide the development and**regulation of foreign trade** by facilitating imports into, and augmenting exports from India. Foreign Trade Act has replaced the earlier law known as the imports and Exports (Control) Act 1947.

EXIM Policy:

Indian **EXIM Policy** contains various policy related decisions taken by the government in the sphere of Foreign Trade, i.e., with respect to imports and exports from the country and more especially **export promotion measures**, policies and procedures related thereto. Trade Policy is prepared and announced by the Central Government (Ministry of Commerce). India's Export Import Policy also know as Foreign Trade Policy, in general, aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payments position.

History of Exim Policy of India:

In the year 1962, the Government of India appointed a special **Exim Policy** Committee to review the government previous export import policies. The committee was later on approved by the Government of India. Mr. V. P. Singh, the then Commerce Minister and announced the Exim Policy on the 12th of April, 1985. Initially the EXIM Policy was introduced for the period of three years with main objective to boost the **export business** in India

Exim Policy Documents:

The Exim Policy of India has been described in the following documents:

- **Interim New Exim Policy 2009 - 2010**
- Exim Policy: 2004- 2009
- Handbook of Procedures Volume I
- Handbook of Procedures Volume II
- ITC(HS) Classification of Export- Import Items

The major information in matters related to export and import is given in the document named "Exim Policy 2002-2007".

An exporter uses the **Handbook of Procedures Volume-I** to know the procedures, the agencies and the documentation required to take advantage of a certain provisions of the Indian EXIM Policy. For example, if an exporter or importer finds out that paragraph 6.6 of the **Exim Policy** is important for his export business then the exporter must also check out the same paragraph in the Handbook of Procedures Volume- I for further details.

The **Handbook of Procedures Volume-II** provides very crucial information in matters related to the **Standard Input-Output Norms (SION).** Such Input output norms are applicable for the products such as **electronics**, **engineering, chemical**, **food** products including **fish and marine** products, **handicraft**, **plastic** and **leather** products etc. Based on SION, exporters are provided the facility to make duty-free import of inputs required for manufacture of export products under the

Duty Exemption Scheme or Duty Remission Scheme:

The **Export Import Policy** regarding import or export of a specific item is given in the **ITC- HS Codes** or better known as **Indian Trade Clarification Code** based on Harmonized System of Coding was adopted in India for import-export operations. **Indian Custom** uses an eight digit ITC-HS Codes to suit the national trade requirements. ITC-HS codes are divided into two schedules. Schedule I describe the rules and **exim guidelines** related to import policies where as **Export Policy Schedule II** describe the rules and regulation related to export policies. Schedule I of the ITC-HS code is divided into 21 sections and each section is further divided into chapters. The total number of chapters in the schedule I is 98. The chapters are further divided into sub-heading under which different HS codes are mentioned.

ITC(Hs) Schedule II of the code contain **97 chapters** giving all the details about the **Export Import Guidelines** related to the export policies.

Objectives Of The Exim Policy:

Government control import of non-essential items through the **EXIM Policy**. At the same time, all-out efforts are made to promote exports. Thus, there are two aspects of Exim Policy; the import policy which is concerned with regulation and management of imports and the export policy which is concerned with exports not only promotion but also regulation. The main objective of the Government's EXIM Policy is to promote exports to the maximum extent. Exports should be promoted in such a manner that the economy of the country is not affected by unregulated **exportable items** specially needed within the country. Export control is, therefore, exercised in respect of a limited number of items whose supply position demands that their exports should be regulated in the larger interests of the country. In other words, the main objective of the Exim Policy is:

- To accelerate the economy from low level of economic activities to high level of economic activities by making it a globally oriented vibrant economy and to derive maximum benefits from expanding global market opportunities.

- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components,' consumables and capital goods required for augmenting production.
- To enhance the techno local strength and efficiency of Indian agriculture, industry and services, thereby, improving their competitiveness.
- To generate new employment.
- Opportunities and encourage the attainment of internationally accepted standards of quality.
- To provide quality consumer products at reasonable prices.

Governing Body of Exim Policy:

The Government of India notifies the Exim Policy for a period of five years (1997-2002) under Section 5 of the**Foreign Trade (Development and Regulation Act), 1992**. The current **Export Import Policy** covers the period 2002-2007. The Exim Policy is updated every year on the 31st of March and the modifications, improvements and new schemes became effective from 1st April of every year.

Exim Policy 1992 -1997:

In order to liberalize imports and boost exports, the Government of India for the first time introduced the Indian Exim Policy on April I, 1992. In order to bring stability and continuity, the Export Import Policy was made for the duration of 5 years. However, the Central Government reserves the right in public interest to make any amendments to the trade Policy in exercise of the powers conferred by Section-5 of the Act. Such amendment shall be made by means of a **Notification** published in the Gazette of India.

Export Import Policy is believed to be an important step towards the economic reforms of India.

Exim Policy 1997 -2002:

With time the Exim Policy 1992-1997 became old, and a **New Export Import Policy** was need for the smooth functioning of the Indian export import trade. Hence, the Government of India introduced a new Exim Policy for the year 1997-2002. This policy has further simplified the procedures and educed the interface between exporters and the **Director General of Foreign Trade (DGFT)** by reducing the number of documents required for export by half. Import has been further liberalized and better efforts have been made to promote Indian exports in international trade.

Objectives of the Exim Policy 1997 -2002:

The principal objectives of the Export Import Policy 1997 -2002 are as under:

- To accelerate the economy from low level of economic activities to high level of economic activities by making it a globally oriented vibrant economy and to derive maximum benefits from expanding global market opportunities.
- To motivate sustained economic growth by providing access to essential raw materials, intermediates, components,' consumables and capital goods required for augmenting production.
- To improve the technological strength and efficiency of Indian agriculture, industry and services, thereby, improving their competitiveness.
- To create new employment. Opportunities and encourage the attainment of internationally accepted standards of quality.
- To give quality consumer products at practical prices.

Highlights of the Exim Policy 1997-2002:

1. Period of the Exim Policy:

• This policy is valid for five years instead of three years as in the case of earlier policies. It is effective from 1st April 1997 to 31st March 2002.

2. Liberalization:

• A very important feature of the policy is liberalization.

• It has substantially eliminated licensing, quantitative restrictions and other regulatory and discretionary controls. All goods, except those coming under negative list, may be freely imported or exported.

3. Imports Liberalization:

• Of 542 items from the restricted list 150 items have been transferred to Special Import Licence (SIL) list and remaining 392 items have been transferred to Open General Licence (OGL) List.

4. Export Promotion Capital Goods (EPCG) Scheme:

• The duty on imported capital goods under

EPCG Scheme has been reduced from 15% to 10%.

• Under the zero duty EPCG Scheme, the threshold limit has been reduced from Rs. 20 crore to Rs. 5 crore for agricultural and allied Sectors

5. Advance Licence Scheme:

• Under Advance License Scheme, the period for export obligation has been extended from 12 months to 18 months.
• A further extension for six months can be given on payment of 1 % of the value of unfulfilled exports.

6. Duty Entitlement Pass Book (DEPB) Scheme:

• Under the **DEPB Scheme** an exporter may apply for credit, as a specified percentage of FOB value of exports, made in freely convertible currency.

• Such credit can be can be utilized for import of raw materials, intermediates, components, parts, packaging materials, etc. for export purpose.

Impact of Exim Policy 1997 –2002:

(a) Globalization of Indian Economy:

The Exim Policy 1997-02 proposed with an aim to prepare a framework for globalizations of Indian economy. This is evident from the very first objective of the policy, which states. "To accelerate the economy from low level of economic activities to- high level of economic activities by making it a globally oriented vibrant economy and to derive maximum benefits from expanding global market opportunities."

(b) Impact on the Indian Industry:

In the EXIM policy 1997-02, a series of reform measures have been introduced in order to give boost to India's industrial growth and generate employment opportunities in non-agricultural sector. These include the reduction of duty from 15% to 10% under EPCG scheme that enables Indian firms to import capital goods and is an important step in improving the quality and productivity of the Indian industry.

(c) Impact on Agriculture:

Many encouraging steps have been taken in the Exim Policy 1997-2002 in order to give a boost to Indian agricultural sector. These steps includes provision of additional SIL of 1 % for export of agro products, allowing**EOU's** and other units in EPZs in agriculture sectors to 50% of their output in the domestic tariff area (DTA) on payment of duty.

(d) Impact on Foreign Investment.

In order to encourage foreign investment in India, the Exim Policy 1997-02 has permitted 100% foreign equity participation in the case of 100% EOUs, and units set up in EPZs.

(e) Impact on Quality up gradation:

The SIL entitlement of exporters holding ISO 9000 certification has been increased from 2% to 5% of the FOB value of exports, which has encouraged Indian industries to undertake research and development programmers and upgrade the quality of their products.

(f) Impact on Self-Reliance:-

The Exim Policy 1997-2002 successfully fulfills one of the India's long terms objective of Self-reliance. The Exim Policy has achieved this by encouraging domestic sourcing of raw materials, in order to build up a strong domestic production base. New incentives added in the Exim Policy have also added benefits to the exporters.

Exim Policy 2002 – 2007

The Exim Policy 2002 - 2007 deals with both the export and import of merchandise and services. It is worth mentioning here that the Exim Policy: 1997 - 2002 had accorded a status of exporter to the business firm exporting services with effect from1.4.1999. Such business firms are known as Service Providers.

Objectives of the Exim Policy: 2002 – 2007:

The main objectives of the Export Import Policy 2002-2007 are as follows:

1. To encourage economic growth of India by providing supply of essential raw materials, intermediates, components, consumables and capital goods required for augmenting production and providing services.

2. To improve the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities and encourage the attainment of internationally accepted standards of quality; and

3. To provide consumers with good quality products and services at internationally competitive prices while at the same time creating a level playing field for the domestic producers.

Main Elements of Exim Policy 2004-2009:

The new Exim Policy 2004-2009 has the following main elements:

- Preamble
- Legal Framework
- Special Focus Initiatives
- Board Of Trade
- General Provisions Regarding Imports And Exports
- Promotional Measures
- Duty Exemption / Remission Schemes
- Export Promotion Capital Goods Scheme
- Export Oriented Units (EOUs),Electronics Hardware Technology Parks (EHTPS), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs)
- Special Economic Zones
- Free Trade & Warehousing Zones
- Deemed Exports

Permeable of Exim Policy 2004-2009: It is a speech given by the Ministry of Commerce and Industries. The speech for the Exim Policy 2004-2009 was given by Kamal Nath, on 31ST AUGUST, 2004.

Legal Framework of Exim Policy 2004-2009:

1.1 Preamble:

The Preamble spells out the broad framework and is an integral part of the Foreign Trade Policy.

1.2 Duration:

In exercise of the powers conferred under Section 5 of The Foreign Trade (Development and Regulation Act), 1992 (No. 22 of 1992), the Central Government hereby notifies the Exim Policy for the period 2004-2009 incorporating the Export Import Policy for the period 2002-2007, as modified. This Policy shall come into force with effect from 1st September, 2004 and shall remain in force up to 31st March, 2009, unless as otherwise specified.

1.3 Amendments:

The Central Government reserves the right in public interest to make any amendments to this Policy in exercise of the powers conferred by Section-5 of the Act. Such amendment shall be made by means of a Notification published in the Gazette of India.

1.4 Transitional Arrangements:

Notifications made or Public Notices issued or anything done under the previous Export / Import policies and in force immediately before the commencement of this Policy shall, in so far as they are not inconsistent with the provisions of this Policy, continue to be in force and shall be deemed to have been made, issued or done under this Policy.

Licenses, certificates and permissions issued before the commencement of this Policy shall continue to be valid for the purpose and duration for which such licence; certificate or permission was issued unless otherwise stipulated.

1.5 Free Export Import:

In case an export or import that is permitted freely under Export Import Policy is subsequently subjected to any restriction or regulation, such export or import will ordinarily be permitted notwithstanding such restriction or regulation, unless otherwise stipulated, provided that the shipment of the export or import is made within the original validity of an irrevocable letter of credit established before the date of imposition of such restriction.

Special Focus Initiative of Exim Policy 2004-2009:

With a view to doubling our percentage share of global trade within 5 years and expanding employment opportunities, especially in semi urban and rural areas, certain **special focus initiatives** have been identified for agriculture, handlooms, handicraft, gems & jewellery, leather and Marine sectors.

Government of India shall make concerted efforts to promote exports in these sectors by specific sectoral strategies that shall be notified from time to time.

Board of Trade of Exim Policy 2004-2009:

BOT has a clear and dynamic role in advising government on relevant issues connected with foreign trade.

- To advise Government on Policy measures for preparation and implementation of both short and long term plans for increasing exports in the light of emerging national and international economic scenarios;
- To review export performance of various sectors, identify constraints and suggest industry specific measures to optimize export earnings;
- To examine existing institutional framework for imports and exports and suggest practical measures for further streamlining to achieve desired objectives;
- To review policy instruments and procedures for imports and exports and suggest steps to rationalize and channelize such schemes for optimum use;
- To examine issues which are considered relevant for promotion of India's foreign trade, and to strengthen international competitiveness of Indian goods and services; and
- To commission studies for furtherance of above objectives.

General Provisions Regarding Exports and Imports of Exim Policy 2004-2009:

The Export Import Policy relating to the general provisions regarding exports and Imports is given in Chapter-2 of the Exim Policy.

Countries of Imports/Exports - Unless otherwise specifically provided, import/ export will be valid from/to any country. However, import/exports of arms and related material from/to Iraq shall be prohibited.

The above provisions shall, however, be subject to all conditionality, or requirement of licence, or permission, as may be required under **Schedule II of ITC (HS).**

Promotional Measures of Exim Policy 2004-2009:

The Government of India has set up several institutions whose main functions are to help an exporter in his work. It would be advisable for an exporter to acquaint him with these institutions and the nature of help that they can provide so that he can initially contact them and have a clear picture of what help he can expect of the organized sources in his export effort. Some of these institution are as follows.

Export Promotion Councils

Commodity Boards

Marine Products Export Development Authority

Agricultural & Processed Food Products Export Development Authority

Indian Institute of Foreign Trade

India Trade Promotion Organization (ITPO)

National Centre for Trade Information (NCTI)

Export Credit Guarantee Corporation (ECGC)

Export-Import Bank

Export Inspection Council

Indian Council of Arbitration

Federation of Indian Export

Organizations

Department of Commercial Intelligence and Statistics

Directorate General of Shipping

Freight Investigation Bureau

Duty Exemption / Remission Schemes of Exim Policy 2004-2009:

The Duty Exemption Scheme enables import of inputs required for export production. It includes the following exemptions-

Duty Drawback: - The **Duty Drawback Scheme** is administered by the Directorate of Drawback, Ministry of Finance. Under Duty Drawback scheme, an exporter is entitled to claim

Indian Customs Duty paid on the imported goods and **Central Excise Duty** paid on indigenous raw materials or components.

Excise Duty Refund: - **Excise Duty** is a tax imposed by the Central Government on goods manufactured in India. Excise duty is collected at source, i.e., before removal of goods from the factory premises. Export goods are totally exempted from central excise duty.

Octroi Exemption: - Octroi is a duty paid on manufactured goods, when they enter the municipal limits of a city or a town. However, export goods are exempted from Octroi.

The **Duty Remission Scheme** enables post export replenishment/ remission of duty on inputs used in the export product. **DEPB:** Duty Entitlement Pass Book in short **DEPB Rate** is basically an export incentive scheme. The objective of **DEPB Scheme** is to neutralize the incidence of basic custom duty on the import content of the exported products.

DFRC Under the Duty Free Replenishment Certificate (DFRC) schemes, import incentives are given to the exporter for the import of inputs used in the manufacture of goods without payment of basic customs duty. Duty Free Replenishment Certificate (DFRC) shall be available for exports only up to 30.04.2006 and from 01.05.2006 this scheme is being replaced by the **Duty Free Import Authorisation (DFIA).**

DFIA: Effective from 1st May, 2006, **Duty Free Import Authorisation or DFIA** in short is issued to allow duty free import of inputs which are used in the manufacture of the export product (making normal allowance for wastage), and fuel, energy, catalyst etc. which are consumed or utilised in the course of their use to obtain the export product. Duty Free Import Authorisation is issued on the basis of inputs and export items given under**Standard Input and Output Norms**(SION).

Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio- Technology Parks (BTPs) of Exim Policy 2004-2009

The Export Import Policies relating to Export Oriented Units (EOUs) Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-technology parks (BTPs) Scheme is given in Chapter 6 of the

Foreign Trade Policy. Software Technology Park(STP)/Electronics Hardware Technology Park (EHTP) complexes can be set up by the Central Government, State Government, Public or Private Sector Undertakings.

Export Promotion Capital Goods Scheme (EPCG) of Exim Policy 2004-2009:

Introduced in the EXIM policy of 1992-97, **Export Promotion Capital Goods Scheme (EPCG)** enable exporters to import machinery and other capital goods for export production at concessional or no customs duties at all. This facility is subject to export obligation, i.e., the exporter is required to guarantee exports of certain minimum value, which is in multiple of total value of capital goods imported.

Capital goods imported under **EPCG Scheme** are subject to actual user condition and the same cannot be transferred /sold till the fulfillment of export obligation specified in the licence. In order to ensure that the capital goods imported under EPCG Scheme, the licence holder is required to produce certificate from the jurisdictional

Central Excise Authority (CEA) or Chartered Engineer (CE) confirming installation of such capital goods in the declared premises.

Special Economic Zone (SEZ) under the Exim Policy 2004-2009:

A **Special Economic Zone in short SEZ** is a geographically distributed area or zones where the economic laws are more liberal as compared to other parts of the country. SEZs are proposed to be specially delineated duty free enclaves for the purpose of trade, operations, duty and tariffs. SEZs are self-contained and integrated having their own infrastructure and support services.

The area under 'SEZ' covers a broad range of zone types, including Export Processing Zones (EPZ), Free Zones (FZ), Industrial Estates (IE), Free Trade Zones (FTZ), Free Ports, Urban Enterprise Zones and others.

In Indian, at present there are eight functional Special Economic Zones located at Santa Cruz (Maharashtra), Cochin (Kerala), Kandla and Surat (Gujarat), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh), Falta (West Bengal) and Noida (Uttar Pradesh) in India. Further a Special Economic Zone at Indore (Madhya Pradesh) is also ready for operation.

Free Trade & Warehousing Zones of Exim Policy 2004-2009:

Free Trade & **Warehousing Zones (FTWZ)** shall be a special category of Special Economic Zones with a focus on trading and warehousing. The concept of FTWZ is new and has been recently introduced in the five-year foreign trade policy 2004-09. Its main objective is to provide infrastructure for growth of the economy and foreign trade. Free Trade & Warehousing Zones (FTWZ) plays an important role in achieving global standard warehousing facilities as free trade zones. Free Trade & Warehousing Zones is a widely accepted model with a history of providing Substantial encouragement to foreign trade and warehousing activity.

Deemed Exports under the Exim Policy 2004-2009:

Deemed Export is a special type of transaction in the Indian Exim policy in which the payment is received before the goods are delivered. The payment can be done in Indian Rupees or in Foreign Exchange. As the**deemed export** is also a source of foreign exchange, so the Government of India has given the benefit duty free import of inputs.

13. EXPORT IMPORT TRADE OPERATION

Modern container shipping celebrated its 50th anniversary in 2006. Almost from the first voyage, use of this method of transport for goods grew steadily and in just five decades, containerships would carry about 60% of the value of goods shipped via sea.

The idea of using some type of shipping container was not completely novel. Boxes similar to modern containers had been used for combined rail- and horse-drawn transport in England as early as 1792. The US government used small standard-sized containers during the Second World War, which proved a means of quickly and efficiently unloading and distributing supplies. However, in 1955, Malcom P. McLean, a trucking entrepreneur from North Carolina, USA, bought a steamship company with the idea of transporting entire truck trailers with their cargo still inside. He realized it would be much simpler and quicker to have one container that could be lifted from a vehicle directly on to a ship without first having to unload its contents.

His ideas were based on the theory that efficiency could be vastly improved through a system of "intermodalism", in which the same container, with the same cargo, can be transported with minimum interruption via different transport modes during its journey. Containers could be moved seamlessly between ships, trucks and trains. This would simplify the whole logistical process and, eventually, implementing this idea led to a revolution in cargo transportation and international trade over the next 50 years.

INDUSTRY GLOBALIZATION:

On 23 April 1966, ten years after the first converted container ship sailed, Sea-Land's *Fairland* sailed from Port Elizabeth in the USA to Rotterdam in the Netherlands with 236 containers. This was the first international voyage of a container ship.

Meanwhile, during the rapid build-up to the Vietnam War, the US military was faced with the logistical problem of getting supplies to troops. It had somehow to transport mass supplies to a war zone in south-east Asia through a single under-developed port on the Saigon River and a partially-functioning railway. The government turned to container shipping as the most efficient option.

Container shipping began to prove its worth at an international level. From this point on the industry began to grow to the point where it would quickly become the backbone of global trade, even though few at the time would have made such bold predictions.

1968 and 1969 were the Baby Boomer years for container shipping. In 1968 alone, 18 container vessels were built, ten of them with a capacity of 1,000 TEUs which was large for the time. In 1969, 25 ships were built and the size of the largest ships increased to approaching 2,000 TEU. In 1972, the first container ships with a capacity of more than 3,000 TEU were completed by the Howaldtwerke Shipyard in Germany.

Now an entire industry had emerged, demanding unprecedented investment in vessels, containers, terminals, offices and information technology to manage the complex logistics.

Throughout the 1970s and 1980s the container shipping industry grew exponentially. There were now connections between Japan and the US west coast, and Europe and the US east coast. The Europe–Asia route began to be serviced by consortia (a group of carriers sharing space on ships) in the early 1970s as well as some independent services. By the end of the decade, shipping between Europe, South East and Eastern Asia, South Africa, Australia/New Zealand, North America and South America were all largely containerized. In 1973, US, European and Asian containership operators were carrying 4 million TEUs all over the world. By 1983, this would rise to 12 million TEUs by which time containers had also arrived in the Middle East, the Indian sub-Continent, and East and West Africa.

The present-day industry is truely global and touches all out lives in ways we cannot imagine. The Economist recently declared that, "new research suggests that the container has been more of a driver of globalisation than all trade agreements in the past 50 years together."[1] Marc Levinson, a noted economist, suggests that the container and container shipping are largely responsible for the growth of global trade.

EXPORT- IMPORT (EXIM) BANK OF INDIA:

The EXIM bank is a Statutory Corporation and is modelled on the lines of its well known foreign counterparts in the U.S. and Japan.

Exim bank is set up on the recommendations of several committee and study groups such as the Alexander Committee, on Export-Import (1977) and Tandon committee on Exports (1980)

The EXIM Bank of India came into existence on January 1 1982, and started functioning from March 1 1982. It has its headquarters at Bombay and its branches at import centres in India and abroad. The Bank was carved out of the International Wing of IDBI.

Export-Import Bank of India provides :

1. Financial assistance to promote Indian Exports through direct financial assistance.
2. Overseas Investment Finance
3. Term finance for Export production and Export development

4. Preshipment Credit
5. Line of Credit
6. Buyers Credit
7. Relending facility
8. Export Bills Rediscounting
9. Refinance to Commercial Banks
10. Finance for Computer Software Export
11. Finance for Export marketing & Bulk import finance to Commercial Banks
12. EXIM Bank also extends non-funded facility to Indian Exporters in the form of guarantee
13. Diversified lending programme of the EXIM bank now covers various stages of Exports i.e.. from the development of Export market to expansion of production capacity for exports, production for exports and post-shipment financing.
14. The EXIM bank also focus on export of manufactured goods, project exports, exports of technology, services and export of Computer Software.

1. Financing Programme Deferred Payment Exports :

Term finance is provided to Indian Exporters of eligible goods and services, which enable them to offer, deferred credit to overseas buyers. Deferred credit can also cover Indian Consultancy Technology and other service. Commercial Banks participate, in this programme directly or under risk syndication arrangements.

2. Pre-shipment Credit :

Finance is available from EXIM bank for companies executing export contracts involving cycle time exceeding six months. The facility also enables provisions of rupee mobilisation expenses for construction/turn key project exporters.

3. Term Loan for Export production:

Exim bank provides term loans/deferred payment guarantee to 100% export oriented units in free trade zones and computer software exporters. In collaboration with International Finance Corporation, Washington, EXIM Bank provides loans to enable small and medium enterprises to upgrade export production capability.

4. Facilities for Deemed Exports :

Deemed Exports are eligible for funded and non-funded facilities from EXIM Bank.

5. Overseas Investment Finance:

Indian companies establishing joint venture overseas are provided finance towards their equity contribution in the joint venture.

6. Financing for export market:

This programme, which is a component of a world bank loan helps exporters, implement their export market development plans.

7. Loans to Foreign Governments, Companies and Financial Institutions Overseas Buyers' Credit :

Credit is directly offered to foreign entities for import of eligible goods and services on deferred payment.

8. Line of Credit:

Besides Foreign Government finance, is available to foreign financial institutions and government agencies, to lend in the respective country, for import of goods and services from India.

9. Relending facility to Overseas Banks :

Rending facility is extended to banks overseas to enable them to provide term finance to their clients worldwide for imports from India.

Loans to Commercial Banks in India - Export Bills Re-discounting:

Commercial Banks of India who are authorised to deal in Foreign Exchange can rediscount their short term export bills with EXIM bank, for an unexpired usance period of not more than 90 days.

Refinance of export credit:

Authorised dealers in foreign exchange can obtain from EXIM bank 100% refinance of deferred payment loans extended for export of eligible Indian goods. Such credit enables exporters to offer credit terms to foreign Importers.

Guarantee Facilities:

EXIM bank participates with commercial banks in India in the issue of guarantees required by Indian Companies for Export contracts and for execution of overseas construction and turn key projects. Construction contracts involve erection, civil works, commissioning etc. In setting up a textile mill, supply of equipment accounts for major value of the contract. In such contracts, an Indian Exporter usually requires bid bond, advance payment guarantee, performance guarantee, guarantee for retention money and guarantee for borrowing abroad.

Facilities for Exporters of Engineering goods and Turn key project Exporters:

Deferred payment exports arise when export process are to be received beyond six months, from the date of shipment. Turn key projects are those which involve, rendering of service like design, civil construction, erection and commissioning of plant alongwith supply of equipment. Typical projects include supply, erection and commissioning of equipment for generation transmission and distribution of power and plants for manufacture of cement, sugar, textiles, chemicals etc.

When an Indian Exporter extends deferred credit directly to the overseas buyer the export contract falls under category of suppliers credit.

On the other hand, if a foreign buyer is offered, credit by a financial institution in India, and the Indian Exporter is paid the export value by the institution in India, and the relative export contract falls under the category of buyers credit.

Suppliers Credit :

Credit is provided by the EXIM bank on deferred payment basis, in participation with commercial banks to Indian Exporters of Engineering goods and turn key projects to enable them to extend credit to importers overseas where the individual value of contract is more than Rs.1 crore. Banks may provide the credit and avail 100% refinance from EXIM Bank.

Overseas Buyer's Credit:

As an alternative to supplier's credit availed by the Exporters, credit is extended by the EXIM Bank to buyers abroad, with a view to enable the latter to import Engineering goods and projects from India, on deferred credit terms. Credit to overseas buyers is also available from the EXIM Bank in the form of lines of credit to overseas financial institutions, Foreign Governments, and agencies, and relending facilities to overseas banks.

Foreign Currency Loans:

Foreign currency loans can be availed of from EXIM Bank at market rates to cover purchase/procurement of machinery from the third countries.

Technology and Consultancy Services Finance:

Credit is available to eligible Indian Exporters of technology and consultancy services to enable them to extend term credit to Importers overseas.

Exporters of Engineering goods and turn key projects are also provided the following facilities.

a) Issue of Bid Bonds

b) Issue of Advance Payment Guarantee

c) Issuance of Performance Guarantee

d) Issue of Guarantees for releasing retention money

e) Issue of Guarantee for raising borrowing overseas

Facilities to Overseas Construction Project Export :

EXIM Banks also provide facilities for project exports similar to those available for turn key projects.

Facilities for Syndication of Export Credit Risks :

Commercial banks in participation with EXIM Bank, provide long term credit at competitive rates of interest to Indian Exporters of capital goods, turn key projects and consultancy services, thereby enabling Indian Exporters to compete effectively in the international market.

The facility of syndication of term export credit risks lends flexibility to the export credit mechanism by allowing banks to assume risks without blocking their funds for long terms.

Advisory services:

Through its International Merchant Banking division, the EXIM Bank offers the following advising service :

a. Work closely with Indian companies in designing financing packages for joint ventures in third countries.

b. Advise Indian companies executing contracts abroad on sources of favourable financing overseas.

c. Providing access to Euro financing source and global credit source to Indian companies engaged in Exports.

d. Advise on exchange control practices globally and

e. Advise and design financial packages for export oriented industries in India.

Finance to Export Oriented Units :

EXIM Bank has been operating a lending programme for extending finance to export oriented units and units in Export Processing Zones/Free Trade Zones.

To respond to the financial needs of DTA units with minimum 25% export orientation EXIM Bank has expanded its lending programme. The scheme covers :

a. Existing DTA units with 25% export orientation.

b. New units with plants for maximum 25% export orientation evidenced by firm marketing arrangements.

c. Modernisation/expansion of existing unit so as to achieve/maintain 25% export orientation.

d. Purchase of Equipment/Machinery on a stand along basis by units with minimum 25% export orientation through refinance to commercial banks only.

For projects with cash investments upto Rs.3 crores EXIM Bank provides 100% refinance to commercial banks.

For projects with cash investment over Rs. 3 crores, EXIM Bank participates directly in extending finance with commercial banks or All India Financial Institutions.

Foreign Currency Pre-shipment Credit Scheme:

Export and trading houses and selected manufacturing exporters can now get pre-shipment credit in foreign exchange under a new scheme announced by the EXIM Bank.

This foreign currency pre-shipment credit (FCPC) can be used for financing import related exports such as raw materials, components and consumables.

The loan will be repayable in foreign currency from the proceeds of the relative exports. Therefore the Exporters will be insulated from the foreign currency fluctuation risks. The maximum period of an advance under this scheme introduced for the first time in the country will be 180 days. Such transactions will also be self liquidating in nature.

Export & trading houses with annual turnover exceeding Rs. 10 crores and manufacturing units with minimum export of 25% of their production or export turnover of Rs.5 crores, which ever is lower are eligible for FCPC. In the case of manufacturing units, only physical exports of commodities will be taken into account. Such exports could be made either directly or through trading house.

Exporters can avail FCPC from Commercial banks, which normally given pre-shipment credit in Rupee. The interest rate on FCPC advance will be 2% more than the rate at which funds are borrowed by EXIM Bank.

The banks operating FCPC will be exempted from the maintenance of SLR & CRR in respect of foreign currency borrowing from EXIM Bank Scheme.

General Guidelines on EXIM Bank's Lines of Credit:

EXIM Bank extends lines of credit to overseas Governments or agencies nominated by them to enable buyers in these countries to import capital/engineering goods, industrial manufacturers and related services from India on deferred payment terms. This facility enables Indian Exporters to offer deferred credit terms to customers in these countries as per the terms and conditions negotiated between EXIM Bank, and the overseas Government. The Exporters can obtain payment of eligible value from EXIM Bank against negotiation of shipping documents without recourse to them.

Features of the Programme :

The credit facility is extended to Sovereign Governments or agencies nominated by them. Such Governments/Agencies are borrowers and EXIM Bank the lender.

How it works:

1. The buyer arranges to obtain allocation of funds under the credit line from the borrower. The exporter then enters into contracts with the buyer for the eligible items covered under the line of credit. The contracts would need to conform to the basic terms and conditions of the respective credit lines (as available from EXIM Bank).

2. The delivery period stipulated in the contracts should be such that credit can be drawn from EXIM Bank within the terminal disbursement date stipulated under he respective line of credit agreements. Also all contracts should provide for pre-shipment inspection by the buyer or agent nominated by the buyer.

3. The buyer arranges to comply with procedural formalities as applicable in his country and submit the contracts to the borrower for approval. The borrower in turn forwards copies of the contract to EXIM Bank for approval.

4. EXIM Bank advises approval of the contract to the borrower with copy to the Exporter, indicating approval number, eligible contract value, act date for disbursement and other conditions subject to which approval is granted.

5. The buyer on advice from the borrower, establishes an irrevocable letter of credit. A single LC is to be opened covering the full value of the contract including freight and/or/insurance as laid down in the contract.

6. The letter of credit is advised through a Bank in India, designated by EXIM Bank.

7. Exporter ships the goods covered under the contract and presents the documents for negotiation to the designated bank. Bank forwards the negotiated documents to the buyer.

8. On receipt of clean non negotiable set of shipment documents alongwith the relative invoices, inspection certificate etc. from the negotiating bank and after having satisfied itself, that all formalities have been complied with in conformity with the terms of credit agreement, EXIM Bank reimburses the eligible value to the negotiating bank for onward payment to the Exporter on receipt of certificate from negotiating bank that the documents were negotiated as per terms of LC.

9. EXIM bank then debits the borrowers account and arranges to collect interest and principal receivable on due dates under the terms of the line of credit agreement between EXIM Bank and the respective Government agencies.

10. Any bank charges, commission, ECGC premium etc. are charged to the account of the Exporter.

11. EXIM Bank will not entertain any claim towards interest charges.

Exchange Earners Foreign Currency Account:

Exporters and other resident recipients of Inward remittance in foreign currency/convertible Rupee are permitted to open EEFC account with authorised dealers. The remittance from ACU countries are also eligible for this account.

Currency of the Account:

The account can be opened in any one of the permitted currencies. Maximum 15% of the foreign currency realised is eligible to the credited to EEFC account; where remittance is received in Indian Rupees or ACU Mechanism 15% of the realised proceeds is converted to any one of the permitted foreign currencies (at the depositors option) to be credited to EEFC.

Type of the Account:

It can be opened in the form of SB, CD or term deposit. No pass book, cheque book or deposit receipt is issued, Withdrawal will be allowed on request. No overdraft or loan is allowed.

Interest Rate:

The interest is to be determined by the Banks concerned. Interest on SB a/c is credited to the account at the end of every month.

SLR/CRR:

Banks have to maintain SLR/CRR on the EEFC deposits.

Withdrawals:

Depositor is free to withdraw the deposit for remittance abroad, for payment of import bills or for local payments.

Main Points:

3. Exim Bank of India came to being in 1982 and is wholly owned by Govt.of India
4. Its resources are:
a. Issues of bonds and debentures
b. Loan from Govt. of India
c. Loan from RBI
d. Loan from International Markets
5. Operations of EXIM Bank
b. Direct financial assistance to exporters
c. Pre-shipment credit
d. Line of credit
e. Overseas buyers credit
f. Refinance of export credit
g. Rediscounting export bills
h. Relending facility
i. Technology and consultancy credit
j. Overseas investment financing
6. Major financial groups in Exim Bank
a. Project finance group
b. Trade finance group
c. Planning group
d. Co ordination group

14. MULTINATIONAL CORPORATIONS OF INDIA: CHARACTERISTICS, GROWTH AND CRITICISMS:

Multinational Corporations (MNCs) or Transnational Corporation (TNC), or Multinational Enterprise (MNE) is a business unit which operates simultaneously in different countries of the world. In some cases the manufacturing unit may be in one country, while the marketing and investment may be in other country.

In other cases all the business operations are carried out in different countries, with the strategic head quarters in any part the world. The MNCs are huge business organisations which extend their business operations beyond the country of origin through a network of industries and marketing operations.

They are multi-process and multi-product enterprises. The few examples of MNCs, are, Sony of Japan, IBM of USA, Siemens of Germany, Videocon and ITC of India, etc. There are over 40,000 MNCs with over 2, 50,000 overseas affiliates. The top 300 MNCs control over 25 percent of the world economy.

Previously American based multinationals ruled the world, but today, many Japanese, Korean, European and Indian multinational companies have spread their wings in many parts of the world. Before entering into any country, at the headquarters of MNCs, experts from various fields such as political science, economics, commerce international trade and diplomacy are analysing the business environment of a country and advising the top management.

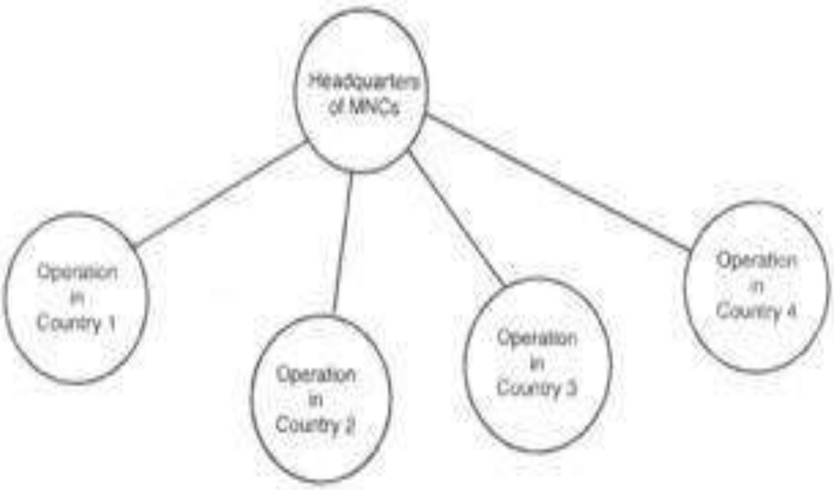


FIG. 1 : MNCs OPERATING MODEL

List of Multinational Corporations:

1.	ABN-Amro	1.	Honda
2.	Aditya Birla	2.	HSBC
3.	Accenture	3.	Huawei
4..	Airbus	4.	Hutchison Whampoa Limited
5.	Apple Computer	5.	IBM
6.	AOL	6.	ITC
7.	Atari	7.	Infosys
8.	AXA	8.	Ingersoll Rand
9.	Bacardi	10.	Jardine Matheson
11.	Barrick Gold Corporation	12.	KPMG
13.	BASF	13.	Krispy Kreme
14.	Bayer	14.	Kyocera
15.	Billabong	15.	LG
16.	BMW	16.	Lockheed Martin
17.	Boeing	17.	Maxis
18.	Bombardier	18.	Microsoft
19.	BP	19.	Monsanto
20.	Brantano Footwear	20.	Master foods
21.	Cadbury	21.	News Corporation
22.	Citigroup	23.	Nike, Inc.
23.	CoCa Cola Co.	23.	Nat west
24.	Daimler-Chrysler	24.	Nintendo
25.	Dell	25.	Nissan

26.	Dutch East India Company	26.	Nokia
27.	EA	27.	Nortel Networks
28.	Ernst & Young	28.	Parmalat
29.	Exxon	29.	Pepsi Co
30.	Epson	30.	Petronas
31.	Fiat	31.	Pfizer
32.	Fonterra	32.	Philips
33.	Ford	33.	Proctor & Gamble
34.	General Electric	34.	Regus
35.	General Motors	35.	Shell
36.	Google	36.	Samsung
37.	Halliburton	37.	Schlumberger
38.	Hearst Corporation	38.	Siemens
39.	Hewlett Packard (HP)	39.	Sony
40.	Hindustan Computers Limited	41.	Square/Square Enix
41.	Hitachi	41.	Tata Consultancy Services
42.	Toshiba	43.	Wipro Ltd.
44.	Toyota	44.	The Walt Disney Company
45.	Videocon	45.	Xerox
46.	Vodafone	46.	Yahoo!
47.	Wal-Mart Stores inc.	47.	Yakult

Characteristics of Multinationals:

MNCs will always look out for opportunities. They carry out risk analysis, and send their personnel to learn and understand the business climate. They develop expertise understanding the culture, politics, economy and legal aspects of the country that they are planning to enter.

The essential element that distinguishes the true multinational is its commitment to manufacturing, marketing, developing R&D, and financing opportunities throughout the world, rather than just thinking of the domestic situation.

Some of characteristics of MNCs are:

(i) Mode of Transfer:

The MNC has considerable freedom in selecting the financial channel through which funds or profits or both are moved, e.g., patents and trademarks can be sold outright or transferred in return through contractual binding on royalty payments.

Similarly, the MNC can move profits and cash from one unit to another by adjusting transfer prices on intercompany sales and purchases of goods and services. MNCs can use these various channels, singly or in combination, to transfer funds internationally, depending on the specific circumstances encountered.

(ii) Value for Money:

By shifting profits from high-tax to low-tax nations, MNCs can reduce their global tax payments. In addition, they can transfer funds among their various units, which allow them to circumvents currency controls and other regulations and to tap previously inaccessible investment and financing opportunities.

(iii) Flexibility:

Some to the internationally generated claims require a fixed payment schedule; other can be accelerated or delayed. MNCs can extend trade credit to their other subsidiaries through open account terms, say from 90 to 180 days. This give a major leverage to financial status. In addition, the timing for payment of fees and royalties may be modified when all parties to the agreement are related.

Strategic Approach to Multinationals:

To run a new and potentially profitable project, a good understanding of multinational strategies is necessary.

The three broad categories of multinationals and their associated strategies are explained below:

A. Innovation Based Multinationals:

Companies such as IBM, Philips and Sony create barriers to entry for others, by continually introducing new products and differentiating existing ones. Both domestically and international companies in this category spend large amounts on R&D and have a high ratio of technical to factory personnel. Their products are typically designed to fill a need perceived locally that often exists abroad as well.

B. The Mature Multinationals:

The primary approach in such companies is the presence of economies of scale. It exists whenever there is an increase in the scale of production, marketing and distribution costs could be increased in order to retain the existing position or more aggressive.

The existence of economics of scale means there are inherent costs advantages of being large. The more significant these economies of scale are, the greater will be the costs disadvantage faced by a new entrant in the same field in a given market.

(i) Reduction in Promotion Costs:

Some companies like Coca-Cola and Proctor and Gamble take advantage of the facts that potential entrants are wary of the high costs involved in advertising and marketing a new product. Such firms are able to exploit the premium associated with their strong brand names. MNCs can use single campaign and visual aspects in all the countries simultaneously with different languages like Nestle's Nescafe.

(ii) Cost Advantage through Multiple Activities:

Other companies take advantage of economics of scope. Economies of scope exists whenever the some investment can support multi-profitable activities, which are less expensive.

Examples abound of the cost advantages of producing and selling multiple products related to common technology, production facilities and distribution network. For example, Honda has increased its investment in small engine technology in the automobile, motorcycle, marine engine, and generator business.

C. The Senescent Multinationals:

There are some product lines where the competitive advantage is very fast.

The strategies followed in such cases are given below:

1. One possibility is to enter new markets where little competition currently exists. For example Crown Cork & Seal, the Philadelphia-based maker of bottle tops and cans, reacted to the slowing of growth and heightened competition in business in the United States by expanding overseas, its set up subsidiaries in such countries as Thailand, Malaysia, and Peru, estimating correctly that in these developing and urbanizing societies, people would eventually switch from home grown produce to food in cans and drinks in bottles.

2. Another strategy often followed when senescence sets in is to use the firm's global scanning capability to seek out lower cost production sites. Costs can then be minimized by integration of the firm's manufacturing facilities worldwide. Many electronics and textile firm in the United States (US) shifted their production facilities to Asian locations such as Taiwan and Hong-Kong to take advantage of the lower labour costs.

Reasons for the Growth of MNCs:

(i) Non-Transferable Knowledge:

It is often possible for an MNC to sell its knowledge in the form of patent rights and to licence foreign producer. This relieves the MNC of the need to make foreign direct investment.

However, sometimes an MNC that has a Production Process or Product Patent can make a larger profit by carrying out the production in a foreign country itself. The reason for this is that some kinds of knowledge cannot be sold and which are the result of years of experience.

(ii) Exploiting Reputations:

In some situation, MNCs invest to exploit their reputation rather than protect their reputation. This motive is of particular importance in the case of foreign direct investment by banks because in the banking business an international reputation can attract deposits.

If the goodwill is established the bank can expand and build a strong customer base. Quality service to a large number of customers is bound to ensure success. This probably explains the tremendous growth of foreign banks such as Citibank, Grind-lays and Standard Chartered in India.

(iii) Protecting Reputations:

Normally, products develop a good or bad name, which transcends international boundaries. It would be very difficult for an MNC to protect in reputation if a foreign licensee does an inferior job. Therefore, MNCs prefer to invest in a country rather than licensing and transfer expertise, to ensure the maintenance of their good name.

(iv) Protecting Secrecy:

MNCs prefer direct investment, rather than granting a license to a foreign company if protecting the secrecy of the product is important. While it may be true that a license will take precautions to protect patent rights, it is equally true that it may be less conscientious than the original owner of the patent.

(v) Availability of Capital:

The fact that MNCs have access to capital markets has been advocated as another reason why firms themselves moved abroad. A firm operating in only one country does not have the same access to cheaper funds as a larger firm. However, this argument, which has been put forward for the growth of MNCs has been rejected by many critics.

(vi) Product Life Cycle Hypothesis:

It has been argued that opportunities for further gains at home eventually dry up. To maintain the growth of profits, a corporation must venture abroad where markets are not so well penetrated and where there is perhaps less competition.

This hypothesis perfectly explains the growth of American MNCs in other countries where they can fully exploit all the stages of the life cycle of a product. A prime example would be Gillette, which has revolutionized the shaving systems industry.

(vii) Avoiding Tariffs and Quotas:

MNCs prefer to invest directly in a country in order to avoid import tariffs and quotas that the firm may have to face if it produces the goods at home and ship them. For example, a number of foreign automobile and truck producers opened plants in the US to avoid restrictions on-selling foreign made cars. Automobile giants like. Fiat, Volkswagen, Honda and Mazda are entering different countries not with the products but with technology and money.

(viii) Strategic FDI:

The strategic motive for making investments has been advocated as another reason for the growth of MNCs. MNCs enters foreign markets to protect their market share when this is being threatened by the potential entry of indigenous firms or multinationals from other countries.

(ix) Symbiotic Relationships:

Some firms have followed clients who have made direct investment. This is especially true in the case of accountancy and consulting firms. Large US accounting firms, which know the parent companies special needs and practices have opened offices in countries where their clients have opened subsidiaries.

These US accounting firms have an advantage over local firms because of their knowledge of the parent company and because the client may prefer to engage only one firm in order to reduce the number of people with access to sensitive information. Templeton, Goldman Sachs and Earnest and Young are moving with their clients even to small countries like Sri Lanka, Panama and Mauritius.

Country Risk:

When making over direct investment it is necessary to allow for risk due to investments being made in a foreign country. Country risk is one of the special issues faced by MNCs when investing abroad. In involves the possibility of losses due to country-specific economic, political and social events.

Among the country risks that are faced by MNCs are those related to the local economy, those due to the possibility of confiscation i.e. Government take over without any compensation, and those due to expropriation i.e., Government takeover with compensation which at times can be generous. In addition there are the political/social risks of wars, revolutions and insurrections.

Even though none of these latter events are specifically directed towards on MNC by the foreign government, they can damage or destroy an investment. There are also risks of currency non-convertibility and restriction the repatriation of income. International magazines like Euro Money and the Economist regularly conduct country risk evaluations in order to facilitate MNCs.

Methods of Reducing Country Risk and Control:

1. Controlling Crucial Elements of Corporate Operations:

Most of the MNCs try to prevent operations in developing countries by other local entities without their cooperation. This can be achieved if the company maintains control of an element of operations.

For example, food and soft drink manufacturers keep their special ingredients secret. Automobile companies may produce vital parts such as engines in some other country and refuse to supply these parts if their operations are seized.

2. Programmed Stages of Planned Disinvestment:

There is an alternative technique to handover ownership and control to local people in future. This is sometimes a requirement of the host government. There is a calculated move to involve themselves in stages.

3. Joint Ventures:

Instead of promising shared ownership in future, an alternative technique for reducing the risk of expropriation is to share ownership with private or official partners in the host country from the very beginning.

Such shared ownerships, known as joint ventures rely on the reluctance of local partners, if private, to accept the interference of their own Government as a means of reducing expropriation.

When the partner is the government itself, the disincentive to expropriation is concerned over the loss of future investments. Multiple joint ventures in different countries reduce the risk of expropriation, even if there is no local participation. If the government of one country does expropriate the business, it faces the risk of being isolated simultaneously by numerous foreign powers.

Problems from the Growth of MNCs:

Much of the concern about MNCs stems from their size, which can be formidable. MNCs may impose on their host governments to the advantages of their own shareholders and the disadvantages of citizens and shareholders in the country of shareholders in the past.

It can be difficult to manage economics in which MNCs have extensive investments. Since MNCs often have ready access to external sources of finance, they can blunt local monetary policy. When the Government wishes to constrain any economic activity, MNCs may nevertheless expand through foreign borrowing.

Similarly, efforts at economic expansion may be frustrated if MNCs move funds abroad in search of advantages elsewhere. Although it is true that any firm can frustrate plans for economic expansion due to integrated financial markets, MNCs are likely to take advantage of any opportunity to gain profits.

As we have seen, MNCs can also shift profits to reduce their total 'tax burden by showing larger profits in countries with lower tax rates citizens and shareholders in the country of shareholders in the past.

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Multinational Corporations in India:

MNCs have been operating in India even prior to Independence, like Singer, Parry, Philips, Unit- Lever, Proctor and Gamble. They either operated in the form of subsidiaries or entered into collaboration with Indian companies involving sale of technology as well as use of foreign brand names for the final products. The entry of MNCs in India was controlled by existing industrial policy statements, MRTP Act, and FERA. In the pre-reform period the operations of MNCs in India were restricted.

New Industrial Policy 1991 and Multinational Corporations:

The New Industrial Policy 1991, removed the restrictions of entry to MNCs through various concessions. The amendment of FERA in 1993 provided further concession to MNCs in India.

At present MNCs in India can—

(i) Increase foreign equity up to 51 percent by remittances in foreign exchange in specified high priority areas. Subsequently MNCs are free to own a majority share in equity in most products.

(ii) Borrow money or accept deposit without the permission of Reserve Bank of India.

(iii) Transfer shares from one non-resident to another non-resident.

(iv) Disinvest equity at market rates on stock exchanges.

(v) Go for 100 percent foreign equity through the automatic route in Specified sectors.

(vi) Deal in immovable properties in India.

(vii) Carry on in India any activity of trading, commercial or industrial except a very small negative list.

Thus, MNCs have been placed at par with Indian Companies and would not be subjected to any special restrictions under FERA.

Criticisms against MNCs in India:

The operations of MNCs in India have been opposed on the following grounds:

(i) They are interested more on mergers and acquisitions and not on fresh projects.

(ii) They have raised very large part of their financial resources from within the country.

(iii) They supply second hand plant and machinery declared obsolete in their country.

(i v) They are mainly profit oriented and have short term focus on quick profits. National interests and problems are generally ignored.

(v) They use expatriate management and personnel rather than competitive Indian Management.

(vi) Though they collect most of the capital from within the country, they have repatriated huge profits to their mother country.

(vii) They make no effort to adopt an appropriate technology suitable to the needs. Moreover, transfer of technology proves very costly.

(viii) Once an MNC gains foothold in a venture, it tries to increase its holding in order to become a majority shareholder.

(ix) Further, once financial liberalizations are in place and free movement is allowed, MNCs can estabilize the economy.

15. ROLE OF CORPORATE IN FOREIGN TRADE AND IMPACT IN INDIAN ECONOMY

India has a diversified financial sector, which is undergoing rapid expansion. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The financial sector in India is predominantly a banking sector with commercial banks accounting for more than 60 per cent of the total assets held by the financial system.

India's services sector has always served the country’s economy well, accounting for about 57 per cent of the gross domestic product (GDP). In this regard, the financial services sector has been an important contributor.

The Government of India has introduced reforms to liberalise, regulate and enhance this industry. At present, India is undoubtedly one of the world's most vibrant capital markets. Challenges remain, but the future of the sector looks good. The advent of technology has also aided the growth of the industry. About 75 per cent of the insurance policies sold by 2020 would, in one way or another, be influenced by digital channels during the pre-purchase, purchase or renewal stages, as per a report by Boston Consulting Group (BCG) and Google India.

Market Size:

The size of banking assets in India reached US$ 1.8 trillion in FY13 and is expected to touch US$ 28.5 trillion by FY25. Information technology (IT) services, the largest spending segment of India's insurance industry at Rs 4,000 crore (US$ 649.31 million) in 2014, is projected to continue strong growth at 16 per cent.

The total market size of the insurance sector in India was US$ 66.4 billion in FY13 and is expected to breach the US$ 350–400 billion mark by 2020.

Investment corpus in India's pension sector could cross US$ 1 trillion by 2025, following the passage of the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013, according to a joint report by CII–EY on Pensions Business in India.

India’s foreign exchange (Forex) reserves touched US$ 320.56 billion on July 25, 2014, which was just US$ 23 million less than the all-time high of US$ 320.79 billion achieved on September 2, 2011.

Investments:

Corporate law firms in India are benefiting from an increase in the value of mergers and acquisitions (M&As) and share acquisitions during the course of the year. The enterprise value of deals on which law firms have advised has shot up to US$ 35.7 billion this year till December, a 22 per cent increase over the US$ 29.3 billion in deals seen in the whole of 2013, according to Thomson Reuters data.

- Financial services provider Reliance Capital Ltd, a part of Anil Ambani’s Reliance Group, has formed a long-term strategic alliance with Japan’s Sumitomo Mitsui Trust Bank Ltd, offering the Japanese lender a small equity stake in the company. As part of the agreement, Sumitomo Mitsui Trust Bank will pick up an initial 2.77 per cent stake in Reliance Capital for Rs 371 crore (US$ 60.22 million) through a preferential allotment of shares.

- GIC, Singapore's sovereign wealth fund, is buying about 70 per cent stake in BSE-listed Nirlon for Rs 1,392.6 crore (US$ 226.07 million). Nirlon owns an information technology park in the western suburbs of Mumbai. GIC said it had signed agreements to buy 39.2 per cent in Nirlon from its promoters, including the Sagar family, for Rs 784.3 crore (US$ 127.32 million). It will make an open offer for 28.4 per cent stake from public shareholders at the same price.

- Canada pension plan investment board, which manages assets worth CAD 234.4 billion (US$ 193.92 billion), has through a subsidiary invested Rs 1,000 crore (US$ 162.34 million) in L&T Infrastructure Development Projects Ltd, a unit of Larsen and Toubro Ltd, India’s largest engineering and construction company. The investment is made by way of subscribing compulsory convertible preference shares, L&T said in a statement. In June, L&T and Canada Pension Plan had signed a definitive investment agreement.

- Nearly three years after the BSE launched a separate platform for small and medium enterprises (SMEs), the market capitalisation of the segment crossed Rs 10,000 crore (US$ 1.62 billion) recently. The market capitalization of the 82 listed SMEs was Rs 10,118.90 crore (US$ 1.64 billion).

- The Government of India signed an agreement with Asian Development Bank (ADB) for a US$ 75 million loan and a US$ 1.8 million grant that will help improve water resource management in three (3) towns of Karnataka in the Upper Tungabhadra sub-basin. This loan from the ADB’s Ordinary Capital Resources has a 25-year term including a grace period of five years.

Government Initiatives:

Several measures have been outlined in the Union Budget 2014-15 that aim at reviving and accelerating investment which, inter alia, include fiscal consolidation with emphasis on expenditure reforms and continuation of fiscal reforms with rationalization of tax structure; fillip to industry and infrastructure, fiscal incentives and concrete measures for transport, power, and other urban and rural infrastructure; measures for promotion of Foreign Direct Investment (FDI) in selected sectors, including defence manufacturing and insurance; and, steps to augment low cost long-term foreign borrowings by Indian companies. Fiscal reforms have been bolstered further by the recent deregulation of diesel prices. The launch of 'Make in India' global initiative is intended to invite both domestic and foreign investors to invest in India. The aim of the programme is to project India as an investment destination and develop, promote and market India as a leading manufacturing destination and as a hub for design and information. The programme further aims to radically improve the Ease of Doing Business, open FDI regime, improve the quality of infrastructure and make India a globally competitive manufacturing destination.

The Reserve Bank of India (RBI) has eased norms for mortgage guarantee companies (MGC) enabling these firms to use contingency reserves to cover for the losses suffered by the mortgage guarantee holders, without having to take approval of the apex bank. However, such a measure can only be initiated if there is no single option left to recoup the losses.

Financial inclusion is among the topmost priorities of the Indian government. Exclusion of a large number of people from access to financial services affects the growth of the country. Prime Minister Mr Narendra Modi launched the Pradhan Mantri Jan DhanYojana in August 2014. He said that that the objective to cover 75,000,000 households with at least one account under the Yojana will be achieved by January 26, 2015.

Retirement fund manager EPFO will launch its project to provide portable universal PF account numbers (UAN) to its subscribers on October 16, 2014. Also, the government will launch unified web portal LIN (Labour Identification Number) to simplify business regulations and bring in transparency and accountability in labour inspections by agencies and bodies under the control of the labour ministry.

The RBI has simplified the rules for credit to exporters. Now, exporters can get long-term advance credit from banks for up to 10 years to service their contracts. The requirement is that they have a satisfactory record of three years in order to get payments from the banks, which can adjust the payments against future exports.

Road Ahead:

India is today one of the most vibrant global economies, on the back of robust banking and insurance sectors. The country is projected to become the fifth largest banking sector globally by 2020, as per a joint report by KPMG-CII. The report also expects bank credit to grow at a compound annual growth rate (CAGR) of 17 per cent in the medium term leading to better credit penetration. Life Insurance Council, the industry body of life insurers in the country also projects a CAGR of 12–15 per cent over the next few years for the financial services segment.

The first thing that strikes you about the Tata International office at Mumbai is the big gleaming Tata logo at the reception. The respect it inspires is what the company aims to carry to all corners of the world.

From a humble beginning as an export company, selling Tata Motors trucks to Zambia, Tata International has evolved into a multi-business, multi-presence entity and the international fate of the Tata group.

"Earlier, we were the only group company to be involved in exports. Subsequently, it was expected that we leverage our presence abroad to not only buy and sell but also look for business development opportunities for the group companies. And that is exactly what the company has strived to do," says Sudhir Deoras, managing director, Tata International.

When it started, Tata International, then called Commercial and Industrial Exports Limited, was fashioned on the Japanese trading houses. Governments supported trading houses because of the foreign exchange earnings that they could bring in.

At that time, imports were difficult. Self-reliance was the credo of the Indian government. It was the regime of very high import duties and restrictions on imports. But exporting houses could trade the Special Import Licenses issued by the government and it soon became a big source of income for them. The larger the exports, the higher the benefits. Tata Steel and Tata Motors, the major exporters in the group, supported the company by routing their trade through Tata International. The company was able to open offices in many countries and became a Golden Super Star Trading House.

In the 1990s, India started participating in the world economy. As the country opened up, the import restrictions and need for licenses disappeared. The company realised that it would have to change its business model to keep up with the times. It did not make sense for Tata International to be a link in the cost chain any more. It was then that the company conscientiously started seeking to create value for group companies and other partners in trade. "The place to begin is with the value chain in order to identify what contributes to customer value," says Mr Deoras.

"It is no longer about just routing and collecting a percentage. With some companies we work on a commission and with others we take a position, we buy products and then sell them elsewhere. While some companies want us to explore markets for them, some want us to source raw materials and components for them, and we identify opportunities to form joint ventures for others," he says. Tata International's role today is to identify opportunities for group companies in various trade blocs. The company does not confine itself to the interests of its own products and services only. It can thus be called the business gateway for the group.

For instance, Tata Steel had been exporting its products for many years when Tata International offered to take over this activity. Its rationale was that it could replace Tata Steel's agents in some of the countries and also bring about cost reduction by increasing the business. It could also increase the steel trading business by sourcing not only Tata Steel products but also non-competing ones from other steel companies. The plan worked successfully. Last financial year, over Rs1,500 crore worth of steel products were traded and this year the company hopes to improve upon this substantially. Tata Steel does not have an exports department for steel and minerals now, as this activity is being done by Tata International. The company aims to bring similar advantages to other group companies.

For Tata Motors' spare parts, Tata International created an excise bonded warehouse facility in Pune so that the company could focus specifically on the export of spares. "This led to huge savings for Tata Motors, which the company can pass on to its customers. It has also led to improved service levels," says Vivek Tamhane, vice president, commercial, Tata International.

"Tata companies, which have their own export set up, work with us because of the value we add to their work," says Mr Deoras. This value lies in the many facilities that the company offers. It has a network of offices in 22 countries around the globe. Individual Tata companies use this network for products as varied as steel, minerals, automobiles, leather and IT, thus avoiding setting up of their own infrastructure.

The network comprises business entities that are subsidiaries and representative offices. This worldwide presence enables companies to avail of lines of credit that are cheaper than the credits available in India and leverage Tata International's expertise in logistics management, documentation and incentive management. Tata International facilitates exports from India and seeks opportunities in new or emerging markets. The focus is at present on the Middle East, the West Asia North Africa Region (WANA), SAARC and the CIS countries, in addition to its traditional focus in Africa and South East Asia. Tata International has opened an office in Kabul in Afghanistan recently.

"It's no longer about exporting from India to Africa. Today we can trade between Africa and China or between Hong Kong and Dubai. We are finding inter-regional opportunities," says Mr Deoras. He views China more as an opportunity than a threat.

Mr Deoras says that a global company is one that examines each stage of the value chain and tries to identify how and where it can make full use of global opportunities. "It should examine the best places for research and development, procuring inputs, manufacturing, sourcing customers, raising, recruiting employees and so on."

For instance, in the case of Tata International's leather business, the raw material is often sourced from countries like Saudi Arabia and Bangladesh and the financing can be from Hong Kong. The leather can be finished in India, the products can be designed at their design studio in Italy, converted into products in India or China and sold in Europe and the US. Deoras sees Tata Steel's initiative in South Africa and Tata Motors' plans in Korea as great steps towards globalisation.

Mr Deoras believes that while the onus for globalisation rests on individual companies, Tata International can participate to help the Group achieve its globalisation goal. He lists the five capabilities required for rapid international growth: strategic thinking on a global basis, effective management of alliances, staffing capability through expatriation and localisation balancing, creation and transfer of knowledge and continual adaptation of an organisation structure to meet shifting needs. These capabilities can be provided or built by Tata International, based on their individual companies' requirements.

For Tata International, business growth is very important to keep it commercially viable worldwide. An active presence in 22 countries allows the company to be in touch with ground realities around the world, necessary to scout for business development opportunities for the Tata group.

Tata International worldwide is already a billion dollar company. "But our new vision does not talk about size. It talks about the bottomline," says Mr Deoras. The company's vision is to generate a $25 million annual profit by 2008.

But in the midst of its growth plans, Tata International is taking care to ensure that the focus remains on the group as a whole. "Outside India, Tata is the brand," he points out. "Customers abroad don't differentiate between Tata companies. The Tata name alone assures group companies a warm welcome."

Armed with the strength of the Tata brand and the value it can bring to its customers, Tata International is geared to help take the group further in the global arena.

Global Trade is the exchange of goods, capital, and services across the international territories and borders, which involve the activities of individual and government. Trading globally provides countries and consumers with the opportunity to explore new markets and products. Precisely, a data that represents the confidential and pragmatic details regarding the global trade. Seair offers classified business information based on Global trade to its esteemed clients.

Major Participants:

The major trading participants include China, Switzerland, United States, Saudi Arabia, Germany, The United Arab Emirates, and Germany, Malaysia, Indonesia, Japan and more.

Our valuable transaction report:

We offer compiled statistically report of transaction made in all the Global Seaports and airports. This whole world shipment report makes it extremely beneficial tool to study the international market. It helps you to explore the buyers across the globe along with the respective address. Global Trade Data of Seair reports include:

- Global Export Import Trade Data from customs of countries across the globe.
- Compiled from Bill of landing invoices, bills of entry, invoices, shipping bills.
- Shipping Ports and manifests

It comprises a suite of services wrapped around a core of transportation information and customs brokerage. Derived from the Global custom, it contains several important details that include:

- Global Importer name
- Importer address
- Product description
- Quantity
- Date of import shipment
- HS Code Classification
- Product Price

Adani Group is a business behemoth based in India having a global footprint with interests in Infrastructure, Power, Global Trading, Logistics, Energy, Port & SEZ, Mining, Oil & Gas, Agri Business, FMCG products, Real Estate Development, Bunkering, et al. It is a name well established among the distinguished corporate entities of India, with a young and highly motivated taskforce of professionals who are a prized asset of the organisation.

Founded in 1988 with a capital of INR 500,000, Adani Enterprises Ltd. (formerly known as Adani Exports Ltd.) is today the flagship company of the Adani conglomerate which posted INR 260 billion revenue in the previous financial year.

Key snapshots of Adani Group:

Among top 10 business houses of India

- Among India's Top Five in Power Sector
- Operator of largest Leading Private Port
- Developer of the largest multi Product SEZ in India
- Owns the largest edible oil refining capacity in India
- Largest coal importer/Operator of world's largest automated import Coal terminal

Foreign Direct Investment (FDI) is a potent instrument of economic development, especially for the less developed countries. It enables capital-poor countries, like India, to build up physical capital, create employment opportunities, develop productive capacity, enhance skills of local labour through transfer of technology and managerial know-how, and help integrate the domestic economy with the global economy. In integrating the local economy with the global economy, it affects the Balance of Payment (BoP) of country. Foreign Investments provide a great impetus for growth to Indian economy. The continuous upsurge in foreign direct investments (FDI), allowed across the industries and sectors, has proven that foreign investors have faith in the resilience of Indian markets. A wise policy regime and positive business environment have also played catalytic role to ensure the continuous inflow of foreign capital in the Indian markets. Various surveys and industry experts have revealed that India is amongst the top destinations for investments across the globe. Certain facts and figures, pertaining to latest FDI developments, have been discussed hereafter. 2. Foreign Direct Investment Foreign Direct Investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with New Markets and Marketing Channels, Cheaper Production Facilities, Access to New Technology, Products, Skills and Financing. For a host country or the foreign firm which receives the investment, it can provide a source of New Technologies, Capital, Products, Organizational Techniques, Management Skills, and as such can provide a strong impetus to Economic Development. FDI is a measure of foreign ownership of domestic productive assets such as Factories, Land and Organizations. Foreign Direct Investments have become the major economic driver of globalization, accounting for over head of all cross-border investments. 2.1 Types of FDI The types of Foreign Direct Investment are, Green Field Investment is new facilities or the expansion of existing facilities. Greenfield investments are the primary target of a host nation's promotional efforts because they create new production capacity and jobs, transfer technology and know-how, and can lead to linkages to the global marketplace. However, it often does this by crowding out local industry; multinationals are able to produce goods more cheaply (because of advanced technology and efficient processes) and uses up resources (labor, intermediate goods, etc). Mergers and Acquisition occurs when a transfer of existing assets from local firms to foreign firms takes place; this is the primary type of FDI. Cross-border mergers occur when the assets and operation of firms from different countries are combined to establish a new legal entity. Cross - Border Acquisitions occur when the control of assets and operations is transferred from a local to a foreign company, with the local company becoming an affiliate of the foreign company. Unlike green field investment, acquisitions provide no long term benefits to the local economy-- even in most deals the owners of the local firm are paid in stock from the acquiring firm, meaning that the money from the sale could never reach the local economy. Horizontal Foreign Direct Investment is investment in the same industry abroad as a firm operates in at home. Vertical Foreign Direct Investment Takes two forms Backward Vertical FDI: where an industry abroad provides inputs for a firm's domestic production process Forward Vertical FDI: in which an industry abroad sells the outputs of a firm's domestic production processes. Definition of Import A goods or services brought into one country from another country. Along with exports, imports form the backbone of international trade. The higher the value of imports entering a country, compared to the value of exports, the more negative that country's balance of trade becomes. The word import is derived from the word port, since goods are often shipped via boat to foreign countries. Countries are most likely to import goods that domestic industries cannot produce as efficiently or cheaply, but may also import raw materials or commodities that are not available within its borders. Types of Import Industrial and Consumer Goods Intermediate Goods and Services .Definition of Export A function of international trade whereby goods produced in one country are shipped to another country for future sale or trade. The sale of such goods adds to the producing nation's gross output. If used for trade, exports are exchanged for other products or services. Exports are one of the oldest forms of economic transfer, and occur on a large scale between nations that have fewer restrictions on trade, such as tariffs or subsidies. Most of the largest companies operating in advanced economies will derive a substantial portion of their annual revenues from exports to other countries. The ability to export goods helps an economy to grow by selling more overall goods and services. Export and FDI FDI and international trade are not only increasingly complementary and mutually supportive, but also increasingly inseparable as two sides of the process of economic globalization (Ruggiero 1996). Furthermore, inward FDI may stimulate exports from domestic sectors through industrial linkage or spill-over effects, Harrison, 1993). This effect creates a strong demand stimulus for domestic enterprises and promotes exports. FDI is expected to affect export from the export supply side of the host country. FDI may enhance export-oriented productivity that further improves export performance. Others may argue that export leads to increase in productivity that further attracts foreign investors to undertake FDIs. Export contributes to growth by facilitating labour mobilization and capital accumulation. In theory, there is a two-way causal relationship between trade and productivity, although advocates of export-led growth generally contend that exports enhance productivity growth. These economists argue that firms tend to learn advanced technologies through exports and must adopt them to compete in the foreign marketplace. Firms also learn by doing, and emulate foreign rivals through trial and error inherent in the production and sale of export goods. Furthermore, the expansion in production resulting from exports reduces unit production prices, thus increasing productivity. In addition to these effects, exports also provide a country with foreign exchange, which is often scarce in the early stages of economic development, enabling a country to import capital and intermediate goods. Thus, for a variety of reasons, exports increase productivity growth. The reverse causation from productivity growth to exports is also intuitively straightforward. Productivity growth improves a country's international competitiveness in price and quality, and thereby boosts its exports Possible links in FDI and Exports Import and FDI Studies on the effect of FDI on import are scant. FDI both at the initial investment and operation phases can influence import of a country. At the initial investment phase, import of equipments, machineries, installation facilities and experts all contribute to increased import balance. FDI companies have high propensities to import capital and intermediate goods and services that are not readily available in the host country. In the later phases of the investment; input nature, output type, productivity spill-over and type of relationship with other role players in the industry determine the direction of effect of FDI on import of a country. If FDI uses local raw materials and other inputs of production, it may not have significant adverse effect on import. On the contrary, if it relies on imported inputs like raw material, human skill, and other intangibles assets, it affects import positively. The relationship between import and output type of FDI can be positive or negative. If the output is complementary to other products that are imported, it may encourage import and would have positive effect. However, if FDI is concentrated in import substituting industries, then it is expected to affect imports negatively because the goods that were imported earlier would now be produced in the host country by foreign investors. The effect of productivity of FDI and spill-over from FDI on import can be seen together. The theoretical relationship between imports and productivity, and hence FDI, is more complicated than that of exports and productivity. Increased imports of consumer products encourage domestic import-substituting firms to innovate and restructure themselves in order to compete with foreign rivals; therefore, imports enhance productive efficiency. It can also attract foreign firms to undertake investment activities to supply the market. These MNEs, with their experience in supplying both the foreign market and the potential host countries' market previously, are better suited to mobilize factors of production to the host country and engage in production. If that is the case, imports would be discouraged because of domestic supply from MNEs' production facilities. By the same logic, with the positive technological, human capital and other spill-over from foreign firms to local firms, domestic firms could contribute further to the import substitution effect leading to decreased import. Another channel of FDI effect is dependent on the kind of relationship with different levels of the value chain in the industry. In a forward integration, an FDI may be engaged in further processing of a partially processed output of a local company that used to be exported for further processing in a foreign company. This production process may render the product extra quality that makes it usable at the local market. That would have a negative effect on import and export. In a backward integration, an FDI may undertake production of an item, which is an input for another production facility. If that intermediate product was an import item, such kind of integration would have a negative effect on import. With all these possible directions of outcomes, FDI may have positive or negative effect on trade balance

16. PORTS OF INDIA – AN INTEGRAL PART OF INDIA'S INTERNATIONAL TRADE

Ports of India are very important gateway for international trade i.e. imports and exports. Maximum of the cargo that goes out of the country and that comes in the country is through these ports of India. These ports play an important role in strategic planning of imports and exports of the country. India's international trade by sea amounts to over 90% of foreign trade that take place via 13 major and 187 minor ports of India. These ports of India are held responsible for playing a dominant role in developing the country's trade and commerce.

India being the largest peninsular country in the world has about 7516.6 kilometers long coastline, which currently houses 13 major and 187 minor ports that contribute about 90% of the Foreign Trade. Out of these 12 are managed by Government and one by Corporate. The latest addition to the list of major ports of India is Port Blair. It was added in June 2010, making it the 13th port in the country. India is lucky to have major water bodies on its sides that is the east as well as the west side. Bounded by the Indian Ocean on the south, the Arabian Sea on the south-west, and the Bay of Bengal on the south-east.

Major Ports of India:

1. Mumbai Port:

Mumbai port is the biggest and busiest of all the ports of India. Mumbai Port was established as the Bombay Port Trust on June 26, 1873. Mumbai port handles 11 per cent of the total sea-borne traffic of India. It is a natural deep-water harbor in the southern portion of the Ulhas River estuary. Not many people know that the official name of Mumbai harbor is "Front

Bay". The port was the pre-eminent commercial ports of India in the nineteenth and twentieth centuries. It is known as the gateway to India, and has been a primary factor in the emergence of Mumbai as the commercial capital of India.

2. Kandla Port:

Kandla is a tidal port located on the Gulf of Kutch and is one of major ports of India on the west coast. It is one of the important ports of India in Kutch district of Gujarat state in western part. Kandla seaport is the result of partition. It was constructed in the 1950s as the chief seaport serving western India, after the partition of India from Pakistan left the port of Karachi in Pakistan.

3. Marmugao Port:

Marmugao is one of the oldest Ports of India located on the west coast. The port also serves as a naval base. It is one of the premier iron ore exporting ports of India with an annual throughput of around 26.74 million tonnes of iron ore traffic. It was commissioned in the year1888 and was declared a major port in 1964. Today the quantity of iron ore exported from Marmugao port constitutes 39 per cent of the total iron ore exports of India.

4. Visakhapatnam Port:

Visakhapatnam is the deepest land-locked and protected port in India. It is one of the largest Ports of India in terms of the cargo handled. Visakhapatnam port also serves as home to the Eastern Naval Command of the Indian Navy. The port construction started in the year 1927 and completed in the year 1933. the first vessel entered the port on 7 October 1933. It is one of the busiest ports of India. It is the most scenic of all the ports as it is surrounded by a hill on the south side and is often compared to the Durban port because of this similarity.

5. Chennai Port:

It is one of the oldest Ports of India located in the southern part. The Chennai Port has an artificial harbor. This gateway port for all cargo has completed about 130 years of service to India's maritime trade. Before it was made an artificial harbor, the initial piers were built in 1861 but was destroyed by 1868 and 1872 storms. Later the process of making an artificial harbor was initiated and the operation started in the year 1881.

6. Kolkata Port:

Kolkata also enjoys the importance of one of the major ports of India. The Kolkata port is the only riverine port of all the ports of India and has two docks namely Kolkata dock and Haldia dock. Kolkata Dock System is situated on the left bank of the river Hooghly and has a comprehensive range of facilities to handle and transport various cargo including heavy lifts. Kolkata port has the largest dry dock of all the major ports of India.

7. Jawaharlal Nehru Port (JNPT):

It is the fastest growing of all the ports of India. The port is located in Navi Mumbai and is managed by Jawaharlal Nehru Port Trust and controlled by the Central Government of India. It handles 65 per cent of India's container traffic. The port is connected pretty well with all major highways and railway stations.

8. New Mangalore Port:

The New Mangalore Port, the only major port of Karnataka was inaugurated on 11th January 1975. It is the one of all the Ports of India to export Kudremukh iron-ore. The major commodities exported through the port are iron ore concentrates & pellets, iron ore fines, granite stones, containerized cargo etc. The major imports are crude and petroleum, oil and lubricants (POL) products, LPG, wood pulp, timber logs, finished fertilizers, liquid ammonia, phosphoric acid, other liquid chemicals, containerized cargo, etc.

9. Tuticorin Port:

Tuticorin Port was a minor port until Tuticorin minor port and the newly constructed Tuticorin major port were merged and the Tuticorin Port Trust was constituted. Then it became one of the major ports of India and started exporting a variety of cargo meant for the neighboring countries of Sri Lanka, Maldives, etc and the coastal regions of India.

10. Cochin Port:

Cochin is one of the fastest growing ports of India and a popular gateway to Indian peninsula. The port is located on the south-est coast of India. It is located on an island named Willingdon Island which is an artificial Island tucked inside the backwaters of Kerala.

11. Paradip Port:

The foundation stone of the Paradip Port was laid in January 1962 by then Prime Minister Mr. Jawaharlal Nehru. Government of India declared Paradip as the eighth major port of India on April 18, 1966 making it the first major port on the east coast commissioned in independent India. It is one of the important ports of India that serve the eastern and central parts of the country.

12. Port Blair Port:

It is the newest of all the ports of India. It was declared a major port in the year 2010. Port Blair, the capital city of Andaman and Nicobar Islands in India is a very popular tourist destination famous for scuba diving and snorkeling. It serves as the main port of call for services from the mainland to the Union territory and is also the principal hub for shipping in the islands.

13. Ennore Port:

Ennore is the only port in India which is a Public company rest of the ports of India are governed and managed by Government of India. It is designed as Asia's energy port and was initially started or envisioned as a satellite port to the Chennai Port to de-congest marine traffic. However, Ennore Port has evolved into a full-fledged port with the capacity to handle a wide range of products. The port has adequate road and rail links.

17. CONCLUSION

The present study, as against a number of previous studies, has provided adequate and statistically significant evidence of positive linkage between FDI and exports, Import. The FDI could not be assumed as the only explanatory variable for predicting variations in exports. International trade that is measured either by exports or by imports is found to be complementary to FDI inflows. FDI inflows are observed to have feedback effects with exports of the trading partners and of the other trading partners. Similar linkages between FDI inflows to, and imports by, the trading partners and the other trading partners are also revealed. FDI induced by trade expansion will also improve social welfare. It is important for both the public and private sectors to realize the complementarily between trade and investment, and respond accordingly. Product space analysis and the Revealed Comparative Advantage of Indian exports suggest that India is well placed to diversify into income-enhancing products. Increasing the share of high income marginal and disappearing exports, and diversifying into the core of the product space remain key policy priorities. Having documented the evolution and composition of Indian exports, we next turn to analyze its implications for future exports performance and growth. We use the product space and network approaches drawing upon the works of Hausmann and Klinger (2006) and Hidalgo et al (2007) and for this purpose. Central to this framework are the following key ideas: (i) products differ in productivity and future growth consequences; (ii) development is a process that involves not only producing more of the same set of products, but also the introduction of new ones; that is, sustained growth involves the accumulation of more complex sets of capabilities; (iii) the ability of a country to export a new product is dependent on its ability to export similar products; and (iv) commodities requiring similar capabilities are more likely to be exported together. To study the potential of Indian exports, we proceed as follows: first, we calculate the revealed comparative advantage (RCA) of India's exports. Next, drawing upon product space analysis, we rank products and services according to their income enhancing potential and the likely probability of being exported. This provides an indication about products, whose further development could increase the income of Indian exports. Finally, we also explore products that are easier to diversify into using the concepts of product space. If India's current exports are connected to products with high income enhancing potential and high probability of exporting, then India stands to gain by trying to move to those products. apid growth in services in the last decade has been attributed to information and communication technology (ICT) revolution of mid-1990s and rapid growth in technology, transportability, and tradability (often referred to as the 3Ts) that changed the nature, productivity and tradability of services (Ghani and Kharas, 2010). These advancements have also qualitatively changed services exports – rapid growth of such services that do not require face-to-face interaction, and can be stored and traded digitally. We define these services as modern services.8 Modern services are the fastest growing sector of the global economy, with the share of modern services export in total services export growing in almost every country. In India, modern services exports account for nearly 70 percent of the total commercial services exports (compared to around 35 percent in EMs) and have been growing much faster than the traditional services. In this respect, Indian services exports mix resembles that of Ireland (Appendix Panel III).9 Over time, the importance of sophisticated technology-oriented business exporting services has increased. In particular, computer service exports are a major component of service exports from India, accounting for almost 70 percent of total service exports. Finance, travel, sea transport (freight), and several business services such as legal, accounting, management, public relations, architecture, engineering and technical services account for the remaining chunk of India's service export basket. However, India's service export basket exhibits a peculiar composition in that it involves various skill levels: while the majority of its service exports are computer services, personal travel services and transport are also big. World market share of certain other services are increasing, in particular of research and development, franchising, and service exchange between affiliate enterprises. The evolution of Indian exports is characterized by a large and growing share of services exports, dominated by modern services; increasing share of manufacturing exports, though still dominated by relatively low-technology content; and a well diversified exports basket, both in terms of destination and product. Increasing the share of manufacturing, particularly medium- and high-tech; expanding trade to new destinations; and further diversifying manufacturing and service exports remain key policy priorities.

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