T.Y.B.COM

SEMESTER - V (CBCS)

EXPORT MARKETING
PAPER - I

SUBJECT CODE: 23116

Programme Co-ordinator : **Ms. Rajashri Pandit**
Assistant Professor (Economics)
IDOL, University of Mumbai,
Vidyanagari, Santacruz (E), Mumbai.

Course Co-ordinator and Editor : **Mr. Sambhaji Shivaji Shinde**
Assistant Professor,
IDOL, University of Mumbai,
Vidyanagari, Santacruz (E), Mumbai.

Course Writers : **Dr. Vishnu Nivrutti Yadav**
Principal, S.N. College of Arts and Commerce,
Bhayander east - 401105

: **CMA (Dr.) Tushar Balkrishna Raut**
St. Gonsalo Garcia College of Arts and Commerce,
Vasai Maharashtra 401202.

: **Mr. Irshad Wajid Shaikh**
SEMT's, M.B.Harris College of Arts,
A .E Kalsekar College of Commerce and Management, Nallasopara

: **Mr. Vikram Trivedi**
St.Gonsalo Garcia College of Arts and Commerce,
Vasai Maharashtra 401202

: **Mr. Piyush Harish Rana**
Annasaheb Vartak college of Arts
commerce and science, Shastri Nagar,
Vasai West -401201

July 2022, Print - 1 ISBN: 978-93-95130-61-5

Published by: Director,
Institute of Distance and Open Learning,
University of Mumbai,
Vidyanagari,Mumbai - 400 098.

DTP composed and Printed by: Mumbai University Press

CONTENTS

Chapter No.	Title	Page No.

T.Y.B.COM
SEMESTER - V (CBCS)

EXPORT MARKETING
PAPER - I

SYLLABUS

Elective Courses (EC)

2. Ability Enhancement Courses (AEC)

3. Export Marketing Paper - I

Modules at a Glance

Sr. No.	Modules	No. of Lectures
1	Introduction to Export Marketing	12
2	Global Framework for Export Marketing	11
3	India’s Foreign Trade Policy	11
4	Export Incentives and Assistance	11
	Total	**45**

Sr. No.	Modules / Units
1	**Introduction to Export Marketing**
	a) Concept and features of Export Marketing; Importance of Exports for a Nation and a Firm; Distinction between Domestic Marketing and Export Marketing b) Factors influencing Export Marketing; Risks involved in Export Marketing; Problems of India's Export Sector c) Major merchandise/commodities exports of India (since 2015); Services exports of India (since 2015); Region-wise India's Export Trade (since 2015)
2	**Global Framework for Export Marketing**
	a) Trade barriers; Types of Tariff Barriers and Non-Tariff barriers; Distinction between Tariff and Non-Tariff barriers b) Major Economic Groupings of the World; Positive and Negative Impact of Regional Economic Groupings; Agreements of World Trade Organisation (WTO) c) Need for Overseas Market Research; Market Selection Process, Determinants of Foreign Market Selection
3	**India's Foreign Trade Policy**
	a) Foreign Trade Policy (FTP) 2015-20 - Highlights and Implications, Export Trade facilitations and ease of doing business as per the new FTP b) Role of Directorate General of Foreign Trade (DGFT), Negative list of Exports, Deemed Exports c) Benefits to Status Holders & Towns of Excellence; Common benefits for EHTP, BTP and STP; Benefits enjoyed by (IIAs) Integrated Industrial Areas(SEZ), EOU, AEZ
4	**Export Incentives and Assistance**
	a. Financial Incentives available to Indian Exporters - Marketing Development Assistance (MDA), Market Access Initiative (MAI), Assistance to States for Infrastructure Development for Exports (ASIDE), Industrial Raw Material Assistance Centre(IRMAC), b. Institutional Assistance to Indian Exporters - Federation of Indian Export Organisations (FIEO), India Trade Promotion Organisation (ITPO), The Federation of Indian Chambers of Commerce and Industry (FICCI), Export Promotion Councils (EPCs) & Commodity Boards (CBs), Indian Institute of Foreign Trade (IIFT), Indian Institute of Packaging (IIP) c. Schemes - Export Promotion Capital Goods (EPCG) Scheme, Duty Exemption and Remission Schemes, Export Advance Authorisation Scheme; Duty Drawback (DBK); IGST Refund for Exporters

Revised Syllabus of Courses of B.Com. Programme at Semester V and VI with effect from the Academic Year 2018-2019

Question Paper Pattern

(Theoretical Courses)

Maximum Marks: 100

Questions to be set: 06

Duration: 03 Hrs.

All Questions are Compulsory Carrying 15 Marks each.

Question No	Particular	Marks
Q-1	Objective Questions A) Sub Questions to be asked 12 and to be answered any 10 B) Sub Questions to be asked 12 and to be answered any 10 (*Multiple choice / True or False / Match the columns/Fill in the blanks)	20 Marks
Q-2 Q-2	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-3 Q-3	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-4 Q-4	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-5 Q-5	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-6 Q-6	A) Theory questions B) Theory questions ***OR*** Short Notes To be asked 06 To be answered 04	10 Marks 10 Marks 20 Marks

Note:

Theory question of 15 marks may be divided into two sub questions of 7/8 or 10/5 Marks.

Reference Books

3. Export Marketing Paper I

- *Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,*
- *International Business, K. Aswathappa,McGraw-Hill Education (India) Pvt. Ltd.,6th Edition*
- *Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International Publishers, 2006 / Reprint Jan 2016*
- *International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th Edition, 2017*
- *R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices], Centax Publication, 2017*
- *EXIM Policy & Handbook of EXIM Procedure – VOL I & II*
- *International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen, Pearson Publications, 8th Edition, June 2016*
- *International Marketing Strategy,IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.*
- *Global marketing, Warren J. Keegan 9th Edition Pearson Education, Delhi,*
- *New Import Export Policy - Nabhi Publications, 2017*
- *P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi*
- *P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi*
- *Paras Ram, Export documentation and procedure A-Z*
- *Export: What, Where, How?Paras Ram, & Nikhil K. Garg, Anupam Publishers, 47th Edition, 2016-17*
- *International Marketing, Mary C. Gilly, John L. Graham, Philip R. Cateora, 14th Edition, Tata McGraw-Hill Co. Ltd., 2014*
- *International Marketing Management, An Indian Perspective,R.L.Varshney and B. Bhattacharya, Sultan Chand & Sons, 24th Edition, 2012*
- *International Marketing Analysis and Strategy, SakOnkvisit, John J. Shaw, Prentice-Hall of India Pvt. Ltd., 5th Edition, 2008*
- *International Marketing, Subhash C. Jain, South-Western, 6th Edition, 2001*
- *Export Management, T.A.S.Balagopal , Himalaya Publishing House, Mumbai, 2014*
- *Michael R. Czinkota and Iikka A. Ronkainen, International Marketing, South-Western, 10th Edition, 2012*
- *Export-Import and Logistics Management, Charlie Hill, Random Publications, 2014*
- *International Marketing Management, M.V. Kulkarni, Everest Publishing House*

Curiginal

Document Information

Analyzed document	Export Marketing, TYBCom Sem V....docx (D139429808)
Submitted	2022-06-06T13:58:00.0000000
Submitted by	santosh Patil
Submitter email	santosh.patil@rapodar.ac.in
Similarity	4%
Analysis address	santosh.patil.pcce@analysis.urkund.com

Sources included in the report

SA	**17364 AK.docx** Document 17364 AK.docx (D42122185)	3
SA	**Foreign Trade Policy Highlights.docx** Document Foreign Trade Policy Highlights.docx (D44253477)	15
SA	**trade barriers.docx** Document trade barriers.docx (D138596464)	6
SA	**EXIM POLICY OF INDIA 2015-2020.docx** Document EXIM POLICY OF INDIA 2015-2020.docx (D52617311)	2
W	URL: https://www.ibef.org/download/exim-procedure-december-2020.pdf Fetched: 2021-07-20T13:44:45.6770000	12
SA	**Anjali PBL.docx** Document Anjali PBL.docx (D69999566)	1
SA	**TYBCOM Semester V Export marketing English Version.docx** Document TYBCOM Semester V Export marketing English Version.docx (D135747605)	2
SA	**NOVA_SCIENCE_CRITICAL_ANALYSIS_OF_INDIA.docx** Document NOVA_SCIENCE_CRITICAL_ANALYSIS_OF_INDIA.docx (D113723647)	5
SA	**Nilam Panchal CHAPTER 29.docx** Document Nilam Panchal CHAPTER 29.docx (D27166483)	2
SA	**Unit 13-SEZs and EOUs (2).docx** Document Unit 13-SEZs and EOUs (2).docx (D118437441)	5
SA	**52_Titus Chacko_Winter project_GM.docx** Document 52_Titus Chacko_Winter project_GM.docx (D132245964)	1
SA	**Kandasamy Economics PDF.pdf** Document Kandasamy Economics PDF.pdf (D54952635)	1

1

EXPORT MARKETING - I

Unit Structure

1.0 OBJECTIVES

The main purpose of this chapter is –

- To provide you with an overview of export marketing.
- To understand the meaning of export marketing
- To explain the features of export marketing
- To know the importance of export marketing at national level and firm level.
- To distinguish between domestic marketing and export marketing.
- To elaborate the motivations for export marketing.
- To find out the present problems / Difficulties faced by Indian exporters.

1.1 INTRODUCTION

After recent reforms, business opportunities and threats are at their peak, which have not only made the market place competitive with many new firms, but also with the latest technology becoming popular. In India, it has created new issues in front of management.

There are more business prospects available now, as well as new challenges in international business. When analyzing a firm and its progress, financial indicators are no longer sufficient.

Export marketing refers to the process of selling goods to people in other nations. It entails a long process and formalities. In export marketing, items are transferred abroad according to procedures established by both the exporting and importing countries. Due of foreign constraints, worldwide competition, lengthy procedures and formalities, and other factors. Export marketing is more difficult than domestic marketing. Furthermore, when a company crosses national borders, it becomes exponentially more complicated.

Export marketing is important for the national economy in a number of ways. It promotes economic, business, and industrial growth in order to create foreign exchange and maximise the utilisation of existing resources. Every country has policies in place to encourage exports. Every country must open its markets to others and make every attempt to penetrate their markets as effectively as feasible. In today's global marketing atmosphere, this is a standard regulation that every country must follow.

1.2 CONCEPT AND FEATURES OF EXPORT MARKETING

Foreign constraints, worldwide competition, lengthy procedures and formalities, and other factors, export marketing is more difficult than domestic marketing. Export marketing also provides a lot of options to make a lot of money and get a lot of foreign currency.

Definition

1) According to B. S. Rathor

   "Export marketing includes the management of marketing activities for products which cross the national boundaries of acountry".

2) "Export marketing means marketing of goods and services beyond the national boundaries".

The main important features of export marketing are as follows.

1) The systematic process of developing and distributing goods and services in international markets is referred to as export marketing. Market research, product design, branding, packaging, price, and promotion are all responsibilities that fall within the purview of the export marketing manager. To carry out the various marketing operations, the export marketing manager must obtain relevant data from reliable sources, properly analyse it, and then make systematic export marketing decisions.

2) Export marketing is normally done on a large scale. Exporters can quote competitive pricing in international marketplaces due to large-scale economies. Exporting small amounts of commodities is costly due to high shipping costs and other regulations.

3) Export marketing is dominated by multinational corporations (MNCs) from the United States, Europe, and Japan. They establish global contacts through their network and operate their business efficiently and cost-effectively. They produce high-quality things on a large scale at a reasonable cost.

4) The customer is at the centre of export marketing. To produce and improve customer pleasure, customers' needs and wants must be identified, and products must be appropriately planned and developed. Customer focus will boost sales in international markets while also strengthening and enhancing the company's reputation.

5) Trading blocs have an impact on export trade; certain nations form trading blocs for mutual gain and economic progress. Due to common external restrictions, non-members have difficulty trading with members of a trading bloc. Important trading blocs such as NAFTA, the European Union, and ASEAN should be well-understood by Indian exporters.

6) Exporters face three-sided competition in export markets, including competition from other providers in the exporter's country, domestic producers in the importing country, and exporters from competing countries.

7) Documentation - There are a variety of documentation required for export marketing. Exporters must submit a variety of documentation to various authorities, including customs, the port trust, and others. Shipping Bill, Consular Invoice, Certificate of Origin, etc.

8) Varied countries have different foreign exchange regulations when it comes to export trade. These regulations govern the payment and collection of export proceeds. The free flow of products between countries is hampered by such regulations.

9) Export marketing involves having the appropriate marketing mix for the target markets, which implies exporting the appropriate product, at the appropriate price, in the appropriate place, and with the appropriate promotion. The exporter can utilise alternate marketing - mixtures for different export markets - to increase exports and revenues.

10) Because export marketing is so competitive, it necessitates market research in the form of market surveys, product surveys, product research, and product creation. International marketing study will aid with a variety of challenges in export marketing, including recognising the needs and wants of international buyers.

11) Export marketing aids in the distribution of company risks. Export enterprises typically sell their goods in a range of international markets. If they are affected by risks (losses) in one market, they may be able to diversify their company's risks by investing in higher-returning markets**.**

12) **Reputation –**

Export marketing gives the export company a name and goodwill. In addition, the country of origin gains a reputation. The export firm's reputation allows it to command high sales in both the domestic and export markets.

1.3 IMPORTANCE OF EXPORTS FOR A NATION AND A FIRM

Both developed and emerging countries rely heavily on exports. The necessity, utility, and rewards of export marketing can be explained from the perspectives of a country and a business organization.

Export Marketing's Relevance at the National Level:

1) Exports bring major foreign currency to the exporting country, which is utilised to pay for capital goods, raw materials, spare parts, and components, as well as advanced technological skills.

2) Almost every country wishes to prosper in a peaceful environment. Maintaining political and cultural links with other countries can be accomplished through international trade.

3) Large-scale exports help governments attain a favourable balance of payments condition by reducing balance of payments imbalances. Exports on a large scale can be used to eliminate the trade and balance of payments deficits.

4) A country that leads the globe in exports is seen with tremendous respect, goodwill, and esteem by other countries. Japan, for example, has an international reputation for high-quality export commodities.

5) More production is required to meet the demands of the export market. There will be more job prospects as manufacturing expands. Opportunities exist not only in the export sector, but also in related industries such as banking and insurance.

6) Exports are required to support economic and industrial growth. If a company has access to worldwide markets, it can grow quickly. Large-scale exports contribute to a country's rapid economic development.

7) The most efficient utilisation of resources is feasible. In Gulf countries, for example, oil and petroleum products production exceeds local consumption. As a result, excess production is exported, which maximises the use of available resources.

8) As a result of the export business, other sectors such as banking, transportation, and insurance have grown, and a number of ancillary industries have sprung up to support it.

9) Export trade needs more production, which means more job opportunities. More jobs equal more spending power, which allows people to enjoy more and better items, so improving their standard of living.

Importance of export marketing at Business / Firm

1) **Reputation –**

Exporting allows a company to establish a brand not just in the international market, but also in the domestic market. Phillips, HLL, GlaxoSmithKline, Sony, Coca-Cola, and Pepsi, for example, have a global presence.

2) **Optimum Production –**

After meeting domestic demand, a corporation can export its excess production. As a result, production can continue until the maximum capacity is reached. This will result in large-scale production cost savings.

3) **Spreading of Risk –**

A company that markets both domestically and internationally can divide its marketing risk into two components. The profit earned in the other portion / area can compensate for the loss in one part (i.e. in one area of marketing).

4) **Export obligation –**

Particular concessions and facilities are granted to some export organisations only if they agree to certain export requirements. In India, large-scale exports are required to meet such commitments, and firms operating in SEZs / FTZs are obliged to meet such obligations in exchange for specific benefits.

5) Improvement in organizational efficiency

Exporters can increase their overall organisational efficiency through research, training, and experience dealing with overseas markets.

6) **Improvement in product standards**

An export company must maintain and improve quality standards to meet international criteria. As a result, consumers will be able to experience higher-quality goods on both the home and foreign markets.

7) **Liberal Imports**

Large-scale exporters collect more foreign exchange, which they can spend more freely to purchase new technology, machines, and components. This increases the competitiveness of exporting companies.

8) **Financial and non-financial benefits**

Large-scale exporters collect more foreign exchange, which can be used to buy new technology, machines, and components more freely. This improves export organizations' competitiveness.

9) Higher profits –

Exports allow a company to charge higher prices for its products. If exporters provide high-quality goods, they can charge higher prices than in their local market, increasing their profit margin.

1.4 DISTINCTION BETWEEN DOMESTIC MARKETING AND EXPORT MARKETING

Domestic / Home marketing	Export / International marketing
1) Meaning – Domestic marketing is constrained by the political boundaries of a country. It is limited to purchases and sales within a single country.	For marketing purposes, international marketing encompasses all countries. It entails operations such as purchasing and selling on a worldwide scale.
2) Nature – Domestic marketing is simple and straightforward due to a number of factors, including a standard currency system, few trade prohibitions, consistent trade practices, and short distances for products transportation.	Due to factors such as the usage of multiple currencies, trade prohibitions over large distances, and the lack of uniform trade processes, international marketing is tough and complicated.
3) Trading Blocs – There is lots of room for domestic marketing activities to grow because there are no trading blocs, tariffs, or non-tariff barriers.	Trading blocs, tariff and non-tariff barriers exist in international marketing, limiting unrestricted trade between nations.
4) Licensing and procedures It is free of licensing requirements as well as lengthy procedures and formalities. This simplifies the trading process.	Licensing, approvals, and lengthy procedures are all involved. This complicates, time-consuming, and difficult marketing activities.
5) environmental changes It involves licensing, permissions, and lengthy procedures. This makes marketing initiatives more complicated, time-consuming, and difficult.	Economic, political, and social developments all have an impact on the international marketing scene.

6) Risk in trade The risk is modest due to the limited area of operations, political stability, and universal regulations and legislation.	The risk is substantial due to the vast extent of activities, the extremely sensitive nature of markets, and political difficulties.
7) Competition – It isn't a particularly competitive market. Because of the homogenous corporate environment, the possibility for competition is limited.	It is extremely competitive since the countries involved are at various levels of economic and industrial development.
8) Government Interference – There should be as little interference as possible with domestic marketing efforts.	International marketing operations have the most interference.
9) Division – There are no divisions in this centralized marketing operation.	There are two essential components to it. Multinational marketing and international marketing are two distinct marketing types.
10) Quantities involved – Small volumes and low profit margins characterize domestic marketing initiatives.	International marketing is always done in large quantities, with better profit margins.
11) Incentives Traders and manufacturers are rarely granted particular concessions, privileges, or incentives in house marketing.	Manufacturers of export-oriented items and exporters are granted unique incentives, facilities, and privileges when it comes to export marketing.
12) Agencies Involved – Wholesalers, retailers, and other trading organizations are among the companies engaging in house marketing.	Manufacturer-exporters, merchant-exporters, export houses, and trade houses are all examples of export marketing agencies.
13) Method of payment – Payment is made in cash or by check in domestic marketing.	Letters of credit and documentary bills of exchange are used to pay for foreign marketing.
14) Use of currency It is based on the use of a single currency. Consider the Indian Rupee.	It entails the usage of numerous currencies, most notably the US dollar.

1.5 SUMMARY

Export marketing occurs beyond national borders which distinguishes it from domestic marketing. As a result, exporters must contend with trade barriers such as language barriers, politics, legislation, governments, and cultures. They may be responsible for transporting the product halfway around the world to distant markets as well as paying the import tariffs of the importing country. They will also have to deal with the logistical and paperwork challenges that come with exporting. These are only a few of the challenges you'll face.

Preparing an item that would entice the overseas buyer and consumer is also part of export marketing. This offering consists of a product that is made available or distributed to a foreign client at a specific price. Simultaneously, the offer is disseminated or promoted to the buyer through various communication and promotion channels. The marketing mix is made up of four elements: product, pricing, distribution (location), and promotion.

1.6 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Write a short note on Home Marketing.
2. What is an Export Marketing?
3. Explain the term Foreign exchange.
4. How does export marketing handle competition?
5. Define of Export marketing

Long Answers:

1. What distinguishes export marketing from other types of marketing?
2. Describe export marketing in a few sentences.
3. Determine the difference between domestic and international marketing.
4. Discuss why export marketing is important.
5. Discuss about the drawbacks of export marketing.

B. Multiple Choice Questions:

1. **…………** refers to the process of selling goods to people in other nations

a) Domestic market

b) Foreign market

c) Import marketing

d) Export marketing

2. MNCs stands for ………………

a) Multinational corporations

b) Multi-international corporations

c) Multinational corporation scheme

d) Multinational corporation system

3. Large-scale economies aid the exporter in quoting competitive prices in …………markets

a) national

b) international

c) domestic

d) import

4. Export marketing gives the export company a name and …………….

a) goodwill

b) asset

c) system

d) place

5. Export marketing is the process of generating and distributing goods and services in foreign markets in a …………

a) systematic manner

b) complex manner

c) general manner

d) risks manner

Answer: 1- d,2-a ,3-b ,4-a ,5-a

C. Fill in the blanks:

1. Export marketing has a broader …………. relevance.

2. Export marketing is all about the ……….

3. Export marketing helps to spread …………risks.

4. The export marketing manager is responsible for a variety of …………. tasks.

5. High transportation costs and other regulations, exporting small amounts of commodities is ……….

Answer:

1. marketing

2. customer

3. corporate

4. economic

5. expensive

D. State whether the following sentence are True / False:

1. Import marketing also provides a lot of options to make a lot of money and get a lot of foreign currency.
2. Export marketing refers to the promotion of goods and services outside national borders
3. Large-scale exports can be used to eliminate the deficit in the balance of trade.
4. Exports are critical for all countries, developed and developing alike.
5. Export marketing is typically carried out on a small scale.

Answer:

True: 3 and 4

False: 1, 2 and 5

1.7 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

2

EXPORT MARKETING - II

Unit Structure

2.0 OBJECTIVES

After studying this unit, you will be able to

- Understand the significance of Employee Engagement
- Outline the need of HRIS
- Analyse the changing patterns of Employment

2.1 INTRODUCTION

Export marketing has a broader economic relevance as it benefits the national economy in a variety of ways. It encourages economic, business, and industrial development in order to generate foreign exchange and make the best use of available resources. Every country has policies in place to encourage exports and genuine global marketing participation. Globalization is a fact, and every country must participate in order to benefit from it. Every country must open its markets to others and make every attempt to penetrate their markets as effectively as feasible.

This is a standard regulation that every country must adhere to in today's global marketing climate. The country's economic progress is jeopardised in the absence of such engagement in global marketing.

2.2 FACTORS INFLUENCING EXPORT MARKETING

The eight factors that influences the value of a country 's exports and imports are as follows:

i. The country's inflation rate:

If the country's inflation rate is relatively high, domestic people and businesses are likely to purchase a substantial amount of imports. Exporting is likewise going to be tough for the country's businesses. A drop in inflation, on the other hand, would boost the country's international competitiveness, resulting in more exports and less imports.

ii. The country's exchange rate:

When a country's exchange rate falls, export prices fall and import prices rise. This is anticipated to boost the value of its exports while reducing the amount spent on imports.

iii. Productivity:

The more productive a country's workforce is, the lower its labour costs per unit and the lower the cost of its goods. A boost in productivity is likely to lead to a bigger number of families and businesses purchasing more of the country's goods, resulting in an increase in exports and a decrease in imports.

iv. Quality:

A decrease in the quality of a country's products in comparison to other countries' products would have a negative impact on the country's goods and services balance of trade.

v. Marketing:

The number of exports sold is impacted not only by their quality and price, but also by the marketing success of domestic enterprises. Similarly, the effectiveness of foreign enterprises' marketing has an impact on the amount of imports purchased.

vi. Domestic GDP:

If domestic incomes rise, more imports may be purchased. More raw materials and capital goods are likely to be purchased by businesses, with some of these items coming from outside the country. More products will be purchased by households, some of which will be imported. Some domestic enterprises may be enticed to switch from the international to the home market as a result of the increase in domestic demand. Exports will suffer if this happens.

vii. Foreign GDP:

Foreigners will buy more things if their incomes improve in other countries. This may allow the country to increase its exports.

viii. Trade restrictions:

Foreign trade restrictions will be loosened, making it easier for domestic companies to sell their products in foreign nations.

2.3 RISKS INVOLVED IN EXPORT MARKETING

Businesses engaging in international trade must deal not only with local hazards, but also with risks related to ethics, transportation, intellectual property, credit, currency, and a variety of other issues.

These hazards have the potential to block the smooth operation of the firm, so proper actions must be made to mitigate their consequences. Here are six risk that businesses engaging in international trade frequently encounter, as well as effective approaches to handle them.

1. Credit Risk

The risk of not collecting an account receivable is known as counterparty or credit risk. Businesses can protect themselves from this risk by expanding into global markets in a variety of ways.

- **Take payment in full [or a decent percentage of money upfront]**

  To reduce down on administrative costs and finance charges, take 100% of the money owing, or a fair share, before performing the services at the time of placing an order. This removes the possibility of non-payment. Although this may be challenging for new enterprises and exporters, it may be worked out with a few minor concessions.

- **Letter of credit**

  This is a commitment issued by a financial institution to pay a specified sum to a service/product supplier in exchange for delivery within a specified timeframe. Both the vendor and the customer are protected in this way. It contains both a full description of the shipment and the terms of sale.

There are a variety of alternative methods for reducing credit risk. You can experiment to see what works best for you.

2. Intellectual Property Risk

This risk involves third parties making illegal use of a company's or property's strategic information, which affects the value of the company's services or goods, either directly or indirectly.

Because it is difficult to combat commercial rights remotely when doing business overseas, these risks multiply tenfold. This can be prevented by registering corporate names and trademarks in any country before signing a contract.

To stay ahead of the competition, it's also a good idea to adapt and improve your services or products on a regular basis.

3. Foreign Exchange Risk

This usually refers to accounts payable and receivable for contracts that are currently in place or will be soon. Foreign exchange rates are continually fluctuating. As a result, businesses would be forced to convert funds generated overseas at lower rates than expected.

This is why having a proper exchange policy in place is critical for firms. This will assist you in –

- Stabilizing profit margins over sales made
- Mitigating the negative impact of shifting exchange rates on sales and procurements
- Improving cash flow control
- Simplifying local and international pricing.

To formulate an effective policy, businesses must first identify foreign exchange risks. It's also critical to understand the tools available for hedging these risks and to conduct regular comparison analyses to determine the optimal option.

4. Ethics Risks

When selling a product or service in a worldwide market, it is critical to maintain a high ethical standard. During international trade, companies may be confronted with concerns about their beliefs at any time.

Because social situations and conventions differ from place to country, it is vital to be extra cautious. You must ensure that your overseas suppliers and partners, regardless of where they operate, conform to your values and rules.

5. Shipping Risks

Contamination, seizure, accident, vandalism, theft, loss, and breakage can all occur when delivering products internationally or locally. You must ensure that you have adequate insurance before shipping any goods to the purchasers.

The International Chamber of Commerce has established regulations and responsibilities for all parties involved in international trade when it comes to shipping risk. It's better to read the guidelines and take the appropriate precautions.

6. Country and Political Risks

Non-tariff trade barriers, central bank exchange controls, and bans on the selling of certain items in specified nations are examples of these risks. Several countries, for example, have outlawed products derived from enrisked animal species.

Certain things, like as sanctions, would be beyond your control, and you would need to be prepared to overcome them. Check the official website of the Ministry of Foreign Affairs and Trade for the respective country for further information on such restrictions.

2.4 PROBLEMS OF INDIA'S EXPORT SECTOR

Indian exporters are currently facing a lot of challenges. Businesses are hesitant to join international marketplaces because of this issue. The issues/difficulties are as follows:

a) Global market crisis

The world economy was in recession in 2008 and the first half of 2009. In September 2007, the subprime mortgage crisis in the United States triggered the recession. The recession has badly affected demand for a variety of Indian commodities, including gems and jewellery, textiles and clothes, and other items. During a recession, exporters face low orders from international markets, prompting them to lower their prices. As a result, the exporter either makes or loses lawful profits.

b) Differences in technology

The developed countries have sophisticated technology that allow them to mass-produce finished goods from raw materials. Developing countries, on the other hand, lack technical skills and contemporary equipment. As a result, they are compelled to use obsolete technologies. As a result, the global market is developing in an imbalanced manner

c) Reduced export incentives –

The Indian government has gradually reduced export incentives such as DBK rates and income tax benefits for the majority of exporters. When export incentives are diminished, exporters are deterred from exporting to foreign markets**.**

d) Several competitions in global marketing –

Export marketing is a highly competitive industry. This struggle revolves around price, quality, production costs, and sales promotion techniques. Exporters in India confront three categories of competition. This comprises domestic exporters, local producers in the exporting country, and global producers. As a result of their competition, exporters face a distinct set of problems.

e) Product-standards issue–

Developed countries, such as the United States, require developing countries, such as India, to meet high product standards. Importing countries test items from rising markets like India. Because of their high riskous content, importing countries frequently refuse to allow certain items, such as fruits, textiles, and other goods. As a result, Indian exporters, particularly in developed countries, are losing market share.

f) Fluctuations in Exchange Rate –

Each country has its own currency that is separate from the currencies of other nations. The most commonly used international currencies are the US dollar and the British pound sterling. We want to be allowed to pay in foreign currency as Indian exporters. The foreign exchange earnings of the operators are translated into Indian rupees and remitted to the exporters in Indian currency, exposing the exporters to the risks of shifting foreign exchange rates.

g) Problems of Sea Pirates Attacks –

Pirate attacks in the Gulf of Aden pose a significant threat to international trade. More than half of India's trade volume passes via the piracy-infested Gulf of Aden. New exporters and importers are having problems obtaining insurance coverage due to an increase in pirate attacks.

h) Developed-country subsidies–

Developed-country exporters, such as the United States, receive large subsidies. The US, the UK, and other countries, for example, provide large subsidies to agriculture exports. As a result, exporters from emerging countries like India find it difficult to compete in global markets.

i) Document Preparation Issues –

The export process requires a large number of documents. All relevant export documentation, as well as any documents mentioned in the documentary letter of credit, shall be obtained by the exporter in his home country. Up to 25 paperwork must be completed in India (16 commercial and one regulatory document).

j) Exporters are required to follow certain government laws and regulations in the form of permits, quotas, and customs formalities. Exporters face additional challenges as a result of these limitations. Even trade restrictions enforced by foreign governments make exporting difficult. Despite the fact that India's trade policy has been greatly liberalised, Indian exporters continue to face government prohibitions and foreign exchange restrictions.

k) High risk and Uncertainties –

Export marketing comes with a lot of risks and unknowns. Political as well as commercial risks may exist. The possibility of government instability, violence, civil unrest, and other political concerns exists. Insolvency of the buyer, long-term delinquency on the buyer's part, quality problems, and so on are all commercial hazards.

h) **Competition from China**

India confronts stiff competition from China on the global market, notably in OECD markets. As a result, India's share of OECD market exports has dropped from 53% in 2000-01 to roughly 38% in 2007-08. Some Indian exporters have lost global contracts as a result of the low cost of Chinese goods and suppliers. The biggest challenge that exporters face is this.

2.5 SUMMARY

- When a country's exchange rate falls, export prices fall and import prices rise.
- The more productive a country's workforce is, the lower its labour costs per unit and the lower the cost of its goods.
- The International Chamber of Commerce has established regulations and responsibilities for all parties involved in international trade when it comes to shipping risk.
- Developed countries, such as the United States, demand that developing countries, such as India, meet high product standards.

2.6 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Explain in Ethics risk.
2. Describe the term Credit risk.
3. What is known as **Foreign Exchange Risk?**
4. Explain the Government restrictions and foreign exchange regulations.
5. What is a Domestic GDP?

Long Answers:

1. Explain the Factors influencing Export Marketing.

2. Explain in brief Export Marketing.

3. Write down Problems of India's Export Sector.

4. Explain the advantages of Export Marketing.

5. Describe Risks involved in Export Marketing.

B. Multiple Choice Questions:

1. **…….** risk involves third parties making illegal use of a company's or property's strategic information

a) **Shipping Risks**

b) **Country and Political Risks**

c) **Foreign Exchange Risk**

d) **Intellectual Property Risk**

2. When selling a product or service in a worldwide market, it is critical to maintain a ……….standard

a) general ethical

b) low ethical

c) high ethical

d) very low ethical

3. **…………** usually refers to accounts payable and receivable for contracts that are currently in place or will be soon.

a) **Foreign Exchange Risk**

b) **Country and Political Risks**

c) **Intellectual Property Risk**

d) **Shipping Risks**

4. The risk of not collecting an account receivable is known as…………

a) Debit risk

b) **Credit Risk**

c) **Intellectual Property Risk**

d) **Foreign Exchange Risk**

5. If the country's inflation rate is relatively high, domestic people and businesses are likely to purchase a substantial amount of…………

a) exports

b) imports

c) courier

d) transport

Answer: 1- d,2-c ,3-a ,4- b, 5-b

C. Fill in the blanks:

1. **………………** refers to the process of selling goods to people in other nations.

2. When a country's exchange rate falls, export prices fall and ………prices rise

3. Export marketing items are transferred ……….

4. Foreign exchange rates are continually ……………

5. **……………** is anticipated to boost the value of its exports while reducing the amount spent on imports.

Answer:

1- Export marketing

2- import

3- abroad

4- fluctuating

5- country’s exchange rate

D. State whether the following sentence are True / False:

1. Export Marketing entails a short process and formalities.
2. Export marketing is fraught with risks and unknowns.
3. Foreigners will buy more things if their incomes improve in other countries
4. The less productive a country's workforce is, the lower its labour costs per unit and the lower the cost of its goods.
5. The exporter will be responsible for obtaining all necessary export documentation in his country,

Answer:

True: 2, 3 and 5

False: 1 and 4

2.7 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

3

EXPORT MARKETING - III

Unit Structure

3.0 OBJECTIVES

- To understand the major merchandise/commodities exports of India (since 2015)
- To discuss the services exports of India (since 2015)
- Explain Region-wise India's Export Trade (since 2015)

3.1 INTRODUCTION

Following global economic trends during the COVID-19 pandemic, bilateral goods and services trade between the United States and India fell from $145.9 billion in 2019 to $121.8 billion in 2020. Furthermore, India's GDP fell by 8% in 2018 (compared to 4.2 percent growth in 2019). In 2020, India was the United States' 12th largest trading partner, with $44.8 billion in goods sold. The United States remained India's greatest commercial partner, with $77 billion in products sent to the US. The US has had a persistent trade deficit with India for years ($23.8 billion in 2020). With a 49.4 percent increase in U.S. goods exports to India year-to-date in July, compared to a 28 percent decrease in the same period in 2020, commerce between the two countries is regaining ground in 2021. In 2021, the Indian GDP is expected to rise by 7.2 percent. In 2020, foreign direct investment (FDI) from India into the United States was valued at $12.7 billion, down $179 million from the previous year. By 2020, India's direct investment in the United States will have supported approximately 70,000 jobs in the United States.

3.2 MAJOR MERCHHANDISE/COMMMODITIES EXPORTS OF INDIA (SINCE 2015)

The Merchandise Exports from India Scheme replaced five previous FTP schemes for rewarding merchandise exports that had varying conditions attached to their use (sector specific or actual user only) (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY).

(ii) Now that all of these programmes have been merged into one, the Merchandise Export from India Scheme (MEIS), the scrips issued under the scheme will be free of conditions. Shipments of registered goods to notified markets would be rewarded based on the exports' realised FOB value.

- MEIS products can be used.
- Good returns have been established for the product categories listed below:
- Advanced technology items with a high potential for export earnings;
- Labour-intensive products with a high potential for employment; and products with a large number of exporters.
- Packaged and value-added products
- Agricultural waste-related eco-friendly and green products

3.3 SERVICES EXPORTS OF INDIA (SINCE 2015)

(i) The Served from India Scheme has taken the place of the Service from India Scheme (SEIS). As a result, SEIS awards all stated service providers who supply services from India with points and rewards.

(ii) The amount of net foreign exchange earned would determine the SEIS incentive rate. The reward is a duty credit scrip that can be used to deduct service tax on services and products transactions. CENVAT credit or drawback would be possible for debits.

(iii) The current reward rates are 3% and 5%, respectively. After September 30, 2015, the service list and incentive rates will be revised.

Sr.No	Sectors	Admissible Rate
1.	**BUSINESS SERVICES**	
A	**Professional services** Legal counsel, Accounting, auditing, and bookkeeping services Taxation services are also available, as are architectural, engineering, and integrated engineering services, as well as urban planning and landscape architectural services. There are medical and dental services available. Midwives, nurses, physiotherapists, and paramedics provide services in the veterinary field.	5%
B	Services for R&D Research and development in natural sciences, social sciences and humanities, and interdisciplinary research and development are all available.	5%
C	Rental and leasing services are provided without the presence of an operator. In relation to ships, aeroplanes, other modes of transportation, and other machines and equipment.	5%
D	Commercial services of several kinds Services such as advertising, market research, and public opinion polling An example of a management consulting service is management consulting services. Services for technical testing and analysis Unrelated to agricultural, hunting, or forestry services Fishing services, mining services, manufacturing services, and energy distribution services are examples of incidental services. Personnel placement and supply, as well as investigation and security, are all services that are provided. Services in science and technology, as well as related scientific and technical advice. Building cleaning services, photographic services, packing services, printing services, publishing services, and convention services are all available (with the exception of maritime vessels, aircraft, and other modes of transportation).	5 %
2	COMMUNICATION SERVICES Services relating to audio-visual creation Production and distribution of motion pictures and video recordings, film projection, radio and television services, radio and television transmission services, and sound recording.	5%

3.	CONSTRUCTION AND RELATED ENGINEERING SERVICES Building construction, civil engineering construction, installation and assembly work, and construction completion and finishing work are all examples of general construction work.	5%
4.	**EDUCATIONAL SERVICES** (Please refer Note 1) Adult education, as well as basic, secondary, and higher education services.	5%
5.	**ENVIRONMENTAL SERVICES** Services such as sewage disposal, garbage disposal, sanitation, and other similar services are available.	5%
6.	**HEALTH-RELATED AND SOCIAL SERVICES** Hospital services	5%
7.	TOURISM AND TRAVEL-RELATED SERVICES	
A.	Hotels and Restaurants (including catering)	
a.	Hotel	3%
b.	Restaurants (including catering)	3%
B.	Travel agencies and tour operators services	5%
C.	Tourist guides services	5%
8.	**RECREATIONAL, CULTURAL AND SPORTING SERVICES** (Entertainment services) (including theatre, live bands, and circus services), Newspapers, libraries, archives, museums, and other cultural institutions all provide services. Services connected to sports and other forms of recreation.	5%
9.	TRANSPORT SERVICES (Please refer Note 2)	
A.	Services for Maritime Transport Passenger, freight, and crewed boat transportation Upkeep and repair of vessels Pushing and towing are two examples of services. Services for assisting with maritime transportation	5%
B.	Airline transportation services Renting a plane with a crew, ground handling, airport operations, and aircraft maintenance and repair are all examples of services available.	5%

C	**Services for Road Transport** Transportation of passengers and freight, as well as commercial vehicle rental with an operator Maintenance and repair of road transport equipment, as well as support services for road transport services	5%
D	Auxiliary Services Are Available For All Modes Of Transportation Cargo handling, storage and warehousing, and freight transportation agency services are all offered.	5%

Note: (1) SEIS will not be provided for a fee as part of the education services.

(2) Maritime transport services only enable operations from India by Indian flag carriers.

3.4 REGION-WISE INDIA'S EXPORT TRADE (SINCE 2015)

Dated: 25/4/2022
Values in Rs. Lacs
Sorted on year 2017-2018

S.No.	Region	2017-2018	%Share	2018-2019	%Share	%Growth
1.	North America	34,914,055.33	17.8450	41,320,228.31	17.9052	18.35
2.	EU Countries	28,299,370.09	14.4642	33,443,902.50	14.4921	18.18
3.	NE Asia	25,442,209.31	13.0038	29,416,898.26	12.7471	15.62
4.	West Asia- GCC	25,392,461.90	12.9784	29,051,295.87	12.5887	14.41
5.	ASEAN	22,051,764.32	11.2709	26,212,008.68	11.3584	18.87
6.	South Asia	14,892,306.80	7.6117	17,725,537.92	7.6810	19.02
7.	Other European Countries	9,635,945.62	4.9251	10,445,546.15	4.5263	8.40
8.	Other West Asia	5,795,976.04	2.9624	7,511,222.35	3.2548	29.59
9.	Latin America	5,550,971.39	2.8372	6,812,057.63	2.9518	22.72
10.	West Africa	4,331,032.13	2.2136	5,387,471.01	2.3345	24.39
11.	East Africa	4,210,844.64	2.1522	5,157,552.80	2.2349	22.48
12.	North Africa	3,142,223.65	1.6060	4,114,148.62	1.7828	30.93
13.	East Asia (Oceania)	2,883,177.04	1.4736	2,808,787.22	1.2171	-2.58
14.	Southern African Customs Union (SACU)	2,605,525.91	1.3317	3,051,288.09	1.3222	17.11
15.	Unspecified	1,864,653.73	0.9530	2,571,446.58	1.1143	37.90
16.	Other CIS Countries	1,703,259.94	0.8706	2,117,374.88	0.9175	24.31
17.	Other South African Countries	1,027,156.49	0.5250	1,301,887.08	0.5641	26.75
18.	European Free Trade Associatipn (EFTA)	936,614.92	0.4787	1,072,010.24	0.4645	14.46
19.	Central Africa	736,605.51	0.3765	941,254.86	0.4079	27.78
20.	CARs Countries	235,298.03	0.1203	310,700.33	0.1346	32.05
	India's Total Export	**195,651,452.80**		**230,772,619.38**		**17.95**

Dated: 25/4/2022
Values in Rs. Lacs
Sorted on year 2019-2020

S.No.	Region	2019-2020	%Share	2020-2021	%Share	%Growth
1.	North America	42,203,298.84	19.0117	42,658,662.83	19.7581	1.08
2.	EU Countries	31,865,538.19	14.3548	30,586,019.27	14.1665	-4.02
3.	West Asia- GCC	28,666,232.45	12.9136	20,533,314.00	9.5104	-28.37
4.	NE Asia	27,387,464.27	12.3375	31,214,974.08	14.4578	13.98
5.	ASEAN	22,337,944.66	10.0628	23,328,351.59	10.8049	4.43
6.	South Asia	15,546,961.37	7.0036	16,299,775.65	7.5495	4.84
7.	Other European Countries	9,842,436.82	4.4338	9,092,783.03	4.2115	-7.62
8.	Other West Asia	7,541,085.43	3.3971	5,712,342.19	2.6458	-24.25
9.	Latin America	7,131,102.92	3.2124	7,467,039.27	3.4585	4.71
10.	West Africa	5,797,251.81	2.6115	6,979,515.58	3.2327	20.39
11.	East Africa	4,699,141.49	2.1169	4,282,102.86	1.9833	-8.87
12.	North Africa	3,853,738.01	1.7360	3,557,271.86	1.6476	-7.69
13.	Southern African Customs Union (SACU)	3,127,021.24	1.4087	3,120,285.65	1.4452	-0.22
14.	Other CIS Countries	2,639,232.19	1.1889	2,516,141.22	1.1654	-4.66
15.	Unspecified	2,413,887.10	1.0874	863,587.69	0.4000	-64.22
16.	East Asia (Oceania)	2,378,464.09	1.0715	3,453,720.93	1.5997	45.21
17.	Other South African Countries	2,032,152.01	0.9154	1,432,800.69	0.6636	-29.49
18.	European Free Trade Associatipn (EFTA)	1,158,153.22	0.5217	1,183,520.18	0.5482	2.19
19.	Central Africa	1,031,906.69	0.4649	1,135,156.27	0.5258	10.01
20.	CARs Countries	332,405.29	0.1497	486,957.29	0.2255	46.50
	India's Total Export	**221,985,418.10**		**215,904,322.13**		**-2.74**

Dated: 25/4/2022
Values in Rs. Lacs
Sorted on year 2015-2016

S.No.	Region	2015-2016	%Share	2016-2017	%Share	%Growth
1.	North America	29,586,064.88	17.2374	31,964,945.19	17.2836	8.04
2.	West Asia- GCC	27,274,644.37	15.8908	27,992,645.29	15.1358	2.63
3.	EU Countries	23,412,111.93	13.6404	25,987,513.28	14.0516	11.00
4.	NE Asia	20,185,077.09	11.7602	23,163,116.31	12.5244	14.75
5.	ASEAN	16,460,408.60	9.5902	20,761,848.65	11.2261	26.13
6.	South Asia	12,170,043.43	7.0905	12,891,090.62	6.9703	5.92
7.	Other European Countries	8,574,060.84	4.9954	8,915,775.94	4.8208	3.99
8.	Other West Asia	5,156,090.97	3.0040	5,283,246.65	2.8567	2.47
9.	Latin America	4,917,410.89	2.8650	4,848,663.03	2.6217	-1.40
10.	East Africa	4,777,163.05	2.7833	4,513,067.52	2.4402	-5.53
11.	West Africa	3,999,616.17	2.3303	3,788,597.50	2.0485	-5.28
12.	North Africa	3,002,227.18	1.7492	2,954,371.79	1.5974	-1.59
13.	Unspecified	2,571,989.78	1.4985	2,664,341.56	1.4406	3.59
14.	Southern African Customs Union (SACU)	2,481,578.12	1.4458	2,538,498.21	1.3726	2.29
15.	East Asia (Oceania)	2,397,239.86	1.3967	2,258,501.14	1.2212	-5.79
16.	Other CIS Countries	1,330,173.78	0.7750	1,646,233.06	0.8901	23.76
17.	Other South African Countries	1,282,189.09	0.7470	1,013,596.86	0.5481	-20.95
18.	European Free Trade Associatipn (EFTA)	1,004,129.54	0.5850	830,254.90	0.4489	-17.32
19.	Central Africa	819,375.72	0.4774	700,355.74	0.3787	-14.53
20.	CARs Countries	236,845.13	0.1380	226,692.09	0.1226	-4.29
	India's Total Export	**171,638,440.44**		**184,943,355.34**		**7.75**

Source: https://tradestat.commerce.gov.in/eidb/ergn.asp

3.5 SUMMARY

- The Merchandise Exports from India Scheme replaced five previous FTP schemes for rewarding merchandise exports that had varying conditions attached to their use (sector specific or actual user only) (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY).
- The rate of incentive under SEIS would be determined by the amount of net foreign exchange earned.

3.6 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Which are the Services of Road Transport?
2. Explain the term Communication services.
3. Write a note on Professional services.
4. Explain in short MEIS.
5. What do you mean by Environment service?

Long Answers:

1. Explain the commodities exports of India.
2. Explain in brief Business service.
3. Explain in detail SEIS.
4. Which are the Services exports of India?

Mu**ltiple Choice Questions:**

1. MEIS stands for ………….

a) Merchandise Exports from India Scheme
b) Merchandise Exchange from India Scheme
c) Merchandise Exim from India Scheme
d) Merchandise Educational from India Scheme

2. Professional services include …………

a) Television transmission services
b) Motion picture
c) Production
d) Accounting

3. The rate of incentive under SEIS would be determined by the amount of net …………earned.

   a) foreign exchange

   b) import exchange

   c) domestic exchange

   d) general exchange

4. Environmental services are included in …….

   a) Museums

   b) Cargo handling

   c) Catering

   d) Sewage disposal

5. SEIS stands for …………

   a) Service Exports from India Scheme

   b) Scripts Exports from India Scheme

   c) Standard Exports from India Scheme

   d) Stage Exports from India Scheme

Answer:

1-a, 2-d,3-a, 4-d5-a

C. Fill in the blanks:

1. The Merchandise Exports from India Scheme replaced five previous ………

2. The list of services and incentive rates will be updated after ………….

3. The scrips issued under the MEIS will be ………...of conditions.

4. The Served from India Scheme has been replaced by the ……….

5. Services that are unrelated to agriculture, hunting, or forestry Incidental services include …………….

Answer:

1. FTP

2. September 30, 2015.

3. free

4. SEIS

5. fishing services

D. State whether the following sentence are True / False:

1. Agricultural waste- not related eco-friendly and green products.
2. SEIS provides points and rewards to all declared service providers who provide services from India.
3. MEIS products can be used.
4. Advanced technology items with a high potential for export earnings.
5. Services in primary, secondary, and higher education, as well as adult education.

Answer:

True: 2, 3, 4 and 5

False: 1,

3. 7 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

4

GLOBAL FRAMEWORK FOR EXPORT MARKETING - I

Unit Structure

4.0 OBJECTIVES

After learning this unit, you will be able to

- Understand types of trade barriers
- Effects of trade barriers on exports and imports of the country
- Advantages of tariffs on domestic country economy.

4.1 INTRODUCTION

International trade plays a very important role in the economic development of the nation. Global market not only provides variety of goods but also helps in developing standard of life due to availability of qualitative goods and services. But this international trade is to be carried on with various views with regards to development of economy, protection of local manufacturers or traders, expansion of market, etc

In order to achieve the entire objectives as said above, international trade have to overcome various barriers with the help of some qualitative and quantitative measures. Such measures are known as tariffs barriers and non-tariffs barriers. In this unit we will study them in detail.

4.2 TRADE BARRIERS

International trade that is free and fair is desirable since it benefits all participating countries. Different governments, however, put varying forms of barriers/restrictions on overseas marketing efforts. Commerce barriers are imposed or artificial limits on imports and exports that are unjust and damaging to the expansion of free trade among nations. The trade barriers can be classified into two categories.

Tariffs are a type of customs levy or tax imposed on goods that travel across borders. The most significant tariff barrier is the importing country's customs duty. The exporting country may also levy a tax on its exports. Governments, on the other hand, rarely impose export tariffs since countries desire to sell as much as possible to other countries.

Trade Barriers are restrictions imposed on movement of goods between countries. Trade barriers are imposed not only on imports but also on exports. The trade barriers are broadly divided into two groups:

a) Tariff Barriers & b) Non-tariff Barriers

A) TARIFF BARRIERS:

Tariff is a tax or import duty on goods imported from another country. Tariffs are imposed by the importing country in the form of custom duties. It's a trade major roadblock.

Classification of Tariffs:

A) On the basis of origin and destination:

1. **Export Duty:**

   A tax on a commodity originating in the duty-levying country and intended for use in another country is known as an export duty. This tax is imposed to generate revenue.

2. **Import Duty:**

   It is a tax levied on an item that originates in another country and is intended for a duty-paying country. The goal of a high import duty is to generate income while also protecting domestic industry by making imported items more expensive.

3. **Transit Duty:**

   A transit duty is a tax placed on a commodity that crosses a national border and is intended for another country. This tax is available to countries with a favourable geographical location.

4.3 TYPES OF TARIFF BARRIERS AND NON-TARIFF BARRIERS

1. Specific duty

The physical qualities of items determine the specific duty. Specific duty is when a specified sum of money is collected as tariff, taking into account the weight of measurement of an item or the number of units of the commodity, and so on.

If a charge of Rs. 10,000 per machine is imposed and 100 machines are imported, the person importing the machines will be required to pay Rs.10,00,000 as tariff.

2. Ad-valorem duty

Ad-valorem tariffs are placed on the value of an imported commodity at a predetermined percentage. The invoice value of the imported commodity is used as the basis for calculating duty. This charge is imposed on things whose worth is difficult to estimate, such as works of art, rare manuscripts, antiquities, and so on. Importers, for example, must pay a duty of 10% of the invoice value of their imports.

3. Compound duty

On a single product, it is a hybrid of specific and ad-valorem duty. For example, a combined charge of 10% of the value (ad-valorem) and Rs.5000 can be imposed on each piece of machinery imported. Both responsibilities are so charged in this case.

4. Sliding scale duty/Seasonal duties

Sliding scale duties are import levies that fluctuate with the price of commodities. Historically, these charges have been limited to agricultural items, as their prices fluctuate regularly due to a variety of variables, the majority of which are natural. These are sometimes known as seasonal responsibilities.

5. Countervailing duty

It is placed on some imports where exporting governments subsidies the items. Imports become cheaper than domestic goods as a result of government subsidies. This duty is applied in addition to standard duties to offset the effect of subsidies.

6. Revenue tariff

Revenue tariffs are tariffs that are designed to produce revenue to the domestic government. In general, tariffs are implemented with the goal of raising income by levying duties on consumer items, particularly luxury goods with inelastic demand.

7. Anti-dumping duty

Dumping occurs when exporters attempt to gain international markets by offering their goods at rock-bottom prices. Dumping makes it difficult for native industries to compete with imported goods. Anti-dumping duties are imposed in addition to normal duties to counteract anti-dumping effects.

8. Protective tariff

Protective tariffs on imports are imposed to shield domestic industries from the competition of imported goods. In most cases, a high tariff is set in order to either discourage imports or make imports more expensive than domestic items.

9. Single column tariff

The tariff rates for individual commodities are determined under the single column tariff system, and the identical rates are applied to imports from all countries. These rates are the same for all counties because the rates of duty are not differentiated.

10. Double column tariff

Two rates of duty on all or some items are fixed under the double column tariff scheme. A friendly country or a country with a bilateral trade agreement is eligible for the cheaper rate. All other nations with whom there are no trade agreements are subject to the higher rate.

11. Triple column tariff

Three separate duty rates are set under the triple column tariff. There are three types of rates: general, international, and preferential. The first two rates are identical to lower and higher rates, respectively, however the preferential rate is significantly lower than the regular rates and only applies to friendly countries.

NON-TARIFF FARRIERS

Any barrier other than a tariff that obstructs the free flow of products in international markets is referred to as a non-tariff barrier. Non-tariff barriers have no effect on the price of imported goods, just on their quantity.

The following are some of the most significant non-tariff barriers: -

1. Quota System

Under this approach, a country can set the maximum quantity of a commodity that can be imported from multiple countries over a specific period in advance. The following are the several types of quota systems:

- Tariff/Customs Quota: - A tariff quota incorporates both tariff and quota characteristics. Imports of a commodity up to a certain volume are allowed duty-free or at a reduced rate of duty. Imports that exceed this threshold are subject to a higher tariff charge.
- Unilateral Quota: - Without addressing exporting countries beforehand, the entire import quantity is set.
- Bilateral Quota: - In this situation, quotas are established after discussions between the importing and exporting countries.

- Mixing Quota: - Producers are required to use domestic raw materials in the creation of finished products up to a specified percentage under the mixing quota.

1. **Prior Import Deposits**

   Some countries require importers to deposit up to 100% of the value of their imports in advance with a designated entity, usually their central bank. Importers are given the green light to import products only once such deposits have been made.

2. **Foreign Exchange Regulations**

   Prior to signing a contract with a supplier, the importer must acquire approval from Exchange Control Authorities to verify that sufficient foreign exchange is available for the import of products.

3. **Consular Formalities**

   Some countries have strict requirements for consular documentation required for importation. Import certificates, certificates of origin, and certified consular invoices are among them. Non-compliance with such documentation procedures carries a penalty.

4. **State Trading**

   State trading is useful for limiting imports from other countries since the government always makes the final choice on imports. Non-tariff barriers include state trading acts.

5. **Export Obligation**

   Certain importers are required to export by some countries, such as India. Imports are restricted as a result of this. Companies who fail to meet their export obligations (to compensate for imports) are subject to a fine or penalty.

6. **Preferential Arrangements**

   Some countries form trading groupings, which are preferential trade agreements among themselves. Imports from member countries are granted preferential treatment, while imports from other countries are subject to a variety of duties and rules.

7. **Other Non-Tariff Barriers**

   Health and safety restrictions, technical formalities, environmental rules, embargoes, and other non-tariff barriers exist.

4.4 DISTINCTION BETWEEN TARIFF AND NON-TARIFF BARRIERS

Basis of comparison	Tariff Barriers	Non-Tariff barriers
Meaning	Tariff Barriers implies the taxes or duties imposed by the government on its imports, so as to provide protection to its domestic companies and increase government revenue.	Non-tariff barriers cover all the restrictions other than taxes imposed by the government on its imports, so as to provide protection to the domestic companies and discriminate new entrants.
Permissibility	World Trade Organization allowed the imposition of tariff barriers to its member nation but at a reasonable rate only.	World Trade Organization abolished the imposition of import quotas and voluntary export restraints.
Nature	Explicit	Implicit
Form	Taxes and Duties	Regulations, Conditions, Requirements, Formalities, etc.
Revenue	Government receives revenue	No revenue is received by the government
Affects	It affects the price of imported goods.	It affects the quantity or price or both of the imported goods.
Monopolistic Organizations	As the government charges import duty, monopolistic groups can be controlled.	The monopolistic organization charges high prices through low output.
Profit	High profits made by the importers can be controlled.	Importers can make more profits.

4.5 SUMMARY

- Tariffs are a type of customs levy or tax imposed on goods that travel across borders.
- Trade barriers are barriers to the free movement of products between countries.
- A transit duty is a tax imposed on a commodity that crosses a national border and is intended for another country.
- Sliding scale duties are import duties that fluctuate with the price of commodities.
- Non-tariff barriers influence the quantity of imports rather than the price of imported commodities.
- Non-compliance with such documentation procedures carries a penalty.

4.6 EXERCISE

A. Descriptive Questions:

Short Answers:

1. What are trade barriers? Explain its types.
2. Classify the tariffs based on origin and destination
3. Distinguish between tariff barriers and non-tariff barriers.
4. Explain the term Ad-valorem duty.
5. What do you mean by Quota System?

Long Answers:

1. State and explain different types of tariff barriers.
2. State and explain different types of non-tariff barriers.
3. Distinguish between Tariff and Non-Tariff barriers.
4. Explain Quota system and its categories.
5. Explain in brief Trade barriers.

B. Multiple Choice Questions:

1. The overall import quantity is set without consulting the exporting countries in...........

   a) Bilateral Quota

   b) Unilateral Quota

   c) Customs Quota

d) Mixing Quota

2. Producers are required to use domestic raw materials up to a specified percentage in the creation of a completed product under................

a) Mixing Quota

b) Bilateral Quota

c) Unilateral Quota

d) Customs Quota

3. . ……………. are in the form of custom duties imposed by the importing country

a) Non-tariff Barriers

b) Revenue tariff

c) Trader

d) Tariff Barriers

4. International trade plays a very important role in the ……………. development of the nation.

a) social

b) economic

c) financial

d) geographical

5. …………… in Government receives revenue

a) Tariff

b) Revenue tariff

c) Non-Tariff barriers

d) Trader

Answer: 1-a, 2-a, 3-d, 4-b, 5-a

<u>C. Fill in the blanks:</u>

1 .... facilitated tariff barriers to be implemented.

2 ...., have no effect on the price of imported goods, just on the amount of imports.

3. Sliding scale duties are those that change in accordance with commodity prices.

4. Specific duties are depending on the..................... features of commodities.

5. …………. duty is levied for revenue purpose.

Answer: 1- World Trade Organization**, 2-** Non-tariff barriers**, 3-** import **4-** physical**, 5-** Export

D. State whether the following sentence are True / False:

1. Tariff barrier is any barrier other than a tariff that raises an obstacle to free flow of goods in overseas markets.
2. One non-tariff obstacle is state trading acts.
3. After negotiations between the quota-setting importing country and the exporting country, mixing quotas are set.
4. A tariff is a tax or import duty imposed on goods imported from another country.
5. A tariff quota combines the features of the non-tariff as well as the quota.

Answer:

True: 2 and 4

False: 1,3 and 5

4.7 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

5

GLOBAL FRAMEWORK FOR EXPORT MARKETING – II

Unit Structure

5.0 OBJECTIVES

After learning this unit, you will be able to understand

- The concept of economic grouping
- Meaning and functions of WTO
- Impact of regional economic groupings

5.1 INTRODUCTION

Economic integration means coming together of two or more nations for the regional co-operation, free trade, economic development etc. Economic integration is also done with the aim to face the competition in the era of Globalization. Economic integration may be done in the form of free trade area, customs union, common market, economic union, political union, etc. International economic integration may be also at global level through multinational cooperation or multinational agreements. Economic integration results in economic gains, production efficiency, competitive advantage, increase in market size, collective bargaining power, etc.

Though a large variety of groupings of different types have emerged confining their scope either to the limited objective of achieving exchange of commodities with mutual preferences or enlarging it far beyond, and move towards total economic integration, the main aim is to accelerate the development process and improve the quality of life of the residents of the region by providing them with greater choice both as producers and as consumers. In short, in a regional grouping, the economic significance of national political boundaries is completely lost.

5.2 MAJOR ECONOMIC GROUPING OF THE WORLD

There is various economic grouping in the world to overcome the various trade barriers and for the regional co-operation and development. Some of the major Economic Groupings of the world are as below: -

Association of South East Asian Nations (ASEAN)- 1967

European Union -1958

APEC (Asian Pacific Economic Cooperation Forum)-1989

SAARC (South Asian Association for Regional Co-operation)-1985

OPEC (Organization of the Petroleum Exporting Countries) -1960

WTO (World Trade Organisation) -1995

All the above economic groupings play an important role in their own way. However, we will be focusing only on the WTO i.e World Trade Organisation.

5.3 POSITIVE AND NEGATIVE IMPACT OF REGIONAL ECONOMIC GROUPINGS

Positive impact of regional economic grouping

- **Trade creations: -**

  Due to reduction in tariffs and restrictions the economic grouping countries may benefit themselves my increase in trade. Increase in trade also results in increase in production in the country.

- **Competition: -**

  Economic groupings help to create a healthy competition at international level. The grouping countries can work as a block with the rest of the world and develop a healthy competition which in turn will also result in economic growth of the country.

- **Economy of large scale: -**

  Increase in trade and competition results in economy of large scale.

- **Economic growth: -**

  Due to regional economic groupings, the blocks working together as a group gets benefit of trade and that results in increase in GDP of the nation as well as the overall national income. Developing and underdeveloped nations are the most benefitted countries due to economic groupings.

- **Employment creation: -**

  High competition, large scale production, etc. needs a huge workforce and hence there is increase in the employment level in the country.

- **Technological development: -**

  Technological development is one of the positive impact of economic groupings as to face high competition, mass production is required. This is possible with the use of technically advanced equipment's.

- **Investment: -**

  Investors get attracted towards the developing nations due to the economic growth.

- **Socio-cultural relations: -**

  Socio cultural values are understood and relations are developed between the regional economic groupings.

- **Utilisation of resources: -**

  Optimum utilisation of the resources either man-made or natural is possible due to the regional economic groupings.

- **Consumer welfare: -**

  Consumers welfare is at the priority due to regional economic groupings as the quality of the product is taken due care of. The good quality product attracts international customer/consumers which is beneficial to the economic grouping nations.

Negative impact of the economic groupings

Regional economic groupings have more positive impacts on one hand and few negative impacts too. Let us have a glance on the negative impacts of regional economic groupings.

- Common external barriers
- Collective bargaining by member nations
- Lack of interest in multilateralism
- Trade diversion.

5.4 AGREEMENTS OF WORLD TRADE ORGANISATION (WTO)

The WTO came into existence on 1st January 1995 as a successor to the General Agreement on Tariffs and Trade(GATT). GATT was set up in 1947 after the first round of tariff negotiations at the Geneva conference. In 1995, Uruguay round agreement took effect and specified several liberalization measures were taken that had an effect on the threats and opportunities for international companies. They spell out the principles of liberalization, and the permitted exceptions. They include individual countries' commitments to lower customs tariffs and other trade barriers, and to open and keep open services markets. They set procedures for settling disputes. Initially WTO had 81 member countries which now have increased to 164 countries. The main principles of the WTO are: -

- Non-discrimination
- Free trade
- Predictability
- Promoting fair competition
- Encouraging development and economic reforms.

Scope of WTO

The WTO shall provide the common institutional framework for the conduct of trade relations among its Members in matters related to the agreements and associated legal instruments included in the Annexes to this Agreement. Different types of agreements carried out by WTO are: -

- TRIPS (Trade Related Aspects of Intellectual Property Rights)
- TRIMS (Trade Related Investment Measures)
- GATS (General agreement on Trade in Service)
- Agreement on manufactured goods
- AoA (Agreement on Agriculture)
- Multi-Fibre Agreement (Agreement on textiles and clothing)

It is clear from above that the scope of WTO is very wide which covers the physical goods and services rendered by nations as well as intellectual properties.

Function of WTO:

- The WTO shall facilitate the implementation, administration and operation, and further the objectives, of this Agreement and of the Multilateral Trade Agreements, and shall also provide the framework for the implementation, administration and operation of the Plurilateral Trade Agreements.
- The WTO shall provide the forum for negotiations among its Members concerning their multilateral trade relations in matters dealt with under the agreements in the Annexes to this Agreement. The WTO may also provide a forum for further negotiations among its Members concerning their multilateral trade relations, and a framework for the implementation of the results of such negotiations, as may be decided by the Ministerial Conference.

- The WTO shall administer the Understanding on Rules and Procedures Governing the Settlement of Disputes (hereinafter referred to as the "Dispute Settlement Understanding" or "DSU") in Annex 2 to this Agreement.

- The WTO shall administer the Trade Policy Review Mechanism (hereinafter referred to as the "TPRM") provided for in Annex 3 to this Agreement.

- With a view to achieving greater coherence in global economic policy-making, the WTO shall cooperate, as appropriate, with the International Monetary Fund and with the International Bank for Reconstruction and Development and its affiliated agencies.

Structure of the WTO

- There shall be a Ministerial Conference composed of representatives of all the Members, which shall meet at least once every two years. The Ministerial Conference shall carry out the functions of the WTO and take actions necessary to this effect. The Ministerial Conference shall have the authority to take decisions on all matters under any of the Multilateral Trade Agreements, if so requested by a Member, in accordance with the specific requirements for decision-making in this Agreement and in the relevant Multilateral Trade Agreement.

- There shall be a General Council composed of representatives of all the Members, which shall meet as appropriate. In the intervals between meetings of the Ministerial Conference, its functions shall be conducted by the General Council. The General Council shall also carry out the functions assigned to it by this Agreement.

- The General Council shall convene as appropriate to discharge the responsibilities of the Dispute Settlement Body provided for in the Dispute Settlement Understanding. The Dispute Settlement Body may have its own chairman and shall establish such rules of procedure as it deems necessary for the fulfillment of those responsibilities.

- The General Council shall convene as appropriate to discharge the responsibilities of the Trade Policy Review Body provided for in the TPRM. The Trade Policy Review Body may have its own chairman and shall establish such rules of procedure as it deems necessary for the 42 fulfillment of those responsibilities.

5.5 SUMMARY

- Economic groupings help to create a healthy competition at international level.

- Developing and underdeveloped nations are the most benefitted countries due to economic groupings.

- Socio cultural values are understood and relations are developed between the regional economic groupings.
- The WTO came into existence on 1st January 1995 as a successor to the General Agreement on Tariffs and Trade(GATT).
- GATT was set up in 1947 after the first round of tariff negotiations at the Geneva conference.

5.6 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Define and explain regional economic groupings.
2. State the positive impact of economic groupings
3. State the negative impact of economic groupings.
4. What are the main principles of the WTO?
5. What do you mean economic integration?

Long Answers:

1. What do you mean by WTO? Explain in detail the functions of WTO.
2. Explain Major Economic Groupings of the World.
3. Explain the functions of WTO.
4. Explain the structure of the WTO.

B. Multiple Choice Questions:

1. TRIPS stands for …………

   a) Trade Related Aspects of Intellectual Property Rights

   b) Trade Related Aspects of Industry Property Rights

   c) Trade Related Aspects of Investment Property Rights

   d) Tariff Related Aspects of Intellectual Property Rights

2. Economic integration means coming together of two or more nations for the ……………….co-operation

   a) social

   b) regional

   c) political

   d) economical

3. Economic integration is also done with the aim to face the competition in the era of

   a) National

   b) Investment

   c) Economical

   d) Globalization

4. WTO (World Trade Organisation) -…………….

   a) 1998

   b) 1995

   c) 1994

   d) 1992

5. Economic groupings helps to create a healthy competition at ……………. level

   a) national

   b) domestic

   c) international

   d) rural

Answer: 1- a, 2-b, 3-d, 4-b, 5-c.

<u>C. Fill in the blanks:</u>

1. The …………………. shall provide the forum for negotiations among its Members.

2. WTO shall cooperate, as appropriate, with the ……………. and with the International Bank for Reconstruction and Development and its affiliated agencies.

3. The WTO shall administer the………….

4. GATS stands for ………………

5. WTO had 81 member countries which now have increased to ……… countries.

Answer: 1- WTO**, 2-** International Monetary Fund**, 3-** Trade Policy Review Mechanism**, 4-** General agreement on Trade in Service**, 5-**164

<u>D. State whether the following sentence are True / False:</u>

1. The WTO came into existence on 2nd January 1995 as a successor to the General Agreement on Tariffs and Trade (GATT)

2. Economic integration may be done in the form of free trade area, customs union, common market, economic union, political union, etc.

3. Association of South East Asian Nations (ASEAN)- 1962

4. Increase in trade results in decrease in production in the country

5. Economic groupings helps to create a healthy competition at international level

Answer:

True: 2 and 5

False: 1, 3 and 4

5. 7 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

6

GLOBAL FRAMEWORK FOR EXPORT MARKETING - III

Unit Structure

6.0 OBJECTIVES

After learning this unit, you will be able to understand: -

- Overseas market and importance of R & D in overseas market
- Overseas market R & D process
- Benefits of Overseas market research

6.1 INTRODUCTION

In the period of Globalization, where the whole world is the market for any nation, there is a huge competition with regards to product, services, etc. In such situation any multinational company has to enter the global market with proper research and development so that it doesn't face any loss. Research as name indicates is to search again. The good company will search the market opportunities over the period of time in terms of location, product, price, customers, etc. Market research plays a very important role in growth and development of the business. A proper research will not only lead to efficiency in operation of the MNC's but also help the companies to sustain their operations in Global market.

6.2 NEED FOR OVERSEAS MARKET RESEARCH

For successful and lucrative export marketing, overseas market research is essential. This is the most promising method for adapting a company's marketing activities to changing international market demands. Published data on all elements of global marketing is now readily available for conducting international market research. When published data is insufficient for the study project's needs, field research is required. With the globalization of company, overseas market research is becoming increasingly prevalent.

Preliminaries for exporting are concerned with several areas of export management, including items, markets, buyers, marketing channels, and exporting procedures. Making preliminary decisions for an export firm is similar to making broad decisions while building a building or tower. The actual building work will be done in accordance with the preliminary decision. A one bad decision could spell disaster. Similarly, a company's export marketing efforts will be carried out according to the preliminary plans made. Preliminary considerations for launching an export firm are critical because poor decisions might lead to complications while conducting business.

The goal of marketing research is to make decision-making easier in a variety of marketing sectors. Market research is required in foreign marketing to make decisions on the following:

- **Consumer needs and wants-**

  The identification of consumer needs, wants, and satisfaction is one of the primary goals of marketing research. As a result, the company manufactures things with the client at the forefront of its mind. Even if a company's product is already on the market, it conducts several surveys to determine the level of customer satisfaction.

- **Promotional campaign:**

  In order to reach the target customer on a wide scale in the overseas market, promotional efforts are required. Market research can be used to finalize the details of such campaigns, and the product can then be introduced in the international market.

- **Competitive advantage:**

  Marketing research is carried out to determine the competitors' strengths and weaknesses. The cause behind the customer's preference for the competitor's product is investigated. As a result, in order to acquire a competitive edge, the corporation may adopt and build on such qualities in its products.

- **Appropriate pricing decisions:**

  Appropriate pricing selections are critical in international marketing since price is one of the most essential marketing mix elements. Marketing research will assist the exporting company in determining the appropriate pricing to charge in the overseas market. Pricing is crucial because it allows you to understand the amount of competition, consumer behavior, product demand, viable substitutes, and so on.

- **Effectiveness of channels of distribution:**

  Marketing research was also undertaken to determine the performance of current and new distribution channels. The company must examine its existing distribution channels in order to identify any flaws in their operation and make necessary improvements to ensure that the existing distribution channels operate efficiently.

- **Determine the positioning of the product:**

  Market research is required to evaluate the product's placement while taking into account the socio-cultural factors of the international market. A corporation must conduct thorough study in the global market in order to establish a permanent and successful presence with our goods.

- **Packaging design:**

  Because packaging is also known as the "Silent Salesman," marketing research may be undertaken to produce better and more appropriate packaging for consumers. In today's world, packaging should be both user and environmentally friendly. As a result, competent marketing research will also assist in establishing a distinct presence in the worldwide market.

- **Forecasting sales:**

  Marketing research can be used to determine whether or not there is a market for a new product. Demand for existing products can also be predicted. As a result, sales programmers can be created.

6.3 MARKET SELECTION PROCESS

(a) Determine export marketing objectives

The exporter must first establish export marketing goals in terms of product development, profitability, sales volume, market share, and so on, both in the short and long term. The firm's financial and management resources are taken into account while setting goals.

(b) Collection of information

The exporter must gather important information from abroad markets regarding product demand, competition, consumer nature, political situation, import rules, infrastructure facilities, and so on.

(c) Analysis of information

The exporter must assess the facts gathered in regard to overseas markets, which will aid in the shortlisting of foreign markets. For example, the exporter must consider the consumers' preferences, purchasing power, and purchase patterns,

(d) Short listing of markets

The examined data will assist the exporter in determining which nations to target for his shipment. Due to differences in natural circumstances and customer needs, it was nearly difficult to export to all countries at first. The fundamental goal of short listing is to come up with a short list of counties that are likely to impact the selection decision.

(e) Detailed investigation

The exporter may do a thorough examination of specific markets. He may gather information on numerous elements such as the nature of the clients, the type and degree of competition, the current and potential demand for the product, the government's trade policies, and so on.

(f) Evaluation and selection of markets

The firm must eliminate countries where trade or investment barriers prevent it from entering a market. Tariff quotas, foreign exchange regulations, and other restrictions are examples of these barriers. The exporter might choose only those countries or marketplaces that would provide them a decent return on their investment.

(g) Entry in overseas markets

The exporter then makes the appropriate arrangements to penetrate overseas markets by hiring salespeople, agents, or intermediaries. He should execute all other processes related to his entry into international markets, which will aid the exporter in maintaining a seamless flow of goods to international buyers.

(h) Follow-up

To analyses the company's conduct in abroad markets, the exporter should conduct an evaluation of its performance in those markets. As a result, remedial action will be taken in nations whose behavior falls short of expectations, or withdrawal from markets that do not provide high potential.

6.4 DETERMINANTS OF FOREIGN MARKET SELECTION

An international marketer might choose from numerous techniques of entering overseas markets. The following are some of the most important methods:

- **Direct Exporting**

  Direct exporting, as the name implies, entails exporting products directly from the manufacturer without the use of intermediaries such as merchant exporters, export houses, and so on. The exporter can undertake direct exporting of his items to the target market through his export department or division.

- **Indirect Exporting**

  The exporting firm will prefer to export to the target market through middlemen such as merchant exporters, export houses, trading houses, or co-operative or government organisations in indirect exporting. Such exporting can be beneficial to the exporter because direct exporting is not always possible due to various political concerns in the overseas market.

- **Joint Venture**

  As the primary strategy for entering overseas markets, it is a collaborative effort by a business firm with foreign enterprises. Over other techniques, joint ventures have a number of advantages. With the support of its abroad partner, the exporting company can adapt to cultural differences in international markets. The foreign partner may have a well-established distribution network, lowering the risk for the domestic firm, namely the exporter.

- **Franchising Strategy**

  Franchising is a type of licensing in which a parent company (franchisor) grants another independent organization (franchisee) the right to do business in a specific way, such as selling the franchiser's products, using its name, production and marketing tactics, or taking a general business approach. The franchisee and the franchisor split profits from the franchisee's business.

- **One Country Production Base**

  Due to different locational benefits such as low-cost labour or the availability of low-cost materials, a company may choose to keep one country as its production base in the home market. However, distribution could be done in a variety of global marketplaces by utilizing various distribution methods, both domestic and foreign.

- **Licensing**

  A company in one country (the licensor) allows a company in another country (the licensee) to use its assets, such as patents and trademarks. Copyrights, technology, technical knowledge, marketing abilities, or other specialized knowledge. The royalty or fees that the licensee pays to the licensor according to the agreement are the monetary benefit to the licensor.

- **Contract Manufacturing**

  Contract manufacturing is when a foreign company agrees to manufacture or assemble goods for another country's exporter. The exporter, however, is still in charge of selling the product. This is a standard practise in international trade.

- **Acquisitions**

  It entails buying a company that is already operating in a foreign country market that the corporation wishes to penetrate. If the company buys a unit with a high reputation and distribution network, it can reap synergistic benefits. According to research, totally owned subsidiaries perform better in overseas marketplaces than joint ventures. Before purchasing a foreign company, however, sufficient information must be collected.

- **Turnkey Contracts**

  Turnkey contracts include a foreign business planning and building a project before handing it over to the government or a domestic private company to complete. This is a typical procedure in the oil, steel, cement, and fertilizer industries.

- **Green-Field Development**

  Greenfield development projects are an option for businesses. It entails establishing production facilities and distribution networks in foreign nations. It gives a company more leeway in terms of plant design, personnel selection, and supplier and dealer selection. Many companies, including Honda, Toyota, and Nissan, have adopted this method.

6.5 SUMMARY

- For successful and lucrative export marketing, overseas market research is essential.
- The goal of marketing research is to make decision-making easier in a variety of marketing sectors.
- Promotional activities are required in the overseas market to reach the target client on a wide scale.
- Knowing the level of competition, consumer psychology, product demand, replacements accessible, and so on are all key factors in pricing.
- In today's world, packaging should be both user and environmentally friendly.
- Direct exporting refers to products being exported directly from the manufacturer without the need of middlemen such as merchant exporters or export houses.

6.6 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Explain the meaning of Market research.
2. How to investigated detail in market research?
3. **Explain the word Licensing**
4. Explain the Turnkey Contracts
5. **Explain the Joint Venture**

Long Answers:

1. What are the objectives of Market research?
2. Explain the process of selection of marketing.
3. What are the benefits of Market research?
4. What are the Determinants of Foreign Market Selection?
5. Write note on Market selection.

B. Multiple Choice Questions:

1. ……………….as name indicates is to search again.

   a) Research

   b) Search

c) Google

d) Internet

2. Overseas …………….is a must for successful and profitable export marketing.

   a) market selection

   b) market research

   c) market production

   d) market place

3 One of the primary goals of marketing research is to identify...................needs, wants, and satisfaction.

   a) consumer

   b) manager

   c) students

   d) employer

4. Firms may go ……………. field development project.

   a) green

   b) red

   c) black

   d) orange

5. The franchiser shares profits from the business conducted by the……………...

   a) franchisee

   b) franker

   c) franchise

   d) franchisee

Answer: 1-a ,2-b, 3-a, 4-a, 5-d

C. Fill in the blanks:

1. ...... is a type of licencing in which a parent firm (franchisee) grants another independent corporation (franchisee) the ability to conduct business in a certain way.
2. The royalties or fees that the licensee pays to the licensor in accordance with the agreement are the................ benefit to the licensor.
3. .... shows that a totally owned subsidiary outperforms joint ventures in international marketplaces.
4. .... gives a company more leeway in building its plant, hiring its own employees, and picking the correct suppliers and dealers.
5. Because packaging is also known as "..................", marketing research may be undertaken in order to design better and more relevant packaging for consumers.

Answer: 1- Franchising **,2-** monetary**, 3-** Research**, 4-** Green-Field Development**, 5-** Silent Salesman

D. State whether the following sentence are True / False:

1. The goal of marketing research is to make decision-making easier in a variety of marketing sectors.
2. Market research will assist the exporting company in charging the appropriate price in the domestic market.
3. Franchising is a type of licencing in which a parent company, known as the franchiser, allows another independent entity to operate under its name.
4. Knowing the degree of competition is vital for pricing.
5. In today's world, packaging should not only be user-friendly but also environmentally beneficial.

Answer:

True: 1, 3 and 4

False: 2 and 5

6.7 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

7

INDIA'S FOREIGN TRADE POLICY - I

Unit Structure

7.0 OBJECTIVES

After learning this unit, you will be able to understand: -

- To understand the Foreign Trade Policy (FTP) 2015-20
- To discuss the Highlights and Implications
- Explain the Export Trade facilitations and ease of doing business as per the new FTP

7.1 INTRODUCTION

The policy that governs exports and imports is referred to as "export-import policy." In other words, it is the policy for international trade and marketing. Even export promotion initiatives are included in the scope of the EXIM policy. The Ministry of Commerce, Government of India, formulates and announces policy in India.

The following are the main goals of India's foreign trade policy in general.

1. To promote exports by strengthening the export production base.
2. To place a strong emphasis on exports in order to produce a large amount of net foreign exchange.
3. Import-export procedures should be simplified and streamlined.
4. Facilitate technical advancements in home production so that Indian goods can compete globally.
5. Import substitution and indigenous production encouragement to minimise imports and so conserve foreign exchange for better objectives and utilisation.

7.2 FOREIGN TRADE POLICY (FTP) 2015-2020

Ms Nirmala Sitharaman, Minister of State for Commerce and Industry (Independent Charge), Government of India, unveiled the Foreign Trade Policy (FTP) 2015-20 on April 1, 2015. The highlights of the FTP are as follows:

- In line with the 'Make in India' programme, the FTP 2015-20 provides a framework for increasing goods and services exports, as well as job creation and value addition in the country.

- The Policy seeks to enable India to respond to external challenges while remaining in step with a rapidly evolving international trading architecture, as well as to make trade a significant contributor to the country's economic growth and development.

- The FTP 2015-20 introduces two new schemes: the 'Merchandise Exports from India Scheme (MEIS),' which encourages the export of specified goods to specified markets, and the 'Services Exports from India Scheme (SEIS),' which encourages the export of notified services.

- MEIS and SEIS duty credit scrips, as well as the goods imported against them, are fully transferable.

- Countries have been divided into three groups for the purpose of awarding MEIS rewards, with MEIS reward rates ranging from 2% to 5%. Under SEIS, the selected Services would be rewarded at the rates of 3% and 5%.

- Under the EPCG scheme, measures have been put in place to encourage the procurement of capital goods from indigenous manufacturers, such as lowering the specific export obligation to 75% of the normal export obligation.

- There has been an increase in defense and high-tech exports.

- E-commerce exports of handloom products, books/periodicals, leather footwear, toys, and customized fashion garments will also be eligible for MEIS (for values up to INR 25,000).

- Manufacturers with status will be able to self-certify their manufactured goods as coming from India in stages in order to qualify for preferential treatment under various forms of bilateral and regional trade agreements. This 'Approved Exporter System' will greatly help manufacturer exporters gain quick access to international markets.

- A number of steps have been taken to encourage manufacturing and exports under the 100 percent EOU/EHTP/STPI/BTP Schemes. These steps include giving these units a fast track clearance facility, allowing them to share infrastructure facilities, allowing inter-unit transfers of goods and services, allowing them to set up warehouses near ports of export, and allowing them to use duty-free equipment for training purposes.

- 108 MSME clusters have been identified for targeted export-increase interventions. As a result, the 'Niryat Bandhu Scheme' has been galvanised and repositioned to achieve the 'Skill India' goals.
- This new FTP's other major focus areas include trade facilitation and improving the ease of doing business. One of the primary goals of the new FTP is to move to paperless operations in a 24x7 environment.

7.3 HIGHLIGHTS AND IMPLICATIONS

India aspires to be a significant global trade partner, and the Modi government has unveiled its first Foreign Trade Policy to that end. In line with Prime Minister Modi's "Make in India" and "Digital India" visions, the new five-year Foreign Trade Policy, 2015-20, establishes a framework for increasing exports of goods and services, as well as creating jobs and increasing value addition in the country. The new policy's focus is on supporting the manufacturing and service sectors, with an emphasis on improving the 'ease of doing business.'

Highlights

1. MEIS (Merchandise Exports from India Scheme): things easier, all five schemes have been merged into one called MEIS. MEIS will pay rewards for exporting notified goods to notified markets as a percentage of the realised FOB value. To qualify for this benefit, all exporters must declare on all shipping bills., "We intend to claim rewards under the Merchandise Exports from India Scheme (MEIS)."
2. Service Exports from India Scheme (SEIS): The Service Exports from India Scheme (SEIS) has replaced the Served from India Scheme (SFIS). Instead of 'Indian Service Providers,' SEIS will apply to 'Service Providers located in India.' As a result, SEIS rewards all service providers of notified services from India, regardless of their constitution or profile. The amount of net foreign exchange earned would determine the rate of reward under SEIS.
3. Scrips issued under the Export from India Scheme may be used to pay customs duty, excise duty, and service tax.

7.4 EXPORT TRADE FACILITATION

1. Online document/application filing and paperless trade in a 24x7 environment: (a) The DGFT already allows exporters/importers to file various applications online via FTP. Certain documents, such as those issued by Chartered Accountants, Company Secretaries, and Cost

Accountants, must be filed only in physical form. To move toward paperless reward scheme processing, it was decided to develop an online procedure for uploading digitally signed documents signed by a Chartered Accountant, Company Secretary, or Cost Accountant. It will be possible to upload online documents such as annexures attached to ANF 3B, ANF 3C, and ANF 3D, which are currently signed and submitted physically by these signatories, into the new system.

(a) Exporters would save paper, money, and time by not having to submit hardcopies of applications and specified documents to RA.

(b) As a convenience measure, export consignment landing documents can be digitally uploaded as proofs for notified markets in the following ways: I Any exporter with a digital signature may upload a scanned copy of the Bill of Entry. (ii) Export House status holders in the Three Star, Four Star, or Five Star categories may upload scanned copies of documents.

1. Inter-ministerial online consultations:

It is proposed to hold online inter-ministerial consultations in stages for the approval of SCOMET exports, norms fixation, import authorizations, and export authorizations, with the goal of reducing approval time. As a result, exporters would not be required to submit hard copies of documents for these purposes.

2. Simplifying procedures/processes, digitization, and e-governance:

(a) For final redemption of EPCG authorizations, the requirement to obtain and submit a certificate from an independent Chartered Engineer confirming the use of imported spares, tools, refractory, and catalysts has been eliminated under the EPCG scheme.

(b) Currently, EPCG Authorisation holders must retain records for three years after their Authorisations have been redeemed. EPCG Authorization Holders are no longer required to keep records for more than two years. As relevant records such as shipping bills and e-BRC are likely to be available in electronic form, where they can be archived and retrieved as needed, the government's goal is to gradually phase out this requirement.

(c) Exporter Importer Profile: A document upload feature has been added to the Exporter/Importer Profile. There will be no need to submit copies of permanent records/documents (e.g., IEC, Manufacturing licence, RCMC, PAN, etc.) with each application once they have been uploaded.

(d) Interaction with Exporters/Importers: Certain information, such as a mobile phone number and an e-mail address, have been added as mandatory fields to the IEC data base. This information, once provided by exporters, will aid in better communication with them.

Exporters would be notified of the issuance of authorizations or the status of their applications via SMS or email.

(e) Online message exchange with CBDT and MCA: It has been decided that online message exchange will take place with CBDT for PAN data and with the Ministry of Corporate Affairs for CIN and DIN data. This integration would remove the requirement for IEC holders to provide information for subsequent amendments/updates to data in the IEC data base.

(f) Communication with DGFT Committees: Dedicated e-mail addresses have been provided to each Norms Committee, Import Committee, and Pre-Shipment Inspection Agency to facilitate faster and paperless communication with the DGFT's various committees.

(g) Online refund applications: A new ANF has been created to allow TED refund applications to be submitted online.

Upcoming e-Government Initiatives

(a) The following EDI projects are currently being worked on by DGFT:

- (i) Message exchange for export reward scrips transmission from DGFT to Customs.
- (ii) Message exchange for Customs to DGFT Bills of Entry transmission (import details).
- (iii) Export Obligation Discharge Certificate issuance online (EODC).
- (iv) Communication with the Ministry of Corporate Affairs regarding CIN and DIN.
- (v) PAN message exchange with CBDT.
- (vi) The ability to pay the application fee with a debit or credit card.
- (vii) Provide an open API for IEC application submission.
- (viii) FTP mobile applications

a. e-Commerce Exports

(a) FTP benefits are available for handloom products, books/periodicals, leather footwear, toys, and customised fashion garments with a FOB value of up to Rs.25000 per consignment (finalised using an e Commerce platform). These items can be exported manually through Foreign Post Offices in New Delhi, Mumbai, and Chennai.

(b) Under the Courier Regulations, such goods may be exported manually on a trial basis through airports in Delhi, Mumbai, and Chennai, subject to appropriate regulatory amendments by the Department of Revenue. The Revenue Department will hasten the adoption of EDI mode at courier terminals.

7.5 SUMMARY

- India aspires to be a significant global trade partner, and the Modi government has unveiled its first Foreign Trade Policy to that end.
- Under MEIS, rewards for exporting notified goods to notified markets will be paid as a percentage of the realised FOB value.
- Under the Courier Regulations, such goods may be exported manually on a trial basis through airports in Delhi, Mumbai, and Chennai, subject to appropriate regulatory amendments by the Department of Revenue.
- MEIS (Merchandise Exports from India Scheme): Previously, there were five separate schemes for rewarding merchandise exports.

7.6 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Explain the meaning FTP.
2. Explain the term Forthcoming e-Governance Initiatives
3. Explain the term e-Commerce Exports
4. Write a note on MEIS.
5. Write a notes on SEIS.

Long Answers:

1. How FTP work in business?
2. Explain the Foreign Trade Policy (FTP) 2015-20-20
3. Highlights and Implications of FTP.
4. Explain the EOU/EHTP/STPI/BTP Schemes.
5. What do you know about Procedure/process simplification, digitization, and e-governance?

B. Multiple Choice Questions:

1. FTP is an abbreviation for …………………..

   a) Fill Transfer Protocol

   b) Formal Transfer Protocol

   c) File Transfer Protocol

   d) Factor Transfer Protocol

2. ……………… Minister of State for Commerce and Industry Government of India, unveiled the Foreign Trade Policy

   a) Hardeep Singh Puri

   b) Anurag Singh Thakur

   c) Ms Nirmala Sitharaman

   d) Ashwini Vaishnav

3. MEIS stands for ………………….
   a) 'Merchandise Exports from India Scheme'
   b) Memorandom Exports from India Scheme
   c) Merchant Exports from India Scheme
   d) Mearket Exports from India Scheme
4. The FTP 2015-20 introduces new schemes ………………. for exporting specified goods to specified markets
   a) STPI
   b) SEIS
   c) EPCG
   d) MEIS
5. EODC stands for ………………
   a) Export Obligation Discharge Certificate issuance online
   b) Export Obligation Decision Certificate issuance online
   c) Export Obligation Department Certificate issuance online
   d) Export Obligation Demat Certificate issuance online

Answer: 1-c, 2-c, 3-a, 4-d, 5-a

C. Fill in the blanks:

1. India aspires to be a significant ……………. trade partner.

2. The ………. government has unveiled its first Foreign Trade Policy.

3. The rate of reward under ………. would be determined by the amount of net foreign exchange earned.

4. .... of applications and specified papers would not be required to be submitted to RA.

5. FTP benefits are available for .... products, books/periodicals, leather footwear, toys, and customised fashion garments with a FOB value of up to Rs.25000 per consignment.

Answer: 1- global**, 2-** Modi**, 3-** SEIS**, 4-** Hardcopies**, 5-** Handloom

D. State whether the following sentence are True / False:

1. The Service Exports from Delhi Scheme has taken the place of the Served from India Scheme (SFIS).
2. The DGFT allows exporters/importers to file various applications online via FTP.
3. A facility for uploading documents in the Exporter/Importer Profile has not been created
4. A new ANF has been created to allow for the online submission of TED refund applications.
5. PAN message exchange with EODC.

Answer:

True: 2 and 4

False: 1, 3 and 5.

7.8 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

8

INDIA'S FOREIGN TRADE POLICY - II

Unit Structure

8.0 OBJECTIVES

After learning this unit, you will be able to understand: -

- To understand the Role of Directorate General of Foreign Trade (DGFT)
- Discuss the Negative list of Exports
- To understand the Deemed Exports

8.1 INTRODUCTION

The government provides financial aid to Indian exporters in order to increase their ability to compete in international markets. Indian exporters will be able to survive if they can create high-quality goods at a fair price. Almost everything in the domestic market is heavily taxed. Our goods can be exported, but not our taxes. To keep their prices competitive, exporters require a variety of incentives and rebates.

8.2 ROLE OF DIRECTTORATE GENERAL OF FOREIGN TRADE(DGFT)

This foreign trade directorate is led by the director general of foreign trade and is in charge of implementing the government's foreign trade policy (FTI) to promote exports. This organization's directorate is also in charge of the work related to the issuance of licences and the monitoring of export obligations, among other things.

The directorate's headquarters are in New Delhi. In addition, the directorate has 31 regional information offices.

The following are the DGFT's responsibilities:

a) Foreign trade policy implementation

The Director General of Foreign Trade is in charge of carrying out India's foreign trade policy. The FTP is implemented by introducing various schemes and guidelines through its network of 32 regional offices spread across the country.

(b) IEC number assignment

Indian exporters and importers are assigned an importer-exporter code number by the DFGT. The registration number enables Indian parties to conduct international trade. The DGFT regional offices issue the IEC number.

(a) Regulates transit of goods

The DGFT allows or regulates the transit of goods from India or neighboring countries in accordance with bilateral treaties between India and other countries.

(b) Resolving of export related problems

Exporters' problems and grievances are addressed by the DGFT or its regional offices. It works with other departments to solve all trade and export issues. Grievance committees have been established in regional licensing offices to expedite the resolution of genuine trade and industry grievances concerning policy and procedures.

(c) Interaction with trade and industry

DGFT has opened a chat window on its website for interaction with the trade and industry. It addresses inquiries about foreign trade policy and procedures. The chat window is open from 3 p.m. to 5 p.m. on the second Wednesday of each month.

(d) Co-ordination with other offices

The DGFT works closely with other related economic offices such as customs, central excise, the enforcement directorate, and so on.

(e) Publications

The DGFT is in charge of the publication of foreign trade policy and procedures, as well as the ITC (HS) classification of export-import items.

(f) Trade facilitator

It handles foreign buyers' quality complaints. The DGFT's trade facilitation contributes to the promotion of Indian exports in the international market.

8.3 NEGATIVE LIST OF EXPORTS

The negative list of exports includes export items that are either prohibited or cannot be freely exported. These are the components of the negative list of exports.

I) Prohibited Substances

II) Restricted Goods Canalised Items

I) Prohibited Items

It is illegal to export the prohibited items. As of January 1st, 1996, the most recent list of prohibited items contained ten items. We are the ones who are being followed.

(a) All types of wild animals

(b) Exotic birds

(c) All plant items

(d) Selection by humans

(e) Tallow of and animal"s origin

(f) Animal fat of any origin

(g) Animal oils of any kind

(h) Chemicals

(i) Wooden sandals

(j) Red sanders wood in any shape or form

II) Restricted Products

The restricted items can only be exported with a special DGFT license. There are currently 31 items available. Some examples of restricted export items are as follows.

(a) Beche-de-mer of sizes below 3 inches.

(b) Cattle

(c) Camel

(d) Chemical and micronutrient fertilisers

(e) Fabrics/textile items with imprints of Holy Quran excerpts or verses

(f) Defiled groundnut cakes

(g) Fresh and frozen silver prom frets of weight less than 300 gms.

(h) Fur of domestic animals, excluding lamb fur skin

(i) Fodder, including wheat and rice shraw

(j) Hides and skins as mentioned in the policy

III) Canalised Items

Items on this list can only be exported through designated canalised agencies. At the moment, five items have been canalised. They are detailed below.

Items	Canalised Agency
(a) Petroleum Products	Indian oil corporation ltd.
(b) Gum karaya	The Indian tribal co-operative marketing federation ltd (TRIFED)
(c) Mica waste and scrap	MMTC and MITCO
(d) Mineral ores and scrap concentrates	Indian rare earths ltd, Kerala minerals & metals ltd. and MOIL
(e) Nigar seeds	NAFED, TRIFED and 2 others

8.4 DEEMED EXPORTS

Physical exports do not qualify as deemed exports. It refers to intra-country goods transactions as defined by the Indian government. In other words, the goods supplied do not leave the country, and the recipient of the goods pays for them in India. According to the EXIM policy, deemed exports are treated as exports for the purposes of certain facilities and benefits.

Deemed export transactions are those in which the goods supplied do not leave the country and the recipient pays in Indian rupees. Physical exports and demand exports are not the same thing.

a) Goods supplied in exchange for duty-free licenses under the Duty Exemption Scheme.

b) Goods supply to units in EPZs, EHTPs, STPs, or 100 percent EOUS.

c) Capital goods provided to licensees under the EPCG scheme.

d) A duty on goods supplied to the power, oil, and gas sectors has been approved by the Ministry of Finance.

e) Supply of goods to any project approved by the Ministry of Finance that allows the import of such goods at zero customs duty.

f) Supply of capital goods and spares for plant fertilization if made through an international competitive bidding procedure.

g) Supply of goods to projects funded by multilateral or bilateral agencies or funds, as announced by the Ministry of Finance's Department of Economic Affairs, through international competitive bidding.

BENEFITS TO DEEMED EXPORTERS

- The supplier may claim a special Import License at a rate of 6% of the FOB value.
- The supplier is eligible for duty drawback.
- The supplier has the right to a refund or excise duty paid on raw materials used in the manufacture of "end" products.
- The supplier may apply for a special Import License / Advance Intermediate License.
- The supplier may import specified inputs duty-free. To be eligible for Deemed Export Benefits, the supplier must provide documentary proof of export proceeds received from banks.
- The deemed export benefit is also available for capital goods and spares supplied to fertiliser plants completed during the Ninth plan period.

8.5 SUMMARY

- The DGFT is in charge of carrying out India's foreign trade policy.
- The DFGT assigns an importer-exporter code number to Indian exporters and importers.
- Exporters' problems and grievances are addressed by the DGFT or its regional offices.
- The negative list of exports includes export items that are either prohibited or cannot be freely exported.

8.6 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Explain the DGFT
2. Give some examples of restricted export items.
3. Write down *Prohibited Items*
4. Explain in shorts deemed exports
5. **Explain the Canalised Items**

Long Answers:

1. What are the responsibilities DGFT?
2. Explain the Negative List of Exports
3. **What are the benefits to Deemed Exporters?**
4. Write in brief Deemed Exports.
5. Different between negative and positive of exports.

B. Multiple Choice Questions:

1. The ……………is in charge of carrying out India's foreign trade policy
   a) DGTF
   b) DHFT
   c) DEFT
   d) DGFT
2. DGFT has opened a chat window for interaction with the trade and ………….
   a) industry
   b) government
   c) students
   d) business
3. ……………. exports are not considered to be deemed exports.
   a) Traditional
   b) Physical
   c) Online
   d) Foreign
4. Provision of capital goods to licensees under the …………scheme.
   a) EXIM
   b) EPCG
   c) IEC
   d) DGFT's
5. The FTP is implemented by introducing various schemes and guidelines via its network of...........regional offices.

a) 32
b) 30
c) 33
d) 31

Answer: 1-d, 2-a, 3-b, 4-b, 5-a.

C. Fill in the blanks:

1. As of January……………, the most recent list of prohibited items contained ten items.
2. …………. list contains items that can only be exported through designated canalised agencies.
3. Under the ……………. policy, deemed exports are treated as exports.

4. The supplier may claim a special Import License at a rate of ……… of the FOB value.
5. The ………………. is eligible for duty drawback.

Answer: 1-1st, 1996, 2- Canalised, 3- EXIM, 4-6%, 5- supplier

D. State whether the following sentence are True / False:

1. Demand exports are the same as physical exports.
2. Supply of goods in exchange for duty-free licences under the Duty Exemption Scheme.
3. The supplier is eligible for duty drawback
4. The directorate's headquarters are in Old Delhi.
5. The IEC number is issued by the DGFT regional offices.

Answer:

True: 3, 2 and 5

False: 1 and 4

8.7 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

9

INDIA'S FOREIGN TRADE POLICY - III

Unit Structure

9.0 OBJECTIVES

After learning this unit, you will be able to understand: -

- To understand the benefits to Status Holders & Towns of Excellence
- To explain the common benefits for EHTP,BTP and STP
- Analyse the benefits enjoyed by (IIAs) Integrated Industrial Areas (SEZ), EOU, AEZ

9.1 INTRODUCTION

Under the Export Oriented Unit (EOU) Scheme, Electronic Hardware Technology Park (EHTP) Scheme, Software Technology Park (STP) Scheme, or Bio-Technology Park (BTP) Scheme, units committing to exporting their entire output of goods and services (except permissible sales in the DTA) may be established for the manufacture of goods, including repair, re-making, reconditioning, re-engineering, and service rendering. These schemes, on the other hand, do not cover trading units.

An EOU/EHTP/STP/BTP unit may export all types of goods and services except those prohibited by the ITC (HS). Special Chemicals, Organisms, Materials, Equipment, and Technologies (SCOMET) exports are subject to ITC conditions (HS). All types of goods, including capital goods, required for an EOU/EHTP/STP/BTP unit's activities may be imported and/or procured duty-free from DTA or bonded warehouses in DTA/international exhibition held in India, provided they are not prohibited items of import in the ITC (HS). Any permission required for importation under any other law will apply. The units must also be allowed to import goods, including capital goods, from clients for free or on loan/lease. Capital goods will be imported on a self-certification basis.

9.2 BENEFITS TO STATUS HOLDERS AND TOWNS OF EXCELLENCE

The government has made the following benefits available to EH/TH/STH/SSTH.

1. **Special Permits**

   According to the EXIM policy 2002-07, status holders are eligible for license/certificate/permission and customs clearance on a self-declaration basis for both imports and exports.

2. **Relaxation of Foreign Exchange Norms**

   These status holders are allowed to keep 100% of the foreign currency earned in the exchange earner's foreign currency account. They are permitted to open foreign offices or appoint foreign representatives without seeking prior permission from the Reserve Bank of India, as long as the expenses for such offices or representatives are paid from their foreign currency account.

3. **Duty Free Entitlement**

   Status holders who meet the following criteria are eligible for duty-free access.

   (a) It shall be 10% of incremental export growth if the incremental growth exceeds 25% in FOB value of exports.

   (b) A minimum export turnover of Rs. 25 crores is required, however. This duty-free allowance is available for the importation of capital goods, office equipment, and other items.

4. **Market Development Assistance (MDA)**

   Status holders can apply for financial assistance under the MDA scheme to help them develop export markets. Depending on the individual case, this assistance can range from 25% to 60% of the actual expenses incurred.

5. **Relaxation in Collection Period**

   The RBI's standard period for realizing export proceeds from buyers is 180 days. It is, however, increased from 180 to 360 days for status holders.

6. **Exemption of Compulsory Negotiations**

   Status holders are exempt from the requirement to negotiate documents with banks. In other words, they can directly send the documents to the customers. Remittances, on the other hand, would continue to be received only through banks.

7. **Priority Fixation of Norms**

   Status holders benefit from the fixation of input-output norms based on priority.

8. **Trade Delegations**

   When selecting members of trade delegations to visit foreign countries, the government gives preference to representatives of status holders.

9. **Participation in decision-making**

   When developing foreign trade policies, the government took into account the views of these organizations. SSTHs, in particular, are offered membership in top government consultative bodies.

10. **Benefit of Training**

    Status holders are given preference in the selection of participants for training programmes held both in India and abroad. The Government of India is sponsoring such participation.

11. **Golden Status Certificate**

    Exporters who have held EH/TH/STH/SSTH status for three terms or more and continue to export are eligible for a golden status certificate, which entitles them to the benefits of the status certificate regardless of their subsequent performance, according to the guidelines issued in this regard from time to time.

12. **Exemption from Pre-shipment inspection**

    Such status holders are exempt from the requirement of mandatory pre-shipment inspection under the Export Act of 1963.

13. **Legal Undertakings**

    Under various schemes outlined in the EXIM policy, status holders are permitted to submit legal undertakings rather than bank guarantees at the time of customs clearance for their import consignments.

9.3 COMMON BENEFITS FOR EHTP,BTP AND STP

Under the STP scheme, a software development unit can be established to develop software, data entry and conversion, data processing, data analysis, and control data management, or call centre services for exports. A unit can be established under the EHTP scheme for the purpose of manufacturing and developing integrated electronic hardware and software for export. The policy provisions for the STP, EHTP, and BTP schemes are similar to those for the general EOU scheme. Thus, the provisions of foreign trade policy concerning importability of goods, DTA sale, sample clearance, sub-contracting, inter-unit transfer, repairs, re-conditioning and re-engineering, sale of unutilized material, de-bonding, and so on are essentially the same for STP/EHTP/BTP units and general EOUs.

Due to the unique requirements of the software/hardware development sector, however, some specific provisions for STP/EHTP units have been made in the foreign trade policy as well as the customs notifications governing the scheme.

(Function)

(a) EHTP/STP/EOU units may export all goods and services if they meet the export import policy conditions.

(b) An EHTIP/STP/EOU unit may export goods or software developed by it through a merchant exporter/status holder recognised under the EXIM policy.

(c) These units are permitted to import duty-free all types of goods, including capital goods, as defined in the EXIM policy that applies to their activities. Goods required for the approved activity, including capital equipment, can be imported for free or on client loan.

(d) DTA may provide duty-free goods to these units in order to establish a central facility for use. Units in the DTA can also use the central software development facility to export software.

(e) Duty-free importation of used capital goods is also allowed.

9.4 BENEFITS ENJOYED BY (IIAs), (SEZ), EOU, AEZ

While introducing the third revision to EXIM policy 1997-2002, Mr. Murasoli Maran, the late Comer and Industry Minister, proposed the concept of special economic zones (SEZs). In addition to EPZs and FTZs, India has SEZs. In the Exim policy announced on March 31, 2000, the government announced a scheme for establishing SEZs in the country to promote exports. The SEZs are expected to increase the country's exports by providing an internationally competitive and hassle-free export environment.

SEZs were inspired by China, where such zones operate efficiently and contribute nearly 40% of total exports. The government's policy is to establish SEZs across the country in order to boost exports. They are expected to provide a low-cost and hassle-free environment for exports on a global scale.

The SEZ programme is expected to increase the country's exports even further. State governments are expected to help promote exports by establishing SEZs in their states. SEZs can be created in the public, private, or collaborative sectors, as well as by state governments.

The government's policy is to provide such SEZs with convenient infrastructure and various incentives in order to make them key engines of export growth.

FEATURES OF SEZ

The following are some of the characteristics of special economic zones.

(a) Domestic sales/purchases

Goods entering the SEZ area from the DTA are considered deemed exports, while goods entering the DTA from the SEZ area are considered imports.

(b) Export and import of goods

Agro-products, partially processed jewellery, subassemblies, and components are examples of goods and services that SEZ units may export. It may also export manufacturing byproducts, rejects, and waste scrap.

All goods, including capital goods, whether used or new, are duty-free imported into SEZ units. SEZ units can import goods for free or on client loan.

(c) Net foreign exchange earnings (NFE)

A SEZ unit must earn a net foreign exchange profit. NFE is calculated cumulatively over a five-year period beginning with commercial production.

(d) Domestic tariff area (DTA) sales and supplies

DTA SEZ sales are to be considered exports. Sales to DTA from SEZs will be exempt from special additional duty (SAD). As a result, SEZ sales to DTA would be 4% cheaper than imports. The sale of DTA by service/trading units is subject to the achievement of a positive NFE.

(e) Export through status holder

A merchant exporter/status holder or any other EOU/EPZ/SEZ unit may export goods produced by an EZ unit.

(f) Inter-limit transfer

Transfer of manufactured or imported goods from one EPZ/EOU/SEZ unit to another is permitted, but is not counted toward export performance.

(g) Administration and setting up of SEZ

The development commissioner will have administrative control over the SEZ. A SEZ can be established in the public, private, or joint sectors. The ministry of commerce and industry may also convert existing EPZs into SEZs.

(h) Export proceeds

SEZ units can return export proceeds in 360 days rather than 180 days, and they can keep 100% of the proceeds in the EEFC Account.

EOU

The export oriented units (EOUs) scheme, which was introduced in early 1981, supplements the EPZ scheme. It employs the same production regime but offers a wider range of location options based on factors such as raw material source, port, hinterland facilities, availability of technological skills, existence of an industrial base, and the need for a larger area of land for the project.

EOUS were established with the goal of generating additional export production capacity by providing an appropriate policy framework. Operational and incentive flexibility.

BENEFITS/INCENTIVES GIVEN TO 100% EOUs

(a) Engineering, chemicals, plastics, granite, and food processing are the industries with the highest concentration of EOUS. Such units are permitted to import raw materials, spare parts, machinery, and other items duty-free. In exchange for a 10-year obligation to produce goods for export, they can also obtain indigenous capital goods, components, and raw materials without paying excise duty.

(b) When they use domestic raw materials, etc., for export-oriented production, EOUS are exempt from paying excise duty.

(c) A 100% EOUS is not required to be located in an FTZS. They can be found in any location and in any size.

(d) 100% EOUS are given preferential treatment, such as a five-year tax break and a two-year gestation period before exporting.

(e) EOUS exports the majority of its production, or at least 75% of it, and thus promotes exports.

Foreign equity of up to 100 percent is permitted in the case of EOUS.

AEZ

APEDA has currently established 60 Agri-Export Zones (AEZs) spread across 230 districts in 20 states. Fruits, vegetables, spices, cashew, tea, basmati rice, medicinal plants, pulses, and other crops are among those covered. In total, 35 crops were chosen for promotion in these zones. The total investment committed by all agencies under the AEZ programme is Rs.1, 724 crores, including Rs.970 crores in private investments.

NABARD Initiatives to Promote AEZs

Financial Initiatives

- With the overarching goal of promoting exports in mind, NABARD has extended a 100% refinance scheme to all client institutions (CBs, RRBs, SCBs, SCARDBs with NPA not exceeding 5 percent). All contract farming arrangements (within and outside AEZs) are made eligible for a special refinance package in order to expand the reach of bank credit, increase commercial crop production, and create marketing avenues for farmers.
- NABARD signed a tripartite agreement (MoU) with APEDA and EXIM Bank in November 2002 to synergize efforts and leverage respective strengths in order to accelerate the export growth of agricultural produce with institutional credit in AEZs.
- NABARD has set a three-year minimum repayment period for all activities in AEZs. Preparation of crop specific credit plans for AEZs.
- Under the co-financing scheme, a scheme for the cultivation and processing of gherkins was sanctioned in Karnataka.

Promotional Initiatives

- During 2003-04 and 2004-05, BIRD and NBSC in Lucknow conducted sensitization programmes for bank and NABARD officials, as well as sensitization meetings in 106 districts through DDMs.

- Investors conferences for agri-exports in four regions, in collaboration with APEDA and EXIM Bank, to explore the possibilities of increased corporate investment in agri-exports.
- NABARD Regional Offices have been holding State Level Review meetings on AEZs with all stakeholders to address the challenges in AEZ implementation.
- Inter-institutional meetings of NABARD, APEDA, and EXIM Bank were held in 2002-03, 2003-04, and 2004-05 to review progress in AEZ implementation and consider future policy changes.

9.5 SUMMARY

- **According to the EXIM policy 2002-07, status holders are eligible for license/certificate/permission and customs clearance on a self-declaration basis for both imports and exports.**
- Status holders can apply for financial assistance under the MDA scheme to help them develop export markets.
- Under the STP scheme, a software development unit can be established for the purposes of developing software, data entry and conversion, data processing, data analysis, and control data management, or call centre services for exports.
- Goods entering the SEZ area from the DTA (Domestic Tariff Area) are treated as deemed exports, while goods entering the DTA from the SEZ area are treated as imports.
- A SEZ unit must earn a positive net foreign exchange.
- NABARD has set a three-year minimum repayment period for all activities in AEZs. Preparation of crop specific credit plans for AEZs

9.6 EXERCISE

A. Descriptive Questions:

<u>Short Answers:</u>

1. Write a note on MDA.
2. Describe the term EHTP.
3. Golden Status Certificate of EOU/EHTP/STP/BTP
4. Write a meaning of EOU.
5. What is STP?

<u>Long Answers:</u>

1. Explain the features of SEZ.
2. Discuss EOU/EHTP/STP/BTP.
3. Discuss the Benefits to Status Holders.
4. Explain in brief AEZ.

5. Explain the Benefits for EHTP,BTP and STP.

B. Multiple Choice Questions:

1. NABARD signed a tripartite agreement (MoU) with APEDA and EXIM Bank in …………….
   a) November 2001
   b) November 2002
   c) November 2000
   d) November 2003
2. DTA stands for ……………
   a) Domestic tariff area
   b) Duty tariff area
   c) Differentiate tariff area
   d) Dominant tariff area
3. ……………..are primarily concentrated in the engineering, chemicals, plastics, granite, and food processing industries.
   a) EQU
   b) EOUS
   c) EXIM
   d) SEZ
4. (EOUs) scheme, which was introduced in early…………
   a) 1980
   b) 1983
   c) 1982
   d) 1981
5. Mr. Murasoli Maran, the late Comer and Industry Minister, proposed the concept of ……….
   a) SEZs
   b) EOUs
   c) EXIM
   d) DTA

Answer: 1-b, 2-a, 3-b, 4-d, 5-a.

C. Fill in the blanks:

1. A ………… unit must earn a positive net foreign exchange.
2. A............ unit may export goods manufactured by it via a merchant exporter/status holder or any other EOU/EPZ/SEZ unit.
3. SEZ units can bring back their export proceeds in 360 days instead of ………
4. ………. were established with the goal of generating additional export production capacity.
5. ……………. Initiatives to Promote AEZs.

Answer: 1- SEZ**, 2-** EZ**, 3-**180 days**, 4-** EOUS**, 5-** NABARD

D. State whether the following sentence are True / False:

1. The government announced a scheme for establishing SEZs in the country to promote exports in the Exim policy announced on June **30**, 2000.
2. Status holders benefit from the fixation of input-output norms based on priority.
3. Repair, remaking, reconditioning, re-engineering, and service rendering are all covered under the BTP scheme.
4. EHTP/STP/EOU units may export any goods or services as long as they meet the export import policy's requirements.
5. A software development unit can be established under the EOUs scheme for the purpose of developing software.

Answer:

True: 4, 3 and 2

False: 1 and 5

9.7 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

10

EXPORT INCENTIVES AND ASSISTANCE - I

Unit Structure

10.0 OBJECTIVES

After learning this unit, you will be able to understand: -

- To discuss Financial Incentives available to Indian Exporters
- Explain Marketing Development Assistance (MDA),
- To understand Market Access Initiative (MAI)
- Explain Assistance to States for Infrastructure Development for Exports (ASIDE)
- Discuss Industrial Raw Material Assistance Centre (IRMAC)

10.1 INTRODUCTION

Export incentives are regulatory, legal, monetary, and tax initiatives designed to encourage businesses to export specific goods or services. Exports are goods produced in one country and shipped to another for sale or trade.

Exports are an important component of the exporting country's economy, contributing to its GDP. Exports can boost a company's sales and earnings by creating new markets or expanding existing ones, and they can also provide an opportunity to gain global market share. When businesses expand and expand their workforces, exports also help to create jobs.

10.2 FINANCIAL INCENTIVES AVAILABLE TO INDIAN EXPORTERS

Export incentives are government benefits that exporters receive in exchange for bringing in foreign exchange and compensating them for the costs of sending goods and services out of the country. Export incentives can take the following forms:

- Subsidies that reduce export prices
- Tax breaks such as duty exemptions (which allow duty-free importation of inputs for export production) and duty remissions (which enable post-export replenishment of duty on inputs used in export product)
- Credit options, such as low-interest loans
- Financial assurances, such as provisions for bad loans

Export incentives in India are consistent with the government's flagship "Make in India" and "Atmanirbhar Bharat" (Self-sufficiency India) programmes. The former seeks to transform India into a manufacturing powerhouse, whereas the latter promotes self-sufficiency. These incentives are highlighted in the foreign trade policy document, which is a set of guidelines and strategies for goods and services import and export. The policy is designed to last five years. The current one is only valid until March 31st. A new one will take effect on April 1.

Export incentives – Types and Benefits

I. Export promotion schemes

1. RoDTEP: The Remission of Duty or Taxes on Export Products (RoDTEP) scheme reimburses exporters for embedded federal, state, and local taxes and duties that were previously unreimbursed. Refunds are credited to an exporter's customs ledger account and can be used to pay import customs duty or transferred to other importers. Exporters who want to take advantage of the rebate must indicate their intent in the shipping bill. The scheme went into effect on January 1, 2021, and it replaces the Merchandise Exports from India Scheme (MEIS), the provisions of which were declared illegal by the WTO for not complying with its export subsidy rules. Exports to Special Economic Zones (SEZ), Export Oriented Units (EOUs), and jobbing units (which process raw materials or semi-finished goods), as well as exports made under Advance Authorisation (more on this later), are not eligible for RoDTEP benefits. The scheme's rates and the conditions

under which it can be used have yet to be announced. Included in the taxes/duties are:

- Taxes levied by the federal and state governments on the fuel used to transport export products.
- A state electricity duty is levied on goods manufactured for export; and • A coal cess is levied.
- Mandi tax, which is a market fee levied by wholesale market bodies known as Agricultural Produce Market Committees (APMCs) on the sale/purchase of farm produce;
- Toll tax; and
- Stamp duty on import-export documentation.

2. **Service Exports from India Scheme (SEIS):** Exporters of eligible services receive incentives in the form of duty credit scrips ranging from 3% to 7% of net foreign exchange earned under this scheme. These scrips can be used to pay customs duties on imported inputs as well as central excise duties on local purchases of inputs. They are also transferable (can be passed on to another trader). To file an SEIS claim, an exporter must have an active Importer-Exporter Code (IEC) and a minimum of $15,000 in net foreign exchange earnings. An application can be submitted to the DGFT online.

3. **Merchandise Exports from India Scheme (MEIS):** Exporters of notified goods to notified markets are eligible for transferable duty credit strips based on the realised Free On Board (FOB) value of the export in free foreign exchange at rates ranging from 2% to 7%. The scrips can be used to pay input customs/central excise duties. Rewards are also available for e-commerce exports made via courier and international post. Because it violated WTO rules, the MEIS was withdrawn on January 1. The RoDTEP scheme has taken its place. The government has set a reward ceiling of Rs 2 crore per exporter for exports made between September 1, 2020, and December 31, 2020. Furthermore, no MEIS claims for IECs obtained on or after September 1, 2020 will be accepted.

4. **Export Promotion Capital Goods (EPCG) Scheme:** The goal of this scheme, according to the DGFT, is to "improve India's manufacturing competitiveness by facilitating the import of capital goods [goods used to produce other goods]." Under EPCG, capital goods for pre-production, production, and post-production can be imported at zero percent customs duty – the scheme is also known as Zero Customs Duty EPCG. The duty exemption includes integrated GST (IGST)

and compensation cess. The scheme includes an export obligation: the goods/services exported must be worth six times the amount of duty saved and must be completed within six years of the exporter's EPCG licence being issued. Domestic procurement of capital goods is permitted with a 25% reduction in export obligation. Exporters of engineering and electronic products, basic chemicals and pharmaceuticals, apparel and textiles, plastics, handicrafts, chemicals and allied products, leather and leather products will benefit the most from this scheme. Hotels, tour operators, taxi companies, logistics companies, and construction companies are among the service providers eligible for benefits.

10.3 MARKETING DEVELOPMENT ASSISTANCE (MDA), MARKET ACCESS INITIATIVE(MAI)

The Government of India established the MDA fund in 1963 to promote exports and the international marketing of Indian products and commodities. It serves the following purposes.

a) Market research, commodity research, surveys, and in-depth research.

b) Commodity development and product promotion.

c) Export publicity and information dissemination.

d) Attendance at trade shows and exhibitions.

e) Trade delegations and scientific research.

f) International office, branch, and godown establishment.

g) Grants to Export Promotion Councils and other approved organisations for export development and foreign trade promotion.

Any other scheme calculated in general to promote the development of markets for Indian products and commodities in other countries.

AMOUNT OF ASSISTANCE

Typically, assistance amounts to half of the actual expenditure. However, in the case of small scale units, 60% of the actual expenditure may be considered.

Beneficiaries –

The MDA committee oversees spending, and assistance is provided under the following headings.

a) Financial assistance to the Export Promotion and Market Development Organization.

MDA grants are available to a total of 20 export promotion councils, grantee institutions, and approval organisations such as FIEO and IIFT..

Indian Packaging Institutes, Indian Council of Arbitration, and Indian Diamond Institutes, as well as recognised exporters like Trading Houses, Star Trading Houses, and Export Houses The MDA committee approves the budget allocation for MDA for all organisations.

a) **Disbursing Authorities –**

The Ministry of Commerce for the establishment of foreign offices, warehouses, after-sales service centres, and R&D facilities.

FIFO will promote participation in international exhibitions and fairs, as well as advertising in foreign media and road shows.

MAI

The Indian government has launched a programme called the "Market Access Initiative (MAI)" to promote India's exports on a long-term basis. This scheme is based on the concept of "focus product and focus market.”.

The Focus product scheme

It provides tax breaks to exporters of products with a high potential for employment in rural and semi-urban areas. One of the incentives is a duty-free credit of 2% of the FOB value of the export turnover of notified products such as value-added fish and leather products, stationary items, fireworks, sports goods, handloom and handicraft items.

The Focus market scheme

Its goal is to compensate exporters for high freight costs and other challenges they face when exporting to specific international markets. Among those represented are Algeria, Nigeria, Tanzania, Kenya, South Africa, Vietnam, Cambodia, Australia, New Zealand, and Latin American markets. On all products, exporters receive a duty-free credit of 3% of the FOB value of their exports to the notified areas.

Beneficiaries of Assistance

The assistance is given to the following organisations:

a) Departments of the Central and State Governments.

b) Central and state government organisations

c) Commercial missions of India abroad.

Commodity Boards

d) Export Promotion Councils

e) Commodity Boards

f) An ITPO-registered trade promotion organization

g) Apex Trade Bodies Recognized

h) Identified Industrial Clusters

I Individual Exporters for Pharma Products Registration and Testing Fees for Engineering Products in Other Countries

Components of Assistance –

a) Conducting marketing research.

b) Opening showrooms and warehousing facilities in key markets.

c) Attendance at international trade shows, seminars, sales promotion campaigns, and so on.

d) Transportation subsidies for certain agricultural products.

e) Introducing export-ready products

Amount of Assistance

The government can provide financial assistance for all export promotion activities ranging from 25% to 199 percent of the total cost, depending on the activity and the implementing agency.

10.4 ASSISTANCE TO STATE FOR INFRASTRUCTURE DEVELOPMENT FOR EXPORTS (ASIDE)

In March of 2002, the ASIDE Scheme was announced. It was titled "Assistance to the State for the Development of Export Infrastructure and Related Activities." It can be referred to as "Assistance to States for Infrastructure Development for Exports" for convenience.

Purpose of ASIDE Scheme

The purpose of this scheme is to encourage state governments to participate in promoting exports from their respective states. Under this scheme, the central government provides financial assistance to state governments for the development of infrastructure and related export-related activities.

Criteria for Allocation of Funds

The state receives funds based on two criteria: gross exports and export growth rate. The scheme's budget is divided into two parts.

a) State component, in which 80 percent of funds are allocated to states and UTs based on predetermined criteria.

b) Central component, of which the central government will retain 20% for meeting the requirements of inter-state projects, EPZ capital outlays, and export promotion activities in the North Eastern Region (NER). In addition, any funds allocated to states but not used in previous years will be retained by the Central Government and used for export promotion and development activities.

Special importance to North Eastern Region (NER)

A minimum of 10% of the scheme outlay is set aside for the North Eastern Region and Sikkim, allowing for export development in the NER and Sikkim.

Private Involvement

State governments are identifying projects with private participation and providing additional incentives to encourage private participation in the development of export-related infrastructure.

10.5 INDUSTRIAL RAW MATERIAL ASSISTANCE CENTRE (IRMAC)

IRMAC is an acronym that stands for Industrial Raw Material Assistance Centre. Under this scheme, large exporters, such as export houses, import raw materials in bulk and distribute them in the required quantity to manufacturers, suppliers, or actual users.

The scheme provides the following benefits:

- Financial assistance (credit) for raw material procurement for up to 90 days.
- Materials made available through bulk supply arrangements are provided at the bulk supplier's rate, eliminating the need for middlemen and allowing goods to be procured at a lower cost.
- Discounts obtained through bulk supply arrangements are shared with MSMEs, allowing them to reduce the cost of material purchases (Economies of Scale).
- Availability of raw materials on credit and the ability of MSMEs to carry out orders in hand

Eligibility

Any manufacturing MSME that has an Udyog Aadhaar Memorandum (UAM) can apply for help under the Scheme.

1. Any manufacturing MSME with an Udyog Aadhaar Memorandum (UAM) can apply for assistance through the Scheme.
2. Documents to be submitted with the Application Form
3. A passport-sized photo of each Proprietor / Director / Partner / Society office bearer.
4. Self-attested photocopies of: 1. UAM, 2. GST Registration Certificate, 3. Firm / Proprietor's PAN Card (in case of Proprietorship concern).
5. Copies of the Company's/Firm's/Directors'/Partners'/ Proprietor's/Partners'/Proprietor's/Partners'/Proprietor's/Partners'

6. A self-attestation statement of personal assets and liabilities, as well as the residential address of the Proprietor/ Directors/Partners/ Society office bearers.
7. Copy of Memorandum and Articles of Association, as well as a list of Directors, in the case of a Pvt. Ltd. / Ltd. Co./ Ltd. Co.
   OR
8. In the case of a partnership, a copy of the Partnership Deed that has been duly notarized.
9. OR a copy of the bylaws and charter of the society, as well as a list of the governing body / executive members in the case of a society.
10. A copy of the Board Resolution in the case of a private/public limited company, a Power of Attorney in the case of a partnership firm, and a Governing Body Resolution in the case of a society authorizing the signatory to sign and deal with NSIC in relation to financial assistance required, for and on behalf of the applicant unit.
11. Bank-attested specimen signatures of authorized signatories
12. A copy of the sanction letter for the credit limit granted by the FIs/banks.
13. Unit's audited/provisional financial statements:
    i. Financial statements from the previous year.
    ii. Provisional financial statements for the current fiscal year.
    iii. Current year estimates financial statements duly certified by its Auditors or Chartered accountants for a startup MSME unit Bank statement of the unit for the last six months.
14. A copy of the most recent Electricity Bill.
15. File the unit's account report with banks (other than the BG issuing bank) and financial institutions.
16. Certificate / Undertaking from the borrower that their name(s), the name of the company/its owners/its associates/its sister concern/its members are not on the CIBIL/ RBI defaulters list or that no case is pending against them.
17. In the event of a limit increase in excess of five crore, a copy of the orders in hand is required.

10.6 SUMMARY

- Export incentives are government benefits that exporters receive in exchange for bringing in foreign exchange and compensating them for the costs of sending goods and services out of the country.
- Export incentives in India are consistent with the government's flagship "Make in India" and "Atmanirbhar Bharat" (Self-sufficiency India) programmes.

- Taxes levied by the federal and state governments on the fuel used to transport export products.
- Exporters of notified goods to notified markets are eligible for transferable duty credit strips based on the realised Free On Board (FOB) value of the export in free foreign exchange at rates ranging from 2% to 7%.
- Capital goods for pre-production, production, and post-production can be imported at zero percent customs duty under EPCG – the scheme is also known as Zero Duty EPCG.
- MDA grants are available to 20 export promotion councils, grantee institutions, and approval organisations such as FIEO, IIFT, and others

10.7 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Explain the meaning of export incentives.
2. What do you mean by **RoDTEP?**
3. Explain the function of MDA.
4. What do you mean by MAI?
5. **Explain the purpose of ASIDE Scheme.**

Long Answers:

1. Write in brief IRMAC.
2. Discuss in detail **SEIS.**
3. Explain the scheme **Export Promotion Capital Goods.**
4. Describe the term MDA.
5. Write the Eligibility of IRMAC.

B. Multiple Choice Questions:

1. Export incentives in India are consistent with the government's flagship ………………

   a) Make in India

   b) Make in America

   c) Make in Russia

   d) Make in Spain

2. **RoDTEP stands for ………………**

   a) **Remission of Duty or Taxes on Export Price**

   b) **Remission of Duty or Taxes on Export Products**

   c) **Remission of Duty or Taxes on Export Promotion**

   d) **Remission of Duty or Taxes on Export Place**

3. The MEIS was withdrawn on ………..
   a) July 1
   b) September 1
   c) January 1
   d) April 1
4. EPCG scheme is also known as ………
   a) Zero Duty EPCG
   b) Equal Duty EPCG
   c) Additional Duty EPCG
   d) Equity Duty EPCG
5. EOUs stands for …………….
   a) Enquiry Oriented Units
   b) Establish Oriented Units
   c) Equity Oriented Units
   d) Export Oriented Units

Answer: 1- a, 2-b, 3-c, 4-a, 5-d.

C. Fill in the blanks:

1. …………. tax, which is a market fee levied by wholesale market bodies.
2. In………, the Government of India established the MDA fund to promote exports and the marketing of Indian products and commodities abroad.
3. …………….. grants are available to 20 export promotion councils, grantee institutions, and approval organisations such as FIEO, IIFT, and others.
4. Exporters receive a duty-free credit of …… of the FOB value of their exports to the notified areas on all products.
5. In March of 2002, the ………….. Scheme was announced.

Answer: 1- Mandi**, 2-**1963**, 3-** MDA**, 4-**3%**, 5-** ASIDE

D. State whether the following sentence are True / False:

1. The MDA committee controls the expenditure, and assistance is provided under the following subheads.
2. MDA scheme is based on the concept of "focus product and focus market.”.
3. **EPCG** scheme is to enhance India's manufacturing competitiveness by facilitating the import of capital goods.
4. The Indian government has launched a programme called the "Market Access Initiative (MDA)"

5. **RoDTEP scheme went into effect on January 1, 2021.**

Answer:

True: 1, 3 and 5.

False: 2 and 4.

10.8 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

11

EXPORT INCENTIVES AND ASSISTANCE - II

Unit Structure

11.0 OBJECTIVES

After learning this unit, you will be able to understand: -

- To understand Institutional Assistance to Indian Exporters
- Discuss Federation of Indian Export Organisations (FIEO)
- Explain India Trade Promotion Organisation (ITPO)
- Analyse the Federation of Indian Chambers of Commerce and Industry (FICCI)
- To understand Export Promotion Councils (EPCs), Commodity Boards (CBs), Indian Institute of Foreign Trade (IIF), Indian Institute of Packaging (IIP)

11.1 INTRODUCTION

Export marketing organizations are specialized organizations that deal with export trade. They are in charge of Indian goods and services export.

Based on orders received and collected, these organizations investigate foreign markets and make arrangements to ship goods to foreign buyers. They also maintain the necessary facilities and export staff to efficiently manage export marketing activities. Export organizations conduct their own export trade transactions. For export marketing operations, they have an export department or division.

11.2 INSTITUTIONAL ASSISTANCE TO INDIAN EXPORTERS

Financial assistance is required for large-scale exports. It is required for manufacturing, packaging of goods, and other purposes. Payment is received after a long period of time in export trade, but funds are required continuously for the conduct of production and other activities. Efforts are being made in India to provide exporters with liberal credit facilities. Along with commercial and public sector banks, RBI, EXIM Bank, and ECGC play a positive role in encouraging commercial banks to offer liberal credit to exporters.

Commercial banks provide the majority of export finance in India. They offer priority pre- and post-shipment financing with favorable terms and conditions. The RBI also supplements commercial banks' resources by providing refinance facilities. In short, commercial banks play an important role in assisting Indian exporters with financial support. Banks' liberal, simplified, and appealing financial and non-financial services have made the export business more appealing and profitable.

Role of Commercial Banks in Export Finance:

Commercial banks account for a sizable portion of total export finance. They priorities financial assistance to exporters at both the pre-shipment and post-shipment stages.

Commercial banks' services to the exporting community can be divided into two categories.

1) monetary services (also known as fund-based Assistance).

2) Non-financial services (also referred to as non-fund based assistance.

1) **Financial services / fund based Assistance:** These services take the form of advances, credit, and loans at various stages of development, as well as export trade transactions. The following two types of financial assistance are available.

   a) Pre-shipment financing and

   b) Post-shipment financing

a) **Pre-shipment Finance:** As explained in the chapter on export finance, pre-shipment funds are made available in the form of credit or loan prior to the actual shipment of goods. These funds assist an exporter in purchasing raw materials and components, as well as equipment and machinery. Producing or storing goods for export.

Pre-shipment financing is available in the following forms:

- Extended Packing Credit
- Packing Credit Loan (Pledge)
- Packing Credit Loan (Hypothecation)
- Packing Credit Loan (Pledge)
- Secured Shipping Loan
- Advance against back-to-back Letters of Credit
- Advance against a Letter of Credit with a Red Clause
- Import Packing Credit Against Advance License Entitlement
- Pre-shipment credit in the foreign currency system
- Credit against the proceeds of cheques/drafts/etc. received directly towards Advance payments for exports
- These types of pre-shipment financing have already been discussed in the finance chapter.

b. **Post-shipment Finance:** Post-shipment financing is only available after the goods have been shipped. This is available in the following varieties / forms:

- Bills drawn under a Letter of Credit are negotiated.
- Purchase / Bill Discounting under – confirmed orders
- Payment in advance for bills sent for collection.
- Export advance on a consignment basis.
- Advance based on undrawn balances.
- Duty Drawback Advance Entitlements
- Advance on Retention Money
- Export financing through deferred payment arrangements, turnkey projects, construction contracts, and so on.
- Post-shipment export credit denominated in foreign currency.
- Self-liquidating short-term loans to EOUS
- Advances on Deemed Exports.
- Advances on deferred payments

These types of post-shipment financing are also discussed in the export finance chapter.

2) **Non-financial Services / Non-fund based Assistance:** Aside from financial services, commercial banks also offer non-fund-based services. They are listed below.

1) **Bank Guarantees:** Commercial banks are authorised to provide guarantees and bid-bounds in favour of foreign buyers. Except for capital goods exports under deferred payments, construction contracts, consistency and technical services contracts, and turn key projects, no prior permission from the RBI is required for the issuance of guarantees. The following are the various bank guarantees:

   a) **Bid-Bonds:** Bid bonds are issued by banks to allow exporters to participate in global tenders and quote prices.

   b) **Performance Guarantees:** These are commonly required for capital goods exports, turnkey projects, and construction contracts.

   c) **Advance Payment Guarantee:** If the exporter wins a contract after bidding or quoting on a tender, the overseas buyer may pay an advance against the contract. The importer may require a bank guarantee in order for such advance funds to be paid.

   d) **Guarantee for payment of Retention Money:** As a security against contract performance and completion, the buyer may not make full payment but may retain a portion of it until the contract is completed. Bankers can provide guarantees to exporters in exchange for the money retained by importers.

   e) **Guarantee for loans in foreign currency:** Indian exporters may need to raise funds in foreign currency to finance export projects. Bank guarantees are required for this by lending financial institutions in other countries. Such guarantees are also provided by commercial banks.

2) **Credit rating of Importers:** Banks conduct importer credit ratings in response to exporters' requests. They collect information about their creditworthiness and make it available to exporters.

3) **Information about foreign exchange:** With rupee convertibility, managing foreign exchange is no longer a simple task. Banks provide useful information on exchange ratios, forward premiums, and hedging instruments in this regard. They also offer advice on foreign currency management.

4) **Dollar Accounts:** Commercial banks provide services to their customers by opening a 25%-dollar account. An exporter is permitted to keep 25% of his or her receipts in foreign currency accounts with an Indian bank under this account. These accounts help exporters meet their foreign currency payments.

5) **Documents, Rules and Regulations:** Banks advise exporters on foreign trade rules and regulations, as well as documents.

6) **Invoicing in a Foreign Currency:** A buyer may insist on involving in a foreign currency that is generally acceptable to him. If the contract is not for a major currency, banks provide the necessary information, such as whether the currency is marketable or not.

7) **Confirmation of Letters of Credit:** Banks also advise and confirm letters of credit that are not in major currencies.

8) **Forward Exchange Contracts:** Foreign exchange rates fluctuate between the start and end of large-scale export contracts, posing the risk of exchange rate fluctuation. Banks provide an important service to exporters by hedging these risks by fixing the rate for future transactions in advance. Forward exchange rates are the name given to such rates.

9) **Currency for invoicing Services:** Banks provide foreign currencies for invoicing services because all currencies are not readily available and may require prior permission for release.

10) **Other Bank Services:**

   i) Issuing bank draughts,

   ii) Collecting payments,

   iii) Sending duplicate copies of GR form to RBI,

   iv) Issuing bank certificates for export sales value, which are useful for claiming export incentives, and so on.

11.3 FEDERATION OF INDIAN EXPORT ORGANIZATIONS (FIEO)

The Federation of Indian Export Organizations (FIEO) is an umbrella organisation for India's various export promotion organisations. It was established in October 1965. It exemplifies Indian entrepreneurs' entrepreneurial spirit in the global market. It has evolved in lockstep with India's economic and trade policies, providing content, direction, and thrust to the country's expanding international trade. FIEO works with the government of India to promote Indian exports as the umbrella organisation for all Indian export promotion organisations.

The Federation of Indian Export Organizations serves the following vital purposes.

(a) International connections

It has developed strong ties with counterpart organisations in various countries as well as international agencies in order to facilitate direct communication and interaction between India and global business leaders.

It is a national non-governmental organisation registered with UNCTAD and has direct access to information and data originating from UN bodies and international organisations such as the IMF, ADB, ESCAP, World Bank, FAO, UNIDO, and others.

- Information Dissemination It has bilateral information exchange agreements as well as liaison with a number of overseas chambers of commerce and trade and industry associations.

- **Liaoning with Government**

  It makes policy recommendations to the central and state (regional) governments. It aids in the establishment of contacts between the government and commercial organizations both in India and abroad.

- **Market Development Assistance (MDA)**

  The government of India's ministry of commerce, through FIEO, reimburses a certain percentage of the expenses incurred by recognized exporters, such as all types of export houses, on sales and study tours, participation in exhibitions and fairs abroad, advertisements in foreign media, and so on.

- **Department of Market Research and Development**

  The market research and development department assists exporters by arranging meetings with diplomats, incoming delegations, and buying missions, inviting delegations, organising trade fairs and exhibitions in India and abroad, opening foreign offices and warehouses, organising seminars to promote international trade, and establishing new FIEO offices abroad.

- **Public Relations Department**

  The FIEO publicity department is in charge of the following duties:

  To project the chosen finished products in India and abroad, publish a variety of special supplements in Indian and international dailies. Creating and airing episodes on the NEPC channel to promote well-known Indian brands in the countries served by the channel. It has published a foreign buyer directory as well as an Indian exporter dictionary. It issues a fortnightly magazine, "FIEO NEWS," to keep readers up to date on developments in India's international trade.

11.4 INDIA TRADE PROMOTION ORGANIZATION (ITPO)

Following the merger of the Trade Development Authority (TDA) and the Trade Fair Authority of India, the Ministry of Commerce of the Government of India established the Indian Trade Promotion Organization on January 1, 1992, with its headquarters in New Delhi (TFAI). It has five regional offices in India, in Mumbai, Bangalore, Kolkata, Kanpur, and Chennai, as well as four in Germany, Japan, the UAE, and the US.

The ITPO, the government of India's premier trade promotion agency, provides a wide range of services to trade and industry to catalyse the growth of bilateral trade, particularly India's exports, as well as technological advancement and modernization of various industry segments.

FUNCTION OF INDIAN TRADE PROMOTION ORGANISATION

The Indian Trade Promotion Organization's functions or activities are as follows.

a) Putting on trade shows and exhibitions

ITPO organizes trade fairs and exhibitions in India and abroad, as well as booking stalls/space for Indian exporters to attend trade fairs and exhibitions in other countries. ITPO is the government of India's public relations arm, organizing trade fairs and exhibitions in India and around the world.

(b) Publicity

It encourages the organization of trade fairs and exhibitions in India so that foreign parties can visit and participate in such events.

(c) Information Collections

ITPO collects information on upcoming trade shows and exhibitions around the world. The information is gathered in regards to the exhibition's location or venue, the date and duration of the exhibition, the products to be displayed, space booking formalities, and so on.

(d) Information Supply

ITPO provides information about international trade fairs and exhibitions to Indian parties. Such information could help Indian parties or exporters make informed decisions about participating in international trade shows and exhibitions.

(e) Delegations

Foreign trade delegations are invited, and Indian trade delegations are sent abroad. Orders for Indian goods are received by ITPO. Furthermore, Indian trade delegations will be dispatched abroad to conduct market research and sign contracts for the supply of Indian products.

(f) Information Supply

ITPO provides information about international trade fairs and exhibitions to Indian parties. Such information could help Indian parties or exporters make informed decisions about participating in international trade shows and exhibitions.

(g) Delegations

Foreign trade delegations are invited, and Indian trade delegations are sent abroad. Orders for Indian goods are received by ITPO. Furthermore, trade delegations from India will be sent abroad to conduct market research and sign contracts for the supply of Indian goods.

(h) Reservation of Space at Overseas Trade Fairs

ITPO obtains the necessary space/stalls for Indian exporters. This enables Indian exporters to take part in international trade fairs and exhibitions.

(i) Consulting Services

It helps Indian exporters participate in and display their products at trade fairs and exhibitions both in India and abroad.

(j) Seminars and workshops

ITPO organizes seminars/workshops to provide information/guidance to exporters on fairs and exhibitions held in India and abroad. ITPO's New Delhi headquarters now house a trade information centre. It is regarded as the most reliable source of import and export trade information

11.5 THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY (FICCI)

FICCI is an abbreviation for the Federation of Indian Chambers of Commerce and Industry. FICCI was founded in 1927 on the articulation of Mahatma Gandhi to have an organisation that collectively represents Indian business entities. Ghanshyam Das Birla and Purshottamdas Thakurdas founded FICCI.

With a history intertwined with India's struggle for independence, FICCI has emerged as the country's oldest and most powerful business organisation. The Federation of Indian Chambers of Commerce and Industry has approximately 3,00,000 members, both directly and indirectly, including public and private sector companies, multinational corporations, small and medium-sized enterprises, and industry associations. The headquarters of the FICCI are in the national capital of New Delhi.

The Federation of Indian Chambers of Commerce and Industry, as a non-governmental, non-profit organisation, serves as the voice of India's business organisations and industry.

Functions of FICCI:

1. Role in policy making:

The FICCI plays a critical role in the formulation of economic and financial policies. By engaging policymakers, government, and civil society, the Federation of Indian Chambers of Commerce and Industry influences policies by articulating industry's views and suggestions.

2 Jointly works with similar associations of foreign countries:

Works with joint business councils and private industrial alliances around the world in the areas of trade enhancements and industry partnerships to represent Indian industry on global forums.

3 Provides guidance and education:

By publishing informative journals useful to the business community, it provides guidance and education to its member organizations. And acts as a mediator between them by facilitating mutual problem-solving discussions.

4 Conducts various programs and events:

Workshops, seminars, business meetings, and conferences are held to discuss and debate various upcoming and existing government policies.

5 Assistance to government:

Assists the government in trade negotiations with foreign countries and sends experienced personnel to study the economy and business environment in other countries.

6 Assists its members:

Assists its members in policy improvement and management suggestions.

7 Provides information on exports:

By studying the trade environment and import regulations of many foreign countries, it provides credible and valuable information on potentials and new developments in foreign trade.

8 **Invites and arrange the talks with foreign business delegates:**

Plays a critical role in inviting foreign business delegations from both the public and private sectors, which is critical in improving foreign trade and foreign investment.

11.6 EXPORT PROMOTION COUNCIL (EPCs)

Export Promotion Councils are non-profit organizations that are registered under the Companies Act or the Society Registration Act, depending on the situation. The Central Government provides financial assistance to them. The new EXIM policy makes it clear that the government's support for the EOCS, whether monetary or otherwise, is conditional on their ability to carry out the functions delegated to them. EPC membership democratisation, regular democratic elections of EPC office bearers, and timely auditing of EPC accounts.

In India, there are currently 24+3 EPCs in operation. The following are the various EPCs: -

Apparels EPC, Basic Chemicals, Pharmaceuticals, and Cotton Textiles EPC, Carpet EPC, Cashew EPC, Engineering EPC, Gems and Jewellery EPC, Handloom EPC, Indian Silk EPC, Leather Export Council, Plastics and Linoleum EPC, Synthetic and Rayon textiles EPC, Sports Goods EPC, Shellac EPC, Wool and woollens EPC, Electronic and computer software EPC, Handicrafts EPC, Export Promotion Council, Project Export Promotion Council of India, Pharmaceutical Export Promotion Council, Jute Manufacturers Development Council, Wool Industry EPC

Other EPCs include the Agricultural and Processed Food Product Export Development Authority, the Federation of India Export Organization, and the Marine Products Export Development Authority.

Other EPCs include the Agricultural and Processed Food Product Export Development Authority, the Federation of India Export Organization, and the Marine Products Export Development Authority.

FUNCTIONS/ROLE OF EXPORT PROMOTION COUNCILS

The following are the functions of export promotion councils

(a) Issue of Certificate of Origin

Certain countries require exports to include an origin certificate. EPC can issue a certificate of origin to an Indian exporter, confirming the origin of goods.

(b) Collection of Information

It collects useful data on foreign imports, import regulations, competitors, market potential, and other foreign trade developments.

(c) Supplying of Information

It keeps readers up to date on the latest developments in the field of export trade. It could be related to a number of different aspects of international trade. Such information is critical for exporters in order to increase their international sales.

(d) Organising Seminar

It holds seminars, workshops, meetings, and conferences on a variety of topics related to international trade. Such seminars and workshops are encouraged for exporters to attend.

(e) Trade Fairs and Exhibitions

It may also help concerned authorities organize trade fairs and exhibitions in India and abroad, as well as exporters participate in such fairs and exhibitions. It may also hold buyer-seller meetings in order to increase Indian exports.

(f) Recommendation to Government

It informs or advises government officials on current export issues and makes recommendations for increasing exports. It also provides regular advice to the government on proper EXIM policies.

(g) Sending Trade Delegations

To organize the sending of trade delegations and study teams to countries in order to promote the export of specific products, and to disseminate reports from such overseas visits among member exporters. Foreign trade delegations will also be invited.

(h) Professional Advice

It may provide exporters with professional advice in areas such as technology advancement, quality and design enhancement, standards and specifications, product development, and innovation, among others.

(i) Exploration of Overseas Markets

It could help the exporter with the exportation of goods to foreign markets as well as the identification of items with export potential.

(j) Developing Export Consciousness

This organisation works tirelessly to increase export awareness in our country.

11.7 COMMODITY BOARDS (CBs)

Along with export promotion councils, the government of India has established commodity boards for many commodities with high export potential. These boards supplement EPCs and operate along the same lines. The CBs are used to promote the export of specific commodities, particularly traditional commodities such as tea and coffee. Commodity boards are in charge of promoting primary and traditional exports, whereas EPCs are in charge of promoting non-traditional exports.

FUNCTIONS OF COMMODITY BOARD

The functions and activities of commodity boards are similar to that of EPCs

(a) Issuing certificates of origin
(b) Collection of information
(c) Supplying of information
(d) Organising seminars
(e) Trade fairs and exhibitions
(f) Recommending to government
(g) Sending trade delegation
(h) Professional advice
(i) Exploring of overseas markets
(j) Developing export consciousness

A) Issue of Certificate of Origin

Certain countries require exports to include a certificate of origin. EPC can issue a certificate of origin to an exporter in India, certifying the origin of goods.

B) Collection of Information

It collects useful information on overseas imports, import regulations, competitors, market potential, and other foreign trade developments.

C) Supplying of Information

It provides information on the most recent developments in the field of export trade. It could be related to a variety of aspects of international trade. Such information is critical for exporters in order to promote their sales abroad.

D) Organising Seminar

It hosts seminars, workshops, meetings, and conferences on a variety of topics related to international trade. Such seminars and workshops are encouraged for exporters to attend.

E) Trade Fairs and Exhibitions

It may also help concerned authorities organise trade fairs and exhibitions in India and abroad, as well as exporters participate in such fairs and exhibitions. It may also hold buyer-seller meetings to increase Indian exports.

F) Recommendation to Government

It informs or advises government officials on current export issues and makes recommendations for increasing exports. It also provides regular advice to the government on proper EXIM policies.

G) Sending Trade Delegations

To organize the sending of trade delegations and study teams to countries in order to promote the export of specific products, and to disseminate reports from such overseas visits among member exporters. Foreign trade delegations will also be invited.

H) Professional Advice

It may provide exporters with professional advice in areas such as technology advancement, quality and design enhancement, standards and specifications, product development, and innovation, among others.

I) Exploration of Overseas Markets

It could help the exporter with the exportation of goods to foreign markets as well as the identification of items with export potential.

J) Increasing Export Awareness

This organisation makes every effort possible to raise export awareness in our country.

11.8 INTERNATIONAL INSTITUTE OF FOREIGN TRADE (IIF)

In 1963, the Indian government established the Indian Institute of Foreign Trade as an autonomous body registered under the Societies Registration Act. Its primary goals were to professionalise the country's foreign trade management and increase exports through human resource development, data generation, analysis, and dissemination, and research.

FUNCTIONS OF INDIAN INSTITUTE OF FOREIGN TRADE

The Indian Institute of Foreign Trade is responsible for the following activities.

(a) Training

The IIFT has been recognised as a world-class international business training and education centre. It is unique among management schools in the country due to its focus on international business and a global perspective. It provides an inspiring learning environment in which bright young students are transformed into talented creative professionals.

(b) Collects Information

IIFT conducts market studies and surveys in the international market. It attempts to forecast demand for Indian products in foreign markets. It may also investigate consumer preferences and competition in foreign markets.

(c) Supplies Information

IIFT conducts market research and surveys in international markets. It tries to determine the demand for Indian products in the international market. It provides this information to exporters. Exporters can use this information to make export marketing decisions.

(d) Organises Seminars and Workshops

IIFT hosts seminars and workshops on a variety of export marketing topics, such as export pricing and promotion. Exporters can benefit from such workshops and seminars by actively participating in them.

(e) Trade Delegations

Delegates from IIFT are sent abroad to study foreign markets and interact with foreign importers. Simultaneously, it invites foreign delegates to study Indian market conditions and meet with Indian exporters.

(f) Professional advice

IIFT provides exporters with professional advice in a variety of areas, including export pricing, export procedures, and promotion.

(g) Management Development programmers

By constantly alienating the focus of its management development programmes from changing realities, IIFT has been a trailblazer in addressing the needs of business executives through a unique blend of research and consulting. As a result, the most positive feedback has come from its intensive short-term programmers.

(h) Publishes Information

IIFT provides exporters with professional advice in a variety of areas, including export pricing, export procedures, and promotion

11.9 INDIAN INSTITUTE OF PACKAGING(IIP)

The Indian Institute of Packaging was founded in Mumbai on May 14, 1966, with the goal of advising and training Indian exporters in packaging techniques. The government of India established it in collaboration with the industry to address shortcomings in the field of packages.

The Indian Institute of Packaging is a society registered under the Societies Registration Act that conducts raw material research for the packaging industry. It keeps India abreast of international packaging trends. It is a charitable organisation.

FUNCTIONS OF IIP

The following are the important functions of Indian institute ofpackaging.

(a) Training Programme

Its primary focus is on packaging industry training programmes. This institute introduces trainees to packaging technology, packaging materials, and current global packaging trends.

(b) Improvement in Quality of Packaging

IIP is constantly working to upgrade and improve packaging design and quality in order to promote Indian products on a global scale. Conduct research on packaging raw materials in order to improve packaging quality.

(c) Collection of Information

IIP gathers information on current packaging trends in terms of raw materials, design, and so on. To stay up to date on international packaging developments and to gather information on new packaging trends.

(d) Testing Facilities

It also tests packaging materials and packages to ensure that they are of high quality for export.

(e) U N Certification

Before riskous goods packages can be shipped, they must bear a UN certification mark. The only authorised body in India to provide this certification is IIP.

(f) Environmental Cell

The institute has an environment cell that advises exporters on the materials that can be used or incorporated in their product packaging to reduce environmental threats.

(g) Research and Development

It runs research and development programmes to build and improve overall infrastructure in order to improve packaging and reduce losses during transportation.

(h) Develops Packaging Consciousness

Export packaging is essential because it protects and preserves the product while also promoting it in international markets. As a result, IIP raises awareness among Indian exporters about the importance of good packaging.

(i) Publications

It publishes two quarterly magazines, one on packaging technology and the other on packaging economics.11.10 Summary

- Commercial banks provide the majority of export finance in India.
- Commercial banks account for a sizable portion of total export finance.
- Commercial banks are authorised to provide guarantees and bid-bounds in favour of foreign buyers.
- Bankers can provide guarantees to exporters in exchange for the money retained by importers.
- Foreign exchange rates fluctuate between the start and end of large-scale export contracts, posing the risk of exchange rate fluctuation.
- The Federation of Indian Export Organizations (FIEO) is the umbrella organisation for various export promotion organisations in India.
- On January 1, 1992, the Indian Trade Promotion Organization was established by the Ministry of Commerce, Government of India, with its headquarters in New Delhi, following the merger of the Trade Development Authority (TDA) and the Trade Fair Authority of India (TFAI).

11.10 SUMMARY

In this unit we have discussed about build blocks of export promotion and development; without these institutions its quite difficult to excel in the area of foreign trade. The federation of Indian chamber of commerce and industry has provided crucial information and support to the sunrise exporters and entrepreneurs.
Different boards and council have also played helping role in the development of the export trade of India. For e.g., commodity board, export council, trade promotion institution etc.

11.11 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Explain the Commercial Banks.
2. Write a short note on ITPO.
3. Explain the Post-shipment is available in the following varieties.

4. Explain the Pre-shipment financing is available in the following forms.

5. Describe Fund-based Assistance.

Long Answers:

1. Explain the function of ITPO.

2. Explain the meaning and function of FICCI.

3. What are the functions of EPCs.

4. Explain the meaning and role of CBs.

5. Discuss the Listed Non-Financial Services.

B. Multiple Choice Questions:

1. Commercial banks are authorised to provide guarantees and bid-bounds in favour of ………………

   a) Import buyer

   b) Foreign buyers

   c) Export buyer

   d) Indian buyer

2. On January 1, 1992, the Government of India established the Indian Trade Promotion Organization, with its headquarters in...........

   a) Maharashtra

   b) Mumbai

   c) Old Delhi

   d) New Delhi

3. ………………. supplement EPCs and operate along the same lines.

   a) EPCs

   b) CBs

   c) FICCI

   d) IIF

4. FIEO was founded in October ………

   a) 1965

   b) 1964

   c) 1962

   d) 1961

5. Banks issue ……………..to enable exporters to participate in global tenders and quote prices

   a) Bid bonds

   b) Bank Guarantees

   c) Post Payment Guarantee

   d) Currency for invoicing Services

Answer: 1- b, 2-d, 3-b, 4-a, 5-a.

C. Fill in the blanks:

1. ……………._gathers information on upcoming trade shows and exhibitions around the world.
2. FICCI was founded in 1927 on the articulation of ……………………
3. The ……………… plays a critical role in the formulation of economic and financial policies.
4. .... was established with the primary goals of professionalising the country's foreign trade management and increasing exports through human resource development, data generation, analysis, and dissemination, and research.
5. IIFT sends delegates abroad to study foreign markets and interact with foreign……………

   Answer: 1- ITPO, 2- Mahatma Gandhi, 3- FICCI, 4-IIFT, 5- importers

D. State whether the following sentence are True / False:

1. The IIFT has been recognized as a domestic business training and education center of excellence.

2. The government of India established the Indian Institute of Foreign Trade in 1960.

3. Commercial banks provide the majority of export finance in India.

4. Commodity boards are in charge of promoting primary and traditional exports.

5. The Indian Institute of Packaging was established in New Delhi.

Answer:

True: 3 and 4

False: 1, 2 and 5

11.12 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄

12

EXPORT INCENTIVES AND ASSISTANCE - III

Unit Structure

12.0 OBJECTIVES

After learning this unit, you will be able to understand: -

- To discuss the Export Promotion Capital Goods (EPCG) Scheme
- To understand Duty Exemption and Remission Scheme
- Explain Export Advance Authorisation Scheme
- Discuss Duty Drawback (DBK)
- To understand IGST Refund for Exporters

12.1 INTRODUCTION

The government provides export assistance and incentives to Indian exporters in order to improve their ability to compete in international markets. Indian exporters can thrive if they can produce high-quality goods at a low cost. Almost everything in the domestic market is taxed heavily. Our goods can be exported, but our taxes cannot. Exporters require a variety of concessions and rebates in order to keep their prices competitive.

12.2 Export Promotion Capital Goods (EPCG) Scheme

The import of capital goods at 5% customs duty is permitted under the Export Promotion Capital Goods (EPCG) scheme, subject to an export obligation equal to 5 times the CIF value of the capital goods that must be fulfilled over an 8-year period. The same export obligation can be met over a 12-year period in the case of EPCG licences worth Rs. 100 crore or more.

Conditions

Until the export obligation is met, capital goods imports are subject to actual user conditions. Under this scheme, exporters are permitted to import both new and used capital goods with a residual life of ten years. Under certain conditions, the scheme allows for the import of used capital goods.

Plant, machinery, and equipment are examples of capital goods. Packing machines and equipment, Quality and pollution control, Testing instruments, Power generation sets, Machine tools Refrigeration equipment, for example. For example, research and development.

Who are eligible?

EPCG is available for both the manufacturing and service sectors, including manufacturer exporters; merchant exporters linked to supporting manufacturers, as well as service providers such as hotels, hospitals, travel and tour operators, and so on, are eligible to import capital goods.

Features of EPCG Scheme

a) An EPCG licence holder may purchase capital goods from domestic manufacturers.

b) Any imported capital goods are subject to actual user conditions.

c) The EPCG licence holder must submit an export report every six months to keep track of business progress.

d) The licence holder must meet the export obligations in order to continue to benefit from the EPCG Scheme.

e) Once the export obligation has been met, the EPCG licence holder must submit a consolidated statement of exports.

f) When payment is received from abroad, the EPCG licence holder must submit a banker's certificate.

g) EPCG is a service offered to exporters to assist them in growing their businesses.

h) To apply for the EPCG facility, the exporter must submit an application to the Director General of Foreign Trade (DGRT), along with an application fee and supporting documentation.

12.3 Duty Exemption and Remission Schemes

The Duty Exemption scheme, launched by the Ministry of Commerce and Industry, allows duty-free import of inputs required for export production. Post-export duty replenishment on inputs used in export products is provided under the Duty Remission Scheme.

Duty Exemption and Remission Schemes of Various Types

The following are the various schemes that fall under the Duty Exemption and Remission Scheme:

Duty Exemption Scheme

- Duty Free Import Authorisation Scheme (DFIA)
- Advance Authorisation Scheme

Duty Remission Scheme

- Duty Drawback Scheme (DBK)
- Scheme of Duty Entitlement Passbook (DEPB)

Highlights and Advantages of the Duty Exemption and Remission Scheme

The following are the main highlights and benefits of the Duty Exemption and Remission Scheme:

- Issuance of an Advanced License, which allows duty-free import of inputs that are physically present in the exported product.
- Benefits will be provided
- Under the scheme for catalysts, energy, oil, and fuel, among other things, that are required to obtain the product.

Advance License is granted for the following exports and supplies:

- **Deemed exports:** The licence is granted to the main contractor who imports products used in the manufacturing of goods. However, the goods must be supplied to the Policy's specified categories (Paragraph 8.2 (b), (c), (d), (e), (f), (g), I and (j)).
- **Intermediate supplies:** A manufacturer-exporter is granted a licence to import products used in the manufacture of goods. The manufactured goods, however, must be delivered to a deemed exporter with an Advanced License.
- **Physical exports:** The licence allows the physical export of goods to a merchant exporter. However, the exporter must assist manufacturers in importing inputs needed to export products.

Financial Benefits of Duty Exemption and Remission Scheme

The following are the scheme's primary financial benefits:

- Duty-free imports of inputs required for export production are permitted under the Duty Exemption Scheme.
- The Duty Remission Scheme provides for post-export replenishment of duty on inputs used in the exported product.

Eligibility Criteria for the Duty Exemption and Remission Scheme

The following are the eligibility requirements that must be met in order to benefit from the scheme:

- Only Micro, Small, and Medium Enterprises (MSMEs) engaged in export business will be granted an Advance License.

12.4 Export Advance Authorisation Scheme

Maintaining a favourable trade balance, in which the value of exports exceeds the value of imports, is always preferable. The government has implemented a number of schemes to increase the country's exports. The Foreign Trade Policy (FTP) governs all export and import-related activities, with the goal of increasing the country's exports and using trade expansion as an effective tool for economic growth and job creation. The current Foreign Trade Policy (2015-2020) aims to support exports made by Special Economic Zones (SEZs), Export Oriented Units (EOUs), and others in line with the 'Make in India' vision. It also includes a number of export promotion schemes that involve the exemption or remission of customs duty. One such export promotion scheme is the Advance Authorization Scheme.

The Advance Authorization Scheme is a scheme in which inputs can be imported duty-free (after normal allowance for wastage) if they are physically incorporated in a product that will be exported. Typically, an export obligation is imposed as a condition for issuing Advance Authorization.

The Advance Authorization Scheme exempts duties.

Subject to certain conditions, imported inputs are exempt from duties such as Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Safeguard Duty and Transition Product-Specific Safeguard Duty, Integrated Tax, and Compensation Cess are some examples.

- Duty-free importable items under the scheme
- Under this scheme, the following items can be imported duty-free:
- After normal allowance for waste, inputs that are physically incorporated in the product to be exported

- Fuel, oil, and catalysts that are consumed or used to produce the export product

- Spares that must be exported along with the final export product – up to 10% of the CIF value (Cost, Insurance, and Freight) of Authorization

- Specific spices would be allowed to be imported duty-free only for activities such as crushing, grinding, sterilization, and the production of oil or oleoresin, rather than for simpler activities such as cleaning, grading, re-packing, and so on.

- Eligibility for Advance Authorization

The Advance Authorization Scheme is available to either a manufacturer exporter or a merchant exporter who is linked to a supporting manufacturer. The authorization is valid for the following purposes:

- Exports of physical goods

- Supply in the middle

- Supplies made to specific deemed export categories

- Supply of ‘stores' on board a foreign-going vessel/aircraft provided that the items supplied meet specific Standard Input Output Norms (SION).

Advance Authorization Validity

The Advance Authorization is valid for 12 months from the date of issuance. In the case of deemed exports, the Authorization is tied to the contracted duration of project execution or 12 months from the date of such Authorization, whichever is greater. However, the export obligation must be fulfilled within 18 months of the date of Authorization or as otherwise specified by the DGFT. Unless otherwise specified, export proceeds must be realised in freely convertible currency.

The actual user requirement for Advance Authorization

The Advance Authorization granted, as well as the materials imported under it, will be subject to actual user conditions. This means that only the end user may import such goods. Even after the export obligation has been fulfilled, the authorization will not be transferable.

Justifications for Issuing Advance Authorization

Advance Authorization can be granted for inputs used in the product that is to be exported if the following conditions are met:

SION (Standard Input Output Norms) notified:

On the recommendation of the Norms Committee, the Director General of Foreign Trade (DGFT) issues standard norms that define the amount of input required in the manufacture of a unit of the output product that will be exported. It's available for a variety of products.

Self-declaration:

The SION is not always available for a specific product. In such a case, an application may be submitted to the Regional Authority, which will issue the Advance Authorization after a review.

Prior to the norm being fixed by the Norms Committee, the following application must be made:

Another option available to an exporter where the SION is not defined is to make a request to the norms committee. Following the submission of all required data to the norms committee, the committee will make every effort to either fix these norms or provide ad hoc norms based on the application. Such ad hoc norms are only valid for one authorization, and no additional authorizations can be issued.

Self-Ratification Scheme:

Only exporters who hold the Authorized Economic Operator (AEO) Certificate under CBEC's Common Accreditation Programme are eligible for advance authorization under this Scheme. When there is no SION or valid ad-hoc norms for an export product, as well as when SION has been notified, but the exporter wishes to use additional inputs in the manufacturing process, this Scheme can be used. The norms committee's approval is not required under this scheme, and the regional authority may issue Advance Authorization if the relevant conditions are met.

12.5 Duty Drawback (DBK)

The reimbursement of customs duties paid on the importation of raw materials, components, and packing material is referred to as duty drawback. The refund of central excise duties paid on indigenous materials used in the production of export products is also included in DBK.

The Duty Drawback scheme was put in place to compensate exporters for the additional costs, in the form of taxes, that they must bear in addition to the actual cost of the import.

As a result, the exporter is reimbursed for the Central Excise and Customs Duty paid on imported items, allowing him to compete in international markets.

Duty back is available on the following items.

a) Raw materials and components used in manufacturing

b) Materials used in the manufacture of raw materials and components used in the manufacture of finished goods.

c) Waste that cannot be recovered during the manufacturing process.

d) Materials used in finished export product packaging

e) Finished goods

DBK is not admissible: ***If the —***

- The amount of the drawback entitlement is less than Rs. 50/-.
- Except for the tea chest, which was used as packing materials for the export of blended tea, the goods have been put to use after manufacture.
- Goods are manufactured with imported or excisable materials on which no duties have been paid.
- Products made entirely by EOUs and units located in FTZs / EPZs.
- The amount of the drawback is less than 2% of the exports' net FOB value.
- Nepal, Bhutan, Tibet, and Singapore are among the countries that receive exports.

Procedure to claim DBK.

Whom to Apply –

The application must be sent to the closest Customs House.

When to Apply – Applications must be submitted within 60 days of the customs examiner issuing a "Let Export Order.".

What Documents Required –

The application must be accompanied by the following documents.

1. Non-negotiable Bill of Lading copy
2. A duplicate of the duty drawback
3. A commercial invoice copy
4. If necessary, a copy of the special brand rate letter
5. Other documents required.

Rate of DBK

There are two rates of duty drawback –

a) **All Industry Rates –**

All Industry Rates are declared on a regular basis by the Government of India. These prices apply to all industry units. For example, if the government declares 20% DBK for textiles, then all units in the textile industry are eligible.

b) **Special Brand Rates** –

The government provides Special Brand Rates in response to a special application made by a specific unit.

12.6 IGST Refund for Exporters

The new GST return filing system is expected to streamline and simplify the process of filing regular returns and tracking ITC. Read our article on export comparison for a quick look at how export reporting differs between current returns and new returns.

GST refund procedure for exports under the current return filing system

Export with IGST payment

Exporters are entitled to a refund of the IGST paid at the time of export. In the case of goods, the GST refund process begins with a primary document known as a shipping bill. The shipping bill and other export-related documents must be submitted through the Indian Customs Electronic Commerce Gateway (ICEGATE).
GSTR-1:

GST refunds for exports are still being processed through the GST portal in the form GSTR-1. These particulars are declared in GSTR-1 at Table 6A – Exports Invoices. The following information is required in this table:

- The invoice date
- Code of the port
- No. of the shipping bill/bill of export
- Date of shipping bill/date of export bill
- The total invoice value as well as the taxable value
- GST payment ('With Tax Payment' must be selected)
- Whether the supply is taxed at a different percentage, as specified by the government.
- The tax amount is pre-populated but can be changed.

It is critical to ensure that all of the details declared in this table correspond to the corresponding details declared in the shipping bill. In the case of service export, fields 2, 3, and 4 will be left blank. In the case of deemed exports, the invoice will be uploaded in Tables 4A, 4B, 4C, 6B, 6C – B2B invoices as a normal B2B invoice. When entering invoice details, check the boxes for 'Deemed exports,' 'SEZ Supplies without payment,' or 'Sale from bonded warehouse,' as appropriate.

GSTR-3B:

Furthermore, the GST refund process for exports will necessitate a declaration in GSTR 3B. Table 3.1(b) 'Outward taxable supplies (zero-rated)' must be completed with the relevant amounts. The amount of IGST entered here must be equal to or greater than the total IGST entered in Table 6A of the corresponding GSTR-1.

Form GST RFD-01: In certain cases, the GST refund process for exports will necessitate the submission of a form RFD-01 (completely online).

(1) Export of Goods:

In the case of tax-paid exports, there is no need for a separate refund application because the shipping bill itself will be treated as the refund application. The information entered in Form GSTR-1 will be compared to the information on the shipping bill as filed with ICEGATE. The ICEGATE will then process the refund and credit it to the taxpayer's bank account as specified on its portal.

(2) Export of Services:

A separate RFD-01 refund application is required. Such a taxpayer should log in to the GST portal and navigate to Services > Refunds > Application for Refund > Export of Services with Tax Payment > RFD-01. The details for the service export will need to be uploaded using the offline utility. The amount of the refund, as well as the bank account number to which the refund is to be credited, must be provided. When a refund application is successfully filed, an Application Reference Number (ARN) is generated, which can be used to track the status of the refund application.

Export without payment of IGST

In this case, the GST refund process for exports requires a different document. The option to export goods tax-free can be used under the cover of a Letter of Undertaking (LUT) or a bond. In such a case, any ITC accumulated on unutilized inputs/input services will be available for refund. LUT is only available to a limited number of exporters who meet a predetermined criterion. The procedure is similar to that of service export.

Form GST RFD-11

The LUT can be filed on the common portal in Form GST RFD-11 by going to Services > User Services > Furnish Letter of Undertaking (LUT).

According to the LUT filing procedure, the necessary details are filled in and uploaded, along with the digital signature. Without this filing, the GST refund process for exports will be incomplete. A bond must be executed manually on stamp paper, signed, and submitted to the jurisdictional Deputy/Assistant Commissioner along with the relevant documents such as Form RFD-11 on the taxpayer's letterhead, bank guarantee, authority letter, and so on. Following an inspection of the documents submitted, the Jurisdictional Deputy/Assistant Commissioner will issue a signed letter acknowledging the same.

Form GST RFD-01

Taxpayers should use this form, which is similar to the GST refund process for exports in the case of tax payment. Details about ITC attributable to zero-rated supply must be entered and submitted on RFD-01 (completely online). If RFD-11 is filed, the taxpayer should confirm. When you submit the form with relevant documents and a digital signature, an ARN is generated for tracking. The process of declaring invoices in Form GSTR-1 is the same, except that 'Without payment of tax' must be selected in the GST Payment field.

Under the new return filing system, GST refunds for exports are processed.

Under the new GST return system, the GST refund process for exports and refund applications in RFD-01 and RFD-11 will remain the same The reporting of export details in the return has changed. The forms used to report refund details on exports are listed below.

Form ANX-1:

The new GST refund process for exports will begin with ANX-1. The invoice details of the exports must be uploaded in Tables '3C – Exports with payment of tax' and '3D – Exports without payment of tax' in this form, depending on whether or not the IGST is paid in respect of the supply. For a tax period, all such export invoices must be reported on which the shipping bills/bills of export are available until the date of filing the GST returns, which is the 20th of the month following the quarter for monthly filers or the 25th of the month following the quarter for quarterly filers. The remainder will be reported in the following tax period. The following information is required in this field:

- Document Specifications (invoice, credit or debit note, serial number, date, value)
- HSN number (at the six-digit level)
- The tax rate and the taxable value
- Tax amounts that are relevant (in case the export is made with payment of tax)
- Export bill/shipping bill (no. and date)

Once the implementation begins, a separate functionality will be made available for updating the details of the shipping bill/bill of export even after the date of filing the relevant tax period's return.

It will then massively automate the GST refund process for exports.

FORM RET-1:

The GST refund process for exports will continue with the declaration in RET-1 under the new GST returns system. For outward supplies, the value and tax amounts related to the exports declared in ANX-1 will be auto-populated in Table 3A (rows 3 and 4). As a result, the taxpayer only needs to verify the information and not re-enter it.

The introduction of a new amendment returns: The amendment to the export details, whether or not with payment of IGST, can be done in ANX-1A, which will amend the original annexure ANX-1 submitted for a tax period- either monthly or quarterly. It is possible to do so by referring to the original details. These will be pre-populated with RET-1A. It should be noted that amendments are not permitted on export documents for which a refund has already been successfully claimed. Those export invoice details that were not declared in previous periods, on the other hand, can be reported in the current period's ANX-1.

12.7 SUMMARY

- Capital goods imports are subject to actual user conditions until the export obligation is met.
- The licence is granted to the main contractor who imports products used in the manufacturing of goods.
- The Foreign Trade Policy (FTP) governs all export and import-related activities, with the goal of increasing the country's exports and using trade expansion as an effective tool for economic growth and job creation.
- The SION is not always available for a specific product. In such a case, an application may be submitted to the Regional Authority, which will issue the Advance Authorization after a review.
- The Duty Drawback scheme was implemented to compensate exporters for the additional costs incurred in the form of taxes that must be paid in addition to the actual cost of the import.

12.8 EXERCISE

A. Descriptive Questions:

Short Answers:

1. Who are eligible in EPCG?
2. Explain the Duty Remission Schemes.
3. Explain the features of EPCG.
4. Explain the Duty Exemption Schemes
5. What exactly do you mean by Self-Rating Scheme?

Long Answers:

1. Write about Export Advance Authorisation Scheme.
2. Explain difference between Duty Exemption and Remission Schemes.
3. Explain in brief EPCG.
4. Explain the term IGST for exporter.
5. Write in brief DBK.

B. Multiple Choice Questions:

1 DFIA Stands for …………

a) Duty Free Import Authorization Scheme

b) Duty Free Importer Authorization Scheme

c) Duty Free Import Authorisation Scheme

d) Demand Free Import Authorization Scheme

2. …………goods imports are subject to actual user conditions until the export obligation is met.

a) Capital

b) Domestic

c) Free

d) Sample

3. Duty-free import of inputs required for ………. production.

a) import

b) export

c) buyer

d) seller

4. The Duty Drawback scheme was implemented to compensate ………….for the additional costs in the form of taxes

   a) exporters

   b) importers

   c) merchant

   d) international

5. …………… scheme for catalysts, energy, oil, and fuel, among other things, that are required to obtain the product.

   a) **Duty Remission Scheme**

   b) Duty Exemption Scheme

   c) Duty Free Import Authorisation Scheme

   d) Advance Authorisation Scheme

Answer: 1- c, 2-a, 3-b, 4-a, 5-a

C. Fill in the blanks:

1. ……………. are entitled to a refund of the IGST paid at the time of export.

2. The GST refund process for exports will necessitate a declaration in ……….

3. The current Foreign Trade Policy (2015-2020) seeks to support exports made by...............

4. .... is a service offered to exporters to assist them in growing their businesses?

5. ………. exporters can thrive if they can produce high-quality goods at a reasonable price.

Answer: 1- Exporters**, 2-** GSTR 3B**, 3-** Special Economic Zones, **4-** EPCG, **5-** Indian

D. State whether the following sentence are True / False:

1. In DBK Applications must be submitted within 60 days.

2. EPCG is a service provided to exporters to help them grow their businesses.

3. Duty Exemption scheme refers to the reimbursement of customs duties paid on the importation of raw materials, components, and packing material

4. Only Micro, Small, and Medium Enterprises (MSMEs) engaged in import business will be granted an Advance License.

5. The holder of an EPCG licence may purchase capital goods from international manufacturers.

Answer:

True: 1 and 2

12.9 REFERENCES

- Export Policy Procedures& Documentation– M. I. Mahajan, Snow White Publications Pvt. Ltd, 26th Edition,
- International Business, K. Aswathappa, McGraw-Hill Education (India) Pvt. Ltd.,6th Edition
- Export Import Procedures - Documentation and Logistics, C. Rama Gopal, New Age International
- Publishers, 2006 / Reprint Jan 2016
- International Trade and Export Management, Francis Cherunilam, Himalaya Publishing House, 20th
- R. K. Jain's, Foreign Trade Policy & Handbook of Procedures [With Forms, Circulars & Public Notices],
- EXIM Policy & Handbook of EXIM Procedure – VOL I & II
- International Marketing and Export Management, Gerald Albaum, Edwin Duerr, Alexander Josiassen,
- Pearson Publications, 8th Edition, June 2016
- International Marketing Strategy, IsobelDoole and Robin Lowe, 5th Edition, Thomson Learning, 2008.
- New Import Export Policy - Nabhi Publications, 2017
- P.K. Khurana, Export Management, Galgotia Publishing Co, New Delhi
- P.K.Vasudeva, International Marketing-, Excel Books, fourth edition, New Delhi

❄❄❄❄❄❄❄