SYLLABUS

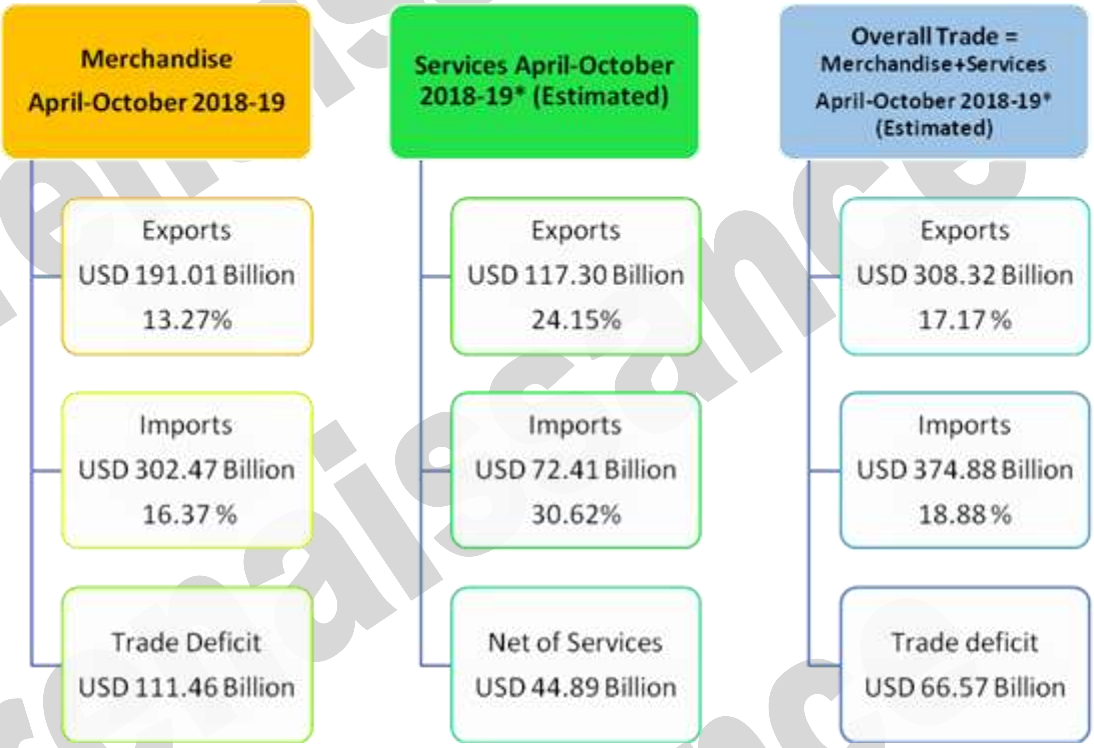
Class – B.Com. (FT) I Year

Subject – India's Foreign Trade

UNIT – I	Analysis of India's Foreign Trade, Growth trends under plans. Major imports and exports. Effect of liberalization and privatization on India's Foreign Trade.
UNIT – II	India's balance of payment including invisibles. Foreign market selection-need, process and determinants.
UNIT – III	Product planning, salient features of India's export-import policy. Institutional set-up for export promotion.
UNIT – IV	Export assistance measure, FTZ and 100% EOUs.
UNIT – V	State trading in India, source and analysis of Foreign Trade Statistics.

UNIT-I
ANALYSIS OF INDIA'S FOREIGN TRADE AND GROWTH TRENDS UNDER PLANS

India's overall exports (Merchandise and Services combined) in April-October 2018-19* are estimated to be USD 308.32 Billion, exhibiting a positive growth of 17.17 per cent over the same period last year. Overall imports in April-October 2018-19* are estimated to be USD 374.88 Billion, exhibiting a positive growth of 18.88 per cent over the same period last year.



*Note: Services data pertains to April-September 2018-19 as September 2018 is the latest data available as per RBI's Press Release dated 15th November 2018. It is arrived at by adding Month-wise QE data of RBI's press release for April to September 2018-19. This data is provisional and subject to revision by RBI. In addition, it may be noted that data for October 2018 is estimated and added to the April-September 2018-19 data of RBI to calculate the Overall Trade Deficit for April-October 2018-19. It will be revised based on RBI's next press release for October 2018.

I. MERCHANDISE TRADE

EXPORTS (including re-exports)

Exports in October 2018 were US $ 26.98 Billion, as compared to US $ 22.89 Billion in October 2017, exhibiting a positive growth of 17.86 per cent. In Rupee terms, exports were Rs. 1,98,634.84 Crore in October 2018, as compared to Rs. 1,48,962.64 Crore in October 2017, registering a positive growth of 33.35 per cent.

In October 2018, major commodity groups of export showing positive growth over the corresponding month of last year are

- Engineering Goods (8.87%),
- Petroleum Products (49.38%),
- Gems & Jewellery (5.48%),
- Organic & Inorganic Chemicals (34.01%),
- Drugs & Pharmaceuticals (12.83%),

Cumulative value of exports for the period April-October 2018-19 was US $ 191.01 Billion (Rs. 13,23,940.28 Crore) as against US $ 168.64 Billion (Rs. 10,87,270.47 Crore) during the period April-October 2017-18, registering a positive growth of 13.27 per cent in Dollar terms (21.77 per cent in Rupee terms).

Non-petroleum and Non Gems and Jewellery exports in October 2018 were US $ 18.94 Billion, as compared to US $ 16.54 Billion in October 2017, exhibiting a positive growth of 14.54 per cent. Non-petroleum and Non Gems and Jewellery exports in April-October 2018-19 were US $ 137.98 Billion, as compared to US $ 124.45 Billion for the corresponding period in 2017-18, an increase of 10.88 %.

IMPORTS

Imports in October 2018 were US $ 44.11 Billion (Rs. 3,24,774.78 Crore), which was 17.62 per cent higher in Dollar terms and 33.07 per cent higher in Rupee terms over imports of US $ 37.50 Billion (Rs. 2,44,064.20 Crore) in October 2017. Cumulative value of imports for the period April-October 2018-19 was US $ 302.47 Billion (Rs. 20,97,058.41Crore), as against US $ 259.92 Billion (Rs. 16,75,887.95 Crore) during the period April-October 2017-18, registering a positive growth of 16.37 per cent in Dollar terms (25.13 per cent in Rupee terms).

Major commodity groups of import showing high growth in October 2018 over the corresponding month of last year are:

- Petroleum, Crude & products (52.64%),
- Electronic goods (31.94%),
- Machinery, electrical & non-electrical (12.45%),
- Coal, Coke & Briquettes, etc. (12.38%)
- Organic & Inorganic Chemicals (26.63%)

CRUDE OIL AND NON-OIL IMPORTS:

Oil imports in October 2018 were US $ 14.21 Billion (Rs. 1,04,630.60 Crore), which was 52.64 percent higher in Dollar terms (72.70 percent higher in Rupee terms), compared to US $ 9.31 Billion (Rs. 60,586.10 Crore) in October 2017. Oil imports in April-October 2018-19 were US $ 83.94 Billion (Rs. 5,82,813.70 Crore) which was 50.48 per cent higher in Dollar terms (62.01 percent higher in Rupee terms) compared to US $ 55.78 Billion (Rs. 3,59,733.15 Crore), over the same period last year.

In this connection it is mentioned that the global Brent price ($/bbl) has increased by 39.66% in October 2018 vis-à-vis October 2017 as per data available from World Bank (Pink Sheet).

Non-oil imports in October 2018 were estimated at US $ 29.90 Billion (Rs. 2,20,144.18 Crore) which was 6.05 per cent higher in Dollar terms (19.98 percent higher in Rupee terms), compared to US $ 28.19 Billion (Rs. 1,83,478.10 Crore) in October 2017. Non-oil imports in April-October 2018-19 were US $ 218.53 Billion (Rs. 15,14,244.71 Crore) which was 7.05 per cent higher in Dollar terms (15.05 percent higher in Rupee terms), compared to US $ 204.14 Billion (Rs. 13,16,154.80 Crore) in April-October 2017-18.

Non-Oil and Non-Gold imports were US $ 28.21 billion in October 2018, recording a positive growth of 11.77 per cent, as compared to Non-Oil and Non-Gold imports in October 2017. Non-Oil and Non-Gold imports were US $ 199.21 billion in April-October 2018-19, recording a positive growth of 8.14 per cent, as compared to Non-Oil and Non-Gold imports in April-October 2017-18.

II. TRADE IN SERVICES (for September, 2018, as per the RBI Press Release dated 15th November 2018)

EXPORTS (Receipts)

Exports in September 2018 were US $ 16.38 Billion (Rs. 1,18,295.88 Crore) registering a negative growth of 0.88 per cent in dollar terms, vis-à-vis August 2018. (as per RBI's Press Release for the respective months).

IMPORTS (Payments)

Imports in September 2018 were US $ 9.95 Billion (Rs. 71,825.34 Crore) registering a negative growth of 3.94 per cent in dollar terms, vis-à-vis August 2018. (as per RBI's Press Release for the respective months).

III.TRADE BALANCE

MERCHANDISE: The trade deficit for October 2018 was estimated at US $ 17.13 Billion as against the deficit of US $ 14.61 Billion in October 2017.

SERVICES: As per RBI's Press Release dated 15th November 2018, the trade balance in Services (i.e. Net Services export) for September, 2018 is estimated at US $ 6.44 Billion.

OVERALL TRADE BALANCE: Taking merchandise and services together, overall trade deficit for April-October 2018-19* is estimated at US $ 66.57 Billion as compared to US $ 52.23 Billion in April-October 2017-18.

*Note: Services data pertains to April-September 2018-19 as September 2018 is the latest data available as per RBI's Press Release dated 15th November 2018. It is arrived at by adding Month-wise QE data of RBI's press release for April to September 2018-19. This data is provisional and subject to revision by RBI. In addition, it may be noted that data for October 2018 is estimated and added to the April-September 2018-19 data of RBI to calculate the Overall Trade Deficit for April-October 2018-19. It will be revised based on RBI's next press release for October 2018.

MERCHANDISE TRADE

EXPORTS & IMPORTS: (US $ Billion)		
(PROVISIONAL)		
	OCTOBER	APRIL- OCTOBER
EXPORTS (including re-exports)		
2017-18	22.89	168.64
2018-19	26.98	191.01
%Growth 2018-19/ 2017-18	**17.86**	**13.27**
IMPORTS		
2017-18	37.50	259.92
2018-19	44.11	302.47
%Growth 2018-19/ 2017-18	**17.62**	**16.37**
TRADE BALANCE		
2017-18	-14.61	-91.28
2018-19	-17.13	-111.46

EXPORTS & IMPORTS: (Rs. Crore)		
(PROVISIONAL)		
	OCTOBER	**APRIL- OCTOBER**
EXPORTS(including re-exports)		
2017-18	1,48,962.64	10,87,270.47
2018-19	1,98,634.84	13,23,940.28
%Growth 2018-19/ 2017-18	**33.35**	**21.77**
IMPORTS		
2017-18	2,44,064.20	16,75,887.95
2018-19	3,24,774.78	20,97,058.41
%Growth 2018-19/ 2017-18	**33.07**	**25.13**
TRADE BALANCE		
2017-18	-95,101.56	-5,88,617.48
2018-19	-1,26,139.94	-7,73,118.13

SERVICES TRADE

EXPORTS & IMPORTS (SERVICES) : (US $ Billion)		
(Provisional)	**SEPTEMBER 2018**	**APRIL- SEPTEMBER 2018-19**
EXPORTS (Receipts)	16.38	101.07
IMPORTS (Payments)	9.95	62.57
TRADE BALANCE	6.44	38.50
EXPORTS & IMPORTS (SERVICES): (Rs. Crore)		
(Provisional)	**SEPTEMBER 2018**	**APRIL-SEPTEMBER 2018-19**

EXPORTS (Receipts)	1,18,295.88	6,92,694.98
IMPORTS (Payments)	71,825.34	4,28,772.48
TRADE BALANCE	46,470.55	2,63,922.50

Note: Services data pertains to April-September 2018-19 as September 2018 is the latest data available as per RBI's Press Release dated 15th November 2018. April-September 2017-18 data is arrived at by adding Month-wise QE data. This has been used along with the estimate of service exports and imports for October 2018, as explained in page-1 for the purpose of this Press note.

QUICK ESTIMATES FOR SELECTED MAJOR COMMODITIES FOR OCTOBER 2018

TRADE: EXPORT

Sl. No.	Commodities	(Values in Rs. crores)		% change
		OCT'17	OCT'18	OCT'18
1	Tea	463.71	573.48	23.67
2	Coffee	397.79	366.71	-7.81
3	Rice	3497.64	3324.93	-4.94
4	Other cereals	153.90	171.16	11.21
5	Tobacco	517.81	521.19	0.65
6	Spices	1458.08	1937.09	32.85
7	Cashew	531.23	353.67	-33.42
8	Oil Meals	426.31	583.62	36.90

9	Oil seeds	558.56	616.29	10.34
10	Fruits & Vegetables	1123.78	1668.77	48.50
11	Cereal preparations & miscellaneous processed items	689.26	982.85	42.60
12	Marine Products	4781.41	5076.23	6.17
13	Meat, dairy & poultry products	3038.96	2668.51	-12.19
14	Iron Ore	749.89	961.31	28.19
15	Mica, Coal & Other Ores, Minerals including processed minerals	1597.25	2310.44	44.65
16	Leather & leather products	2403.78	3033.97	26.22
17	Ceramic products & glassware	979.37	1668.95	70.41
18	Gems & Jewellery	21539.59	25704.15	19.33
19	Drugs & Pharmaceuticals	8735.24	11151.23	27.66
20	Organic & Inorganic Chemicals	8995.36	13638.60	51.62
21	Engineering Goods	38103.67	46935.32	23.18
22	Electronic Goods	2968.44	5785.26	94.89
23	Cotton Yarn/Fabs./made-ups, Handloom Products etc.	5376.03	6704.34	24.71
24	Man-made Yarn/Fabs./made-ups etc.	2311.89	3037.27	31.38
25	RMG of all Textiles	5401.86	8327.42	54.16
26	Jute Mfg. including Floor Covering	150.65	192.19	27.58
27	Carpet	667.69	1013.21	51.75
28	Handicrafts excl. handmade carpet	870.47	1078.37	23.88

29	Petroleum Products	19807.05	33476.05	69.01
30	Plastic & Linoleum	3557.11	5306.76	49.19
	Sub Total	**141853.75**	**189169.34**	**33.36**
	GRAND TOTAL	**148962.64**	**198634.84**	**33.35**

Note 1: Grand total is inclusive of component 'Other'.

Note 2: The figures for OCTOBER'18 and OCTOBER'17 are provisional and subject to change

QUICK ESTIMATES FOR SELECTED MAJOR COMMODITIES FOR OCTOBER 2018

TRADE: EXPORT

Sl. No.	Commodities	(Values in Million USD)		% change
		OCT'17	OCT'18	OCT'18
1	Tea	71.25	77.88	9.31
2	Coffee	61.12	49.80	-18.52
3	Rice	537.43	451.56	-15.98
4	Other cereals	23.65	23.25	-1.69
5	Tobacco	79.56	70.78	-11.04
6	Spices	224.04	263.08	17.43
7	Cashew	81.63	48.03	-41.16
8	Oil Meals	65.50	79.26	21.01

9	Oil seeds	85.82	83.70	-2.47
10	Fruits & Vegetables	172.67	226.64	31.26
11	Cereal preparations & miscellaneous processed items	105.91	133.48	26.03
12	Marine Products	734.68	689.40	-6.16
13	Meat, dairy & poultry products	466.95	362.41	-22.39
14	Iron Ore	115.22	130.56	13.31
15	Mica, Coal & Other Ores, Minerals including processed minerals	245.42	313.78	27.85
16	Leather & leather products	369.35	412.04	11.56
17	Ceramic products & glassware	150.48	226.66	50.62
18	Gems & Jewellery	3309.64	3490.88	5.48
19	Drugs & Pharmaceuticals	1342.20	1514.45	12.83
20	Organic & Inorganic Chemicals	1382.17	1852.26	34.01
21	Engineering Goods	5854.78	6374.28	8.87
22	Electronic Goods	456.11	785.70	72.26
23	Cotton Yarn/Fabs./made-ups, Handloom Products etc.	826.05	910.52	10.23
24	Man-made Yarn/Fabs./made-ups etc.	355.23	412.49	16.12
25	RMG of all Textiles	830.02	1130.95	36.26
26	Jute Mfg. including Floor Covering	23.15	26.10	12.74
27	Carpet	102.59	137.60	34.13
28	Handicrafts excl. hand made carpet	133.75	146.45	9.50

29	Petroleum Products	3043.43	4546.38	49.38
30	Plastic & Linoleum	546.56	720.71	31.86
	Sub Total	**21796.36**	**25691.08**	**17.87**
	GRAND TOTAL	**22888.70**	**26976.59**	**17.86**

Note 1: Exports include Re-Exports.

Note 2: The figures for OCTOBER'18 and OCTOBER'17 are provisional and subject to change

Note 3: Grand total is inclusive of component 'Other'.

QUICK ESTIMATES FOR SELECTED MAJOR COMMODITIES FOR OCTOBER 2018

TRADE: IMPORT

Sl. No.	Commodities	(Values in Rs. crores)		% change
		OCT'17	OCT'18	OCT'18
1	Cotton Raw & Waste	206.39	258.30	25.15
2	Vegetable Oil	5504.91	5489.70	-0.28
3	Pulses	1548.97	827.63	-46.57
4	Fruits & vegetables	1353.13	1815.72	34.19
5	Pulp and Waste paper	713.21	842.99	18.20
6	Textile yarn Fabric, made-up articles	1002.06	1294.43	29.18
7	Fertilisers, Crude & manufactured	3823.55	3045.46	-20.35
8	Sulphur & Unroasted Iron Pyrites	45.20	72.62	60.65

9	Metalliferous ores & other minerals	5493.25	5185.99	-5.59
10	Coal, Coke & Briquettes, etc.	13136.31	16702.34	27.15
11	Petroleum, Crude & products	60586.10	104630.60	72.70
12	Wood & Wood products	3083.35	3757.37	21.86
13	Leather & leather products	514.48	634.70	23.37
14	Organic & Inorganic Chemicals	10957.85	15699.41	43.27
15	Dyeing/tanning/colouring mtrls.	1592.89	2170.46	36.26
16	Artificial resins, plastic materials, etc.	7344.29	9981.02	35.90
17	Chemical material & products	3332.28	5081.02	52.48
18	Newsprint	428.54	742.78	73.33
19	Pearls, precious & Semi-precious stones	11620.05	13456.77	15.81
20	Iron & Steel	7276.74	10883.66	49.57
21	Non-ferrous metals	6652.17	9612.07	44.50
22	Machine tools	1703.72	3033.68	78.06
23	Machinery, electrical & non-electrical	17242.93	21937.41	27.23
24	Transport equipment	12323.38	10749.90	-12.77
25	Project goods	1635.55	1119.58	-31.55
26	Professional instrument, Optical goods, etc.	2520.12	3189.10	26.55
27	Electronic goods	25861.38	38606.09	49.28
28	Medicinal. & Pharmaceutical products	3125.57	3917.02	25.32
29	Gold	19201.20	12404.52	-35.40
30	Silver	2256.47	3874.55	71.71

	Sub Total	**232086.05**	**311016.89**	**34.01**
	GRAND TOTAL	**244064.20**	**324774.78**	**33.07**

Note 1: Grand total is inclusive of component 'Other'.

Note 2: The figures for OCTOBER'18 and OCTOBER'17 are provisional and subject to change

QUICK ESTIMATES FOR SELECTED MAJOR COMMODITIES FOR OCTOBER 2018

TRADE: IMPORT

Sl. No.	Commodities	(Values in Million USD)		% change
		OCT'17	**OCT'18**	**OCT'18**
1	Cotton Raw & Waste	31.71	35.08	10.63
2	Vegetable Oil	845.85	745.56	-11.86
3	Pulses	238.01	112.40	-52.78
4	Fruits & vegetables	207.91	246.59	18.60
5	Pulp and Waste paper	109.59	114.49	4.47
6	Textile yarn Fabric, made-up articles	153.97	175.80	14.18
7	Fertilisers, Crude & manufactured	587.50	413.60	-29.60
8	Sulphur & Unroasted Iron Pyrites	6.95	9.86	41.87
9	Metalliferous ores & other minerals	844.06	704.31	-16.56
10	Coal, Coke & Briquettes, etc.	2018.45	2268.34	12.38
11	Petroleum, Crude & products	9309.30	14209.88	52.64

12	Wood & Wood products	473.77	510.29	7.71
13	Leather & leather products	79.05	86.20	9.04
14	Organic & Inorganic Chemicals	1683.72	2132.14	26.63
15	Dyeing/tanning/colouring mtrls.	244.75	294.77	20.44
16	Artificial resins, plastic materials, etc.	1128.48	1355.52	20.12
17	Chemical material & products	512.02	690.05	34.77
18	Newsprint	65.85	100.88	53.20
19	Pearls, precious & Semi-precious stones	1785.47	1827.56	2.36
20	Iron & Steel	1118.10	1478.11	32.20
21	Non-ferrous metals	1022.13	1305.41	27.71
22	Machine tools	261.78	412.00	57.38
23	Machinery, electrical & non-electrical	2649.44	2979.32	12.45
24	Transport equipment	1893.54	1459.94	-22.90
25	Project goods	251.31	152.05	-39.50
26	Professional instrument, Optical goods, etc.	387.23	433.11	11.85
27	Electronic goods	3973.70	5243.09	31.94
28	Medicinal. & Pharmaceutical products	480.26	531.97	10.77
29	Gold	2950.34	1684.66	-42.90
30	Silver	346.72	526.20	51.77
	Sub Total	**35660.96**	**42239.18**	**18.45**
	GRAND TOTAL	**37501.43**	**44107.65**	**17.62**

Note 1: Imports include Re-Imports.

Note 2: The figures for OCTOBER'18 and OCTOBER'17 are provisional and subject to change.

Note 3: Grand total is inclusive of component 'Other'.

EFFECT OF LIBERALIZATION AND PRIVATIZATION ON INDIA'S FOREIGN TRADE

INTRODUCTION

The economic liberalization in India refers to ongoing economic reforms in India that started on 24 July 1991. After Independence in 1947, India adhered to socialist policies. Attempts were made to liberalize the economy in 1966 and 1985. The first attempt was reversed in 1967. Thereafter, a stronger version of socialism was adopted. The second major attempt was in 1985 by Prime Minister Rajiv Gandhi. The process came to a halt in 1987, though 1967 style reversal did not take place. In 1991, after India faced a balance of payments crisis, it had to pledge 20 tonnes of gold to Union Bank of Switzerland and 47 tonnes to Bank of England as part of a bailout deal with the International Monetary Fund (IMF). In addition, the IMF required India to undertake a series of structural economic reforms. As a result of this requirement, the government of P. V. Narasimha Rao and his finance minister Manmohan Singh (currently the Prime Minister of India) started breakthrough reforms, although they did not implement many of the reforms the IMF wanted. The new neo-liberal policies included opening for international trade and investment, deregulation, initiation of privatization, tax reforms, and inflation-controlling measures. The overall direction of liberalization has since remained the same, irrespective of the ruling party, although no party has yet tried to take on powerful lobbies such as the trade unions and farmers, or contentious issues such as reforming labour laws and reducing agricultural subsidies. Thus, unlike the reforms of 1966 and 1985 that were carried out by the majority Congress governments, the reforms of 1991 carried out by a minority government proved sustainable. There exists a lively debate in India as to what made the economic reforms sustainable.

The fruits of liberalization reached their peak in 2007, when India recorded its highest GDP growth rate of 9%.With this, India became the second fastest growing major economy in the world, next only to China. The growth rate has slowed significantly in the first half of 2012. An Organization for Economic Co-operation and Development (OECD) report states that the average growth rate 7.5% will double the average income in a decade, and more reforms would speed up the pace.

Indian government coalitions have been advised to continue liberalization. India grows at slower pace than China, which has been liberalizing its economy since 1978. The McKinsey Quarterly states that removing main obstacles "would free India's economy to grow as fast as China's, at 10% a year".

There has been significant debate, however, around liberalization as an inclusive economic growth strategy. Since 1992, income inequality has deepened in India with consumption among the poorest staying stable while the wealthiest generate consumption growth. As India's gross domestic product (GDP) growth rate became lowest in 2012-13 over a decade, growing merely at 5%, more criticism of India's economic reforms surfaced, as it apparently failed to address employment growth, nutritional values in terms of food intake in calories, and also exports growth - and thereby leading to a worsening level of current account deficit compared to the prior to the reform period.

For 2010, India was ranked 124th among 179 countries in Index of Economic Freedom World Rankings, which is an improvement from the preceding year

Privatization –

Privatization is the incidence or process of transferring ownership of a business, enterprise, agency, public service or property from the public sector (the state or government) to the private sector (businesses that operate for a private profit) or to private non-profit organization. The term is also used in a quite different sense, to mean government out-sourcing of services to private firms, e.g. functions like revenue collection, law enforcement, and prison management.

The term "Privatization" also has been used to describe two unrelated transactions. The first is a buyout, by the majority owner, of all shares of a public or holding company's stock, privatizing a publicity traded stock, and often described as per private equity. The second is a demutualization of a mutual organization or cooperative to form a joint stock company. Privatization generally is believed to improve the output, profits and efficiency of the organizations that are privatized.

Pre-Liberalization Policies in India

Indian economic policy after independence was influenced by the colonial experience (which was seen by Indian leaders as exploitative in nature) and by those leaders' exposure to Fabian socialism. Policy tended towards protectionism, with a strong emphasis on import substitution, industrialization under state monitoring, state intervention at the micro level in all businesses especially in labour and financial markets, a large public sector, business regulation, and central planning. Five-Year Plans of India resembled central planning in the Soviet Union. Steel, mining, machine tools, water, telecommunications, insurance, and electrical plants, among other industries, were effectively nationalized in the mid-1950s. Elaborate licenses, regulations and the accompanying red tape, commonly referred to as License Raj, were required to set up business in India between 1947 and 1990.

Before the process of reform began in 1991, the government attempted to close the Indian economy to the outside world. The Indian currency, the rupee, was inconvertible and high tariffs and import licensing prevented foreign goods reaching the market. India also operated a system of central planning for the economy, in which firms required licenses to invest and develop. The labyrinthine bureaucracy often led to absurd restrictions—up to 80 agencies had to be satisfied before a firm could be granted a license to produce and the state would decide what was produced, how much, at what price and what sources of capital were used. The government also prevented firms from lying off workers or closing factories. The central pillar of the policy was import substitution, the belief that India needed to rely on internal markets for development, not international trade—a belief generated by a mixture of socialism and the experience of colonial exploitation. Planning and the state, rather than markets, would determine how much investment was needed in which sectors.

— BBC

In the 80s, the government led by Rajiv Gandhi started light reforms. The government slightly reduced License Raj and also promoted the growth of the telecommunications and software industries.

The Vishwanath Pratap Singh (1989–1990) and Chandra Shekhar Singh government (1990–1991) did not add any significant reforms.

IMPACT

- The low annual growth rate of the economy of India before 1980, which stagnated around 3.5% from 1950s to 1980s, while per capita income averaged 1.3%.At the same time, Pakistan grew by 5%, Indonesia by 9%, Thailand by 9%, South Korea by 10% and Taiwan by 12%.
- Only four or five licenses would be given for steel, electrical power and communications. License owners built up huge powerful empires.[19]
- A huge private sector emerged. State-owned enterprises made large losses.[19]
- Income Tax Department and Customs Department became efficient in checking tax evasion.
- Infrastructure investment was poor because of the public sector monopoly.
- License Raj established the "irresponsible, self-perpetuating bureaucracy that still exists throughout much of the country" and corruption flourished under this system.

Disadvantages of Liberalization

Big companies with international businesses are charged of social inequality, poor working conditions, turning blind eye towards environmental issues, unprofessional handling of natural resources, and biological harm. Anti-globalization supporters feel that the World Trade Organization, the World Bank and the International Monetary Fund are the leaders of economic globalization and blindly follow only those guidelines which yield them corporate interests.

1) Anti-globalists feel that the economic growth is not the only factor which make people happier but can often make their lives depressing with organizations like WTO making the rich richer and the poor poorer. These organizations get away with their share of profits by ignoring nature and human interests.
2) Globalization elevates the inflow of skilled and non-skilled employment opportunities from the developed economies to third world in search of cheap workforce.
3) Growth in chances of monetary commotions in one country effecting all other countries.
4) Corporate control of nation-states is greater than that of civil society associations.
5) The privatization of world media and its authority in the hands of a few restricts the artistic and ethnic expression.
6) Globalization might lead to greater risks of violent behavior from people at the receiving end in an effort to conserve cultural inheritance
7) Restriction less international travel and influx of foreign visitors generate greater chances of spread of diseases carried accidentally between countries.
8) Anti-globalists predict that the globalization is responsible for altering people's mindset, outlook and lifestyle and promote materialistic way of living.
9) They also hold international organizations like the World Trade Organization responsible for violating national and individual independence.
10) Greater probability of civil war within the third world nations and open conflict between them as they compete for resources.

Effect of Liberalization on India

There has been an ongoing debate about the effect of globalization on Indian poverty level. According to some scholars, over the years, globalization has become a major factor behind the high economic growth in the country. The favourable economic conditions have put a positive impact on the overall standard of living of the country. However, there are some scholars who argue that globalization, as such, does not have any such significance in improving the poverty situation in India. By properly analyzing various factors, we can have an idea whether globalization really puts a positive impact to improve the poverty situation.

Liberalization & Economic Growth –

It was in the 1990s that the first economic liberalization policies were initiated by the then Finance Minister Dr Manmohan Singh to encourage the wake of globalization in India. Since then, the economic condition of India has significantly increased. Over the years, India has gradually become one of the fastest growing economies in the world. It has become the 4th largest economy in the world in terms of the purchasing power parity (PPP). It has been expected that the average yearly economic growth will range between 6 per cent and 7 per cent.

Due to the high economic growth, there has been rapid progress in the civic amenities. The per capita income has increased which has improved the standard of living of the masses. As economic growth is a great factor behind the improvement of the poverty, the rise in the economic condition of India had a favourable impact on the reducing the rate of poverty in the country.

Liberalization and Employment: -Liberalization has also put a favorable effect on the employment scenario of the country. Over the years, due to the liberalization policies, India has become a consumer oriented market where the changes are brought by the demand and supply forces. Due to the high The growth of the various sectors has also opened up new employment opportunities which have put a positive impact on the overall poverty situation of the country. More and more industries are being introduced in the market to cater to the growing demand. Some of the well known industries that have recently become very popular in the country are personal and beauty care, agro products, health care, information technology and some other sectors. The service sector has a share of around 54 per cent of the annual Gross Domestic Product (GDP). The share of the agricultural and industrial sectors in the annual GDP is 17 per cent and 29 per cent 11.

Growth of Agriculture: - A major portion of the poverty level in India is from the rural areas whose staple form of income is agriculture and farming. Due to the globalization, Indian agriculture has improved to some extent which has helped to reduce the poverty problems of the rural masses.

Over the years, with the advent of more technology, there has been a significant change in the process of agriculture in the country. Earlier farmers used traditional farming techniques for growing crops. As such, they suffered a lot and the increased the produce in terms of quantity as well as quality. As such, farmers have started earning more and have improved their per capita income and the standard of living. The government has also taken several positive steps to improve the poverty situation in the rural areas. Irrigational projects have been undertaken, dams have been built and more facilities have been provided to the farmers to increase their agricultural produce. As lots of farmers are poor, they are not in a position to buy expensive equipments. To solve this problem and make them self sufficient, the government also grants financial help and loan to the farmers at very cheap rates. The government has set up the National Bank for Agriculture and Rural Development (NABARD) and various other Regional Rural Banks (RRBs) to financially help the farmers in need. Housing projects are also being undertaken to solve the accommodation problems of the poor.

Improvement in Health Care: - Liberalization has also positively affected the overall health care situation in the country. More and more medical innovations are coming in which are improving the health situation in India. The infant mortality rate and the malnutrition rate have significantly come down since the last decade. All these factors clearly prove that the globalization helped reduce the India poverty level. late that there are several sectors of the economy that are heating up with a number of cross border mergers and global alliances. This is only to improve the economic state of the country.

Liberalization and mergers in India has only helped in improving the economic state. The automobile sector, steel, cement, pharmaceutical, petrochemical, and many more sectors have only experienced successful mergers with overseas companies in India. These global associations have brought them an array of success which has created a brand value in the market. The sector which rules the merger scenario in India and is a result of the globalization process is the automobile sector. The mergers of Maruti Udyog Pvt Ltd and Tata Motors in India have led this sector to a booming path.

Countries that are seeking mergers in India for enhancing the trade scenario are Canada, Holland, Belgium, Italy, Sweden, Norway, Poland, Germany, Spain and the United Kingdom. Globalization and mergers in India is an important standpoint of any corporate executive on every detail of mergers and acquisitions implemented around the world. Mergers in India may include mergers, joint ventures, acquisitions, takeovers, and other kinds of cross-border transactions. The trends and growth of mergers and acquisition Liberalization and mergers in India have been massively advantageous for all sectors across India and this has increased the global market efficiency.

The relation between globalization and mergers in India are quite noteworthy. The important elements of Indian mergers for globalization can be cited as follows:

1) Merger & Agreements (M&A) is a good growth strategy in context of globalization – Corporate in India have been experiencing a surge in the revenue growth due to cross border mergers and the figures are only to go up more.

2) Most Indian companies have a clear M&A strategy – the market strategy is clearing for most corporate. That is why when finalizing a deal, there arises no confusion.
3) Top M&A markets – The top M&A markets are US, India and UK.

Unit-II
INDIA's BALANCE OF TRADE AND BALANCE OF PAYMENTS

BALANCE OF TRADE

Balance of trade is the balance of exports and imports of commodities and goods. Goods are those which have utility and are scarce. Hence they command a price because there is a demand on one side and the matching and non matching supply on the other side .

Goods may be tobacco, war goods or of intoxicants. Commodities and goods go, foreign exchange comes in. Commodities and goods come, foreign exchange goes out.

Export of commodities and goods are losses in real terms but are gains in monetary terms . The country men will have lesser quantities to consume and hence the price will rise. If the exports are of real surpluses takes place, then the producers gain but the consumers do not suffer consumption losses.

A country imports those commodities and goods which it can not grow or produce in sufficient quantities. Hence when goods come they increase the consumption base and the production base. Subsequently the exchange and distribution base also increases.

The import wards off hunger, improve standard of living, standard of production because capital goods bring higher technology.

Imports are gain in real terms but are losses or leakages in money terms. The country men will have more quantities to consume and hence the price will fall or remain stable.

In international market, trade means imports and exports of a country. The **balance of trade** denotes the difference between the imports of merchandise and exports of merchandise of a country. If imports exceeds exports over a period, it is unfavourable balance of trade and denoted as **trade defici**t and, conversely, if exports exceeds imports, it is said to be a favourable balance of trade and denoted as **trade surplus**. **Mr. Benham** has defined the term as "Balance of trade of a country is the relation, over a period between the value of her exports and the value of her imports.

Balance of trade includes only those transactions arising out of the exports and imports of only merchandise goods or the visible items. It does not cover the exchange rendered by shipping, insurance, banking, communication, travels and many more service.

The balance of trade is the only one single item of balance of payment that is international trade in merchandise goods.

MEANING AND DEFINITIONS OF BALANCE OF TRADE
The balance of trade of a country is the difference between the value of commodity exports and imports.
The balance of trade of a country shows its trade transactions with the rest of the world during the course of a year. It indicates the relationship between the value of exports and the value of imports of the country. The balance of trade takes into account only visible exports and imports. The visible exports and imports are those which are actually recorded at the ports.
Benham "The balance of trade of trade is the relationship between the aggregate value of export and the aggregate value of imports of a country in a given period of time."

W.M. Scammel "The balance of trade is the difference of value of goods sold and bought by the residents of one country to the other countries."

In an equation form, the balance of trade can be expressed as;
BOT = X – M
Where BOT = Balance of Trade
X = Total value of export
M = Total value of import

Thus, the balance of trade is the difference between the value of imports and exports of the country the balance of trade can be of three types. The sum total trade and exports is called total trade and the difference between exports and imports is called balance of trade. Balance of trade for one country could be of three types-

(i) Balanced Balance of Trade
(ii) Surplus Balance of Trade
(iii) Deficit Balance of Trade

In Balanced Balance of Trade for a country, its total amount of export will be just equal to its total amount of import. This happens rarely for a country due to present era of multilateral trade but in the regime of bilateralism, this balanced balance of trade was possible because in bilateral trade, the trade between two countries is subject to bilateral agreements regarding quantities and values of exports and imports on government basis.

In surplus Balance of Trade of a country the value of exports will exceed the value of imports. Surplus Balance of Trade is also called as plus, positive or favourable balance of trade or trade surplus. While in deficit balance of trade of a country, the value of import will exceed the value of exports. This balance of trade is also known as minus (-), adverse or negative balance of trade. In this adverse balance of trade, the country is said to be in trade deficit.

EFFECTS OF FAVOURABLE BALANCE OF TRADE

1. Improvement in the Situation of Balance of Payment
2. It Increases the Soundness of the Economic
3. It Enhances the Goodwill of the country
4. It helps in Accelerating the Pace of Economic Development
5. Favourable Rate of Exchange
6. Increase in Foreign Exchange Reserve
7. Fear of Inflation
8. Increase in Competition

EFFECTS OF UNFAVOURABLE BALANCE OF TRADE

1. It Increases Disequilibrium in Balance of payment
2. Economy Becomes Weak
3. Hurdle in Economic Development
4. Fall in Prestige and Goodwill of the country
5. Unfavourable Rate of Exchange
6. Decrease in Foreign Exchange Reserve
7. Bad Effects on Production, Employment Level of the Country

MEASURES FOR CORRECTING UNFAVOURABLE BALANCE OF TRADE

1. Export Promotion
2. Import Control and Substitution
3. Dumping

4. Devaluation:- It purposefully decreases the value of its currency in terms of other foreign currencies. Export will be cheaper and import will become more constller thus by this way, a country can rectify its adverse balance of trade.
5. Policy of Protection
6. Increase in Export Credit and Facilities

BALANCE OF PAYMENTS

"The **balance of payments** of a country is a systematic record of all economic transactions between the resident of a country and the rest of the world. It represents a classified record of all **receipts** on accounts of goods exported, services rendered and capital received by 'residents' and **payments** made by them on account of goods imported and services received from and capital transferred to 'nonresidents' or 'foreigners." Thus, **balance of payments** includes an account of all receipts (revenue and capital) and payments (revenue and capital) made during international transactions for goods, services and capital.

Balance of payments includes balance of trade also, i.e., a balance in revenue account means only a difference of imports and exports of trade may be favourable or unfavourable and forms part of balance of payments

Balance of payments position is an index of country's economic strength or weakness. Government takes several measures to correct the unfavourable balance of payment situation because the situation cannot last long.

Items Included in Balance of Payments

The items usually form part of balance of payments account are-

(i) Merchandise imports and receipts for merchandise exports.
(ii) Loans to and investments in foreign countries and enterprises, foreign investments in domestic enterprises and borrowing from foreign countries, agencies etc.
(iii) Tourist expenditures abroad by domestic tourists and foreign tourists expenditures in reporting country.
(iv) Money paid to foreign carriers and receipts for foreign goods carried in national bottoms.
(v) Payments and receipts for services and from foreign countries. These services include cable and telegraph payments, Bank commission, insurance premium, shipping and a airlines services etc.
(vi) Expenses of foreign establishments outside the country and expenses on foreign embassies, establishments in the home country.
(vii) Receipts and payments of interest and dividends or for technical knowhow.
(viii) Gifts, donations, awards etc paid or received by a country.

The two sides of balances-

The two sides of balances-receipts and payments-must equal. The simple reason can be found in the fact that in every transaction, one should get in return for what he gives up and likewise one should give up against something he receives in return.

Form of Balance of Payments.

Normally balance of payments can be divided in two parts-(a) current account, and (b) Capital Account. In A hypothetical case, the Current Account will have the following items-(i) Imports, (ii) Exports, (iii) Trade balance, (iv) Non-monetary gold movement, (v) Invisibles- (a) receipts, (b) Payments, (c) Net.

The Current Account Can be broken into two parts, viz, (i) balance of trade and (ii) balance of services. The first part (balance of trade) deals only with exports and imports of merchandise (or visible items).

It is not necessary that this part always balances; more often than not, it shows either a surplus or a deficit. The second part (balance of services) deals with invisible items or items other than imports and exports. Like balance of trade, balance of services will not balance. It will also show either a surplus or a deficit. In this way, the balance of Current Account will always show a surplus or deficit except in cases where the surplus balance of trade will match the deficit on balance of services which in normal course does not happen.

Similarly, the Capital Account consists of the following capital transactions-
(a) Private : (i) Receipts (ii) Payments, (iii) Net;
(b) Government : (i) Receipts, (ii) Payments, (iii) Net; (c) Amortisation payments; (d) Repurchase of rupees from IMF, (e) Banking capital. The difference of total receipts and payments must tally with the net surplus or deficit on Current Account.

Difference Between Balance of Trade and Balance of Payment.
We have made an attempt to define the two terms-balance of trade and balance of payments. Now we shall try to differentiate these who terms to make them more clear. The main points of difference are-

(i) The balance of trade includes **only visible imports and exports,** i.e., imports and exports of merchandise, the difference and of the two (imports and exports) is called balance of trade. If imports are more than exports, it is unfavourable balance of trade. Whereas, the balance of payment **includes all visible and invisible items** exported from and imported into the country in addition to exports and imports of merchandise. Thus balance of payments includes balance of trade whereas balance of trade does not include balance of payments.

(ii) Balance of trade includes **revenues received or paid** on account of imports and exports of merchandise. In other words it shows only revenue item. The balance of payments, on the other hand, includes all revenue and capital item whether visible or invisible. Balance of trade thus form a part of balance of payment.

(iii) Balance of trade may be **favourable or unfavourable** but balance of payments always balance just like trading profit and loss account of a business shows a profit or loss but the two sides of Balance Sheet (assets and liabilities) always tally.

(iv) The balance of payments tallies and never shows a balance.Any balance (deficit or surplus) Is to be financed by any external sources (loan or assistance)or to be utilized on the other hand, balance of trade always shows a balance(favourable or unfavourable).

Usefulness of Balance of Payments to International Marketer
The study of balance of payments has become a matter of great interest to all concerned, i.e., businessmen, bankers, statesmen and economists. It can appropriately be said that balance of payments is just like a financial statement of a bank or a business that reveals the financial condition of the country vis-à-vis foreign countries. For an international marketer, it is an important document. In fact, it is so important that balance of payments is considered to be an economic barometer of a country's health. It can furnish the key to an understanding of a country's economic problems. The following facts are revealed by the balance of payments of a country to an international marketer:

(i) It is of great value **in forecasting and evaluating its business and economic conditions.** The more accurate the material in the balance of payments, the more valuable it becomes as a basis for the study of the economic and business conditions of a country.

(ii) Balance of payments can also serve **as a basis to evaluate a country's solvency** and to determine the appropriateness of the exchange value of its currency.

(iii) Balance of payments also **reveals the nature, size, composition and director of a country's international trade,** of visible and invisible item which form part of balance of payments. A minute study of it will give an idea for a country's industrial production and its international and external demands.

(iv) Balance of payments **clarifies the foreign exchange position** of a county which can be used as a basis by the marketer is selecting markets for his products.

(v) It also helps decide the **trade, industrial and economic policies of the Government.**
If balance of payments is favourable, the Government will take a liberal view of imports otherwise different types of restrictions)tariff and non-tariff measures) will be imposed as corrective measures. It will naturally affect the international trade and international marketer.

Thus, the study of balance of payments position of a country is very useful for an international marketer as it helps him decide that his domestic or foreign trade policies, programmes, procedures and strategies. It is a basic document hat gives a direction to Government policies and programmes.

S. No.	Basis of Difference	Balance of Trade	Balance of Payment
1	Meaning	Balance of trade is the difference between values of exports and imports of merchandise goods.	Balance of payment is a comprehensive and systematic record of all international economic transaction.
2	Approach	It has a narrow approach if analyzes only merchandise goods.	It adopts a broad and comprehensive approach and analyses all transactions.
3	Items	It has only one item of merchandise goods or visibles.	It has several items and accounts, visibles, invisibles, capital and many more.
4	Relationship	It is a part of balance of payment.	It is a whole and includes balance of trade.
5	Scope	It has limited scope	It has wider and comprehensive scope.
6	Nature of Equilibrium	It could be favourable, unfavourable or balanced.	Balance of payment always balanced.
7	Analysis	It has partial analysis of trade in goods.	It provides of a comprehensive analysis of all items, transactions and accounts.
8	Knowledge of Economy	It provides knowledge of international trade only.	It provides knowledge about entire external sector of the economy.
9	Effects	It has limited effects on economy.	It affects national economy substantially.
10	Relative importance	It is relatively less important.	It is relatively more important.
11	Measurement	It is very simple to measure balance of trade.	It is more difficulty and complex to measure balance of Payment.
12	Use	Its uses are less	It is used for several purposes.
13	Determination of Rate of Exchange	It has less effect on determination of rate as it is only a partial statement of demand and supply of foreign exchange.	As it is a complete statement of demand and supply of foreign exchange. It determines the rate of exchange.
14	Effect on Economic Position	Adversity will affect less.	Its adversity is more for economic Development.
15	Correcting Disequilibrium	Less effort.	More and sincere efforts.

FOREIGN MARKET SELECTION

Need of Selection of Market

One of the most important decisions in international business is market selection. The global market is made up of well over 200 independent nations with their own distinctive characteristics, is too vast indeed
It would be very difficult for a company to operate in all these markets. There are barriers which make entry to a number of markets impossible or very difficult. There may be markets which are not profitable or are not worthy. Further, there may be markets which are very risky due to political or other reasons.

Moreover, the company resources may not permit the operation in a large number of countries. Companies which operate in majority of the countries of the world have not achieved such a massive expansion overnight. It has been a gradual expansion achieved over a lone period. Further, all types of business do not lend themselves for such substantial international expansion.

A company which wants 10 enter many markets should do it systematically. Too fast expansion without the resources and organizational strength for such an expansion could be suicidal. The Bulova Watch Company expanded into over one hundred countries. It spread itself too thin, made profits in only two countries and lost around $40 million.

All these factors highlight the need for market selection. Even a company with ambitious plans and good prospects for global expansion has got to rank the markets for prioritization of the expansion plans. Market selection is based on a thorough evaluation of the different markets with reference to certain well defined criteria, given the company resources and objectives Marketing research, therefore, becomes necessary to obtain the data required for evaluating the markets. It is also necessary to prepare a profile for the purpose of evaluation of the markets for market selection to help the company to formulate the marketing strategy.

MARKET SELECTION PROCESS
The important steps involved in the market selection process arc depicted in figure.

- International Marketing Objectives: The first step in any management decision making process is to determine/ascertain the objectives. The market selected to serve a particular international marketing objective need not necessarily be the best suited to achieve some other international marketing objective. Various markets may have different degrees of attractiveness from the point of view of differrent objectives.
- Parameters for Selection: for proper evaluation and selection of the markets, it is essential to clearly lay down the parameters and criteria for evaluation. Important parameters often used for market selection are shown in the evaluation matrix.

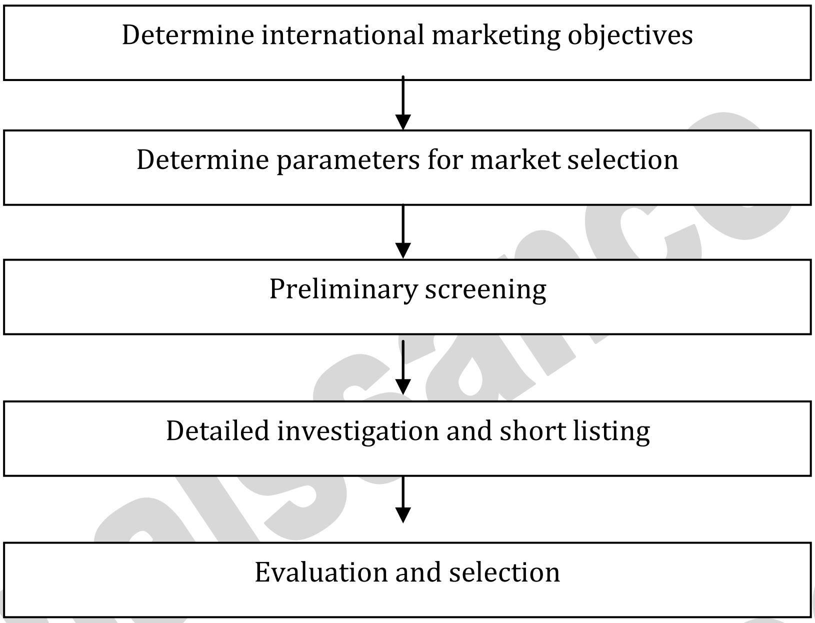


Fig.: Market Selection Process

Preliminary Screening: After determining the criteria for market selection, the next important step in market selection process is to conduct a preliminary screening of the markets. The objective of the preliminary screening process is to eliminate the markets which are obviously not potential enough as revealed by a cursory look.

The parameters used for the preliminary screening may vary from product to product. However, parameters like the size of population, per capita income, structure of the economy, infrastructural factors, political conditions etc. are commonly used. For example, in a country where there is no telecasting, there is obviously no market for T.V. sets. If the household income of the majority of a country with a small population is very low, the demand for costly consumer durables will be limited. There may be countries which should be omitted due to political reasons.

Short listing of' Markets: Preliminary screening enables one to eliminate markets which obviously do not merit consideration at the very outset. There would be a large number of markets left even after the preliminary screening. They are further screened with the help of more information than was used at the preliminary screening stage. The objective is to distill out a small number markets which are likely to satisfy the company's criteria for market selection for a detailed analysis for ranking them and final selection.

Evaluation and Selection: A thorough evaluation of the short listed markets is done with reference to the specific parameters and criteria and the markets are ranked on the basis of their overall attractiveness. One or more market(s) is/are selected from the rank list.

DETERMINANTS OF MARKET SELECTION

The market selection is normally based on two sets of factors, viz, the firm related factors and the market related factors.

(a) Firm related Factors: Firm related factors refer to such factors as the objective, resources, product mix, international orientation etc. of the firm.

A firm whose export objective is only to sell out a marginal surplus will select a foreign Market suited to serve this purpose. Another Firm with the same product, which wants to export a very large quantity, forming a very significant share of its total output, may have different consideration than the first firm in market selection. In the case of the second firm, as the total quantity involved is large and as it forms a significant share of its total output, market diversification would be important to minimize the risk. If we think of a third firm which also wants to export the same product as the first two firms but which wants to exports several other products also, the market(s) which it selects may perhaps be different from what the first two firms have chosen; it would give more importance to the total exports of all its products than of any single product. Further, the market selection may be influenced by other objectives like growth. Where business growth is an important objective, growth potential of the market will be an important criterion for selection.

The planned business strategy may also influence the market selection. For example, a market considered the most important from the point of view of exporting need not necessarily be the one that would be selected for locating production base or a sales office. A company that has plans for large expansion of foreign business may choose a market, to start with, which can serve as a hub of international business.

The market selection is also influenced by the international orientation of the company. Another very important determinant is the company resources comprising financial human, technological and managerial factors. The dynamism and philosophy of the top management and the internal power relations may also influence the market selection decision.

(b) Market related Factors: The market related factors may be broadly grouped into general, factors and specific factors. General factors are factors general to the Market as a whole whereas the specific factors are factors which are specific to the industry concerned.

(i)General Factors:

1) Economic Factors: Include factors like economic stability. GDP growth trends, income distribution, per capita income, sectoral distribution of GDP and trends; nature of and trends in foreign trade and BOP, indebtedness, etc.
2) Economic Policy: Includes industrial policy foreign investment policy commercial policy monetary policy fiscal policy, and other economic policies.
3) Business Regulations: Regulations of business like industrial licensing, restrictions on growth, takeovers, mergers etc, restrictions on foreign remittances repatriations etc., tax laws; import restrictions and local content stipulation export obligations and so on.
4) Currency Stability: Stability of the national currency is another very important consideration in the market selection.
5) Political Victors: Character of the political system including the nature and behaviour of the ruling party/parties and opposition party/parties, the government system etc, and political stability are among the most important determinants of Markel selection.
6) Ethnic Factors: Ethnic factors like ethnic characteristics, including ethnic differences, and their implication for the business, ethnic harmony etc. should also be analyzed.
7) Infrastructure: Infrastructure facilities seriously affect business. For example power shortage could cause considerable production losses. Shipping and other communication bottlenecks could cause lot of delays and loss of business, in addition to high costs.
8) Bureaucracy and Procedures: The nature and behavior of the bureaucracy and the procedural system or styles are also important factors to be considered.
9) Market Hub: The ability of a market to act a hub, a base from where the company can operate in a contiguous region or countries, is a very important factor in the market selection of a company with plans for expansion of international business. South Africa, for example, could be such a hub for the entire sub Saharan Africa.

(ii)Specific Factors:

1) Trends in domestic production and consumption and estimates for the' future of the products(s) concerned.
2) Trends in imports and exports and estimates for the nature
3) Nature of competition
4) Government policy and regulations pertaining to the industry.
5) Infrastructure relevant to the industry.

UNIT-III
PRODUCT PLANNING

Where does one start? What are the factors are has to take into consideration. What are his aims and objectives in continuing to be in business of export? In a majority of cases the exporter starts to export product 'X' to a market, and continues to export the same in larger volume every year. But every product has a life cycle. In other words, the export of a product starts and increases steadily; then at one point it stagnates and later it declines.

Basic features of the export 'Product' –

a) The product may be as understood in the ordinary sense, say an engineering product like diesel engine or cycle, a consumer item like soap, mediine or garment. It may be any manufactures item.
b) It may be mineral or raw materials uch as iron ore, copper or cotton etc.
c) It may be an agricultural product like rice, pulses or tea etc.
d) It can be a purely 'value added item'. The typical example will be diamond exports. Here the raw material such as big uncut diamond are imported the country, it is cut and polished by skilled workers as per the market requirements, and then exported back to the respective destinations.
e) It may be the export of 'Software' for computer applications. This is normal a software package developed in India by a company and exported to the end user abroad.
f) It can be 'service'; here we get a contract for the work to be done aboard. For example, it may be the construction of huge petroleum storage tank abroad, for which the customer gives all materials and facilities on the site and we send a team of skilled specialists who complete the job on the spot a per international standards.

Process of Selection of Product –

The process evolves in the selection of a product let us say country A is the exporter and country B is the importer.

The success of the product chosen also depends upon:

a) Choosing the right distribution system suitable to the country B, to which it is exported.
b) The packaging preferred by the buyer, the need or otherwise of a brand name, and other special perceptions of the purchasers of this product in country B.
c) The import rules and regulations in country B and its adherence.
d) The competition to be faced in country B, its strengths and weaknesses, and a well throughout strategy by the exporter from country A to meet the same.
e) Estimating the short term and long term prospects for the product, and the exporter preparing himself to meet the demand of the market, on a sustained basis.

The last point is very important. Exporting a product to another country is not a onetime affair like going to a picnic. It is a serious matter, and the cost is quite considerable, if you want to do it straight and proper. Hence, one should evaluate whether one would be able to withstand the competition in price and quality over a length of period to make his export sustainable and profitable. Otherwise one should not attempt it.

Possibility of Selection of a New Product –

In such cases, there are two appraisals an exporter has to make. One is internal, and the other external

Internal appraisal –

a) The best possible estimated export demand.
b) If the new product is produced will it have a market in one's own country, and if so its size.
c) Whether the raw material/component needed for the manufacture is available in one's own country or to be imported and the cost of the same.

d) The additional investment needed in terms of machinery and facilities.
e) The kind of distribution set up needed in a county.
f) The cost of after sales service by the exporter if needed.

External Appraisal –

1) Demand: One has to determine the demand of the product in the foreign market. Analyze on the present demand and the suppliers already there. To get a reasonable market, how long will a demand persist, and whether there are any patent laws or public laws of the country present or imminent has also to be looked into.
2) Market Acceptability: Careful study of the customer's needs and whether the product chosen fulfills and his/her requirements is an equally important factor in choosing the right product.
3) Competitiveness: The selling price as related to competition and quality is a very important factor. It is not only the existing competition but the potential new competition has also to be assessed properly.
4) Risk Factor: Business risks involved, the necessary investment and the payback period, the perceived profitability and the actual profits. The market trend such as any new or improved product in the horizon, or the stage in the life cycle of the product – on the growing or declining trend of the product usage have all to be assessed carefully.
5) Others: These are country specific, and a market study or research has to be undertaken. In the final sale, price of the product, the distribution and publicity expenses are always included. Methods of distribution & Advertisement are to be analyzed.
6) Supply conditions of raw materials and other inputs.
7) Trade practices and customs
8) Cultural factors and consumer characteristics.
9) Market characteristics including the number and nature of market segments, price trends etc.

HIGHLIGHTS OF THE FOREIGN TRADE POLICY 2015-2020
A. SIMPLIFICATION & MERGER OF REWARD SCHEMES
Export from India Schemes:
1. Merchandise Exports from India Scheme (MEIS)

(a) Earlier there were 5 different schemes (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding merchandise exports with different kinds of duty scrips with varying conditions (sector specific or actual user only) attached to their use. Now all these schemes have been merged into a single scheme, namely Merchandise Export from India Scheme (MEIS) and there would be no conditionality attached to the scrips issued under the scheme. The main features of MEIS, including details of various groups of products supported under MEIS and the country groupings are at Annexure-1.
(b) Rewards for export of notified goods to notified markets under 'Merchandise Exports from India Scheme (MEIS) shall be payable as percentage of realized FOB value (in free foreign exchange). The debits towards basic customs duty in the transferable reward duty credit scrips would also be allowed adjustment as duty drawback. At present, only the additional duty of customs / excise duty / service tax is allowed adjustment as CENVAT credit or drawback, as per Department of Revenue rules.

2. Service Exports from India Scheme (SEIS)

(a) Served From India Scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). SEIS shall apply to 'Service Providers located in India' instead of 'Indian Service Providers'. Thus SEIS provides for rewards to all Service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider. The list of services and the rates of rewards under SEIS are at Annexure-2.

(b) The rate of reward under SEIS would be based on net foreign exchange earned. The reward issued as duty credit scrip, would no longer be with actual user condition and will no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and service taxdebits on procurement of services / goods. Debits would be eligible for CENVAT credit or drawback.

3. Chapter -3 Incentives (MEIS & SEIS) to be available for SEZs

It is now proposed to extend Chapter -3 Incentives (MEIS & SEIS) to units located in SEZs also.

4. Duty credit scrips to be freely transferable and usable for payment of custom duty, excise duty and service tax.

(a) All scrips issued under MEIS and SEIS and the goods imported against these scrips would be fully transferable.

(b) Scrips issued under Exports from India Schemes can be used for the following:-

(i) Payment of customs duty for import of inputs / goods including capital goods, except items listed in Appendix 3A.

(ii) Payment of excise duty on domestic procurement of inputs or goods, including capital goods as per DoR notification.

(iii) Payment of service tax on procurement of services as per DoR notification.

(c) Basic Customs Duty paid in cash or through debit under Duty Credit Scrip can be taken back as Duty Drawback as per DoR Rules, if inputs so imported are used for exports.

5. Status Holders

(a) Business leaders who have excelled in international trade and have successfully contributed to country's foreign trade are proposed to be recognized as Status Holders and given special treatment and privileges to facilitate their trade transactions, in order to reduce their transaction costs and time.

(b) The nomenclature of Export House, Star Export House, Trading House, Star Trading House, Premier Trading House certificate has been changed to One, Two, Three, Four, Five Star Export House.

(c) The criteria for export performance for recognition of status holder have been changed from Rupees to US dollar earnings. The new criteria is as under:-

Status category	Export Performance FOB / FOR (as converted) Value (in US $ million) during current and previous two years
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

(d) **Approved Exporter Scheme - Self certification by Status Holders**

Manufacturers who are also Status Holders will be enabled to self-certify their manufactured goods as originating from India with a view to qualify for preferential treatment under different Preferential Trading Agreements [PTAs], Free Trade Agreements [FTAs], Comprehensive Economic Cooperation

Agreements [CECAs] and Comprehensive Economic Partnerships Agreements [CEPAs] which are in operation. They shall be permitted to self-certify the goods as manufactured as pertheir Industrial Entrepreneur Memorandum (IEM) / Industrial Licence (IL)/ Letter of Intent (LOI).

B. BOOST TO "MAKE IN INDIA"

6. Reduced Export Obligation (EO) for domestic procurement under EPCG scheme:
Specific Export Obligation under EPCG scheme, in case capital goods are procured from indigenous manufacturers, which is currently 90% of the normal export obligation (6 times at the duty saved amount) has been reduced to 75%, in order to promote domestic capital goods manufacturing industry.

7. Higher level of rewards under MEIS for export items with high domestic content and value addition.
It is proposed to give higher level of rewards to products with high domestic content and value addition, as compared to products with high import content and less value addition.

C. TRADE FACILITATION & EASE OF DOING BUSINESS

8. **Online filing of documents/ applications and Paperless trade in 24x7 environment:**
(a) DGFT already provides facility of Online filing of various applications under FTP by the exporters/importers. However, certain documents like Certificates issued by Chartered Accountants/ Company Secretary / Cost Accountant etc. have to be filed in physical forms only. In order to move further towards paperless processing of reward schemes, it has been decided to develop an online procedure to upload digitally signed documents by Chartered Accountant / Company Secretary / Cost Accountant. In the new system, it will be possible to upload online documents like annexure attached to ANF 3B, ANF 3C and ANF 3D, which are at present signed by these signatories and submitted physically.

(b) Henceforth, hardcopies of applications and specified documents would not be required to be submitted to RA, saving paper as well as cost and time for the exporters. To start with, applications under Chapter 3 & 4 of FTP are being covered (which account for nearly 70% of total applications in DGFT). Applicationsunder Chapter-5 would be taken up in the next phase.

(c) As a measure of ease of doing business, landing documents of export consignment as proofs for notified market can be digitally uploaded in the following manner:-
(i) Any exporter may upload the scanned copy of Bill of Entry under his digital signature.
(ii) Status holders falling in the category of Three Star, Four Star or Five Star Export House may upload scanned copies of documents.

9. Online inter-ministerial consultations:
It is proposed to have Online inter-ministerial consultations for approval of export of SCOMET items, Norms fixation, Import Authorisations, Export Authorisation, in a phased manner, with the objective to reduce time for approval. As a result, there would not be any need to submit hard copies of documents for these purposes by the exporters.

10. Simplification of procedures/processes, digitisation and e-governance
(a) Under EPCG scheme, obtaining and submitting a certificate from an independent Chartered Engineer, confirming the use of spares, tools, refractory and catalysts imported for final redemption of EPCG authorizations has been dispensed with.
(b) At present, the EPCG Authorisation holders are required to maintain records for 3 years after redemption of Authorisations. Now the EPCG Authorization Holders shall be required to maintain records for a period of two years only. Government's endeavour is to gradually phase out this requirement as the relevant records such as Shipping Bills, e-BRC are likely to be available in electronic mode which can be archived and retrieved whenever required.

(c) Exporter Importer Profile: Facility has been created to upload documents in Exporter/Importer Profile. There will be no need to submit copies of permanent records/ documents (e.g. IEC, Manufacturing licence, RCMC, PAN etc.) repeatedly with each application, once uploaded.
(d) Communication with Exporters/Importers: Certain information, like mobile number, e-mail address etc. has been added as mandatory fields, in IEC data base. This information once provided by exporters, would help in better communication with exporters. SMS/ email would be sent to exporters to inform them about issuance of authorisations or status of their applications.
(e) Online message exchange with CBDT and MCA: It has been decided to have on line message exchange with CBDT for PAN data and with Ministry of Corporate Affairs for CIN and DIN data. This integration would obviate the need for seeking information from IEC holders for subsequent amendments/ updation of data in IEC data base.
(e) Communication with Committees of DGFT: For faster and paperless communication with various committees of DGFT, dedicated e-mail addresses have been provided to each Norms Committee, Import Committee and Pre-Shipment Inspection Agency for faster communication.
(f) Online applications for refunds: Online filing of application for refund of TED is beingintroduced for which a new ANF has been created.

11. Forthcoming e-Governance Initiatives
(a) DGFT is currently working on the following EDI initiatives:
(i) Message exchange for transmission of export reward scrips from DGFT to Customs.
(ii) Message exchange for transmission of Bills of Entry (import details) from Customs to DGFT.
(iii) Online issuance of Export Obligation Discharge Certificate (EODC).
(iv) Message exchange with Ministry of Corporate Affairs for CIN & DIN.
(v) Message exchange with CBDT for PAN.
(vi) Facility to pay application fee using debit card / credit card.
(vii) Open API for submission of IEC application.
(viii) Mobile applications for FTP

D. Other new Initiatives
12. New initiatives for EOUs, EHTPs and STPs
(a) EOUs, EHTPs, STPs have been allowed to share infrastructural facilities among themselves. This will enable units to utilize their infrastructural facilities in an optimum way and avoid duplication of efforts and cost to create separate infrastructural facilities in different units.
(b) Inter unit transfer of goods and services have been allowed among EOUs, EHTPs, STPs, and BTPs. This will facilitate group of those units which source inputs centrally in order to obtain bulk discount. This will reduce cost of transportation, other logistic costs and result in maintaining effective supply chain.
(c) EOUs have been allowed facility to set up Warehouses near the port of export. This will help in reducing lead time for delivery of goods and will also address the issue of un-predictability of supply orders.
(d) STP units, EHTP units, software EOUs have been allowed the facility to use all duty free equipment/goods for training purposes. This will help these units in developing skills of their employees.
(e) 100% EOU units have been allowed facility of supply of spares/ components up to 2% of the value of the manufactured articles to a buyer in domestic market for the purpose of after sale services.
(f) At present, in a period of 5 years EOU units have to achieve Positive Net Foreign Exchange Earning (NEE) cumulatively. Because of adverse market condition or any ground of genuine hardship, then such period of 5 years for NFE completion can be extended by one year.
(f) Time period for validity of Letter of Permission (LOP) for EOUs/EHTP/ STPI/BTP Units has been revised for faster implementation and monitoring of projects. Now, LOP will have an initial validity of 2 years to enable the unit to construct the plant and install the machinery. Further extension can be

granted by the Development Commissioner up to one year. Extension beyond 3 years of the validity of LOP, can be granted, in case unit has completed 2/3rd of activities, including the construction activities.
(g) At present, EOUs/EHTP/STPI units are permitted to transfer capital goods to other EOUs, EHTPs, STPs, SEZ units. Now a facility has been provided that if such transferred capital goods are rejected by the recipient, then the same can be returned to the supplying unit, without payment of duty.
(h) A simplified procedure will be provided to fast track the de-bonding / exit of the STP/ EHTP units. This will save time for these units and help in reduction of transaction cost.
(i) EOUs having physical export turnover of Rs.10 crore and above, have been allowed the facility of fast track clearances of import and domestic procurement. They will be allowed fast tract clearances of goods, for export production, on the basis of pre-authenticated procurement certificate, issued by customs / central excise authorities. They will not have to seek procurement permission for every import consignment.

13. **Facilitating & Encouraging Export of dual use items (SCOMET).**
(a) Validity of SCOMET export authorisation has been extended from the present 12 months to 24 months. It will help industry to plan their activity in an orderly manner and obviate the need to seek revalidation or relaxation from DGFT.
(b) Authorisation for repeat orders will be considered on automatic basis subject to certain conditions.
(c) Verification of End User Certificate (EUC) is being simplified if SCOMET item is being exported under Defence Export Offset Policy.
(c) Outreach programmes will be conducted at different locations to raise awareness among various stakeholders.

14 Facilitating & Encouraging Export of Defence Exports
(a) Normal export obligation period under advance authorization is 18 months. Export obligation period for export items falling in the category of defence, military store, aerospace and nuclear energy shall be 24 months from the date of issue of authorization or co-terminus with contracted duration of the export order, whichever is later. This provision will help export of defence items and other high technology items.
(b) A list of military stores requiring NOC of Department of Defence Production has been notified by DGFT recently. A committee has been formed to create ITC (HS) codes
for defence and security items for which industrial licenses are issued by DIPP.

15. e-Commerce Exports
(a) Goods falling in the category of handloom products, books / periodicals, leather footwear, toys and customized fashion garments, having FOB value up to Rs.25000 per consignment (finalized using e-Commerce platform) shall be eligible for benefits under FTP. Such goods can be exported in manual mode through Foreign Post Offices at New Delhi, Mumbai and Chennai.
(b) Export of such goods under Courier Regulations shall be allowed manually on pilot basis through Airports at Delhi, Mumbai and Chennai as per appropriate amendments in regulations to be made by Department of Revenue. Department of Revenue shall fast track the implementation of EDI mode at courier terminals.

16. Duty Exemption
(a) Imports against Advance Authorization shall also be eligible for exemption from Transitional Product Specific Safeguard Duty.
(b) In order to encourage manufacturing of capital goods in India, import under EPCG Authorisation Scheme shall not be eligible for exemption from payment of anti-dumping duty, safeguard duty and transitional product specific safeguard duty.

17. Additional Ports allowed for Export and import

Calicut Airport, Kerala and Arakonam ICD, Tamil Nadu have been notified as registered ports for import and export.

18. Duty Free Tariff Preference (DFTP) Scheme
India has already extended duty free tariff preference to 33 Least Developed Countries (LDCs) across the globe. This is being notified under FTP.

19. Quality complaints and Trade Disputes
(a) In an endeavour to resolve quality complaints and trade disputes, between exporters and importers, a new chapter, namely, Chapter on Quality Complaints and Trade Disputes has been incorporated in the Foreign Trade Policy.
(b) For resolving such disputes at a faster pace, a Committee on Quality Complaints and Trade Disputes (CQCTD) is being constituted in 22 offices and would have members from EPCs/FIEOs/APEDA/EICs.

20. Vishakhapatnam and Bhimavaram added as Towns of Export Excellence
Government has already recognized 33 towns as export excellence towns. It has been decided to add Vishakhapatnam and Bhimavaram in Andhra Pradesh as towns of export excellence (Product Category–Seafood)

INSTITUTIONAL SETUP FOR EXPORT PROMOTION

INSTITUTIONAL INFRASTRUCTURE FOR EXPORT PROMOTION IN INDIA
The Government of India has set up a number of institutions whose main functions are to help an exporter in its export efforts. It is therefore, necessary for the exporters to acquaint themselves with these institutions and the nature of help they can render to them so that they can initially contact them to get whatever help they could get from these institutions in exporting their products.

1. DEPARTMENT OF COMMERCE:
The Department of commerce in the Ministry of Commerce and Industry is the Primary Government agency responsible for evolving and directing foreign trade policy and programmes, including commercial relations with other countries. This department is headed by a Secretary and he is assisted in the discharge of duties by a Special Secretary, Additional secretaries and a number of other senior officers functioning as Divisional heads. The department consisting of the following Divisions concerning with various subjects connected with exports and imports. International Trade Policy Division Foreign Trade Territorial Division Export Products Division Export industries Division Export Service Division Economic Division

2. ADVISORY BOARDS
Board of Trade: The Board of Trade is the highest advisory body under the Department of commerce to deliberate on policy matters. It has its members as follows:
Presidents of FICCI, ASSOCHAM and FASSI Leading industries. Secretaries of Commerce and industry, Finance, External Affairs and Textiles. Chairman of ITPO/MD of ECGC Export Promotion Board: under the chairmanship of cabinet Secretary.

3. ATTACHED AND SUBORDINATE OFFICES:

- Directorate General of Foreign Trade.
- Director General of commercial Intelligence and Statistics.
- Export Processing Zones.
- Indian Government Commercial Representatives Abroad

4. AUTONOMUS BODIES:

(I) Export Promotion Councils

There are 20 export promotion councils covering the following products: Apparels, chemicals, pharmaceuticals and cosmetics, carpet, cashew, cotton textiles, electronics and computer software, gem and jewellery, handicrafts, handlooms, leather, power loom, construction, plastics, shellac, silk, synthetic , sports goods and wool and woolens. These councils are registered under the companies Act as non-profit making agencies. The department of commerce provides necessary financial assistance in relation to their export promotion work. These councils advise the Government regarding current developments in the export sector and measures the necessary to facilitate future growth in exports, assist manufacturers and exporters to overcome the various constrains and extend to them the full range of services for the development of market overseas. The councils also perform certain regulatory functions as they have the power to register and issue Registration-cum-membership certificate under the Export and Import policy and also de-register errant or defaulting exporters. The councils also conduct market surveys, assist in product development. Sponsor trade delegations and guide newcomers in the export trade.

(II) Commodity Boards:

There are 9 Statutory Boards for the following commodities: Handicrafts and Handloom, Silk, Power loom, coffee, coir, rubber, tea, tobacco and spices. The commodity boards del with the entire range of problems of production, development, marketing etc. In respect of commodities concerned, they act themselves as if they were the Export Promotion Councils. Some of these Boards have opened their branch in foreign countries in order to promote the consumption of the commodities under their jurisdiction.

(III) Marine Products Export Development Authority:

The main functions of the Authority are:

1. Development of off-shore and deep- sea fishing in all its aspects and conservation and management of off-shore and deep-sea fisheries;
2. Registration of fishing vessels, processing plants, storage premises and exports with a view to promote a healthy development.
3. Laying down standards and specifications for marine products for the purpose of export.
4. Rendering financial assistance.
5. Arranging for training in different aspects connected with export with special reference to fishing, processing and marketing.

(IV) Agricultural and Processed Food Products Export Development Authority

(V) Indian Institute of Foreign Trade (IIFT)

The Indian Institute of Foreign Trade is functioning under the Ministry of commerce. This is registered under the Societies Act.

The Indian Institute of Foreign Trade (IIFT) was set up in1963 by the government of India as an autonomous organization to help Indian exporters in foreign trade management and increase exports by developing human resources, generating, analyzing and disseminating data and conducting research.

(VI) India Trade Promotion Organization

(VII) National Centre for Trade Information (NCTI):

The main functions of NCTI inclusive of -

Create database at national and international levels for export promotion-

Collect information on various aspects of trade and commerce on different countries.-

Establish linkages with trade promotion bodies, regulatory bodies, chamber of commerce etc.-

Organize training, seminars and conferences on matters related to trade and commerce.-
Publish papers, periodicals and other literature having a bearing on trade and commerce.

(VIII) Export credit and Guarantee Corporation:

The ECGC a Government of India undertaking has been established for minimizing the risk element in export business and to facilitate the flow of finance from the banks to exporters. In addition to the normal risk policies, the corporation assists the exporters through special schemes such as packing credit guarantee, post shipment credit guarantee and export production finance guarantee. To suit varying needs of exporters, the corporation provides different types of cover which may be divided into the following three broad groups: Standard polices Financial guarantees Special policies Under its policies intended to protect the exporters against overseas credit risks, ECGC bears the main risks and pays the exporter 90% of his loss on account of commercial risks and Political risks.

(IX) Export-Import Bank:

The EXIM Bank was established on January 1, 1982 for the purpose of financing, facilitating and promoting foreign trade of India. It extends finance to exporters of capital and manufactured goods, exporters of software's and consultancy services and overseas joint ventures and construction projects abroad. The bank is the principal financial institution in India for coordinating the work of institutions engaged in financing export and import trade. The EXIM bank concentrates mainly on medium and long term credit for export of goods and services on deferred payment terms.

(X) Export Inspection Councils:

Quality control and pre shipment inspection is one of the important factors in the export marketing. In order to ensure the quality of the products exported, a legislation entitled "Export (Quality control and Inspection) Act" was enacted by the Indian Parliament in 1963. As per this act The Government of India has established the Export Inspection Council. The functions of this council are generally to advise the central government regarding the measures for the enforcement of quality control and inspection in relation to commodities intended for export and draw up a programme therefore.

(XI) Indian Institute of Packaging (IIP)

The Indian Institute of Packaging or IIP in short was established in 1966 under the societies registration act (1860). Headquartered in Mumbai, IIP also has testing and development laboratories at Calcutta, New Delhi and Chennai. The Institute is closely linked with international organizations and is recognized by the UNIDO (United Nations Industrial Development Organization) and the ITC (International Trading Centre) for consultancy and training.

(XII) Indian Council of Arbitration (ICA)

The Indian council of Arbitration (ICA) was established on April 15, 1965. ICA provides arbitration facilities for all types of Indian and international commercial disputes trough its international panel of arbitrators with eminent and experienced persons from different lines of trade and professions.

(XIII) Federation of Indian Export Organization
Other Institutions concerned with export promotion:

- Office of the Textile Commissioner, Bombay-
- Office of the Jute Commissioner, Kolkatta-
- Indian Jute Mill Association, Kolkatta

UNIT-IV

- Export Assistance Measure,
- FTZ & 100% EOU's

EXPORT ASSISTANCE MEASURES

Market Access Initiative (MAI) Scheme

The Market Access Initiative (MAI) Scheme is a Plan scheme formulated to act as a catalyst to promote India's exports on a sustained basis, based upon 'focus product' and 'focus market' concept. Under the scheme, assistance is extended to the Departments of Central Government and organizations of Central/ State Governments, Export Promotion Councils, Registered Trade Promotion organizations, Commodity Boards, recognized Apex Trade Bodies and Recognized Industrial Clusters and individual Exporters (only for product registration and testing charges for engineering/Pharmaceuticals products abroad). The scheme was revised after a thorough review with extensive consultation with all the stake holders in the year 2006 and revised Scheme was launched with effect from January, 2007. During the year 2012-13, 149 projects/studies including 12 "India Shows" were approved for receiving assistance under the scheme.

IV. Marketing Development Assistance (MDA) Scheme

To facilitate various measures being undertaken to stimulate and diversify the country's export trade, Marketing Development Assistance (MDA) Scheme is under operation through the Department of Commerce. The Scheme supports the following activities:

- Assist exporters for their participation in approved EPC/Trade Promotion Organization led export promotion events abroad.
- Assist Export Promotion Council (EPCs) to undertake export promotion activities for their product(s) and commodities.
- Assist approved organization/trade bodies in undertaking exclusive nonrecurring innovative activities connected with export promotion efforts for their members.
- Assist Focus export promotion programmes in specific regions abroad like FOCUS (LAC), Focus (AFRICA), Focus (CIS) and Focus(ASEAN +2) Programmes.
- Residual essential activities connected with marketing promotion efforts abroad.

Year wise status of MDA Releases/Allocation

(Rs Crore)

Year	Outlay	Expenditure
2006-07	52.25	52.25
2007-08	52.25	52.25
2008-09	52.25	52.25
2009-10	53.00	53.00
2010-11	56.00	56.00
2011-12	50.00	50.00
2012-13	39.50	39.50*

Export Credit Guarantee Corporation of India Limited (ECGC)

The Export Credit Guarantee Corporation of India Ltd. (ECGC) Mumbai was set up in 1957 under the Companies Act, 1956. It has the primary objective of supporting the country's exports by extending 67 CHAPTER-5 Export Promotion Measures Insurance and Guarantee facilities to the Indian exporters and the commercial banks. The paid up capital at the end of 2011-2012 was Rs. 900.00 crore. The Corporation has registered itself with the IRDA on 27th September, 2002 bearing Registration No. 124.
The standard policies provide insurance cover to exporters against commercial and political risks for shipment made on short-term credit. Transfer guarantees are issued to banks in India, which add confirmation to letter of credit and such guarantees protect the banks against losses that may be sustained by them due to default of the banks or because of certain political risks. There were 13005

short-term policies including transfer guarantees and 62 long term policies, in force on 31.03.2012. The total value of shipment declared under the schemes (short-term policies, transfer guarantees and Domestic Credit Insurance) in the year 2011-2012 amounted to Rs. 99,550.01 crore as compared to Rs. 93,127.40 crore in 2010-11, recording a growth of 10.25%.

The total claims paid during the year 2011-2012 amounted to Rs. 713.03 crore as compared to Rs. 620.53 crore in the previous year 2010-11. Claims paid during April to September 2012 were Rs. 201.07 crore as compared to Rs. 162.50 crore paid during corresponding period in previous year.
During the year 2011-2012, a total sum of Rs.168.64 crore was recovered (previous year Rs.136.06 crore) consisting of Rs.6.31 crore from the short term policy cases, Rs.152.59 crore from the Export credit Insurance to Bank cases and Rs.9.74 crore from Medium and Long term cases. An amount of Rs.63.81 crore was recovered during the period April-September 2012 as against Rs.96.35 crore recovered during the same period in the previous year.

The total gross direct premium income from all the schemes of corporation during the year 2011- 2012 amounted to Rs.1004.83 crore as compared to Rs.885.47 crore in 2010-11. The growth came from the Export Credit Insurance to Bank business, accounting for 59.89% of the total premium income, followed by Short Term Policy sector including factoring, which contributed 35.42%. The income from medium and long term sector accounted for just 4.69% (Rs.47.27 crore) of the total premium income.
The total gross income of the corporation amounted to Rs. 1,355.72 crore (Previous year Rs.971.72 crore) of which net earned premium income was Rs.766.25 crore (previous year Rs.674.86 crore). Of the other income, interest on investments earned last year alone, accounted for Rs.353.59 crore (previous year Rs. 280.17 crore). The year under review i.e. 2011-12, ended with a profit of about Rs.327.72 crore before tax (previous year Rs.117.63 crore).

The Corporation has declared and paid dividend of Rs.54.00 crore for the year 2011-12 as compared to Rs.26.10 crore dividend paid during the previous year.

Given the economic meltdown and recession world over, which affected the export trade and resulted in increased incidence of defaults & claim, the Corporation extended full support to bankers and exporters by huge amounts of claim settlement, without leaving an adverse impact on its balance sheet.

National Export Insurance Account (NEIA)
A separate Fund with an approved corpus of Rs.2000 crore called the National Exports Insurance Account (NEIA) was set up in 2006, out of which Rs.886 crore have been funded by the Government so far. The present corpus of NEIA is Rs.1,208.04 crore (constituting premium and interest accrued) which has been invested in fixed deposits with banks.

The objectives of NEIA is to promote export from India, which may not take place but for the support of a credit risk insurance cover which the ECGC is not in a position to provide because of its own 68 Annual Report 2012-13 underwriting capacity. The NEIA is maintained and operated by a Public Trust set up jointly by the Department of Commerce and ECGC.

The objectives of NEIA were expanded by the Government in December, 2008 in view of the Global Financial Crisis, so as to provide for short term covers and use of NEIA funds up to Rs.350 crore for the financial year 2008-09 and 2009-10, to mitigate the effects of global financial crisis. During the year 2011-12, Rs.6.78 crore claim was paid to Indian exporter & bankers.

During the year NEIA guidelines were revised to provide risk cover for buyer credits which may be extended by EXIM Bank to overseas agencies. Under the revised guidelines projects which are backed by sovereign guarantees will be covered up to 100% of value, without recourse, to eligible exporters. Provisions have also been made to cover the risks arising due to exchange and interest fluctuations.

VII. India Brand Equity Foundation (IBEF)

India Brand Equity Foundation (IBEF) is a Trust established by the Department of Commerce, Ministry of Commerce and Industry, Government of India. IBEF's primary objective is to promote and create international awareness of the Made in India label in markets overseas and to facilitate the dissemination of knowledge of Indian products and services. IBEF works closely with stakeholders across government and industry in their branding activities.

The IBEF Knowledge Centre has emerged as a credible source for information on Indian business and economy, powered by its website www.ibef.org. A key highlight of IBEF's activities during the year has been the innovative use of digital technology to promote Brand India to reach out to wider audiences across the world. IBEF business kits comprising the Experience India CDs/Access India Info drives, the India Now, Business and Economy magazine and The Best of India series continue to be valuable resource tools, which are being extensively leveraged by business audiences and academics within India and abroad. The India Show(s), an initiative of the Department of Commerce, have provided IBEF a strong platform to effectively showcase Brand India across markets and sectors.

During 2012-13, IBEF successfully graduated from nation brand messaging to sectoral messaging. The Brand India Pharma campaign led by IBEF in collaboration with Pharmexcil under the aegis of the Department of Commerce, has been a significant initiative in 2012-13 in this context. It has taken shape as a mature campaign, which aims to position India as the Pharmacy of the World. IBEF has created a Brand India Pharma kit comprising a logo, film, fact book and The Best of India in Pharmaceuticals as part of this initiative.

VIII. Federation of Indian Export Organisations (FIEO)

The Federation of Indian Export Organisations (FIEO), set up in 1965 under the aegis of Ministry of Commerce, as an Apex Body of Export Promotion Organisations and institutions in the country, is registered under the Societies Registration Act XXI of 1860, with its Headquarters in Delhi. FIEO has been serving as a platform of interaction between exporters and policy makers, and has been instrumental in promoting the efforts of Indian exporting community. It is an ISO 9001-2008 certified Organization.

The main objective of FIEO is to render an integrated package of services to various organizations connected with export promotion. It functions as a primary servicing agency to provide integrated assistance to its members comprising professional exporting firms holding recognition status granted by the Government, consultancy firms and service providers. Organisations like the Export Promotion Councils, Commodity Boards, Export Development Authorities, Chambers of Commerce, Export Houses, Star Export Houses, Trading Houses, Star Trading 69 CHAPTER-5 Export Promotion Measures Houses, Premier Trading Houses, Consultancy Organisations & Trade Associations etc. constitute the membership of FIEO.

In terms of the Foreign Trade Policy, FIEO has been designated as Registering Authority for status holder exporting firms, other exporters dealing in multi-products. The Federation organizes Seminars, Open House Meets, Interactive Sessions, Awareness Programmes, Training Programmes and arranges participation in various exhibitions in India and abroad. Besides, FIEO provides e-platform to buyer/sellers through huge network of members and non-members, and also organizes India Shows, Trade Fairs and Exhibitions across the globe, particularly in untapped countries.

FTZ : Free trade Zone

A **free trade zone (FTZ)**, also called **foreign-trade zone**, formerly **free port**, is an area within which goods may be landed, handled, manufactured or reconfigured, and reexported without the intervention of the customs authorities. This is not to be confused with an "Export Processing Zone" (EPZ) which is actually a type of free trade zone (FTZ), set up generally in developing countries by their governments to promote industrial and commercial exports. Only when the goods are moved to consumers within the country in which the zone is located do they become subject to the prevailing customs duties. Free-trade zones are organized around major seaports, international airports, and national frontiers—areas with many geographic advantages for trade. It is a region where a group of countries has agreed to reduce or eliminate trade barriers. Free trade zones can be defined as labor intensive manufacturing centers that involve the import of raw materials or components and the export of factory products. The world's first Free Trade Zone was established in Shannon, Ireland (Shannon Free Zone). This was an attempt by the Irish Government to promote employment within a rural area, make use of a small regional airport and generate revenue for the Irish economy. It was hugely successful, and is still in operation today. The number of worldwide free-trade zones proliferated in the late 20th century. In the United States free-trade zones were first authorized in 1934.

Most FTZs located in developing countries: Brazil, Colombia, India, Indonesia, El Salvador, China, the Philippines, Malaysia, Bangladesh, Pakistan, Mexico, Costa Rica, Honduras, Guatemala,Kenya, Sri Lanka, Mauritius and Madagascar have EPZ programs.[4] In 1997, 93 countries had set up export processing zones employing 22.5 million people, and five years later, in 2003, EPZs in 116 countries employed 43 million people.

Corporations setting up in a zone may be given tax breaks as an incentive. Usually, these zones are set up in underdeveloped parts of the host country; the rationale is that the zones will attract employers and thus reduce poverty and unemployment, and stimulate the area's economy. These zones are often used by multinational corporations to set up factories to produce goods (such as clothing or shoes).

Free trade zones in Latin America date back to the early decades of the 20th century. The first free trade regulations in this region were enacted in Argentina and Uruguay in the 1920s. The Latin American Free Trade Association (LAFTA) was created in the 1960 Treaty of Montevideo by Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. However, the rapid development of free trade zones across the region dates from the late 1960s and the early 1970s. Latin American Integration Association is a Latin American trade integration association, based in Montevideo.

Free Trade Zones are also known as Special Economic Zones in some countries. Special Economic Zones (SEZs) have been established in many countries as testing grounds for the implementation of liberal market economy principles. SEZs are viewed as instruments to enhance the acceptability and the credibility of the transformation policies and to attract domestic and foreign investment.

In 1999, there were 43 million people working in about 3000 FTZs spanning 116 countries producing clothes, shoes, sneakers, electronics, and toys. The basic objectives of EPZs are to enhance foreign exchange earnings, develop export-oriented industries and to generate employment opportunities.

Many in the economic development community and real estate development field have heard much about how the Foreign-Trade Zone program attracts firms of all types to FTZ designated industrial parks and property. Many Foreign-Trade Zone projects have been started with the philosophy of "establish it, and they will come". The reality is that for FTZ Grantees to receive the economic development benefits they desire, the right choices in many areas must be made. The Foreign-Trade Zone Corporation will guide Grantees and developers so that the best choices are made so that the FTZ project maximizes its potential by attracting prospective companies as well as providing an avenue to providing the maximum benefit to existing companies in the area. One choice that Grantees are faced with is whether or not to expand a Foreign-Trade Zone or reorganize it using the Alternative Site Framework (ASF).

In January 2009, the Foreign-Trade Zones Board adopted a FTZ Board staff proposal to make what it called the Alternative Site Framework (ASF) as a means of designating and managing general-purpose

FTZ sites through reorganization. The ASF provides Foreign-Trade Zone Grantees with greater flexibility to meet specific requests for zone status by utilizing the minor boundary modification process. The theory of the ASF is that by more closely linking the amount of FTZ designated space to the amount of space activated with Customs and Border Protection, Zone users would have better and quicker access to benefits. When a FTZ Grantee evaluates whether or not to expand its FTZ project in order to improve the ease in which the Zone may be utilized by existing companies, as well as how it attracts new prospective companies, the Alternative Site Framework (ASF) should be considered. The ASF may be an appropriate option for certain Foreign-Trade Zone projects, but the decision of whether to adopt the new framework and what the configuration of the sites should be will require careful analysis and planning. Regardless of the choice to expand the FTZ project, the sites should be selected and the application should be drafted in such a manner as to receive swift approval, while maximizing benefit to those that locate in the Zone. Successful zone projects are generally the result of a plan developed and implemented by individuals that understand all aspects of the FTZ program.

The Foreign Trade Zone Board (FTZB) approves the reorganization of Foreign Trade Zone (FTZ) 32 under the alternative site framework. The application submitted by its grantee, The Greater Miami Foreign Trade Zone was approved and officially ordered by the FTZB on January 8, 2013. From California, to Oklahoma to North Carolina to New York State, FTZs all across the nation have recently been making use of the flexible opportunities offered by the Alternative Site Framework (ASF) program. The ASF program is designed to serve zone projects that want the flexibility to both attract users/operators to certain fixed sites but also want the ability to serve companies at other locations where the demand for FTZ services arises in the future. FTZ 32 was founded in 1979 and processes over $1 billion in goods with products from more than 65 countries and exported to more than 75 countries worldwide, with speed and efficiency. According to the official order from the FTZB, FTZ 32 existing site 1, Miami Free Zone will be classified as a magnet site.

100% EOU's

The EOU scheme was introduced in the year 1980 vide Ministry of Commerce resolution dated 31st December 1980. The purpose of the scheme was basically to boost exports by creating additional production capacity. The EOU scheme is complementary to the EPZ scheme, except that it is widely dispersed in location, unlike EPZs, which are set up at specific locations.

The Export Oriented Unit (EOU) Scheme, which had been introduced in the early 1980s remains in the forefront of countries export production schemes. The scheme has witnessed many changes over the last twenty-four years in the context of ever changing economic realities. However, the basic premise remains the same. This premise is that the exporters are treated as a special class and given the required tariff, non-tariff and policy support to facilitate their export efforts. Thus, today the EOU Scheme has emerged as a dynamic policy initiative facilitating the exporting community in the task of increased exports. Earlier, the scheme was basically for manufacturing sector with certain minimum value addition in terms of export earnings. The EOU scheme is presently governed by Chapter 6 of the Foreign Trade Policy 2004-09 and Chapter 6 of the Handbook of Procedures and Appendix 14 I A to Appendix 14 I N.

A 100 per cent export-oriented unit is an industrial unit offering for export its entire production, excluding the permitted levels of domestic tariff area sales for manufacture of goods, including repair, re-making, reconditioning, re-engineering and rendering of services. Trading units are not covered under this scheme. EOU means an export oriented unit for which an LOP (letter of permission) has been issued by the Development Commissioner.

Units can be set up for manufacture of goods, including repair, re-making, reconditioning, re-engineering and rendering of services.

1. 100% EOUs fall into 3 categories

(a) EOUs established anywhere in India and exporting 100% products except certain fixed percentage of sales in the Domestic Tariff Area (DTA) as may be permissible under the Policy.

(b) Units in Free Trade Zones in Special Economic Zones (SEZs) and exporting 100% of their products.

(c) EOUs set up in Software Technology Parks (STPs) and Electronic Hardware Technology Parks (EHTPs) of India for development of Software & Electronic Hardware.

2. Setting up a unit

For setting up a 100 per cent EOU the following conditions are applicable:

(i) There should be a minimum investment of Rs. 1 crore in plant and machinery. The minimum investment should take place before the unit commences production.

(ii) This shall however not apply to existing units, units in handicrafts, agriculture, floriculture, aquaculture, animal husbandry, information technology, services, brass hardware and handmade jewellery sectors. The Board of approval may also allow for lower investment criteria.

(iii) The entire production and operation of 100 per cent EOUs must be in a customs bonded factory, unless specifically exempt from physical bonding; Goods will be imported into the customs bonded factory.

(iv) the unit shall undertake to manufacture in the bonded area and to export its entire production for a period of 10 years ordinarily and 5 years in case of products liable to rapid technological change;

Regarding the **export obligations** of 100 per cent EOUs, the following conditions apply :

a) EOUs need not export their manufactured goods themselves but may use an export house/trading house/star trading house or other EOUs subject to certain conditions;

b) EOUs may execute export orders also through third parties given that the goods will be directly transferred from the customs bonded factory to the port of shipment and all export benefits will be to EOUs only.

(v) An approved EOU will execute a bond/legal undertaking with the Development Commissioner concerned and failure to fulfill the obligations stipulated in the letter of approval or intent will render the unit liable to penalty.

(vi) EOUs have to meet norms regarding earning in foreign exchange as laid down in export performance and NFEP norms. They have to be a positive net foreign exchange earner over five years from the commencement of production.

(vii) EOUs have to maintain a proper account of the imports, consumption and utilization of all imported materials and exports made by the unit; these accounts will be submitted periodically to the Development Commissioner.

Wherever an existing industrial unit is operating both as a domestic unit as well as an approved 100 per cent EOU, it should have two distinct identities with separate accounts.

(viii) EOUs are permitted to sell part of the production in the domestic tariff area subject to certain limits

(ix) The F.O.B value of exports of an EOU can be clubbed with the F.O.B value of exports of its parent company in the domestic tariff area to attain export house, trading house or star trading house status for the parent company;

(x) Supplies produced in the domestic tariff area under global tender conditions, against payment in foreign exchange, against advance licenses and other import licenses, and to other EOUs with the permission of the Development Commissioner, will be counted towards the fulfillment of export obligations.

(xi) EOUs are free to select the location of a project.

But in cities with a population of more than a million as per 1991 census such as Bangalore, the proposed location should be at least 25 km away from the Standard Urban Area limits of that city unless the EOU is to be located in an area designated as an industrial area before the 25th of July, 1991 or have been declared to be non polluting industries.

Electronics, computer software and printing and any other industry notified as non polluting industry are exempt from such location restrictions.
Relaxation in the restriction can be made if industrial license is obtained as per notified procedure.
The location of industrial units is further regulated by the local zoning and land use regulations and environmental regulations

3. Automatic Approvals

Project applications for EOU/EPZ units satisfying the conditions mentioned in Appendix 14 1B and sector specific conditions mentioned in Appendix 14 1C may be given automatic approval within fifteen days by the concerned Units Approval Committee.
In other cases, approval may be granted by the Development Commissioner after clearance from the Board(s) of Approval (BOA).

Setting up EOU requiring license

Application has to be filed with the Development Commissioner who shall forward them to the Board of Approval as per Appendix 14 1D and Department of Industrial Policy and Promotion for consideration within 45 days on merits.
The application can be signed by the proprietor in case of proprietary firms, any of the partners in a partnership firm and promoter in case of a company. A company that is already registered in India can promote an EOU without having to incorporate a new company. Separate accounts, including separate bank accounts shall suffice. A copy of the memorandum and Articles of Association has to be filed with the application. A foreign company, NRIs and foreign nationals need to incorporate a new company.

4. Letter of Permission(LOP) shall specify the

1. items of manufacture/service activity,
2. annual capacity
3. projected annual export for the first five years in dollar terms,
4. Net Foreign Exchange Earnings
5. Limitations, if any regarding the sale of finished goods, by products and rejects in the DTA
6. Such other matter as may be necessary
7. Conditions as may be required
8. Legal undertaking in Appendix 14 1F.
9. Permanent email address and digital signature on the said email id. In case of an EOU not having a permanent email id and digital signature, further imports and DTA sale shall not be permitted by the Development Commissioner.

Some incentives given to EOUs

- No import licenses are required by the EOU units and import of all industrial inputs exempt from customs duty.
- Supplies from the DTA to EOUs are regarded as deemed exports and are hence exempt from payment of excise duty which means that high quality inputs are available at lower costs.
- On fulfillment of certain conditions, EOUs are exempted from payment of corporate income tax for a block of 5 years in the first 8 years of operation. Export earnings continue to be exempt from tax even after the tax holiday is over.
- Industrial plots and standard design factories are available to EOUs at concessional rates.
- Single window clearance for EOU. For example, the State Government of Kerala as well of Karnataka has constituted single window clearance mechanisms such as District Single Window Clearance Board (in Kerala) and Karnataka Udyog Mitra (in Karnataka) for the purpose of speedy issue of various licences, clearances.
- Private bonded warehouses in the 7 EPZs can be set up for
  - Import and sale of goods including in the DTA, subject to payment of applicable duties at the time of sale.
  - Trading including re-export after repacking/labeling.

  - Re-export after repair, reconditioning or re-engineering
- EOUs and EPZs are permitted to sub-contract part of their production processes for job work to units in the DTA on a case by case basis.
- Supplies to the DTA under international competitive bidding against payment in foreign exchange to other EOUs and EPZ units and against import licenses are considered towards fulfilment at the export obligation.
- The FOB value of exports of EOUs and EPZ units can be clubbed with that of parent companies located in the DTA for the purpose of obtaining a Trading or Export House status.
- EOUs and EPZ units may export goods through Trading and Export Houses or other EOU and EPZ Units.

UNIT-V

STATE TRADING CORPORATION OF INDIA

Introduction –

A large number of firms in India found it very difficult to compete in the world market. At the same time, the existing trade channels were unsuitable for promotion of exports and bringing about diversification of trade with countries other than European countries. It was under these circumstances that the STC was set up in May 1956. The main objective of the STC is to stimulate trade, primarily export trade.

Functions of the State Trading Corporation –

At the outset, the main function of STC was to deal with bilateral trading practices, especially in the socialist countries. But today it has become a premier trading house having branches in almost all the trading countries of the world. It deals in nearly 300 commodities spread over 84 countries of the world.

Trading activities of the STC –

a) Direct Trading –
Direct trading includes those goods where STC has monopoly to deal with. Such goods are procured, packed and shipped by STC while import items are purchased from the foreign counties by STC offices located there.

b) Indirect Trading –
In the case of indirect trading, the contracts for the sale or the purchase of commodities are negotiated by STC while the actual fulfillment of the contracts is entrusted to the private businessmen enrolled by the STC.

c) Canalized Trade –
Canalized trade includes the import or export of certain items through the concerned agencies of STC. The canalized items of export include sugar, caster oil, molasses, groundnut extraction, etc. Canalized items of imports include edible oils, writing and printing paper, non-edible oils, etc.

d) Export Promotion Measures –
   a. It provides financial and raw material assistance.
   b. It participates in trade fairs and exhibitions.
   c. It undertakes product research.
   d. It undertakes market research.

e) Other Activities –
STC also performs servicing functions, thereby bringing buyers and sellers together and assisting them in fulfilling contracts –
   a. It helps the government departments and industrial concerns in processing supplies of plant and machinery from abroad.
   b. In some cases, it settles trade dispute between the Indian and foreign parties.

The corporation is successful in introducing several new commodities for exports and in developing new marketing for Indian goods. In recent years, the STC is also taking active interest in marketing research, advertising and sales promotion. However, it is a public sector organization with usual difficulties and limitations of its own.

Services rendered by the State Trading Corporation –

a) To the Indian Industry –
STC helps thousands of Indian manufacturers to find markets abroad for their products. It assits them in making the best use of raw materials and production infrastructures, guides and helps them in their marketing efforts. Some of the services offered by STC to the Indian manufacturers include:

I. Provides financial assistance to the Indian exporters on easy terms.
II. Imports machinery and raw materials for export production.
III. Assists in the areas of marketing, technical know-how, quality control, packaging, documentation, etc.
IV. Supply of important goods in small quantities as per the requirements of buyers.
V. Helps in exhibiting the products of small scale manufacturers in the international trade fairs and exhibitions.
VI. Market intervention on behalf of the Government.

b) To the Overseas buyers –

STC acts as an expert guide for the overseas buyers interested in Indian goods. It helps them in finding the best Indian manufacturers, undertakes negotiations, fixes delivery schedules, overseas quality control, etc., and tries to provide a complete satisfaction to the overseas buyers.

c) To the Indian Consumers –

Indian consumers are also benefited from STC's expertise and infrastructure. STC imports essential commodities in order to cover shortfalls arising in the domestic market during the periods of scarcity. Generally, it imports the items of daily requirements such as sugar, wheat, pulses, etc., so as to stabilize their prices.