In this chapter, Exchange Control Regulations on exports are studied in detail because they are mandatory and violation thereof would entail severe punishment. The exporters and the banks handling export transactions should not only be conversant with them but must comply with them without fail. This is, therefore, an important component of the mechanism of export financing by Banks.

2.0 EXCHANGE CONTROLS:

The main objectives of the exchange control in India are:

(a) to conserve foreign exchange and ensure its utilisation for national priorities;
(b) control and surveillance of foreign capital and the activities financed by it; and
(c) the proper accounting of foreign exchange receipts and payments for statistical purposes.

The administrative authority for foreign exchange regulation is vested in the Reserve Bank of India and the routine work of exchange control is delegated to those commercial banks, which are authorised to deal in foreign exchange business. Such banks are known as "authorised dealers".

2.1 All international transactions, which have financial implications, are covered by exchange controls. They include:
(a) purchase, sale and other dealings of foreign exchange and maintenance of balances at foreign centres,
(b) procedure for realisation of export proceeds and payment for imports,
(c) payments to non residents or to their accounts in India,
(d) transfer of securities between residents and non residents and acquisition and holding of foreign exchange,
(e) foreign travel with or without foreign exchange,
(f) export and import of currency, cheques, travellers cheques, securities, jewellery, etc.
(g) trading, commercial and industrial activities, acquisition and holding of shares and immovable property, etc. by foreign firms and foreign nationals in India,
(h) appointment of non-residents and foreign nationals and companies, etc, as agents, technical/management advisers in India,
(i) employment, profession, etc, undertaken by foreign nationals in India,
(j) acquisition, holding and disposal of immovable property outside India, by residents in India.

2.2 CURRENCY PRESCRIPTION FOR PAYMENT PURPOSES:
For exchange control purposes, countries are divided into two groups, viz.,
(a) bilateral group of countries, and
(b) external group of countries
Payment for exports must be received in a currency or through an account appropriate to the final place of destination of the goods.

The permitted methods of payment for India from these groups of countries are as follows:

EXTRACTIONS:

(A) Bilateral group of countries:

1. Czechoslovakia
2. German Democratic Republic (East Germany) - Payment in rupees from the account of a bank situated in the country concerned.
3. Poland
4. Romania
5. U.S.S.R.

(b) External group of countries:

(i) Payment in rupees from the account of a bank situated in any country in this group.
(ii) Payment in any permitted currency.

2.3 EXCHANGE CONTROL ON EXPORTS:

GENERAL:

1. Under the Exchange Controls, it is obligatory for an exporter to declare the full export value of the goods or the value he expects to receive for the sale of the goods abroad. The forms, in which declaration of exports to various destinations has to be made, are prescribed by the Reserve Bank of India.
2. Every exporter must obtain, from the RBI, a code number, which should be indicated on the declaration form.

3. Full proceeds of payment for export of goods from India must be realised from abroad:
   (a) within 3 months from the date of shipment in the case of exports to Pakistan, Afghanistan, and
   (b) within 6 months from the date of shipment in the case of exports to all other countries.

4. All shipping documents covering exports from India, together with the declaration forms, must be handed over to an authorised dealer in foreign exchange, within 21 days from the date of shipment of goods.

5. Payment for exports from India must be realised by one of the approved methods of payment.

2.4 DECLARATION FORMS FOR EXPORTS:

Some of the widely used forms are described hereunder:

GR 1 FORM:
Shipments made other than by post to all countries (except Pakistan and Afghanistan) should be declared on GR 1 form by exporters. These forms are required to be completed in triplicate (consisting of three copies). The full set of these forms is to be submitted to the customs authorities, at the time of shipment. (The Customs Authorities do not permit shipment, unless the duly completed and signed set of forms are submitted, except in the case of shipments, where such declarations are exempted). Customs Authorities, after
verification, retain the original of GR 1 form. The duplicate and triplicate copies, duly authenticated by the Customs, are handed over to the exporter. Exporter has to submit them, along with the shipping documents and an extra copy of the invoice, to an authorised dealer.

EP FORM:
Exports to Pakistan and Afghanistan, other than by post, should be declared on EP forms (except for the exempted categories of export).

In the case of exports to Afghanistan, EP forms must be countersigned by the Reserve Bank of India, before submission to the customs authorities. Customs authorities and the exporter deal with the forms in the same manner, as detailed earlier in respect of GR 1 form.

PP FORM:
Export to all countries by parcel post (except when made on "Value Payable (VP) or "Cash on Delivery" (CAD) basis) should be declared on PP form, in triplicate, by exporters. The original, counter-signed by an authorised dealer, is to be submitted to the postal authorities, along with the parcel, at the time of despatch of the goods. The duplicate and triplicate are retained by the authorised dealer, to whom the exporter is required to submit the documents for collection/negotiation, with an extra copy of the invoice.

In the case of PP form covering export of jewellery or
precious stones, the parcel is first got valued by customs, who seals the parcel and stamps the invoice. This invoice is required to be submitted to the authorised dealer, who, then counter-signs the original PP form.

The statutory requirement is that a GR 1 or PP form should be completed by the exporter, at the time of shipment of goods and lodged with the customs authorities - vide section 18 of FERA 1973, read with Rule 5 of Foreign Exchange Regulation Rules, 1974. But these forms are not supplied by the RBI to the exporters direct. Commercial Banks purchase these forms, from the RBI, in bulk quantities and then supply them to exporter-customers, in small lots, according to their requirements. Unless these forms are completed and filed, the customs authorities do not allow the cargo to be exported.

VP/COD FORM:
Exports to all countries by parcel post, under arrangement to realise the value through postal channels, on "Value Payable" or "Cash on Delivery" basis, should be declared on these forms by the exporters. Only one copy is required to be completed and submitted to the Post Office, alongwith the relative post parcel, at the time of despatch.

All the forms mentioned above are printed by the RBI, for sale to authorised dealers, to supply to their customers. Each type of form is printed in a distinctive colour of ink and each form bears a printed serial number, which appears in all its copies.
In remittance applications to and in all correspondence with the RBI, relative to an export transaction, the number of GR1/EP/PP form, on which the declaration was made, should be invariably cited, along with the alphabetical prefix included in the number, which indicates the office of the RBI, where the form is domiciled.

SOFTEX FORM:

Export of Computer software from India is a new thrust area, which would cover physical export on magnetic media or on paper and also through satellite data link and consultancy services rendered at overseas locations.

When export of software is made through a dedicated earth station/satellite link, it should be declared on a new export form called "SOFTEX" form, in triplicate. All the three copies, in each set, will carry an identical pre-printed number. Forms are available for sale to exporters through Regional Offices of the RBI. The procedure for declaration of software exports in physical form, on GR or PP forms, as the case may be, remains unchanged.

Exporters of computer software via dedicated earth stations/satellite would be expected to enter into regular written agreements/contracts with the importers, a copy thereof should be submitted to the Department of Electronics (DOE), Government of India and Exchange Control Dept., RBI. Exports will either fall in the category of "one shot operations" or a series of
(including transmissions, if any, for technical corrections and updates, as per terms of written agreements) required for fulfilment of a single order or contract for supply of a complete software package. Due to peculiar nature of this type of export transactions, it is advisable to have full advance payment or an irrevocable letter of credit or an irrevocable bank guarantee from an international bank.

Declaration on "Softex" form should be submitted on the basis of bills raised on the importers; the bill should be raised at least once a month for contracts to be executed over a longer period, or alternatively, on completion of sizeable part, say 20 percent of the contract and continue submitting declaration on Softex form, at similar intervals.

Each exporter would be required to designate a particular branch of an authorised dealer, for the purpose of handling the export documents and realisation of the export proceeds in respect of exports declared on softex forms.

The original form will be forwarded by the DOE, to the Exchange Control Dept., RBI, on the day it is received, retaining the triplicate copy for their records. The duplicate copy will be returned to the exporter together with all supporting documents, duly certified, for submission to the branch of authorised dealer, designated by the exporter, immediately, along with attested copies of invoices and a bill of exchange drawn on the overseas buyer. The duplicate copy will be retained by the authorised dealer till full export proceeds have been realised.
and thereafter sent to RBI, duly certified, under cover of an appropriate R supplementary Return, alongwith a copy of the attested invoice. In addition, a fortnightly SNC statement is to be submitted, by the designated branches of authorised dealers, to the RBI.

As usual, period stipulated for realisation of the proceeds is six months from the date of shipment or transmission, as the case may be.

2.5 EXPORTS EXEMPTED FROM DECLARATION:

Declaration is exempted for the following categories of exports.

I. IF SHIPPED OTHERWISE THAN BY POST:

(A) Trade samples supplied free of payment, for canvassing orders.

(B) Bonafide personal effects of travellers, whether accompanied or unaccompanied.

(C) Ships' stores

(D) Transhipment cargo

(E) Goods shipped on orders of the Central Govt. or the Military, Naval, Air-Force Authorities in India, for their requirements.

(F) Goods for which the RBI has waived such declaration, i.e. exports made against waiver-approval granted by the RBI.
II. IF DESPATCHED BY AIR FREIGHT OR POST PARCEL:

(A) Parcels accompanies by a declaration by the sender that the value of the contents is less than Rs. 50 and that no foreign exchange transaction is involved.

(B) Gift parcels covered by a certificate issued by an authorised dealer that the export does not involve any transaction in foreign exchange and the value of the contents of the parcel does not exceed Rs. 2000.

2.6 RESPONSIBILITIES OF AUTHORISED DEALERS (COMMERCIAL BANKS):

I. When the duplicate and triplicate copies of GR1/EP/PP forms, together with extra copy of the invoice, are submitted, the authorised dealer has to:

1. verify the original sale contract, with particulars stated on the form, bill and other documents submitted, with regard to the description, quantity and value, including unit price, wherever applicable.

In the absence of the sale contract, authorised dealers may accept:

(a) order of the buyer confirmed by the exporter,
(b) exporter's proforma invoice, duly counter-signed by the buyer,
(c) indent/order of overseas buyer or his agent.

2. Check to ensure that all columns of the duplicate/triplicate form are filled in fully, by the exporter.
3. verify that the number of GR1/EP form tallies with the one already recorded in the bill of lading, to confirm that it is the same.

4. check whether customs authorities have verified and authenticated duplicate/triplicate copy of the GR1/EP form (PP form is not certified by customs). Any material alteration should have been authenticated by customs authorities.

5. verify that the value declared is the same as the amount of the bill and the invoice.

6. check the method of payment as the permitted one.

7. In the case of usance bills (where the buyer is given some period of credit and is not required to make immediate payment), verify that the due date falls within the period fixed for realisation of export proceeds.

8. ensure that the exporter's name does not appear in the Exporters' Caution List. Prior approval of the RBI is required in cases where the name of the exporter is found to be included in the Exporters' Caution List.

II. COUNTER-SIGNATURE ON PP FORMS:

Authorised dealers would counter-sign PP forms, if the following conditions are fulfilled:

(a) The parcel should be addressed to their overseas branch or correspondent bank.

(b) The concerned overseas branch or correspondent bank should be instructed to deliver the parcel to the consignee, against payment or acceptance of relative bill. However, the parcel can be addressed to the consignees direct, provided:
(a) an irrevocable letter of credit, for full value, has been opened in favour of the exporter and advised through the authorised dealer concerned, or
(b) full advance payment has been received, or
(c) exporter has obtained prior approval of the RBI.

III. DELAYED SUBMISSION OF DOCUMENTS:
The exporters should present the documents, with the declaration forms, within 21 days of the date of shipment. Authorised dealers can handle the documents, if submitted with delay not exceeding 7 days, if such delay was due to reasons beyond the control of the exporter. If delay exceeds 7 days, authorised dealers may handle the documents, with a report to RBI, giving full details as to the reasons therefor and a copy of the exporter's explanation for the delay.

IV. DISPOSAL OF DECLARATION FORMS:
The duplicate of GR1/EP/PP form, with an extra copy of the invoice, should be sent to the RBI, after certification, as soon as the documents have been negotiated/sent for collection, under cover of R-Supplementary Return, as on 10th, 20th and the last day of every month. The triplicate of the form will be retained by the authorised dealer, till the full export proceeds have been realised and thereafter, submitted to the RBI, under cover of R-Supplementary Return, relating to that period.
2.7 TRADE DISCOUNT:

Where documents tendered show a deduction on account of trade discount, from the declared value in the GR1/EP form, such documents can be handled, if the discount has been declared on the form and accepted by the customs, at the time of shipment.

In case of export by Post Parcel, the PP form is not verified by the postal authorities for trade discount deductions. Hence, authorised dealers are permitted to accept deductions towards trade discount, in tune with the normal level of discount in that trade, subject to a maximum of 25 percent in the case of books, periodicals, drugs and medicines, and 5 percent in other cases. Where deductions are more than these stipulations, the RBI approval is to be sought.

2.8 REMITTANCES:

I. COMMISSION:

Remittances on account of commission on exports to the exporter's selling agents abroad, through whom the business was booked, require prior approval of the RBI. Remittances towards such commission will be permitted only if it was declared on the relative GR1/EP/PP form, at the time of shipment.

However, authorised dealers can remit the commission abroad or accept deduction from the proceeds of the bill, where an irrevocable letter of credit, covering exports, provides specifically for payment of commission to an overseas agent, subject to the following conditions:
(a) Rate of agency commission indicated in the letter of credit is normal, as prevalent in that trade and does not exceed 5 percent.

(b) The commission has been correctly arrived at, basing on the actual value of export documents.

(c) Commission has been declared on the relative GR1/EP/PP form and accepted by the customs.

(d) Prescribed commission statement has been duly completed by the exporter.

GENERAL INSTRUCTIONS:

(I) Commission should have been declared by the exporters, on export forms, to the Customs, at the time of shipment, and accepted by them. If it was not done, a "no objection" certificate should be produced from the Customs.

(II) Commission up to 5 percent (without any monetary ceiling) can be remitted, by the authorised dealer, without the prior approval of the RBI, if the export is covered by an irrevocable letter of credit providing specifically for payment of commission.

(iii) No remittance of commission in free foreign exchange in respect of exports to Bilateral Account countries will be permitted.

(iv) Remittance of commission to more than one agent, in respect of the same export order will require the prior approval of the RBI.

(v) Remittance of commission in advance (i.e. before the relative shipments are made) are not permitted.
(vi) No remittance of commission is allowed in respect of export financed under rupee credits, extended by the Government of India to any foreign Government.

II. AGENCY COMMISSION ON EXPORTS:

Authorised dealers, who have handled the relative shipping documents, are permitted to allow remittance of commission on exports or agree to deduction of the amount of commission from the invoice value of the relative shipments, upto 7.5 percent in respect of export items included in the "non-select" list of export products, and upto 12.5 percent in respect of items included in the "select" list of export products.

For classification of export commodities into "select" and "non-select" list items of exports, a reference should be made to the current "Export Policy Book", issued by the Trade Control Authorities, from time to time (Appendix I contains the list of "select" export products).

The maximum percentage upto which such agency commission can be allowed in respect of "select" list export-products, "non-select" list export products, and export products for which specific sub ceilings are prescribed, are advised by the RBI to authorised dealers, from time to time. In terms of the above provision, authorised dealers can make remittances of commission, even in cases where the agency agreements are not registered with the RBI or in respect of shipments, which are not covered by irrevocable letters of credit, providing for payment of commission.
Applications involving remittances in excess of above limits or having any unusual features should be referred to the RBI.

III (i) REMITTANCE OF EXPORT CLAIMS:

In export trade, several commodities are subject to compulsory quality control and pre-shipment inspection, under the Export (Quality Control and Inspection) Act, 1963. Normally remittances on account of quality, etc claims should not arise in respect of such commodities. However, there may be occasions, when applications may be preferred by the exporters, for allowing remittances in settlements of small value claims on account of compensation for non-fulfilment of contracts, shortages in weight/length, inferior quality of goods supplied, penalty for late shipments, etc.

Authorised dealers have been permitted to allow remittances in settlement of claims, as under:

(i) In case of exporters holding blanket exchange permits issued under the New Blanket Permit Scheme, amount of claim not exceeding 10 percent of the f.o.b. value of each export shipment, subject to certain conditions, without any monetary ceiling; and

(ii) amount of claims, in respect of all exporters, upto 10 percent of the f.o.b. value of the shipment in question or Rs.1,00,000 whichever is less. However, exporters holding New Blanket Permit can not avail of both the facilities.
enumerated above, in respect of the same shipment. Requests for remittances in excess of the limits mentioned above or for respective remittances should be referred to the RBI.

Applications for remittance of export claims should be submitted, in the prescribed form (Form -REX), in duplicate, duly completed in all respects. The application should be supported by Form A-2 (in duplicate), certified copy of the invoice together with a certificate from the authorised dealer to the effect that full proceeds have been realised, original debit note from the overseas party, original sale contract and a copy thereof as well as survey/inspection/analysis/weight report (where applicable) or copy of bill of lading in case of claim on account of late shipment, Arbitration award in original with the certified copy in case where arbitration is resorted to, and a letter explaining the circumstances leading to the claim and correspondence, if any, exchanged with the overseas party.

(iii) GENERAL INSTRUCTIONS:
(I) Full export proceeds should have been repatriated to India, in an approved manner, at the time of submission of the application for the remittance.
(II) Exporter, who has been permitted to remit export claims, should surrender to the Import Trade Control Authorities, proportionate export incentive benefits.

(III) If the remittance of claim has arisen on account of non-fulfilment of contracts, late shipments, etc., the failure/delay should have been on account of circumstances beyond the control of the exporter.

2.9 ADVANCE PAYMENTS (EXPORT):

Sometimes, exporters receive part payment for their exports in advance. In such cases, the bank which deals with the export documents should certify, on the duplicate copy of the relative exchange control form, the amount so received and the method by which it was received, provided:

(a) the advance remittance has been received through the bank for payment to the exporter and not to some other party;

(b) there are no grounds to suspect that the remittance was intended for some other purpose; and

(c) the advance remittance does not involve payment of interest to the overseas remitter.

In cases where the advance remittance covers the full value of the export, both the duplicate and triplicate copies of the relative exchange control form should be certified and sent to the RBI.

Such certificates on exchange control forms should not be furnished on the strength of certificates of inward
remittances issued by other authorised dealers, except when remittances are received from abroad with a specific indication that the amount represents advance payment for exports to be made by the beneficiary to the remitter; unless these full particulars are available in the relative certificates issued by the other authorised dealers, duplicate and triplicate copies of forms should not be certified. It will be in order to certify the forms on the strength of the original of such certificates, but appropriations made against every shipment must be endorsed on the original certificate.

2.10 CONSIGNMENT EXPORTS:

When goods have been exported on consignment basis for sale and eventual remittance of sale proceeds, the bank should instruct the collecting branch or bank that the documents should be delivered only against a Trust Receipt/Undertaking to deliver the proceeds by a specified date, which should be within the period prescribed for realisation of the proceeds of the export.

Triplicate copy of the exchange control form covering export on consignment basis, should be held by the bank, until all the goods declared on the form have been sold and the sale proceeds realised, when this is done, the form should be forwarded to the RBI, duly certified for the total amount realised, together with the original account sales received from the consignee.
A complete record of the amount received from consignee, from time to time, should be kept in a special register maintained for "such exports and the account sales received", which should be preserved for submission, when the entire consignment is sold. Deductions for expenses shown by the consignee are to be supported by original bills/receipts, except for petty items. The bank is expected to watch the realisation of proceeds and follow the procedure laid down in the Exchange Control Manual.

Export of certain commodities like cardamoms, marine products, etc, on consignment basis is banned by the Export Trade Control authorities.

2.11 OVERDUE BILLS:

Overdue bills should be watched closely through Bills-Register, which should contain the date on which the period of 6 months from the date of shipment would expire (the period is 3 months for shipments to Pakistan and Afghanistan). If the exporter fails to arrange for the delivery of the proceeds within 21 days after the period of realisation of exports is over, the matter is required to be reported to the RBI, by a letter stating, where possible, the reasons for the delay; the form number and date on which the duplicate copy was submitted to the RBI, should also be mentioned. The triplicate copy of the form would, however, continue to be held by the bank, until the full proceeds are realised. Authorised dealers are required to furnish to the
RBI, quarterly statements of export bills outstanding beyond the prescribed period of realisation, at the end of March, June, September and December.

2.12 SHORT SHIPMENTS (EXPORT):
In some cases, due to circumstances beyond the exporter's control, such as shortage of shipping space, etc., the quantity of the merchandise shipped may be less than what is indicated on the original exchange control form and the draft will be drawn for a correspondingly smaller amount. The exporter must declare the fact, on the remaining copies of the relative exchange control form, in the space provided for the purpose. When the short shipped portion of the goods is subsequently shipped by another vessel, the exporter must use a fresh form.

2.13 FACILITIES TO EXPORTERS:

(1) Allotment of Exporter’s Code Number:
Every person/firm/company engaged in export business in India should obtain an exporter's code number from the RBI. This number is required to be cited on the relative export declaration form (GR/PP/VP/COD), without which the Customs Authorities will not permit the export. To obtain the Exporter’s Code Number, the Head/Principal Office of the exporter should apply to the RBI, within whose jurisdiction the Principal office is situated, on form "CNX" in duplicate, through the authorised dealer, with the relevant supporting evidence.
(2) **Extension of time limit for realisation of export proceeds:**

If the exporter is not in a position to realise the proceeds within the prescribed period, he should apply to the RBI, on form ETX, in duplicate, through the authorised dealer through whom the bills were negotiated, with the correspondence exchanged with overseas parties, justifying the need for extension.

(3) **Registration of Agency Agreement:**

In order to avoid frequent reference to the RBI for settlement of commission, exporters may enter into selling agency arrangements with agents abroad and obtain Agency Agreement Registration Certificates from the RBI, against which remittances can be made by authorised dealers. For registration of agency agreements, exporters should apply to the RBI, on form RCX, through an authorised dealer in foreign exchange, with the agency agreement/correspondence where formal agreement does not exist, in original, together with certified copy.

(4) **Remittances for testing charges:**

Remittances on account of testing charges for samples of exportable merchandise require prior approval of the RBI. Exporters desirous of remitting testing charges should apply to the RBI (within whose jurisdiction the exporter's office is situated), on form A-2, through an authorised dealer in foreign exchange, with the relevant supporting evidence/information.
Remittances of Legal Expenses:

In the case of dishonoured export bills, where the cost of legal proceedings exceeds US$ 1000 or its equivalent, the exporters should apply to the RBI, on form A-2, through an authorised dealer in foreign exchange, with full details of the case. Where the legal expenses do not exceed US $1000 or its equivalent, the application is to be submitted to an authorised dealer in foreign exchange.

Remittance for tender documents, export information and translation charges:

(A) Tender document/translation charges:
Remittances by exporters towards cost of tender documents, registration fees for participation in foreign tenders and cost of translating tender documents, expressed in foreign languages, by Indian diplomatic missions abroad, do not require prior approval of the RBI. Exporters should apply to an authorised dealer in foreign exchange, on form A-2, for the purpose.

(B) Export Information:
Remittances towards cost of obtaining commercial information on overseas markets from a Trade Association/Chamber of Commerce/ Government Department/ Government owned organisations abroad, up to US $200 or its equivalent does not require approval of the RBI. Exporters should apply, on form A-2, to an authorised dealer in foreign exchange. If the cost exceeds US $200, an application should be made to the RBI, through an authorised dealer, with relevant documents.
(c) **Earnest Money:**
Exporters, who are required to remit earnest money to overseas tender inviting bodies, should apply to the RBI, on form A 2, through an authorised dealer in foreign exchange, with supporting documents and an explanation for not asking for bank guarantee in lieu of earnest money.

(7) **Remittances for advertisements abroad:**

(a) **Advert**isement over Radio Sri Lanka:
An Indian company wishing to advertise over Radio Sri Lanka for export promotion, should apply to the RBI, on form A 2 and form ADV, through an authorised dealer in foreign exchange, with the text of the advertisement and other relevant supporting evidence/information.

(b) **Advertisements abroad (other than over Radio Sri Lanka):**
An Indian company intending to give advertisement abroad for export promotion should first obtain the RBI's approval in principle, by submitting an application on form ADV, with the text of the advertisement and other relevant documents. Subsequently, for effecting remittance after the advertisement is published, the exporter company should apply to the RBI, on form A 2, through an authorised dealer in foreign exchange, with the relevant supporting documents/information.

An established exporter or construction and consultancy firm/company of repute does not have to obtain the
approval of the RBI, for remittance upto US $ 3000 or its equivalent, in a calendar year, for advertisements abroad calculated to promote exports, in media like newspapers/magazines, etc. (and not in special supplements), other than radio. The company should apply to the authorised dealer, on form A 2, with the relevant documents/declaration.

(c) Blanket permit for advertisement abroad:
Established exporters of repute are issued blanket permit, if they so desire, for meeting the cost of advertisements. They should apply, by way of a letter, to the RBI, through an authorised dealer, with the relevant documents/information.

(8) Visits to India of potential overseas buyers/selling agents in connection with export promotion:
Exporters wishing to extend hospitality to representatives of overseas buyers/selling agents should apply to the RBI, by way of a letter, with the relevant supporting documents/certificates/information. If the passage to and from India is to be paid for by the Indian exporters, they should apply to the RBI, on 'P' form, through a travel agent/airline company, with the relevant supporting documents/certificates/information.

(9) Travel abroad for export promotion:
The exporters intending to go on exploratory visits for
travelling abroad for export promotion should submit their applications, to the RBI, on form TRB, with relevant supporting information/recommendations from the Export Promotion Council/Commodity Board Concerned/Confidential Report from their bankers, etc. For other export promotion visits, the exporters should apply to the RBI, on form TRB, with relevant supporting Bank Certificates/other information.

(10) NEW BLANKET EXCHANGE PERMIT SCHEME:

The Reserve Bank has introduced a single broad-based Blanket Exchange Permit scheme for exporters in place of the separate RBI and ITC Blanket Permit Schemes, which came into effect from June 1987. The main features of the new Scheme are given below:

(1) Four major categories of firms and companies eligible to use the schemes are:

(i) recognised export and trading houses,
(ii) 100 percent export-oriented units,
(iii) beneficiaries of export marketing fund grant from Exim Bank, and
(iv) exporters with a minimum export earnings stipulated by the Govt.

(2) Exporters of different products would be eligible for release of foreign exchange on the percentage basis of f.o.b. value of their exports repatriated to India, during the preceding calendar year or the financial year (subject to the ceiling limit of Rs.2 crores), as under:
(i) certain identified thrust area products..Max. 10%
(ii) other products . Max 5%
(iii) other products (not calling for any export promotion drive) . Max 2%

(3) The permit issued by the Bank will be valid for one year from the date of issue, and if the amount was exhausted prior to its date of expiry, supplementary permits would also be provided.

(4) As against the earlier provision only for travel abroad, the list of approved purposes (Appendix II) includes 18 items like travel, export promotion measures and purposes for which funds had been allocated by the Exim Bank, etc. Further, there is no restriction on the number of days spent by the beneficiary during his stay abroad, though the number of persons using the Scheme at a time was restricted by prescribed guidelines.

Permit holders could spend towards entertainment of their foreign buyers, subject to ceiling on the amount upto 10 percent of their foreign exchange earnings or Rs. 5 lakhs, whichever is less.

Thus, the expansion of approved purposes would considerably obviate frequent applications from exporters to the RBI, and removal of monetary ceilings or enhancing the limits for expenditure on approved purposes would afford greater freedom to exporters.
The Scheme is not the "last word" and the changes, as and when required, to accommodate the felt needs of the exporting community would be made. The relaxations made and the flexibility provided, under the new Scheme, it is hoped, would give a major thrust to the country's export promotion drive and would encourage manufacturers and exporters to deploy their eligible funds of foreign exchange in more productive and fruitful ways.

CLARIFICATIONS:

(I) Facility to import machinery and spares, under the Scheme, which provides 10 percent of the foreign exchange earnings for export promotion, is not within RBI's powers. Since the import control and exchange control are two different aspects, a fresh decision by the Ministry of Commerce, could provide for such a facility. In fact, the new decision, if it comes through, may be incorporated in a suitable provision in the import-export policy itself.

(II) RBI is reviewing the certification of export performance as required under the Scheme, as it has noticed many hitches in its implementation. Several exporters have pointed out that, in addition to the usual bank certificate indicating applicant's country and groupwise exports value, in a prescribed format, an exporter is also required to submit certificates in form CBX from Chartered Accountants, showing the f.o.b. value of exports. The process is riddled with practical difficulties.
2.14 The Govt. of India's Export Policy has EXPORT PROMOTION as the major objective and hence, Exchange Control is exercised in respect of a limited number of items, essentially needed in the country. Keeping this objective in view, the Govt. may from time to time:

(a) ban the export of certain items, and

(b) restrict export of certain goods in quantity, value, etc. by subjecting them to licensing requirements.

Thus, export control operates only to a limited extent and export of all other goods are rather freely allowed. Export of goods is generally allowed, provided:

(a) they are not banned, and

(b) the exporter holds a valid export licence, if the items are subject to a licence, or

(c) they are covered by Open General Licence, or

(d) they fall under the Savings Clause 15 of the Exchange Control Order, 1977.

The export of gold, silver, currency notes, bank notes and coins, is controlled by the RBI, under the Foreign Exchange Regulation Act. Also, export of certain goods like antiques, art treasures, coffee, etc., are governed by the provisions of specific acts enacted.

Export Policy and Procedures for the year commencing on 1st April are given in the GREEN BOOK - published every year. Public Notices or Trade Notices are issued for any amendments to the policy and procedures. Export promotion
has continued to be an important facet of the foreign trade policy. The Import Export Policy for 1988-1991 carried further the progressive liberalisation in Policy, witnessed since 1979-80. Important Exchange Control/Promotion announcements made, during the period from April 1987 to June 1988, are given in Appendix III.

Export duty is employed to mop up a part of the windfall profits accruing to exporters. With changes in overseas market conditions, modifications in the rates of export duties are effected, in a flexible manner, having regard to competitive position of India's exports in the world market. Changes in Export Duties, during the period April 1987 to March 1988 are detailed in Appendix IV.

While financing exports, especially before granting packing credit advances, the bank is required to ascertain whether the goods covered by the advance, are permitted to be exported or not, under the Export Policy, in force. A "List of Select Export Products" is given in Appendix I and Appendix V contains a "List of items in respect of which commercial export credits may be offered by Indian Exporter".

2.15 The Exchange Control has to continue considering the present and prospective balance of payments position. Exchange Control is a dynamic concept and its emphasis has already shifted from conservation of exchange to promotion of
exchange earnings. With the improvement in economic performance, import as well as exchange control policies have been progressively liberalised, especially for promoting exports.

With a view to assuring speedy and prompt service to the public, the work of the exchange control department of the RBI is being very greatly decentralised and more and more powers are being given to authorised dealers, based on the recommendations of the Patwardhan Committee.

1. Mr. Malhotra, R.N.: Governor, RBI
   "FERA changes ruled out" Financial Exp. 1.9.87

2. Mr. Singh Manmohan (Dr.): then Governor, RBI,
   "Indian Banking System in VIth Five Year Plan": Commerce 6.10.84

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