UNIT 2 EXPORT POLICY FRAMEWORK

Structure

2.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the basic significance and objectives of India's Export-Import policy
- describe the rationale of export trade control
- explain the procedure of obtaining export licence
- explain the highlights of the EXIM Policy 1997-2002
- describe various provisions regarding exports and imports

2.1 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, the significance of export trade control and the procedure of export licence. Highlights of the EXIM Policy 1997-2002 will also be explained. Further the detail provisions regarding exports and imports will be discussed at length.

2.2 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 procedures.

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 promotion.

2.3 EXPORT TRADE CONTROL AND LICENSING PROCEDURES

Export is considered as an engine of economic growth. Government make all out efforts to promote exports. At the same time, the export of essential commodities need to be regulated by the government in the interest of the country. Let us first discuss the regulatory provisions of Export Trade Control.

2.3.1 Export Trade Control

Exports may be made freely except to the extent they are regulated by the provisions of Import-Export policy, 1997-2002 or any other law for the time being in force. Government continuously make effort to promote exports by providing various assistance and facilities. At the same time, control is exercised on exports of such commodities and services which are vital to the economy. The primary object of the Government is to promote exports to the maximum extent but in such a manner that the economy of the country is not affected by unregulated exports of items essentially needed within the country. Hence, export control is exercised to a very limited extent in respect of minimum number of items.

India's foreign trade (exports and imports) is regulated under the provisions of the Foreign Trade (Development and Regulation Act, 1992 and Foreign Trade (Regulation) Rules, 1993. This act provides for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from India. Besides, exports are also regulated by the following major acts:

1. Ancient Monument Preservation Act, 1904
2. Indian Coffee Act, 1942
3. Tea Act, 1953
4. Foreign Exchange Regulation Act, 1973
5. Coir Industry Act, 1942
6. Dangerous Drugs (Import, Export and Transhipment Rules), 1957
7. Arms Act, 1959 and Arms Rules, 1962
8. Antiquities and Art Treasures Act, 1972
9. Dangerous Drugs Act, 1953
10. Indian Post Office Act, 1898
11. Drug and Magic Remedies (Objectionable Advertisements) Act,1954
12. Motor vehicle International Circular Rules
13. Wild Life Protection Act

Gold can be exported with the sanction of Reserve Bank of India. Exports of a few products are canalised through specified agencies like STC, MMTC, etc. Despite various laws and regulations relating to exports, the restrictions or regulation on exports has been minimum. The new Export-Import Policy, 1997-2002 has further liberalised the list of items under export control. Negative list contains only a few items which are banned or prohibited. Presently there are 10 items in the Negative list. There are 32 items subject to licensing and 6 items are canalised for export. The items in the Negative lists may vary from time to time. Besides, exports of some items are permitted with minimum regulation and without licence.

2.3.2 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 in respect of items mentioned in the EXIM policy 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. The Export Licensing committee at the Headquarters may consider such applications on merits for issue of export licences. A special High powered licensing committee shall consider applications for the export of dual purpose chemicals and for special materials, equipments and technologies as specified in the policy.

The procedures for making an application for other items are described below:

1. An application for export of canalised items may be made to the canalising agency concerned in accordance with the procedure prescribed by such agency.
2. An application for the export of samples or exhibits in excess of the ceiling may be made to the Director General of Foreign Trade.
3. An application for export of items included in the Negative List of exports (excluding Prohibited items) for projects abroad undertaken by an Indian contractor or subcontractor or consultancy organisation may be made to the Director General of Foreign Trade. The application is accompanied by a copy of the project approval by the concerned authority. The project approval provides the details of quantities, specifications and value of the individual items required to be exported.
4. The application for export of gifts, indigenous or imported spares and replacement goods in excess of the ceiling or period prescribed may be made to the Director General of Foreign Trade.

Applications for export licences are to be made on prescribed forms. There is no application fee on export licences/permits. An export licence shall ordinarily be issued with a validity period of 12 months or such shorter period as the licensing authority may specify. The licence may be revalidated on merits for such period as the licensing authority may deem fit.

2.3.3 Other Provisions

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 concerned Licensing Authority. The Licensing Authority shall issue an IEC number in the prescribed format.

RBI Code Number: This code number is a requirement under the Foreign Exchange Regulation Act (FERA). For obtaining the code number, the firm has to apply to the Divisional Office of the Reserve Bank having jurisdiction over the area where the firm is located. There is a prescribed form of application for this purpose which is to be submitted in duplicate along with the report from the bank where the firm has opened a current account. The firm is also required to furnish the permanent income-tax account number. If the application is in order, the Reserve Bank will allot the RBI Code Number. This Code Number is permanent and there is no need to renew it.

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/Special Agencies relating to his main line of business.

Compliance with Laws: Every exporter or importer shall comply with the provisions of the Foreign Trade (Development and Regulation) Act, 1992. They will comply with the provisions of this act and the terms and conditions of any licence granted to them, as well as provisions of any other law for the time being in force.

Check Your Progress A

1. What are two main objectives of Export-Import Policy 1997-2002

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2. Why Government exercise control on exports ?

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3. What do you mean by prohibited items ?

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2.4 HIGHLIGHTS OF EXIM POLICY 1997-2002

The new Exim Policy 1997-2002 aims at giving a major thrust to acceleration of India's exports through restructuring and revamping of various export promotion schemes. The procedures have been simplified and streamlined with a view to making them more transparent and easy to administer. The policy aims at continuing the trade reforms and trade liberalisation with a view to achieving a higher rate of export growth. The policy encourages the industry to enhance its competitiveness in the global market and to achieve its full potential in the areas of its strength. The major changes are:

1. **Simplification of Schemes:** Significant changes have been made to reduce the multiplicity of various export promotion schemes and to improve the attractiveness of such schemes. In order to facilitate easy access to inputs required for export production the new policy has only two schemes. They are Advance Licensing Scheme and Duty Entitlement Pass Book (DEPB) scheme.

2. **Liberalisation of Imports:** Restricted items have been further liberalised for imports.

3. **EPCG Scheme:** Under the Export Promotion capital Goods Scheme (EPCG) scheme, duty on capital goods has been reduced from 15% to 10%. Under the zero duty EPCG scheme, the threshold limit for zero duty imports has been reduced from Rs.20 crores to Rs.5 crores for agricultural and allied sectors. Special Imprest Licence facility is being extended to domestic capital goods suppliers for supply under the zero duty EPCG scheme.

4. **Gold and Jewellery Scheme:** To promote export of gold and jewellery, the number of nominated agencies permitted to stock gold has been increased. Earlier it was done by MMT, STC, SBI, etc. Under the gems and Jewellery replenishment (RP) scheme, third party exports have been allowed so that small exporters are able to sell their products in the international markets. They can claim REP licences based on disclaimer certificate from the third party. Bulk licence for import of rough diamonds has been further liberalised. Further, EOU, EPZ units in the gems and Jewellery sector are being permitted to sell 10% of their output in the DTA on payment of duty.

5. **Agricultural Sector:** Efforts have been made to boost agro-export. The changes in this sector include:
   i. Allowed import of equipments of Rs.5 crores and above under zero duty EPCG scheme.
   ii. Double weightage will be given for agro export in calculating eligibility of Export House, Trading House, etc. On total value of exports, 1% additional special Import Licence will be given if export of fruits, vegetables, floriculture and horticulture produce/products, constitute 10% or more of the total exports.
   iii. EOU/EPZ units will be permitted to sell 50% of their output in the DTA on payment of duty without stipulation of any value addition condition.

6. **Software:** In order to promote the export of software following facilities have been provided to this sector:
   i. Software units can undertake exports using data communication link in the form of physical exports through the courier service also. Software units have been permitted on-line data communication for DTA sales.
   ii. Software units can use the computer system for commercial training as well.
   iii. Software units can also import goods on loan from client for a specified period.

7. **Deemed Exports:** Deemed exports facilities have been extended to oil and gas sectors in addition to power sector. In a bid to encourage domestic sourcing of inputs, domestic manufacturers supplying against EPCG, licences will be entitled now for deemed export drawback facility. In case of supply to zero duty EPCG licence holder, the domestic supplier will be entitled to import raw materials duty-free under the special Imprest Licence.

8. **Special Incentives for Export of SSI Produce/Products from North Eastern States/ New Markets:** Following facilities have been provided for export of SSI produce from North Eastern States/New Markets.
   i. Additional Special Import Licence of 1% on total value of exports will be given to Export Houses/Trading Houses, etc., where such export of products from North Eastern States constitute 10% or more of the total exports.
   ii. Double weightage on such exports is being given for recognition as EH/TH/STH/ SSTH.
   iii. Additional SIL will be given for exploration of new markets.
   iv. SIL on export of SSI products has been increased from 1% to 2%.

9. **Export House/Trading House/Star Trading House/Super Star Trading House:** Existing eligibility criterion for recognition of EH/TH/STH/SSTH based on average annual export performance of preceding 3 licensing years was Rs.10 Crores, 50 Crores, 250 Crores and 750 Crores. This has been revised to Rs.20 Crores, 100 Crores, 500 Crores and 1500 Crores respectively. It has been targeted to contribute nearly 60 to 70% of the country's total exports by EH/TH/STH/SSTH by the turn of the century.

10. **Incentive to Improve Quality of Export Products:** The SIL entitlement of exporters holding ISO 9000 series or IS/ISO 9000 series has been increased from 2% of FOB to 5% of FOB.

Check Your Progress B

1. What is EPCG Scheme ?

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2. Name two Schemes under which access to inputs for export production may be facilitated?

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3. Name two facilities which have been provided for export of SSI produce from North Eastern States ?

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4. State whether the following statements are True or False:
   i. The new Export-Import Policy focusses on the need to let exporters concentrate on the manufacturing and marketing of their products globally.
   ii. Under the new policy, restricted items have not been liberalised for imports.
   iii. EOU/EPZ Units in agricultural sector are permitted to sell 50% of their output in the Domestic Tariff Area on payment of duty.
   iv. Deemed exports facilities have been extended to oil and gas sectors.
   v. Prohibited items can be exported after obtaining an export licence.

2.5 GENERAL PROVISIONS REGARDING EXPORTS AND IMPORTS

As you know that the policy aims at promoting the exports and liberalising the imports. Let us first study the general provisions regarding exports and imports.

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 goods may be exported or imported from India to any country of the World except Fiji and Iraq. The Central Government may in public interest, regulate the import or export of goods by means of a **Negative List of Imports** or a **Negative List of Exports,** as the case may be.

Compliance with Laws: Every exporter or importer shall comply with the provisions of the Foreign Trade (Development and Regulation) Act, 1992. They are supposed to comply with the Rules and Orders made under this act, the provisions of this policy and the terms and conditions of any licence granted to them. The provisions of any other law for the time being in force are also to be complied with. If any question or doubt arises in respect of the interpretation of any provision contained in this policy, it shall be referred to the Director General of Foreign Trade whose decision thereon shall be final and binding.

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 case of trade with Russia under the Debt Repayment Agreement, the Director General of Foreign Trade may issue, from time to time, such instructions or frame such schemes as may be required.

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.

After studying the general provisions, let us now come to the specific provision. First, we shall be studying the provisions related to exports.

2.5.1 Exports

As you know, the Government make best efforts to promote export. Hence, the provisions related to exports have been simplified. More facilities have been granted to exporters. Let us now discuss them in detail.

Free Exports: All goods may be exported without any restriction except to the extent such exports are regulated by the Negative List of Exports or any other provision of this policy or any other law for the time being in force. The Director General of Foreign Trade may permit export of goods without a licence under certain terms and conditions. Such terms and conditions may include Minimum Export Price (MEP), registration with specified authorities, quantitative ceilings and compliance with other laws, rules, regulations, etc.

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. The Central Government may relax this provision in appropriate cases.

Realisation of Export Proceeds: If an exporter does not 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. The rules and orders made thereunder and the provisions of this policy will be applicable.

Export of Gifts: Goods including edible items of value not exceeding Rs.15,000 in a licensing year may be exported as a gift. However, items in the Negative List of Exports shall not be exported as a gift, without a licence, except in the case of 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. This can be exported alongwith the main equipment or subsequently but within the contracted warranty period of such goods.

Export of Passenger Baggage: Bonafide personal baggage may be exported alongwith the passenger. It may also be exported within one year before or after the Passenger's departure from India. However, items in the Negative List of Exports shall require a licence, except in the case of edible items.

Export of Imported Goods: Goods imported may be exported in the same or substantially the same form, without a licence provided they are not under the Negative Lists. Export of such goods imported against payment in freely convertible currency would be permitted against payment in freely convertible currency. However, if such goods are exported against payment in Indian Rupees, they shall be subject to a minimum value addition of 100%. This can be done provided the item to be exported is not in the Negative Lists.

Goods including those in the Negative Lists may be imported for export in freely convertible currency without a licence subject to the following conditions:

i. There is a minimum value addition of 10%
ii. The goods shall be imported under customs bond
iii. Import and subsequent export of the goods shall be made from the same customs bonded premises; and
iv. Such goods shall not be taken outside the customs bonded premises.

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.

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.

Special Import Licence Benefits: The Director General of Foreign Trade may specify a class or category of export products or exporters who shall be eligible for special Import Licence subject to such conditions as may be specified. The Special Import Licences shall be freely transferable and shall be valid for import of items as prescribed in the policy. The imports under special import licence shall be subject to normal customs duties.

Deemed Exports: It refers to those transactions in which the goods supplied do not leave the country and the payment for such goods are made in India. The supply of goods shall be regarded as deemed exports provided the goods are manufactured in India. The categories of supply include: Supply of goods against duty free licences issued under the Duty Exemption scheme, supply of goods to Export Oriented units, Export processing zones, Software Technology Parks, Electronic Hardware Technology parks, etc. Supply of capital goods to holders of licences under the Export Promotion Capital Goods Scheme (subject to eligible benefits), Supply of goods to projects financed by multilateral or bilateral agencies/funds as notified by the Ministry of Finance. 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. Supply of goods to power, oil and gas sectors in case of notification duly approved by Ministry of Finance.

Deemed exports shall be eligible for the following benefits in respect of manufacture and supply of goods qualifying as deemed exports.

i. Special Im[illegible]st Licence/Advance Intermediate Licence
ii. Deemed Exports Drawback Scheme
iii. Refund of Terminal Excise Duty, and
iv. Special Import Licence at the rate of 6% of the FOR value (excluding all taxes and levies).

2.5.2 Imports

You have learnt the provisions related to export at length. As you know, import plays an important role in the economic development of the country. In order to manufacture the commodities of international standards, sophisticated technologies and capital goods are required. This can be procured by importing them. Hence, imports have been further liberalised. The major provisions regarding imports are as follows:

Free Importability: Capital goods, raw materials, intermediates, components, consumables spares, parts, accessories instruments and other goods may be imported without any restriction. It may be imported except to the extent such imports are regulated by the Negative List of Import or any other provision of this policy or any other law for the time being in force. The above goods may be imported by any person whether he is an Actual user or not. However, if such imports require a licence the Actual user alone may import such goods unless the Actual user condition is specifically dispensed with by the licensing authority.

Second hand Goods: All second hand goods, other than Capital goods may be imported in accordance with a Public Notice or a licence issued in this behalf.

Import of Second hand Capital Goods: All second hand capital goods, having a minimum residual life of 5 years, may be imported by Actual users, without a licence. This is subject to Actual user condition and in accordance with the laid down procedure.

Import of Gifts: Import of gifts shall be allowed in accordance with the provision of Baggage Rules as amended from time to time. Import of gifts shall be permitted without a custom clearance permit where such goods are otherwise freely importable under this policy. In other cases, a custom clearance permit shall be required. It may be issued, on application by the licensing authority on merits.

Import of Passenger's Baggage: Bonafide household goods and personal effects may be imported as part of a passenger's baggage. Samples of such items that are otherwise freely importable under this policy may also be imported as part of a passenger's baggage without a licence.

Import on Export Basis: New or second hand Jigs, fixtures, dies, moulds, patterns, press tools and lasts, construction machinery and other equipments and containers meant for packing of goods for export may be imported on export basis without a licence. This may be imported on execution of bond/bank guarantee to the satisfaction of the customs authorities.

Re-import of Goods Repaired 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 are re-imported without a licence.

Import of Machinery and Equipment used in Projects Abroad: After completion of the projects abroad, project contractors may import, without a licence, used construction equipment, machinery, related spares upto 15% of the CIF value of such machinery, tools and accessories. This can be done on the basis of furnishing of evidence of purchase for and use in the overseas project. Used office equipment and vehicles may also be imported after completion of the projects abroad without a licence provided that they have been used for at least one year.

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

Export promotion Capital Goods Scheme: Capital goods both new and second hand, may be imported under the Export promotion Capital Goods (EPCG) Scheme. The import of second hand capital goods under the scheme shall be subject to such conditions as prescribed in the policy. Computer systems may also be imported under the EPCG scheme. Capital goods including spares upto 20% of the CIF value of the capital goods may be imported at a concessional rate of customs duty subject to an export obligation to be fulfilled over a period of time. Under EPCG scheme, capital goods for the manufacture of goods and for providing services, can be imported at zero duty or 10% duty against an obligation to export four times of CIF value over 5 years and six times of CIF value over 8 years respectively. Import of Capital goods for farm sector may be allowed at zero duty against obligation to export six times the CIF value on FOB basis over six years, if the import of capital goods is of Rs.5 crores or more.

Duty Exemption Scheme: The Duty Exemption scheme consists of Duty Free Licence and Duty Entitlement Pass Book.

Duty Free Licence includes Advance Licence, Advance Intermediate Licence and Special Imprest Licence. Import of raw materials, intermediates, components, consumables, parts, accessories, mandatory spares (not exceeding 5% of the CIF value of the duty free licence) and packing material may be permitted against a Duty Free Licence.

Under the Duty Entitlement Pass Book scheme (DEPB) an exporter shall be eligible to claim credit as a specified percentage of FOB value of exports made in freely convertible currency. DEPB shall be valid for a period of 12 months and third party exports are also admissible for grant of credit.

Check Your Progress C

1. What is deemed export ?

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2. What do you mean by free importability ?

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3. What is Duty Entitlement Pass Book Scheme ?

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4. State whether following statements are True or False:
   i. Canalising goods may be imported by the canalising agency.
   ii. The question or doubt arises in respect of the interpretation of any provision of the policy shall be referred to the Ministry of Commerce.
   iii. All export contracts and invoices shall be denominated in freely convertible currency.
   iv. Items in the Negative List of Exports shall be exported as a gift.
   v. Goods imported can not be exported in the same or substantially in the same form.

5. Fill in the blanks with appropriate word.
   i. Import of gifts shall be allowed in accordance with the provision of ....
   ii. Computer systems may be imported under the .... scheme.
   iii. Duty Entitlement Pass Book Scheme shall be valid for a period of .... months.
   iv. Warranty spares, whether indigenous or imported, of plant, equipment, machinery, automobiles or any other goods may be exported upto............ of the FOB value of the exports of such goods.
   v. Goods of worth............ may be exported as gift.

2.6 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.

Highlights of EXIM Policy 1997-2002 reflects the recent changes in the EXIM policy. 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 denomination of exports contracts, realisation of export proceeds, export of gifts, spares, passenger baggage, imported goods, replacement goods, repaired goods, special Import Licence benefits and provisions of deemed exports have been discussed at great length. The major provisions regarding imports as discussed in the text include: free importability, import of second hand goods, second hand capital goods, gifts, passengers baggage, import on export basis, re-import of goods repaired abroad, import of machinery and equipment used in projects abroad, sale on high seas, Exports promotion capital goods scheme and Duty Exemption Scheme.

2.7 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 1st 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.

2.8 ANSWERS TO CHECK YOUR PROGRESS

B. 4 i) True ii) False iii) True iv) True v) False
C. 4 i) True ii) False iii) True iv) False v) False
5 i) Baggage Rules ii) EPCG iii) 12 iv) 7.5% v) Rs.15,000

2.9 TERMINAL QUESTIONS

1. What are the objectives of Export-Import policy 1997-2002 ? Describe the highlights related to major changes in this policy.
2. What is the rationale of Export trade control ? Describe the procedure of obtaining an export licence.
3. What are the different types of controls exercised on exports ?
4. Describe the general provisions related to exports and imports.
5. Explain various specific provisions related to export.
6. Explain various specific provisions related to import.

Note: These questions and exercises will help you to understand the unit better. Try to write answers for them. But do not send your answers to the University. These are for your practice only.