UNIT 1 EXPORT-IMPORT TRADE REGULATORY FRAMEWORK

Structure

1.0 OBJECTIVES

After studying this unit, you should be able to:

- describe the legal framework of foreign trade
- explain the objectives of India's Export-Import Policy
- describe the procedures of registration formalities and export licensing
- explain the general provisions regarding exports and imports
- discuss the major provisions of exports
- explain the major provisions of imports.

1.1 INTRODUCTION

In a developing country like India, trade policy is one of the many economic instruments which is used to suit the requirements of economic growth. The twin objectives of India's trade policy have been to promote exports and to restrict the level of imports to the level of foreign exchange available to the government. The basic problem of a country like India happens to be non-availability or acute shortage of crucial inputs like industrial raw materials, capital goods and technology. The bottleneck can be removed only by imports. In the short run import can be financed through foreign aid, borrowings, etc., but in the long run, imports must be financed by additional export earnings. The basic objective of the trade policy, therefore, revolves round the instruments and techniques of export promotion and import management. In this unit, you will learn the objectives of export-import policy, registration formalities, licensing procedure and major provisions regarding exports and imports.

1.2 AN OVERVIEW OF LEGAL FRAMEWORK

The foreign trade of a country consists of outward and inward movement of goods and services giving rise to inflow and out-flow of foreign exchange. While the foreign trade of India is governed by the Foreign Trade (Development & Regulation) Act, 1992 and the Rules and Order issued thereunder, the payments for export and import trade transactions in terms of foreign exchange are regulated under the Foreign Exchange Management Act, 1999. The physical operation of the foreign trade transactions of export and import, both of goods and services through various modes of transportation, is conducted and regulated under the customs act, 1962. In order to project the image of the country as a producer and exporter of quality goods and services, a detailed programme of quality control and pre-shipment inspection is also in vogue under the Export (Quality Control and Inspection) Act, 1963. Besides the above four major Acts governing the foreign trade operation of the country, there are a number of other rules and regulations relating to export of commodities, modes of transportation, cargo insurance, international conventions, etc. which need to be strictly observed while conducting the export and import business. In this unit, you will learn an overview of important act related to foreign,trade and various process of Export Import Policy of India.

An overview of the four major Acts governing the foreign trade would help in better understanding of the Export-Import Policy of the country as also its operation requirements. Let us now learn them.

1.2.1 Foreign Trade (Development and Regulation) Act, 1992

The Foreign Trade (Development and Regulation) Act, 1992 and the Foreign Trade (Regulation) Rules, 1993 and the Foreign Trade (Exemptions from Application of Rules in Certain Cases) order, 1993 issued thereunder, replaced the earlier legal regime consisting of the Imports and Exports (Control) Act, 1947 and the Import (Control) Order, 1955 and the Export (Control) Order, 1988 issued thereunder and amended from time to time. With the operation of new legal regime, the era of foreign trade controls witnessed its demise.

The Primary objective of this Act is to provide for the development and regulation of foreign trade by facilitating imports into and augmenting exports from India and for matters connected therewith or incidental thereto. The Export and Import Policy of India is issued under this Act and any amendments to the Policy provisions are also made thereunder. The permission for export and import is also given under this Act by granting the Importer-Exporter Code Number (IEC). This IEC number has also dispensed with the need of the Code Number for Export (CNX). The maximum punishment for the commitment of any offence, contravention of any law, harming country's trade relations or bringing disrepute to the credit or the goods of the country while conducting the export-import trade transactions, is also operated through the suspension and/or cancellation of the Importer-Exporter Code Number.

The necessary provisions relating to Appeal and Revision are also provided. This Act provides the powers under the Code of Criminal Procedure, 1973 relating to searches and seizures and Code of Civil Procedure, 1908 for making any adjudication or hearing any appeal or exercising any powers of revision under this act.

1.2.2 Foreign Exchange Management Act, 1999

The exchange control in India was introduced on September 3, 1939 as a war time measure in the early period of Second World War under the powers conferred by the Defence of India Rules. The emergency powers were subsequently replaced by the Foreign Exchange Regulations Act, 1947 which came into operation on March 25, 1947. This Act witnessed comprehensive revision in the wake of the changed needs of the economy during the post-independence period and was replaced by the Foreign Exchange Regulations Act, 1973 known as FERA. The onset of the era of liberalisation of the external sector of the economy and the industrial licensing followed by Partial Convertibility of Rupee and full convertibility on current account necessitated the need for further extensive amendments in the FERA which were brought about by the Foreign Exchange Regulations (Amendment) Act, 1993. FERA has been replaced by Foreign Exchange Management Act (FEMA), 1999.

FEMA has been brought to consolidate and amend the law relating to foreign exchange. The basic objective of this act is to facilitate external trade and payments and to promote the

orderly development and maintenance of foreign exchange market in India. This act deals with various regulations of foreign exchange like holding and transactions of foreign exchange, export of goods and services, realisation and repatriation of foreign exchange, etc. The role of authorised person, the provisions of contravention and penalties and the procedures of adjudication and appeal and the power of directorate of enforcement are dealt at great length in this act.

1.2.3 The Customs Act, 1962

The consolidated and self-contained Customs Act, 1962 came into operation on December 13, 1962, repealing the earlier three Acts known as Sea Customs Act, 1878, Land Customs Act, 1924 and the Aircraft Act, 1934, each one of which was related to a particular mode of transportation. This comprehensive Act provides the legal framework, guidelines and procedures related to all situations emerging from the export and import trade transactions.

The primary objectives of this Act are to (a) regulate the genuine export and import trade transactions in keeping with the national economic policies and objectives, (b) check smuggling, (c) collect revenue, (d) undertake functions on behalf of other agencies, and (e) gather trade statistics. Details about the rate and nature of customs duty leviable on any item, as decided by the Central government, are specified in the First and Second Schedule of the Customs Tariff Act, 1975 with regard to imports and exports, respectively.

1.2.4 Export (Quality Control and Inspection) Act, 1963

The Export (Quality Control and Inspection) Act was enacted in the year 1963 with a view to strengthening the export trade through quality control and preshipment inspection. The Act empowers the Government not only to notify the commodities which may be subject to compulsory quality control and/or inspection prior to export but also specify the type of quality control or inspection. The Act prohibits the export of sub-standard goods as well as the goods which do not fulfil the requirements as laid down under the Act.

For smooth operation of the Export (Quality Control and Inspection) Act, 1963, the Government of India established the Export Inspection Council (EIC) on January 1, 1964, and the Export Inspection Agencies (EIAs). While the EIC acts as an advisory body to the Government on matters related to quality control and inspection, the EIAs are the actual agencies which inspect the goods and issue the export-worthiness certificates.

All out encouragement is given to the trade and industry for the purpose of upgrading the quality of products under the current Export-Import Policy so as to project the image of the country as a producer and exporter of world-class quality products. The various categories of export houses recognized under the Export-Import Policy are exempt from the requirements of this Act.

1.3 OBJECTIVES OF EXPORT-IMPORT POLICY

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

i) promoting exports and augmenting foreign exchange earnings; and

ii) regulating exports wherever it is necessary for the purposes of either avoiding competition among the Indian exporters or ensuring domestic availability of essential items of mass consumption at reasonable prices.

The government of India announced sweeping changes in the trade policy during the year 1991. As a result, the new Export-Import policy came into force from April 1, 1992. This was an important step towards the economic reforms of India. In order to bring stability and continuity, the policy was made for the duration of 5 years. In this policy import was liberalised and export promotion measures were strengthened. The steps were also taken to boost the domestic industrial production. The major aspects of the export-import policy (1992-97) include: introduction of the duty-free Export Promotion Capital Goods (EPCG) scheme, strengthening of the Advance Licensing System, waiving of the condition on export proceeds realisation, rationalisation of schemes related to Export Oriented Units and units in the Export Processing Zones. The thrust area of this policy was to liberalise imports and boost exports.

The need for further liberalisation of imports and promotion of exports was felt and the Government of India announced the new Export-Import Policy (1997-2002). This policy has further simplified the procedures and reduced the interface between exporters and the Director General of Foreign Trade (DGFT) by reducing the number of documents required for export by half. Import has been further liberalised and efforts have been made to promote exports.

The new EXIM Policy 1997-2002 aims at consolidating the gains made so far, restructuring the schemes to achieve further liberalisation and increased transparency in the changed trading environment. It focusses on the strengthening the domestic industrial growth and exports and enabling higher level of employment with due recognition of the key role played by the SSI sector. It recognises the fact that there is no substitute for growth which creates jobs and generates income. Such trade activities also help in stimulating expansion and diversification of production in the country. The policy has focussed on the need to let exporters concentrate on the manufacturing and marketing of their products globally and operate in a hassle free environment. The effort has been made to simplify and streamline the procedure.

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

i) To accelerate the country's transition to a globally oriented vibrant economy with a view to derive maximum benefits from expanding global market opportunities.

ii) To enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities. It encourages the attainment of internationally accepted standards of quality.

iii) To provide consumers with good quality products at reasonable prices.

The objectives will be achieved through the coordinated efforts of all the departments of the government in general and the Ministry of Commerce and the Directorate General of Foreign Trade and its network of Regional Offices in particular. Further it will be achieved with a shared vision and commitment and in the best spirit of facilitation in the interest of export.

1.4 REGISTRATION FORMALITIES AND EXPORT LICENSING

In order to export the goods from the country, you are required to get IEC No. and RCMC. Let us discuss them briefly:

Importer-Exporter Code Number: No export or import shall be made by any person without an Importer-Exporter Code (IEC) number unless specifically exempted. An application for

grant of IEC number shall be made by the Registered/Head office of the applicant to the Regional Import-Export Licensing Authority alongwith the following documents:

i) Profile of exporter/importer

ii) Bank receipt in duplicate/DD for Rs. 1000 as fee

iii) Certificate from the banker of the applicant

iv) Two copies of the passport size photograph of the applicant duly attested by banker

v) If there is any non resident interest in the applicant firm and NIR investment is with full repatriation benefits, provide full particulars and enclose photocopy of RBI approval for such investment.

vi) Declaration on applicant's letterhead about applicant's non-association with a caution listed firm.

The Licensing Authority shall issue an IEC no in the prescribed format. There is no expiry date on IEC No, hence, this number once allotted shall be valid till it is revoked. IEC No is to be filled in the Bill of entry (for import), Shipping Bill (for export) or in any documents prescribed by the rules.

Registration Cum Membership Certificate: Any person, applying for a licence to import or export or for any other benefit or concession under this policy shall be required to furnish Registration-cum-Membership Certificate (RCMC). RCMC may be obtained from any one of the Export promotion Councils/Commodity Boards (except Central Silk Board), FIEO, APEDA, MPEDA, Administrative authorities of EHTP/STP units. Export of the registered exporters having valid RCMC will only qualify for the benefits provided in the EXIM policy.

Export Licensing

As you know that all goods may be exported without any restriction except to the extent such exports are regulated by the Negative List of exports. The Negative Lists consist of goods, the import or export of which is prohibited, restricted through licensing or otherwise or canalised. The Negative list of exports is divided into three parts which are as follows:

Part-I : Prohibited Items: These items can not be exported or imported. These items include: Wild life, exotic birds, wild flora, beef, human skeletons, tallow, fat and oils of any animal origin excluding fish oil, wood and wood products in the form of logs, timber, stumps, roots, barks, chips, powder, flakes, dust, pulp and charcoal.

Part-II: Restricted Items: Any goods, the export or import of which is restricted through licensing, may be exported or imported only in accordance with a licence issued in this behalf.

Part-III: Canalised Items: Any goods, the import or export of which is canalised, may be imported or exported by the canalising agency specified in the Negative Lists. The Director General of Foreign Trade may, however, grant a licence to any other person to import or export any canalised goods.

Hence, barring a few items which are totally prohibited for exports, other items in the Negative lists can be exported under a licence or through a designated agency or under specified conditions.

Procedure to Obtain Export Licence

An application for grant of export licence may be made in the prescribed form to the Director General of Foreign Trade or its Regional Licensing Authority. The application shall be accompanied by the documents prescribed therein. There is no application fee on export licences/permits.

For restricted items an application is to be made in duplicate in the appropriate forms. There are two different export licence application forms:

i) Application for export of restricted items except special chemical and special materials, equipments and technologies. This form is sent to the Director General of Foreign Trade, New Delhi.

ii) Application for grant of export licence for export of special chemicals, etc. Applications are to be sent to the DGFT. An inter-ministerial group under the chairmanship of DGFT shall consider applications for the export of these items.

For canalised items, applications are made to the DGFT in the prescribed form. For samples/ exhibits export exceeding ceiling limits an application may be made to the DGFT. For gifts/ spares/replacement goods in excess of ceilings, an application is to be made to the DGFT in the prescribed form.

Check Your Progress A

1. What is the primary objective of Foreign Trade (Development and Regulations) Act, 1992 ?

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2. Write two objectives of EXIM Policy 1997-2002.

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3. What is IEC No ?

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4. What is RCMC ?

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5. State whether the following statements are True or False.

   i) No export or import shall be made by any person without an IEC No unless specifically exempted.

   ii) Exports of the registered exporters without RCMC shall also qualify for the benefits provided in the policy.

   iii) Canalising items may be imported or exported by the canalising agency.

   iv) The primary objective of the Foreign Trade (Development and Regulation) Act, 1992 is to provide for the development and regulation of foreign trade by restricting imports into and augmenting exports from India.

   v) FEMA has been brought to consolidate and amend the law relating to foreign exchange.

1.5 GENERAL PROVISIONS REGARDING EXPORTS AND IMPORTS

The new policy has further liberalised various provisions of imports and exports. Let us learn them in detail.

Exports and Imports free unless regulated: Exports and Imports shall be free except to the extent they are regulated by the provisions of this policy or any other law for the time being in force. The itemwise export and import policy shall be specified in ITC (HC) published by Director General of Foreign Trade.

Compliance with law: Every exporter or importer shall comply with the provisions of the Foreign Trade (Development and Regulation) Act, 1992 and the rules and orders made thereunder. They are also required to comply with the provisions of this policy, terms and conditions of any licence granted and provisions of any other law for the time being in force.

Interpretation of Policy: If any question or doubt arises in respect of the interpretation of any provision of the EXIM policy, it shall be referred to the Director General of Foreign Trade whose decision shall be final and binding.

Exemption from Policy/Procedure: Any request for relaxation of the provisions of this policy or procedure on the ground of hardships or an adverse impact on trade, may be made to the Director General of Foreign Trade.

Trade with Neighbouring Countries: The Director general of Foreign Trade may issue from time to time, such instructions or frame such schemes as may be required to promote trade and strengthen economic ties with neighbouring countries.

Trade with Russia under Debt Repayment Agreement: In the case of trade with Russia under the debt repayment agreement, the Director General of Foreign Trade may issue from time to time such instructions.

Transit Facility: Transit of goods through India from or to countries adjacent to India shall be regulated in accordance with the treaty between India and those countries.

Execution of Bank Guarantee/Legal Undertaking: Wherever any duty free import is allowed or where otherwise specifically stated, the importer shall execute a legal undertaking or bank guarantee with the Customs Authority before clearance of goods through the customs.

Free Movement of Export Goods: Consignments of items allowed for exports shall not be withheld or delayed for any reason by any agency. In case of any doubt, the authorities concerned may ask for an undertaking from the exporter.

Import/Export of Samples: Import and Export of samples shall be governed by the provisions of EXIM Policy.

Third Party Exports: A licence holder may export directly or through third parties.

Clearance of Goods from Customs: The goods already imported/shipped/arrived in advance but not cleared from customs may also be cleared against the licence issued subsequently.

Green Card: All status holders and manufacturer exporter exporting more than 50% of their production subject to a minimum turnover of Rs.1 crore in preceding year, shall be issued a green card by Directorate General of Foreign Trade. This card will also be issued to the service providers rendering services in free foreign exchange for more than 50% of their services turnover, subject to a minimum value of Rs.35 lakhs in free foreign exchange in the preceding year. This card provides automatic licensing, automatic custom clearance and other facilities mentioned in the EXIM policy.

Electronic Data Interchange: In an attempt to speed up transactions and to bring about transparency in various activities related to exports, electronic data interchange would be encouraged. Applications received electronically shall be cleared within 24 hours.

1.5.1 Exports

You have learnt the general provisions regarding exports and imports. Let us now learn the provisions of exports in detail.

Free Exports: All goods may be exported without any restriction except to the extent such exports are regulated by ITC (HS) or any other provision of this policy or any other law for the time being in force.

Denomination of Export Contracts: All export contracts and invoices shall be denominated in freely convertible currency and export proceeds shall be realised in freely convertible currency. Contracts for which payments are received through the Asian Clearing Union (ACU) shall be denominated in ACU dollar.

Realisation of Export Proceeds: If an exporter fails to realise the export proceeds within the time specified by the Reserve Bank of India, he shall be liable to action in accordance with the provisions of the Act and the policy.

Export of Gifts: Goods including edible items of value not exceeding rupees one lakh in a licensing year may be exported as a gift. Those items mentioned as restricted for exports in ITC(HS) shall not be exported as gift without a licence except edible items.

Export of Spares: Warranty spares, whether indigenous or imported, of plant, equipment, machinery, automobiles or any other goods may be exported upto 7.5% of the FOB value of the exports of such goods alongwith the main equipment or subsequently. This shall be done within the contracted warranty period of such goods.

Export of Passenger Baggage: Bonafide personal baggage may be exported either alongwith the passenger or if unaccompanied, within one year before or after the passenger's departure from India. Those items mentioned as Restricted in ITC(HS) shall require a licence except in case of edible items.

Export of Imported Goods: Goods imported in accordance with this policy, may be exported in the same or substantially the same forms without a licence. This can be done provided that the item to be imported or exported is not mentioned as restricted for import or export in this ITC (HS), except items imported under Special Import Licence.

Export of Replacement Goods: Goods or parts thereof on being exported and found defective/damaged or otherwise unfit for use may be replaced free of charge by the exporter. Such goods shall be allowed clearance by the customs authorities provided that the replacement goods are not mentioned as restricted items for exports in ITC (HS).

Export of Repaired Goods: Goods or parts thereof on being exported and found defective, damaged or otherwise unfit for use may be imported for repair and subsequent re-export. Such goods shall be allowed clearance without a licence and in accordance with customs notification issued in this behalf.

Private Bonded Warehouse: Private bonded warehouse exclusively for exports may be set up in Domestic Tariff Area as per the norms and conditions of the notifications issued by Department of Revenue. Such warehouse shall be entitled to procure the goods from domestic manufacturers without payment of duty. The supplies made by the domestic supplier to the notified warehouses shall be treated as physical exports provided the payments for the same are made in free foreign exchange.

Deemed Exports: Deemed Exports refer to those transactions in which the goods supplied do not leave the country. The following categories of supply of goods by the main/sub-contractors shall be regarded as deemed exports under the policy, provided the goods are manufactured in India.

i) Supply of goods against advance licence/DFRC under the duty exemption/remission scheme.

ii) Supply of goods to units located in EOU/EPZ/SEZ/STP/EHTP.

iii) Supply of capital goods to holders of licences under EPCG scheme.

iv) Supply of goods to projects financed by multilateral or bilateral agencies/funds as notified by the Ministry of Finance.

v) Supply of capital goods which are used for installation purposes till the stage of commercial production and spares to the extent of 10% of the FOR value to fertiliser plants.

vi) Supply of goods to any project or purpose in respect of which the Ministry of Finance permits the import of such goods at zero customs duty coupled with the extension of benefits under this chapter to domestic supplies.

vii) Supply of goods to the power and refineries and coal hydrocarbons, rail, road, port, civil aviation, bridges other infrastructure projects provided minimum specific investment is Rs.100 crores or more.

viii) Supply of marine freight containers by 100% EOU (domestic freight containers manufacturers) provided the said containers are exported out of India within 6 months or such further period as permitted by the customs. Supply to projects funded by UN agencies.

Deemed exports shall be eligible for the following benefits.

i) Advance licence for intermediate supply/deemed export

ii) Deemed exports drawback

iii) Refund of terminal excise duty

Export of Services: Services include all the 161 tradable services covered under the General Agreement on Trade in services where payment for such services is received in free foreign exchange. The service providers shall be eligible for the facility of EPCG scheme. They shall be eligible for the facility of EOU/EPZ/SEZ/STP scheme of the EXIM policy. Service providers shall also be eligible for recognition as Service Export House, International Service Export House, International Star Service Export House, International Super Star Service Export House on achieving the performance level as prescribed in the policy.

1.5.2 Imports

You have learnt the provisions of export in detail. Let us now discuss the provisions of Import.

Actual User Condition: Capital goods, raw materials, intermediates, components, consumables, spares, parts, accessories, instruments and other goods, which are importable without any restriction, may be imported by any person. If such imports require a licence, the Actual User alone may import such goods unless exempted.

Second Hand Goods: All second hand goods shall be restricted for imports and may be imported only in accordance with the provisions of EXIM Policy.

Import of Gifts: Import of gifts shall be permitted where such goods are otherwise freely importable under this policy.

Import on Export Basis: New or second hand jigs, fixtures, dies, moulds, patterns, press tools and lasts, construction machinery, containers/packages meant for packing of goods for export and other equipments, may be imported for export without a licence on execution of legal undertaking/bank guarantee with the customs authority.

Re-import of Goods Abroad: Capital goods, aircraft including their components, spare parts and accessories, whether imported or indigenous may be sent abroad for repairs, testing, quality improvement or upgradation of technology and re-imported without a licence.

Import of Machinery and Equipment used in Project Abroad: After completion of the projects abroad, project contractors may import used construction equipment, machinery, related spares upto 20% of the CIF value of such machinery, tools and accessories without a licence.

Sale on High Seas: Sale of goods on high seas for import into India may be made subject to this policy or any other law for the time being in force.

Import under Lease Financing: Permission of licensing authority is not required for import of new capital goods under lease financing.

Export Promotion Capital Goods Scheme: New Capital goods including computer software systems, may be imported under the Export Promotion Capital Goods (EPCG) scheme. Under this provision, capital goods including jigs, fixtures, dies, moulds and spares upto 20% of the CIF value of the capital goods may be imported at 5% customs duty. This import is subject to an export obligation equivalent to 5 times CIF value of capital goods on FOB basis or 4 times the CIF value of capital goods on NFE basis to be fulfilled over a period of 8 years. This period is reckoned from the date of issuance of licence. Import of capital goods shall be subject to Actual User condition till the export obligation is completed.

Duty Exemption/Remission Scheme: The duty exemption scheme enables import of inputs required for export production. The duty remission scheme enables post export replenishment/remission of duty on inputs used in the export product. Let us now discuss about them.

1. **Duty Exemption Scheme:** Under duty exemption scheme, an advance licence is issued to allow import of inputs which are physically incorporated in the export product. Advance licence is issued for duty free import of inputs as defined in the policy subject to actual user condition. Such licences are exempted from payment of basic customs duty, surcharge, additional customs duty, anti-dumping duty and safeguard duty, if any. Advance licence can be issued for (i) physical exports (ii) intermediate supplies and (iii) deemed exports.

   The above paragraph discusses the provision of advance licence for physical exports. Under the scheme of advance licence for intermediate supply, advance licence may be issued for intermediate supply to a manufacturer-exporter. This is done for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another advance licence.

   Under the scheme of advance licence for deemed export, advance licence can be issued for deemed export to the main contractor. This is done for the import of inputs required in the manufacture of goods to be supplied to the categories mentioned in the policy.

2. **Duty Remission Scheme:** This scheme consists of duty free replenishment certificate and duty entitlement passbook scheme. Let us learn them.

Duty Free Replenishment Certificate (DFRC): Duty free replenishment certificate is issued to a merchant-exporter or manufacturer exporter for the import of inputs used in the manufacture of goods without payment of basic customs duty, surcharge and special additional duty. Such inputs shall be subject to the payment of additional customs duty equal to the excise duty at the time of import.

Duty Entitlement Passbook Scheme: For exporters not desirous of going through the licensing route, an optional facility is given under duty entitlement passbook scheme. The objective of DEPB scheme is to neutralise the incidence of customs duty on the import content of the export product. The neutralisation shall be provided by way of grant of duty credit against the export product. Under this scheme, an exporter may apply for credit as specified percentage of FOB value of exports, made in freely convertible currency. The credit shall be available against such export products and at such rates as may be specified by Director General of Foreign Trade. The DEPB shall be valid for a period of 12 months from the date of issue. The DEPB and/or the items imported against it are freely transferable. The exports under the DEPB scheme shall not be entitled for drawback. The holder of DEPB shall have the option to pay additional customs duty in cash as well.

Importability of Goods by EOU/EPZ/EHTP/STP Unit: Export Oriented Units (EOU), units in Export Processing Zones (EPZs), Special Economic Zones (SEZs), Electronics Hardware Technology Parks (EHTPs) and Software Technology Parks (STPs) unit may import all types of goods without payment of duty. This includes capital goods as defined in the policy, required by it for manufacture, services, trading or in connection therewith. These goods should not be prohibited items.

Check Your Progress B

1. What is green card ?

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2. What do you mean by deemed exports ?

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3. What is EPCG scheme ?

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4. What is duty entitlement passbook scheme ?

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5. State whether the following statements are **True** or **False**.

   i) Exports and imports shall be free except to the extent they are regulated by the provisions of the EXIM policy or any other law for the time being in force.

   ii) An export licence holder can not export through third party.

   iii) Deemed exports refer to those transactions in which goods supplied leave the country.

   iv) Computer software systems may be imported under EPCG scheme.

   v) Permission of licensing authority is required for import of new capital goods under lease financing.

1.6 LET US SUM UP

Government Policy for exports aim at promoting exports to the maximum extent to earn foreign exchange. At the same time, control is exercised on exports of such commodities and services which are vital to the economy. The thrust area of new export-import policy has been to boost exports and liberalise imports. The new EXIM policy 1997-2002 has given major thrust to acceleration of India's exports through restructuring and revamping of various export promotion schemes. The procedures have been simplified and streamlined. The policy aims at continuing the process of trade liberalisation. It encourages the industry to enhance its competitiveness in the global market.

Exports and imports are made free, except to the extent they are regulated by the provisions of the policy or any other law for the time being in force. Various provisions of exports like free exports, denomination of export contracts, realisation of exports proceeds, exports of gifts, spares, passenger baggages, imported goods, replacement goods, repaired goods, private bonded warehouse and provisions of deemed exports have been included. The major provisions regarding imports include: actual user condition, import of second hand goods, gifts, import on export basis, re-import of goods repaired abroad, import of machinery and equipment used in projects abroad, sale on high seas, import under lease financing, Exports promotion capital goods scheme and Duty exemption scheme/remission scheme.

1.7 KEY WORDS

Canalisation of Exports and Imports: Exports and Imports only through the agencies designated by the Central Government.

Competent Authority: An authority competent to exercise any power or discharge any duty or function under the act.

Capital Goods: Any plant, machinery, equipment or accessories required for manufacture or production of goods or for rendering services.

Drawback: The rebate of duty chargeable on any imported material or excisable material used in the manufacture of such goods in India.

Licensing Year: The period beginning on the Ist April of a year and ending on the 31st March of the following year.

Manufacturer Exporter: A person who exports goods manufactured by him or intends to export such goods.

Merchant Exporter: A person engaged in trading activity and exporting or intending to export goods.

Third Party Exports: Exports made by an exporter or manufacturer on behalf of third party.

1.8 ANSWERS TO CHECK YOUR PROGRESS

A5 i) True ii) False iii) True iv) False v) True

B5 i) True ii) False iii) False iv) True v) False

1.9 TERMINAL QUESTIONS

1 Describe the major acts related to the foreign trade in India.

2 Explain the procedures of registration formalities and export licensing.

3 Describe the general provisions for exports and imports.

4 Explain the major provisions of exports.

5 Describe the major provisions of imports.

6 Write short notes on:

   i) Deemed exports

   ii) Foreign Trade (Development and Regulation) Act, 1992

   iii) Duty Exemption Scheme

   iv) Duty Remission Scheme.