CHAPTER 2
CHAPTER - II

ROLE OF GOVERNMENT INSTITUTIONS AND OTHER ORGANISATION IN THE PROMOTION OF FOREIGN TRADE

Introduction

The Government has been undertaking, from time to time, several measures to boost exports with a view to augmenting foreign exchange reserves and attaining a viable balance of payments position.

These measures include announcement of necessary changes in various policies such as trade, industrial, fiscal, monetary and exchange rate policies, as also provision of adequate infrastructural support and institutional framework. Removal of irritants by way of simplification and streamlining of procedures also constitutes an important element of strategy being followed by the Government for promotion exports.

This chapter deals with the export policy measures of Government of India and the role played by the important
public sector agencies and export promotion organisation in promoting Indias foreign trades. It also covers the supplementary role of various trade fairs and exhibitions in the promotion of exports from India.

It has been recognised that a sustainable solution to the balance of payments problem lies only in a rapid growth of exports. Towards this end, Government has undertaken several export promotion measures during 1994-95 that are in continuation of the measures initiated in July, 1991. These measures, encompassing all major sectors viz. trade, industrial, fiscal and monetary sectors, include introduction of the unified market determined exchange rate system, revision of Export-Import Policy 1992-97 giving particular attention to simplification and streamlining of policy and procedures, substantial reduction in import licensing and other discretionary controls, reduction of peak import tariff level from 150 per cent to 85 per cent, reduction in the interest rate on rupee export credit, specific directions to banks to increase availability of credit at lower rates of interest to the export sector, strengthening infrastructural facilities through greater involvement of state Governments, and setting up adequate institutional arrangements to deal with export matters in a time bound manner.

The major objectives of the Export - Import Policy 1992-97 (effective from April 1992) are creating a free environment for trade, increasing export production, sharpening competitive edge and focusing on quality and technological upgradation. Based on feedback received from trade and industry on the Export-Import Policy 1992-97, a revised version of the Policy was announced on 31st March, 1993. In the Policy, agricultural and allied sectors have been given special attention. A new scheme has been introduced for these sectors, wherein such sectors are required to export 50 per cent of their production and the rest 50 per cent can be sold in the domestic tariff area, as against a maximum of 25 per cent permitted for sale in domestic markets by other sectors. Several procedural simplifications have been undertaken in the duty exemption scheme and EPCG scheme to facilitate greater exports. A new scheme of 'EPCG' for the Services sector has also been introduced in order to tap the exports potential that exists in this sector. Improvements have also been made in the EPZ/EOU schemes through measures such as revision of value addition formula and facility of uniform domestic market access of 25 per cent.

Apart from the 34 Extreme Focus Products (Annexure) identified by the Government for special export thrust abroad, 6 task forces were also set up for important export sectors to cover agriculture and allied sectors, leather, electronics, textiles,
chemicals and granite. Besides commodity specific measures, specials country-specific steps were also taken to create new markets and strengthen the existing ones.

Attention was also given to strengthening our infrastructural facilities required for export production. The network of Inland Container Depots (ICDs) and container Freight Stations (CFSs) has been extended and they have recently been opened to the private sector. A centrally sponsored 'Export Promotion Industrial Parks' (EPIP) Scheme for providing financial assistance to the State Governments in setting up and maintaining appropriate infrastructural facilities, has been formulated by the Ministry.

Review of Export Promotion Councils, Commodity Boards and Development Authorities

The following are the important export promotion measures undertaken by the Government from time to time to monitor export performance.

Policies and Procedures

Deemed Exports

Under Chapter X of the Export and Import Policy, 1992-97, certain categories of supplies of goods and services made in India for which the payment is received by the suppliers in

Indian Rupees but the supplies earn or save foreign exchange for the country have been treated as deemed exports and are entitled to three benefits, namely (a) Duty Exemption Scheme under Chapter - VII of the said policy, (b) Duty Draw-Back, and (c) Refund of Terminal Excise Duty. These supplies include (i) supplies against licences issued under duty exemption scheme, (ii) supplies to 100 per cent Export Oriented Units and units in the Export Processing Zones, (iii) supplies to ONGC, OIL and GAIL for their off-shore and on-shore exploration, (iv) supply to project financed by specified multilateral/bilateral agencies/ funds and to projects against international competitive bidding (ICB), or similar procedures authorised by the Government and (v) supplies to fertilizer plants.

Separately, certain categories of supplies made within India for which payment is received in foreign exchange by the supplier, even though they have not been treated as deemed exports, have been allowed the benefits of duty drawback and refund of terminal excise duty for a period of three years from 1st April, 1992 to 31st March, 1995. These supplies included supplies made to United Nations Organisations or other multilateral agencies, supplies made to charitable organisations in the field of health, social welfare, education or rural development and supply of all types of motor vehicles to the foreign diplomatic personnel in Embassies / High Commissions/ U.N.

3. Ibid., p. 18.
Organisations in India. Also all deemed export benefits have been allowed to the Indian bidders, who bid in foreign currency and received payment in foreign currency for supplies to projects against ICB or similar procedures.

**Duty Drawback Scheme For Physical Exports**

Duty Drawback Scheme provides rebate of duty chargeable on imported materials or exciseable materials used in export production. The working of Duty Drawback Scheme was constantly monitored and a number of changes effected during the year as a part of Government's drive to ensure more realistic and expeditious payment of duty drawback to the exporters. The Department of Revenue have reviewed the All Industry Rate of Drawback considering the impact of budgetary changes and the data collected from different sources. The new Drawback Rates came into effect from June 1, 1993.

Keeping in view the immediate need to boost exports, special care was taken to add as many new items as possible and to improve the existing rates in order to compensate the exporters to the fullest extent possible and enable them to compete in the international market.

One important change effected is deletion of the 'Schedelue' in the Drawback Rates. The same has been replaced by a table specifying the items for which drawback will be
available and a residual entry made therein to cover "all manufactured goods not elsewhere specified." This will enable all export products to be eligible for drawback.

Rule 7A of the Drawback Rules, 1971, has been amended and the limit of Rs. 10,000/- per shipment reduced to Rs. 5,000/-. As a result, more exporters will be able to claim drawback where the rates work out to less than 2 per cent off. o.b.

Cheques for payment of drawback have been allowed to be issued on weekly basis instead of fortnightly basis. This measure is expected to speedup the processing of drawback claims and further reduce the delays in issuance of cheques.

Main features of the new Drawback Rates are:

(i) The rates for 333 new items have been announced for the first time by splitting the existing entries and also identifying new items having export potential.

(ii) Following the policy of liberalisation, the drawback on packing materials used in the export of all commodities has been made payable by making a special provision to the claim.

(iii) The rates for 84 categories of items have been improved.

4. Ibid.
(iv) The existing rates for 65 items have been continued.

(v) As per the Export Import Policy, the drawback in respect of Central Excise Duties remain admissible on products exported under DEEC. Therefore, the existing provision of providing the reduced rates of drawback for exporters availing DEEC Scheme (under quantity based licence) have been continued.

Export Promotion Capital Goods Scheme

Under the Export Promotion Capital Goods Scheme, capital goods are allowed to be imported at a concessional rate of Customs Duty. For importers who are willing to undertake export obligation of four times of the c.i.f. value to be fulfilled in five years, only 15 per cent of the c.i.f. value of customs duty is payable. The Scheme is open to regular exporter as well as new exporters. Both new and second hand capital goods are allowed under the scheme. Subsequently, some amendments have been made which include (i) permitting import of capital goods on leasing (ii) permitting import of components duty free to the indigenous manufacturer of the capital goods but, after fabrication, could supply the same to the EPCG licence holder and (iii) to allow legal undertaking instead of bank guarantee after the licence holder has completed 50 per cent of the export obligation. The legal undertaking facility was also allowed to Export Houses/Trading Houses/ Star Trading Houses. The
definition of capital goods' under the Export Promotion Capital Goods (EPCC) Scheme has been expanded to include machinery for mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry and sericulture.

A new Export Promotion Capital Goods (EPCG) Scheme for services sector was introduced vide revised addition of Exim Policy published on 31st March, 1993. The said scheme permits import of capital equipments by specified categories of professionals, hotel and restaurants and other specified service providers at a concessional duty of 15 per cent subject to the condition that free foreign exchange equivalent to four times the value of such capital equipments is earned within a period of five years.

Duty Exemption Scheme

Under the duty exemption scheme, import of duty free raw materials, components, intermediaries, consumables, parts, spares including mandatory spares, and packing materials required for the purpose of export production is allowed under five categories of licences mentioned as under:

(i) Advance Licence

An advance licence is granted for duty free import of items mentioned above, subject to fulfilment of a time bound export obligation and specified value addition. The minimum
value addition prescribed is 33 per cent. On request, lower value addition up to 25 per cent could also be allowed on merits. An exporters may apply for a value based on quantity based advance licence.

(a) Value Based Advance Licence

The value based advance licence system was introduced in the Export-Import policy, 1992-97 for the first time. Under this category, only the c.i.f. value of imports and f.o.b. value of exports and also items of imports were required to be indicated. The Value Based advance Licensing Scheme introduced in the Export-Import Policy 1992-97 from 1-4-1992 has become very popular with the exporters and has been continued in the current year also. Further improvement in the scheme was made by standardising Value Based norms for a large number of products. In view of certain mal-practice notices, in the scheme, some remedial measures were taken by adding approximately 20 more items to the list of sensitive items up to 20 per cent more than the requirement for export production, was also allowed.

(b) Quantity Based Advance Licence

In the Quantity Based Advance Licensing Scheme, only the quantity of each item to be imported, the c.i.f. value of

exports was required to be indicated. The Quantity Based Advance Licensing Scheme was modified to allow drawback of both Customs and Excise duties on inputs allowed to be imported against Advance Licence but which are not actually imported and are got deleted from Advance Licence and DEEC.

(ii) Self-Declared Pass Book Scheme

The Self Declared Pass Book Scheme, introduced w.e.f. 1.4.1992 is available to Export Houses, Trading Houses and Star Trading Houses, for those export products for which standard input-output norms under the value based advance licensing scheme is applicable only for physical export.

(iii) Advance Intermediate Licence

An Advance Intermediate Licence is granted for the duty free import of raw materials, etc. by the intermediate manufacturer for supply to the ultimate exporter holding licence under duty exemption scheme. The intermediate licence holder has the option either supply to a licence holder or export directly. The quantitative norms applicable to advance licence also apply to advance intermediate licences.

(iv) Special Imprest Licences

The Special Imprest Licence is granted for duty free import of raw materials, intermediates, consumables, spares
including mandatory spares and packing materials for supplies mainly to those categories which are covered under the deemed export policy. These licences are quantity based licences.

(v) Advance Customs Clearance Permit

Advance Customs Clearance Permit is granted for duty free import of goods supplied free of cost by the foreign buyers for the purposes of jobbing, repairing, servicing, restoration, re-conditioning, renovation etc.

Export Houses, Trading Houses and Star Trading Houses

The objective of the Scheme of Export Houses, Trading Houses and Star Trading Houses is to give recognition to established exporters and large Export Houses to build up the marketing infrastructure and expertise required for export promotion. Registered exporters having a record of export performance over a number of years are granted the status of Export/Trading Houses/Star Trading House subject to the fulfilment of minimum annual average export performance in terms of net foreign exchange earnings, prescribed in the EXIM Policy.

The Export, Trading House and Star Trading Scheme allows the registered exporters certain additional benefits available to them under the policy.

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As on 31st December, 1994 there were 14 Star Trading Houses, 150 Trading Houses and 1270 Export Houses.

**Extreme Focus Products**

As a follow up of the discussions held at the meeting of Board of Trade on 13-12-1991, 34 Extreme Focus Products were identified with a potential growth of 30 per cent per annum either in value or volume terms during the next three years. These products/product groups were referred to as 'Extreme Focus Products.' (See Annexure 1).

Twenty six groups, headed by representatives from trade and industry, were setup to give their recommendations regarding the products/product groups assigned to each Groups. The recommendations made by the Groups in their reports were examined by a seven member team which submitted a consolidated report entitled 'A Strategy for Export Growth of Extreme Focus Products Groups - An Agenda for Action' on 16th July, 1992.

The Report contains recommendations that are (i) general which relate to policy issues and procedural simplifications, infrastructural improvements and institutional arrangements that are common to most of the Extreme Focus Products Groups and (ii) specific which relate to constraints and problems experienced by exporters of particular products.
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The Report has been examined in the Ministry and action has been taken to implement the recommendations. Major steps taken in this regard include introduction of Unified Market Determined Exchange Rate System, reduction of import duty on specified capital goods for extreme focus items such as food processing, horticulture and floriculture industries for 40 per cent to 25 per cent reduction of import duties on a large number of raw materials, components, etc., required by these sectors, reduction in interest rate on rupee export credit, abolition on interest tax in the case of export credit, extension of section 80 HHE benefit to software export for one more year, extension of benefits under section 10-A software technology parks and electronics hardware technology parks and abolition of export duty on unpolished granite.

Subsequently, six Task Forces for important export sectors have been set up to cover agriculture and agro products and allied sectors, leather and leather products, electronic and information technology, textiles and garments and chemicals and
pharmaceuticals and granite. The sub groups of these Task Forces cover almost all the Extreme Focus Sectors. The two main functions of the Task Forces are to analyse the factors which hinder accelerated growth of exports in these product groups and monitoring the progress periodically and to carry coordination amongst concerned Ministries besides examination of procedural hurdles faced in the States.

Export Credit

Export credit is a very vital input for promotion of exports. Timely availability of export credit at reasonable rates of interest helps in maintaining the competitiveness of the exports. Export credit is available in India through the medium of commercial banks and Export-Import Bank of India. Commercial banks play a major role in short term financing even though they participate in long term financing of exports as well. Exim Bank which is a developmental bank is concerned with medium term and long term financing, i.e. financing of overseas projects, exports made on deferred payment basis, etc. Commercial bank credit for exports is available at a lower rate of interest compared to minimum lending rate. It is available by way of working capital finance at the preshipment stage and bill finance at the postshipment stage.

Ministry of Commerce is in constant dialogue with Ministry of Finance and RBI regarding export credit policies and
procedures. After studying and evaluating the feedback received from trade and industry, Ministry of Commerce recommends appropriate changes in policies and procedures to Ministry of Finance and R.B.I. The implementation of the policies is also monitored at the Ministry. Cases of delays in the sanction and disbursement of credit and other problems faced by trade and industry are referred to the institutions concerned and regularly monitored.

The Government took various steps to ensure greater availability of finances for exporters at lower rates of interest. In the Central Budget for 1993-94, the rate of interest on rupee export credit was reduced by one point and interest tax in the case of export credit from banks was done away with. With a view to making available export credit at internationally competitive rates RBI has announced in the recent credit policy statements, that the banks in India would be allowed to extend Preshipment Credit in Foreign Currency (PCFC) and also rediscount export bills abroad at rates linked to international interest rates such as LIBOR, these facilities will be additional windows alongwith the existing methods of export financing. The introduction of PCFC and discounting/rediscounting of bills in foreign currency Schemes will remove the long outstanding complaint of the exporters that interest rate is rupee credit is high and they are not able to avail of export credit at internationally competitive rates of interest.
Apart from flow of credit, another important aspect highlighted by the exporters is the delay in sanction of export credit discipline such as inventory norms, MPBF, etc. Recently Reserve Bank of India has advised the banks on the basis of the accommodations of various committees appointed by the Reserve Bank of India to streamline the sanctioning procedure of the credit limits for exporters.

Some of the important instructions are:

1. The sanction of fresh/enhance limits for export credit should be made within 45 days, renewal of limits in 30 days and adhoc limits within 15 days. Needless to add that the exporter has to furnish the complete date and financial accounts to enable the banking system to serve them better.

2. The cut off point for consortium lending has been hiked from Rs. 5 crores to Rs. 50 crores.

3. Banks will have freedom to decide the level of holding of individual items of inventory and of redeemables which should be supported by bank finance.

Export credit outstandings of the commercial banks stood at Rs. 16,652 crores on 24-12-1993 and constituted 10.5 per cent of the bank credit. Thus the RBI stipulation that at least 10 per cent of the net credit extended by banks should be earmarked for the export sector, has been met.
The Ministry provides infrastructural support to our foreign trade in coordination with the concerned Ministries and agencies for carriage of goods by sea, air, rail and intermodal transport. The Division also serves as nodal point for setting up Inland Container Depots (ICDS), Container Freight Stations (CFSs) and Air Cargo Complexes (ACCs). Assistance is also provided on matters relating to communication, warehousing etc.

To resolve problem relating to equality, adequacy and cost of transportation services faced by exporters, high level Standing Committees on promotion of exports by air/sea known as SCOPE/AIR and SCOPE-SHIPPING continued to function and hold periodical meeting in the Ministry of Commerce. These Committees comprise representatives of organised bodies of shippers, carriers, terminal operators and Ministeries/Departments concerned and meet at regular intervals.

Some of the important measures taken in respect of infrastructure and services relating to various modes of transport in conjunction with the concerned departments and organisations are briefly enumerated below:
(a) Air Transport

Exports by air have been growing steadily. Air borne export traffic increased from Rs. 14,105 crores in 1991-92 to Rs. 19,027 crores in 1992-93. In volume terms the air borne exports have increased from 341,950 tonnes in 1991-92 to 462,626 tonnes in 1994-95. The increasing trend is likely to continue. To meet the traffic requirements, following steps have been taken.

Air Cargo Complexes

Air Cargo Complexes have been set up at the gateway airports of Delhi, Bombay, Madras, Calcutta and Trivandrum and at the inland airports of Bangalore, Ahmedabad, Hyderabad, Varanasi, Jaipur, Amritsar, Srinagar and Cochin to provide air cargo booking, pre-shipment inspection, customs clearance, etc. under the roof.

Cargo Projections/ Evacuation

In consultation with concerned Export Promotion Councils the Ministry formulated cargo projections in quantitative terms in respect of important commodities of India's exports to help airlines to plan their capacity. Monthwise and airportwise export projections for the period September 93 to August '94 have been furnished to all concerned agencies including Air India, in advance of the peak period.
Important measures so far taken to facilitate evacuation of air cargo are as follows:

(i) Air India has limited freighter capacity and is not in a position to cater to the requirements of exporters. In view of this, the Ministry of Civil Aviation has been persuaded to announce 'Open Sky Policy' whereby scheduled and non-scheduled freighters have been permitted to operate adhoc services to provide extra capacity. The 'Open Sky Policy' has since been made permanent.

(ii) Operation of extra-sectional services have been permitted in addition to scheduled/non-scheduled airlines, by exporters' associations as well as private air freight operators.

(iii) Mandatory air freight rates have been abolished for leather/leather goods. This together with freedom to regulate general cargo rates according to supply and demand and in line with IATA rates, are expected to provide adequate incentive to the airlines to provide capacity during peak periods by operating additional cargo flights.

(iv) To enable the cargo agents to palletise cargo, as Cargo Agents Terminal has been commissioned at the IGI Airport and 26 members of the Air Cargo Agents Association of India have taken space in this terminal.

(v) Air India has been permitted to operate bonded trucks on Varanasi - Delhi sector w.e.f. June 1989 with a view to meeting the evacuation requirements of the shippers. In addition, the U.P. Export Corporation has also been permitted to move customs cleared export cargo from Varanasi to Delhi airport in bonded trucks.
(vi) In order to increase the air evacuation capacity and facilitate movement of export cargo from Varanasi region, Indian Airlines has been permitted to carry customs cleared cargo from Varanasi to Bombay and Calcutta, in addition to Delhi.

No air cargo backlogs have been noticed during 1993 because of non-availability of capacity or inadequate handling facilities.

The Ministry of Commerce have been pursuing the proposal for setting up of a Warehouse-cum-Distribution Centre in Europe to meet the demand of Integrated Europe of 1993. For this, 4000 sq mtrs. of land at Rotterdam has been earmarked by the Municipal Port Authority. A consortium of Indian companies has been formed for running the Centre with the assistance of Agricultural and Processed Food Products Export Development Authority (APEDA).

The Electronic Data Interchange (EDI) which is the modern concept aimed at 'paperless' trading is developing fast in various countries of the world.

The Ministry of Commerce is taking initiative to introduce EDI in India. A Group was constituted to prepare a concept paper and plan of action for introduction of EDI has submitted its Report. Its recommendations are presently receiving the attention of the Government for suitable followup action. With
a view to creating awareness about EDI, at the request of Ministry of Commerce, ESCAP Secretariat organised three workshops on EDI at Bombay, Madras and New Delhi in November, 1992. India has become a regular member of the UN/EDIFACT Board and has participated in its last four meetings.

(b) Intermodal Transport

Containerisation and multimodal transport has been a prominent manifestation of an increasingly efficient logistics arrangement. Containers today are an integral part of trade and consumer flows enabling through transportation of goods from origin to destination and offering a multimodal transport system over sea, rail, road and inland water base. In order to provide a boost to containerisation in India, Multimodal Transportation of Goods Act has been passed. It would provide the basis for the operations of multimodal transport operators and for the combined transport document in accordance with international practices.

(c) Inland Container Depots/Container Freight Stations (ICDs/CFSs)

Inland penetration of containers in India is not commensurate with the quantum of inland containerised cargo as only about 20 per cent of the container move inland. 65 per cent of the commodities exported from uncountry are containerisable in terms of value.
Private sector participation has been allowed in the ICDs and CFSs to generate competition and get over the problem of resources for development of such stations. A Standing Inter-Ministerial Committee (IMC) is functioning in the Ministry of Commerce which clears proposals for setting up of ICDs/CFSs at Madras (Import) Calcutta, Nhava Sheva, Tuticorin, Kandla, Surat (Export), Tuticorin, Dronagiri Node, New Bombay, Delhi, Joghpur (Export), Baroda, ICD Indore, Nasik, Madhavaram (Madras), Udaipur (Rajasthan), Bhatinda and Kalamboli.

Institutional Backup

Board of Trade

The Ministry of Commerce constituted on May 5, 1989 a Board of Trade to provide a Forum for ensuring continuous dialogue with trade and industry in respect of major developments in the field of International Trade. The Board of Trade was reconstituted on 13-8-1991. The Chairman of the Board of Trade is the Commerce Minister and the membership of the board includes the Governor, Reserve Bank of India; Secretaries of Ministries of Commerce, Industry, Finance and Textiles; Special Secretary, Prime Minister's Office; President of FICCI, ASSOCHAM, CII, FIOBO: a few representatives of Trade and Industry and a few specialists. The latest meeting of the Board of Trade was held on 13-1-1994.
States Cell

A State's Cell, under the over-all charge of an additional Secretary, is functioning in the Ministry of Commerce with effect from 19-6-1990. It has the following functions:

(a) Act as a nodal agency for interacting with State Governments/Union Territories on matters concerning imports and exports from the State and for handling references received from them,

(b) Process all references of a general nature emanating from State Governments and State Export Corporations, which do not relate to any specific problem pending in a Division in the Ministry.

(c) Monitor proposals submitted by the State Governments to the Ministry of Commerce and coordinate with other Divisions in Ministry;

(d) Act as a bridge between State level corporations and Associations of Industries and Commerce and Export Organisations at the Centre like ITPO, FIEO and EPZs;

(e) Disseminate information regarding Export Import Policy and export prospects to State Governments and to other State level organisations; and

(f) Provide guidance to state-level export organisations and assist in the formation of export plans for each State, in cases where export possibilities remain untapped.

Centre-State Interface in Export Promotion

The States Cell continued to maintain interface with the State Governments in export promotion matters.
At the suggestion of the Ministry of Commerce most of the State Governments have set up Apex-level organisations under the Chairmanship of the Chief Minister or Chief Secretary to consider and sort out problems faced by the exporters/importers in the respective states. They have also created Cells in the State Secretariats for looking after export work. The State Governments have also nominated nodal Officers (Niryat-Bandhu) for export promotion work, in response to suggestion made by the Ministry of Commerce.

It has been decided to grant Export House status to one Export Corporation in each State nominated by the State Governments in relaxation of the minimum export earnings condition.

The Government has recently formulated a scheme to encourage the State Governments to set-up Export Promotion Industrial Parks (EPIP). Under this scheme, the Centre will provide grants to the States not only for the construction of high standard export production infrastructure but also for its maintenance for five years.

Appellate Committee

The Appellate Committee with Additional Secretary as Chairman and two Joint Secretaries and Director (Vigilance) as members, is functioning to hear appeals preferred by the appellants in terms of the provisions contained in Section 4(M) of the Imports and Exports (Control) Act, 1947 as amended from time
to time. The appeals considered by the Committee are against statutory orders passed by DGFT or Addl. DGFT imposing fiscal penalty or debarring the parties from import facilities for a certain period or for violation of provisions of the Import-Export Act, 1947 and Imports (Control) Order 1955. The Appellate Committee had 7 sittings during the period from January 1993 to December 1993 and heard 54 cases.

Exporters' Grievances Redressal Cell

To facilitate prompt action on problems being experienced by exporters, an Exporters' Grievances Redressal Cell has been set up in the Ministry of Commerce from July, 1993 to entertain and monitor timebound disposal of suggestions and grievances of exporters.

Inter-Ministerial Committee on Joint Ventures Abroad

There is an Inter-Ministerial Committee on Joint Ventures Abroad (IMC) which consists of the representatives of Ministry of Commerce, Department of Economic Affairs, Department of Company Affairs, DGTD and Reserve Bank of India. This Committee is presented over by an Additional Secretary in the Ministry of Commerce and is empowered to decide, subject to certain guidelines, all matters which fall under the jurisdiction of Ministry of Commerce. The IMC gives approvals for the establishment of Joint Ventures/wholly owned subsidiaries under Section 27 of foreign Exchange Regulation Act 1973 (FERA). As on 31st October,
1992, there were 294 Joint Ventures. Out of these, 161 Joint Ventures were in operation and 133 were at different stages of information.

Board of Approvals for 100% Export Oriented Units (EOUs)

Applications seeking Letters of Intents/Permission Letters for setting up of 100 per cent Export Oriented Units are considered by a Board of Approvals headed by Commerce Secretary / Additional Secretary (Commerce). As Departments of Industrial Development, Economic Affairs, Science & Technology, Planning Commission, Director General of Foreign Trade, other concerned administrative Ministries/ Departments, technical authorities, etc. are represented on this Board, all approvals for Letter of Intent/Permission Letter, Import of Capital Goods, Foreign Collaboration, etc. are granted by the Board of Approvals.

A special Board of Approvals for 100 per cent EOUs and EPZ units has been constituted for the consideration of large proposals. Cases involving foreign equity are considered by the Foreign quity are considered by the Foreign Investment Promotion Board.

A scheme of automatic approvals has also been introduced and the applications fulfilling the criteria are granted approvals without reference to any Board within 15 days.
Board of Approvals for Export Oriented Units in Export Processing Zone (EPZ)

Project applications satisfying certain conditions are given Automatic Approval within 15 days by the Development Commissioner of the EPZ concerned. In other cases, proposals are approved by a Board of Approvals set up for this purposes.

The Export Processing Zones continued to receive encouraging response from entrepreneurs within the country and from foreign investors.

Market Development Assistance

The Government of India established the Market Development Fund (now called Marketing Development Assistance) in 1963 with a view to stimulating and diversifying the export trade along with the development of the marketing of Indian products and commodities abroad. It is utilised for the following purposes:

(a) Market research, commodity research, area survey and research.
(b) Product promotion and commodity development.
(c) Export publicity and dissemination of information.
(d) Participation in trade fairs and exhibitions.
(d) Trade delegations and study teams.
(f) Establishment of offices and branches in countries abroad.

(g) Grants-in-aid to export promotion councils and other approved organisations for the development of exports and the promotion of foreign trade.

(h) Export risk insurance

(i) Quality Control and Pre-shipment inspection.

(j) Export assistance for various commodities.

(k) Any other scheme which is calculated generally to promote the development of markets for Indian products and commodities abroad.

The expenditure is controlled by the MDA Committee.

The Marketing Development Assistance is provided under the following sub-heads:

Product Promotion and Commodity Development

The provision under this head is for Cash Compensatory Support for selected export products like Engineering goods, chemicals and allied products, plastic goods, jute products, Cotton textiles, sports goods, processed food items, leather and leather goods etc. The cash Compensatory Support Scheme (CCS), which was in existence since 1966 as one of the important export promotion measures, was abolished w.e.f. 3rd July 1991.

The actual expenditure under this head during the last three years was a under.
Grants-in-aid to Export Promotion and Market Development Organisations

There are Export Promotion Councils out of which grants-in-aid are being provided to 17 councils under this head. Cotton Textiles Export Promotion Council have voluntarily declined to take any grant. Provision under this head is also made for assistance to guarantee institutions like FIEO, IIFT, IIP, ICA and IDI. The budget provisions for all these organisations are approved by the MDA Committee. The actual expenditure under this head during the last three years was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs. in crores</th>
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<tr>
<td>1990-91</td>
<td>17.84</td>
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<tr>
<td>1991-92</td>
<td>22.66</td>
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<tr>
<td>1992-93</td>
<td>15.07</td>
</tr>
<tr>
<td>1993-94 (upto Nov. 93)</td>
<td>6.52</td>
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</table>

Export Credit Development

The Export Credit Development (Interest Subsidy) Scheme is for subsidies to be paid towards interest charges on export finance provided by the Banks. The scheme is administered by the Reserve Bank of India, Bombay. This scheme which was in operation since 1968 has been discontinued w.e.f. 6th August, 1991.
The actual expenditure under this head during the last three years as under:

(Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure</th>
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<td>1990-91</td>
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<tr>
<td>1991-92</td>
<td>139.93</td>
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<td>1992-93</td>
<td>141.00</td>
</tr>
<tr>
<td>1993-94 (upto Nov. 93)</td>
<td>13.41</td>
</tr>
</tbody>
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**Indian Institute of Packaging**

The Indian Institute of Packaging (IIP) is a Society Registered under the Societies Registration Act, 1960, on 14th May, 1966. The main objective of the Institute is to bring about and sustain appropriate improvements in the standards of packaging, particularly for exports. The Institute's activities cover a wide range of area like Applied Research, Training and Education, Information Services, Testing & Quality Control facilities, Package Development, Feasibility Projects, Graphic Designs, Data, Centre, Technical and Techno-Commercial Publications etc. in the field of packaging.

Today the Institute possess a considerable wealth of information and technical know-how in the field of packaging. The Institute has nearly 840 members representing the entire cross-section of industries with the common bond of interest in packaging. A packaging embraces almost every industrial activity, the membership of the Institute includes not only the producers of packaging materials and packaging machineries or converters of
packaging materials into packages but also a very large number of manufacturers of various goods.

**Package Development Studies**

During the year a few projects have already been completed, covering handloom towels, bottles and ampules, crown caps, machine tools, refrigerators, paper reels/reams and ammunition items, etc. A very important and significant project study completed relate to package development for opium. Nine more projects are in progress. Some of these are packaging of tea, grapes, extruded soya products etc.

**Specialised Programmes**

With a view to creating a platform for Indian industries to interact with international community, the following two programmes were held:

- **Metal Packaging**: Sponsored with faculty assistance from M/s Radicon Corporation, USA
- **Conference on Packaging**: Assisted by World packaging Organisation.

a Global Scenario nisation.
Organisational Set-up and Functions

Department of Commerce

The Department of Commerce in the Ministry of Commerce is headed by a Secretary. This Department is responsible for the country's external trade and all matters connected with it, such as commercial relations with other countries, state trading, export promotional measures and the development of regulation of certain export oriented industries and commodities. The Department of Commerce formulates policies in the sphere of foreign trade, in particular the import and export policy of the country. The Secretary is assisted in the discharge of duties by Additional Secretaries and a number of other senior officers functioning as Divisional Heads.

The subjects which are under the administrative control of the Department of Commerce are listed in Annexure - 3.

(A). Functional Divisions

The Department of Commerce consists of eight principal functional Divisions as mentioned below:

i. Administrative and General Division.

ii. Finance Division;

iii. Economic Division;

iv. Trade Policy Division

v. Foreign Trade Territorial Division;
vi. Export Products Division;

vii. Export Industries Division;

viii. Export Services Division.

(B) Autonomous Bodies

1. Commodity Boards: There are five statutory Commodity Boards under the Department of Commerce. These Boards are responsible for production, development and export of tea, coffee, rubber, spices and tobacco. The names and address of these Commodity Boards are given in Annexure - 3.

2. Export Inspection Council, New Delhi: The Export Inspection Council, a statutory body, is responsible for the enforcement of quality control and compulsory pre-shipment inspection of various exportable commodities.

3. Indian Institute of Foreign Trade, New Delhi: The Indian Institute of Foreign Trade, registered under the Societies Registration Act, is engaged in the following activities:

   i. Training of personnel in modern techniques of international trade.
   
   ii. Organisation of research in problems of foreign trade;
   
   iii. Organisation of marketing research, area surveys, commodity surveys, market surveys; and
   
   iv. Dissemination of information arising from its activities relating to research and market studies.
4. Indian Institute of Packaging, Bombay: The Indian Institute of Packaging is registered under the Societies Registration Act. The main aims of the Institute are to undertake research of raw materials for the packaging industry, to organise training programmes on packaging technology, to stimulate consciousness of the need for good packaging etc.

5. Export Promotion Councils: There are at present eleven Export Promotion councils under the administrative control of the Ministry of Commerce as given in Annexure-2. These Councils are registered as non-profit organisations under the Companies Act. The Export Promotion Councils perform both advisory and executive functions. These Councils are also the registering authorities under the Import Policy for registered exporters. (See Annexure-2).

6. Federation of Indian Export Organisations, New Delhi: The Federation of Indian Export Organisations is an apex body of various export promotion organisations and institutions. It also functions as a primary servicing agency to provide integrated assistance to Government recognised Export Houses/Trading Houses and as a central co-ordinating agency in respect of export promotional efforts in the field of consultancy service in the country.

7. Indian Council of Arbitration, New Delhi: The Indian Council of Arbitration, set up under the Societies Registration Act, promotes arbitration as a means of settling commercial disputes
and popularises the concept of arbitration among the traders, particularly those engaged in international trade. The Council, a non-profit service organisation, is a grantee institution of this Ministry. The main objectives of the Council are to promote the knowledge and use of arbitration and provide arbitration facilities for amicable and quick settlement of commercial disputes with a view to maintaining the smooth flow of trade, particularly, our export trade on a sustained and enduring basis.

8. Marine Products Export Development Authority, Cochin: The Marine Products Export Development Authority, a statutory body is responsible for development of the Marine products industry with special reference to exports.

9. Agricultural and Processed Food Products Export Development Authority, New Delhi: The Agricultural and Processed Food Products Export Development Authority is also a statutory body which serves as the focal point for agricultural exports, particularly the marketing of processed foods in value added form.

10. Public Sector Undertakings: The following trading/service corporations are functioning under the administrative control of the Ministry of Commerce:

1. State Trading Corporation of India Ltd., (Cashew Corporation of India Ltd. being merged as a Division in STC);

ii. Minerals and Metal Trading Corporation of India Ltd. and its subsidiary Mica Trading Corporation of India Ltd.
iii. Projects and Equipment Corporation of India Ltd;
iv. Spices Trading Corporation of India Ltd;
v. Tea Trading Corporation of India Ltd; and
vi. Export Credit Guarantee Corporation of India Ltd;

A holding company, Bharat Business International was set up in April, 1990 to coordinate the work of companies at (i) to (iv). It has, however, been decided to wind up BBIL. Procedural and legal formalities for its winding up are in progress.

(C) Advisory Bodies

Board of Trade: The Ministry of Commerce has reconstituted the Board of Trade to provide a forum for ensuring continuous dialogue with trade and industry in respect of major developments in the field of international trade. The reference of the Board of Trade are:

(a) To advise the Government on policy measures for preparation and implementation of both short and long term plans for increasing exports in the light of emerging national and international economic scenario;

(b) To review export performance of various sectors, identify constraints and suggest measures to be taken both by Government and industry/trade consistent with the need to maximise export earnings and restrict imports;

(c) To examine the existing institutional framework for exports and suggest practical measures for reorganisation/ streamlining it with a view to ensuring coordinated and timely decision making;
(d) To review the policy instruments, packages of incentives and procedures for exports and suggest steps to rationalise and channelise incentives to areas where they are most needed.

The Commerce Minister is the Chairman of the Board of Trade and the membership of the Board includes the Governor, Reserve Bank of India, Secretaries of the Ministeries of Commerce, Industry, Finance and Textiles, Special Secretary, Prime Minister's Office, Presidents of FICCI, ASSOCHAM, FIEO and FASSI, representatives of Trade and Industry and a few specialists.

(D) Attached and Subordinate Offices

(1) Office of the Chief Controller of Imports and Exports

New Delhi: The Import-Export Trade Control Organisation, headed by the Chief Controller of Imports and Exports is responsible for the execution of the import and export policies of the Government of India. Import and Export licensing of iron and steel and ferro-alloys is also looked after by this organisation. The office of the Chief Controller of Imports and Exports has subordinate Offices, located at Ahmedabad, Amritsar, Bangalore, Bhopal, Bombay, Calcutta, Chandigarh, Cuttack, Ernakulam, Gandhidham, Guwahati, Hyderabad, Jaipur, Kanpur, Ludhiana, Madras, Moradabad, New Delhi, Panaji, Patna, Pondicherry, Rajkot, Shillong, Srinagar, Tuticorin, Varanasi, Visakhapatnam, Baroda, Coimbatore, Panipat and Pune.
The Export Promotion Offices at Bombay, Calcutta, Madras, Cochin, Nagpur and Pune are also functioning under the administrative control of the Regional Joint Chief-Controller of Imports and Exports. Commercial Library which is widely-used by the exporters, importers, research scholars and others.

2. Pay and Accounts Office: The Pay and Accounts Office, common to both the Ministry of Commerce and Ministry of Textiles, under the Ministry is responsible for the payment of claims, accounting of transactions and other related matters through the Departmental Pay and Accounts Offices are controlled by the Principal Accounts Officer at Delhi with the Chief Controller of Accounts as the Head of the Department of the Accounts Wing.

INDIAN TRADE PROMOTION ORGANISATION

The Functions and activities of Trade Fair Authority of India (TFAI) and Trade Development Authority (TDA) were reviewed by a Committee set up in this connection. The Government have considered, inter-alia, the recommendations and by the committee and have approved the merger of TDA with TFAI with effect from 1-1-1992. Accordingly, TFAI have taken over the assets and liabilities of the TDA on "as is where is" basis with effect from 1-1-92 subject to terms and conditions as may be mutually decided upon by TFAI and the Ministry of Commerce. The merged organisation has been named as India Trade Promotion Organisation (ITPO). The
function and activities of erstwhile TFAI and TDA during the period 1994-95 are given in subsequent paragraphs. (See Annexure-4).

1. Trade Fair Authority of India

The Trade Fair Authority of India (TFAI), which is the nodal agency for organising trade fairs and exhibitions, has made notable progress during recent years in promoting trade through the medium of fairs and exhibitions. TFAI continued to project the export capabilities of the nation and thereby bridge the information gap about Indian achievements in various fields including agriculture and small, medium and heavy industries.

A Business Information Centre was set up during the fair to provide guidance and information to the business visitors. The Centre was manned by representatives of Confederation of Engineering Industry, Federation of Indian Export Organisations, Indian Investment Centre, Directorate General of Technical Development, Federation of Indian Chambers of Commerce and Industry, Chief Controller of Imports and Exports and Trade Development Authority. A Fair Facility Counter was also set up for providing the facility of railway and air bookings to the participants.

As part of trade promotion, TFAI plays a vital role in dissemination of commercial information in India and abroad on various achievements of Indian economy, industrial and scientific technology and trade potential. TFAI continued bringing but its regular publications, viz., Economic and Commercial News (English Fortnightly), Indian Export Bulletin (English Weekly), and Udyog Vyapar Patrika (Hindi Monthly). It organised multi-media publicity campaigns for its various domestic and international trade fairs and exhibitions organised during 1994-95. In addition to these publications, publicity was organised for activities through press releases, conference and electronic media viz, Doordarshan and All India Radio.

II. Trade Development Authority

The Trade Development Authority (TDA) was established in 1970 as a Society under the Societies Registration Act. It is an export promotion institution under the Ministry of Commerce set up in order.

1. To identify and nurture specific export products with long range growth prospects;
2. To identify and cultivate specific buyers in selected overseas markets which have increasing trade potentials;
3. To bring about durable merchandising contacts between selected Indian suppliers and overseas buyers;
iii. To bring about durable merchandising contacts between selected Indian suppliers and overseas buyers;

iv. To provide package of services to execute such contracts; etc.

Being a non-trading institution, TDA acts mainly as a catalyst and strives to concentrate on specific products, specific exporters, specific markets and specific buyers without entering into direct commercial transactions.

TDA is organised into three functional division, viz, Merchandising, Research and Analysis and Trade Information and Statistics Division besides Administration Division which extends support services to the three functions divisions.

Export Promotion Activities of TDA

TDA implemented the following export development programmes during the year 1994-95.

(a) India Promotions

TDA has been successful in promoting exports of a wide range of consumer products from India through organisation of India Promotions with leading Departmental Stores in West Europe, USA and Japan. These promotions besides assisting in projecting India as a reliable supply source have also generated sizeable export orders for Indian merchandise.
(b) Buyer Seller Meets (BSM)

TDA developed the technique of Buyer-Seller Meet as an active instrument of trade promotion. These buyer-seller meets bring buyers and sellers together for business and provide an insight into India's supply capabilities in different products, besides providing vital marketing leads and market information to the participating Indian manufacturers/exporters.

(c) Trade Fairs and Exhibitions

TDA has been organising participation by its members in select specialised trade fairs and exhibitions in overseas countries as part of its marketing effort. In addition to the publicity carried out by the organisers of Fairs/exhibitions, TDA undertakes extensive publicity of its own through the medium of direct mailing, paid advertisements, press write-ups, press-conferences etc. to attract maximum number of trade visitors and quality buyers to the Indian stand.

(d) Integrated Marketing Programme (IMP)

Integrated Marketing Programmes are designed to meet both product development and marketing needs of specific products in specific markets. An IMP for builders hardware in U.K, Germany and France was initiated during the years under technical and financial assistance from the Commonwealth Secretariat, London.
(e) Product Development Programme

In order to upgrade quality levels and advise Indian industry on product development in auto sheet metal components for export, the programme was undertaken with the assistance of JETRO, Japan which comprised of visit of a delegation of Indian manufacturers to Japan to study methods employed by Japanese manufacturers, visit of two experts from Japan to India for plant visits and advising Indian manufacturers and holding of a seminar on Japanese techniques of tool, die and mould manufacturing at Delhi during July 1994. The participants under the programme appreciated the inputs provided which would assist them in upgrading the quality level of Indian sheet metal auto components.

(f) Other Activities

The following other development activities were also undertaken during the period.

(I) TDA was successful in persuading Mr. Ichiro Kimijima, a Japanese fashion designer to bring out a special collection of garments with an Indian theme using Indian fabrics and dress materials.

(II) GAP—a high fashion magazine in Japan was persuaded to send their fashion team to India to cover the rich array of
textiles that India can offer. The team was suitably assisted and as a result of the efforts.

(g) Samples

Recognising the vital role that product development plays for successful entry to the export markets, as part of its regular activities, TDA has been securing samples of products from overseas countries for the guidance and benefit of its members. Such samples are necessary to study the standards, specifications, designs, packaging, consumer requirements etc.

(h) Buying Delegations

54 buying delegations from countries such as USA, Canada, UK, France, Italy, Norway, Netherlands, Japan, Hong Kong, Dubai, Seria etc. visited India till end of December 1994. The main items of interest were readymade garments, home furnishings, carpets and floor coverings, leather goods and garments, handicrafts and giftware, fashion jewellery, herbal cosmetics, handtools, jewellery making tools and moulds, castings, electronic cash registers, medical disposables, pharmaceuticals etc.

(i) Membership: TDA's total membership at the end of December, 1994 stood at 3004 comprising of 1611 regular members and 1393 associated members. The number of serviceable units is however much largest since a number of units are enrolled under more than one product group. Over 60 per cent of the total regular
members of TDA comprise of units in the small scale sector.

(j) Business Generated

As a result of the various development programmes undertaken efforts of TDA's overseas offices, and visits of buying delegations to India, export orders increased by TDA members with its assistance during the period April - December, 1994.

Research and Analysis Activities

(a) Short-term Forecast of India's Exports: Under this project forecasts of India's exports are made both at the aggregate level and for the major commodity product groups accounting for over 35 per cent of India's exports.

(b) Supply Studies/Incountry Studies: TDA carries out supply studies for select products and in-country studies to assess the supply base, production pattern and to identify problems of export production and marketing. During 1994-95 supply studies/in-country studies were undertaken.

(c) Action Plan for Promotion of Exports from States: TDA provides consultancy services to the State Governments in the form of preparation of action plans for promoting exports from different States. During the year, action plans for the following States were carried out:
i. **Action Plan for Punjab:** TDA has initiated preparation of an Action Plan for Punjab. The study aims to assess the export potential of the state, identify a set of products for export thrust, examine organisational structure and infrastructural facilities and prepare a blueprint for export promotion for the concerned State.

ii. **Action Plan for Andhra Pradesh:** An Action Plan for promotion of exports from Andhra Pradesh was prepared in 1994-95. In the current year, the report was updated and a separate note on export documentation for pre-shipment documentation was also prepared.

Other States that have shown interest in this service of TDA are Karnataka, Bihar and Haryana etc. Negotiations are being held with them.

(d) **Seminars/Training Programmes:** Training for Export Development of Small and Medium Enterprises (SME) was organised by TDA for UP Export Corporation at different places in the State.

(e) **Economic Data Kits:** Overseas Surveys/ Studies are undertaken to assess export potential in the selected markets, collect information relating to exports and imports, sources of supply, tariff and non-tariff barriers, distribution channels, prices, extent of competition etc. The studies also suggest strategies for adoption by Indian exporters.
During the year, following market surveys are scheduled for execution:

-- Exploring joint venture possibilities with Buy-back arrangements for Enhancing Exports of Fluid System (Valves & Pumps) to Germany, UK and France.

-- Export Opportunity Survey for Drugs & Pharmaceuticals in ASEAN countries.

-- Identification of products for exporting to Venezuela with special emphasis on Counter Trade Possibilities.

-- Market survey for select products in Czechoslovakia.

Trade Information and Statistical Activities

The Trade Information Centre of TDA continues to provide its service of providing vital trade intelligence to the trade and industry, export promotion organisations, Government departments, researchers and other users. The Centre expanded its activities in all spheres - input build-up by identifying new sources, new areas of information requirements; better processing, storing of information and dissemination through a variety of channels.

(a) Information Resource Build-up

(1) Procurement of Publication: During the period April 1993 - January 1994, 368 publications were produced. These included 104 trade directories containing information on an array of
products and firms engaged in trading and manufacturing activities for many countries; 58 Statistical publications of various national and international organisations containing data on international trade, prices, production and others relating to customs tariffs applicable in various countries, non-tariffs barriers, trade regulations, market survey reports etc.

(ii) Foreign Product Catalogues: 426 foreign product catalogues were procured by the Centre from various international sources, through TDA's foreign offices and directly from the manufacturers in order to keep the trade and industry in India abreast about the fashion trends and the latest state of the art technology available in the world. Catalogues of the leading department stores main order houses were also procured. These catalogues give information on the types of products in demand, specifications, designs, names of manufacturers/competitors etc.

Periodicals: 765 titles of periodicals were procured during the period under review on a wide range of products, markets and functions. These periodicals covers information on new products, trade fairs and exhibition, trade opportunities and contacts, import duties, trade regulations, distribution channels etc.

Dissemination of Trade Information: A number of channels like across-the-desk, letters, publications, telephone, telex etc. are being used for disseminating trade information. The visitors sought information on export trends, import-export policies,
procedures, documentation, industrial policy, exchange control regulations, tariff and non-tariff barriers, technological developments, quota policy, distribution channels, export prospects of a specific product in a specific country, Indian and overseas manufacturers, trade fairs and exhibitions around the world, overseas trade promotion organisations, overseas trade contacts etc. In addition, 2,205 trade enquiries from both Indian and foreign companies were received and serviced by post.

(i) Trade Intelligence Bulletin (TIB) : The weekly Trade Intelligence Bulletin is the main channel of dissemination of trade information to the members of TDA. 3,500 copies are printed and mailed every week. The issues contain market intelligence on various countries highlighting input build-up, information on overseas trade opportunities etc. Besides, members of TDA, the Bulletin is mailed to export promotion organisations, chambers of Commerce which further cull put information of specific interest and disseminate it to their members.

(ii) Hand Books, Market Intelligence Reports, Importers Directory: The following handbooks/market intelligence reports and director of importers were brought out during the period April 1994, January 1995.

1. Export Prospects for Diesel Engines.
2. Importers of Readymade Garments, Home Furnishings,
Cotton fabrics, Leather and Leather Manufactures in Japan.

3. Importers of Marble, Granite and Tiles in South Korea and Japan.

4. Importers of Handicrafts, Gifts and Noverties in USA.

5. Importers of Yarn in South Korea.

6. Importers of Fabrics, Textiles and Home Furnishings in South Korea.


8. Importers of Builders' Hardware in Australia, UK, USA and Canada.

9. Importers of textiles in various countries.

10. In-country study on leather and leather products.

11. Export Marketing Information.

(iii) Display of Foreign Product Catalogues: During the period April 1991, January 1992, displays of foreign product catalogues were held at Ahmedabad, Madras, Bangalore and New Delhi. The Displays were followed by discussions on various aspects of export trade.

More than 3000 foreign product catalogues on consumer and engineering items from a number of countries were exhibited
in these displays. These displays have created an awareness among the exporters about the type of products in demand in overseas markets. Many visitors were supplied with photocopies of the catalogues for product development and adaptation.

(c) Programme on "How to Start an Export Business:"

A Programme on "How to Start an Export Business" was organised by TDA in association with FICCI Ladies Organisation at New Delhi. 188 participants from the trade and industry, export promotion organisations, banks etc, attended the programme. Background papers were prepared by TDA and distributed amongst the participants. The programme covered all aspects of export trade right from selection of products/markets to claiming of incentives.

(d) Status Reports

TDA has been rendering a special service to exporters by providing status reports on overseas buyers. The reports help the Indian exporters in evaluating the financial soundness of the overseas buyers and in deciding upon payment terms.

Indian Institute of Foreign Trade

The Indian Institute of Foreign Trade (IIFT), established in 1964 by the Government of India, has been rendering useful service in the area of human resource development for international business, trade & economics through need based training programmes, seminars and workshops, interfaced with and supported by,
continuous research on a variety of topical subjects in the field of foreign trade and international business. In the area of training, the institute runs three foundation programmes, viz., (i) Two-years Masters Programme in International Business, (ii) One year post-graduate diploma programme in International Trade; and (iii) Four months certificate course in Export Marketing (Part-time).

Special programmes have been organised by IIFT for the Commercial Counsellors in Indian Missions abroad and for officers belonging to the IAS, IFS, IES, ISS, CTS, Defence Services and even for the officers from the developing countries. State trading and service organisations like STC, MMTC, TFAI have also continued to depend upon IIFT's capabilities to train its managers engaged in international business activities.

Programme During April-December, 1994

During the period April-December, 1994 the Institute organised 64 training programmes. A total number of 1978 executives of various levels were trained in a wide variety of programmes offered by the Institute during the year. These included 46 foreign participants.

In order to cater to the expanding and diversified albeit exacting needs of the industry & trade and public sector organisations at home as also of the developing countries, the Institute has continued to attach considerable importance to faculty
development. Strengthening and upgradation of the Faculty resources is sought to be achieved through a variety of means including securing of opportunities for advanced training in academic and research institutes of repute abroad, and arranging visiting faculty from well-known foreign Universities.

In the realm of research activities, the Institute undertook six functional research studies and nine Market Research Studies. Among the research projects completed during the year some of the significant ones include market survey for Textiles in East European countries, study of export performance of large Industrial Houses in India, study on assessment of Demand for Normal Pentane, and Purchasing Power Parity of Indian Rupee vis-a-vis Russia Rouble.

Foreign Trade Library

Indian Institute of Foreign Trade's Foreign Trade Library is one of the largest libraries of its kind in Asia having over 60,000 books and documents on the subjects of foreign trade. The library continued to grow in size and facilities during the year under review.

Publications

For dissemination of information about the research, surveys and studies undertaken by the Institute in the field of International Trade, as also to provide forum for intellectual discussion on subject of foreign trade management, the Institute
has been bringing out a quarterly magazine called Foreign Trade Review. In addition to this, the Institute brings out a monthly magazine called Foreign Trade Bulletin which gives pragmatic information on trade and industry including latest details about regulations, export opportunities etc. In addition, the Institute has brought out the following publications since November, 1990.

2. Impact of Import Liberalisation on Exports.

Directorate General of Foreign Trade

Import and Export Trade Control Organisation is headed by Director General of Foreign Trade. The Organisation has its Head quarters at New Delhi with subordinate offices located at Ahmedabad, Amritsar, Bangalore Bhopal, Bombay, Calcutta, Chandigarh, Cuttack, Coimbatore, Gandhigram, Guwahati, Hyderabad, Jaipur, Kanpur, Ludhiana, Madras, Madurai, Moradabad, New Delhi (CLA), Patna, Pune, Panjim, Pondicherry, Panipat, Rajkot, Shillong, Srinagar, Jammu, Varanasi and Visakhapatnam for the benefit of trade and industry. The Export Promotion Officers
at Bombay, Calcutta, Madras, Cochin, Nagapur and Pune are also functioning under the Administrative Control of Regional Joint Director General of Foreign Trade or Deputy Director General of Foreign Trade.

The main functions of the organisation are to assist and advise the Government in formulation of Exim Policy and to implement the policy through the mechanism of licensing. After the announcement of new Exim Policy of Government, the principle function of the organisation is the promotion of exports and facilitation of imports to promote export trade. Foreign Trade (Development and Regulation) Act has already been passed on 7-8-92 and Rules there under have also been formulated. Keeping in view the special thrust in export efforts and the resolution of the Government to resolve exporters' problem in a co-ordinated matter and on immediate basis, all the field offices of DGFT Organisation would henceforth act as Export Facilitation Centres. These offices would now function as nodal agencies to attend to the problems and grievances of the exporters. They would also liaise and coordinate with the field functionaries and other Departments i.e. Department of Revenue, Banking, Railways, Shipping and Power, etc. to resolve all the trade and export related problems faced by the exporters pertaining to these Departments.
During the year, 1993-94 (April-October, 1993) the Organisation of DGFT received approximately 96,300 applications for grant of import licences.

EXPORT PROMOTION MEASURES

Fiscal and Financial Measures

1. In the Central Budget for 1995-96, the following measures were announced.

(a) The dual exchange rate system was replaced by a unified market determined exchange rate system to enable exporters to convert 100 per cent of their earnings at the market rate.

(b) The five year tax holiday under Section 10-A of the Income Tax Act at present available to units set up in the Free Trade Zones, was extended to units set up in the Software Technology Parks (STP) and Electronic Hardware Technology Parks (EHTP).

(c) To augment the availability of electricity which is a major bottleneck currently being faced by exporters, a five year tax holiday was introduced in respect of profits of new industrial undertakings set up anywhere in India for generation/distribution of power.

(d) 100 per cent deduction from income tax granted to income from export of software was extended from one more year, i.e. for the assessment year 1996-97.

(e) The peak import duties which were reduced from a maximum of 150 per cent to 100 per cent in the Budget for 1992-93, were further reduced to a maximum of 85 per cent except
from a few items including passenger baggage and alcoholic beverages.

(f) Specifically, import duty on projects and general machinery was reduced from 55 per cent to 35 per cent on coal mining and petroleum refining from 30 per cent to 25 per cent, and that on power from 30 to 20 per cent.

(g) On a number of other capital goods including machine tools and instruments, import duties which ranged between 60 to 110 per cent were rationalised into 3 duty rate slots, namely, 40 per cent, 60 per cent, and 80 per cent involving a duty reduction of 20-30 percentage points.

(h) As metals and metal goods are basic raw materials for the domestic capital goods industry, import duties on ferrous metals were reduced by 10-20 percentage points and that on steel scrap was refixed at 15 per cent.

(i) The duty rates on chemicals were restructured with a view to significantly lowering duty rates at the upper end and also ensuring that the duty rates on inputs are not generally higher than the duty on end products.

(j) In view of the vast export potential that exists in the industry the rates of duty on project imports and on specified capital goods for electronics which attract duties of either 30 per cent or 50 per cent were reduced to a uniform rate of 25 per cent. Import duties on raw materials, piece parts and components which was being levied at 40 per cent 60 per cent and 80 per cent were reduced to 20 per cent, 35 per cent and 50 per cent respectively.

(k) In order to strengthen export capabilities in existing export thrust areas such as textiles, leather, marine products and gems and jewellery, where India enjoys comparative
advantage, import duty on specified capital goods for these sectors were reduced from 40 per cent to 25 per cent.

(1) Also, keeping in mind the recommendations made by the Group on Extreme Focus items such as food processing, horticulture and floriculture industries, the import duty on specified items for those sectors was also reduced to 25 per cent.

(m) Import duty on various items of machinery used for agriculture, horticulture, forestry, etc. was reduced from 55 per cent to 25 per cent.

(n) In respect of out-hoard motors used for fishing, import duty was reduced from 40 per cent to 15 per cent.

(o) Import duty on specified pesticides was reduced from 110 per cent to 75 per cent and that on certain pesticide intermediates from rates ranging 65-110 per cent to 50 per cent.

(p) Import duty on specified goods for horticulture and green houses was reduced to 25 per cent.

(q) Export duty on iron ore and unpolished granite was withdrawn.

(r) Interest rate on rupee export credit from banks was reduced by one percentage point.

(s) Interest tax in the case of export credit from banks was waived.

(2) Cess on the export of pepper (except green pepper in brine) and spice oils and oleoresins, have been exempted for a further period of one year, from 1st October, 1993 to 30th September, 1994.

(3) Notification has been issued by Ministry of Food under the provisions of Sugar Export Promotion Act, exempting payments of cess on export of sugar.
4. Excise duty on packet teas has been abolished which would help in creating additional capacity for packet teas thereby generating higher exportable surplus of value added teas.

5. It has been decided that banks in India would be allowed to extend preshipment credit in foreign currency (PCFC) and also rediscount export bills abroad at rates linked to international interest rates such as LIBOR.

6. RBI have issued instructions that sanction of fresh/ enhanced limits for export credit should be made within 45 days, renewal of limits in 30 days, and adhoc limits within 15 days.

**Infrastructure Support**

1. Private Sector participation has been allowed in setting up of Inland Container Depots/ Container Freight Stations (ICDs/ CFSs) to generate competition and get over the problems of resources for development of such stations. An Inter-Ministerial Committee is functioning in the Ministry of Commerce to provide single window clearance to the proposals for setting up of ICDs/ CFSs. Nineteen proposals have been cleared by the Committee so far.

2. Four meetings of high level standing committees on promotion of exports by air/sea known as SCOPE (AIR) and SCOPE (Shipping) were held during the year to resolve problems relating to quality, adequacy and cost of transportation services faced by exporters. Two Task Forces have been set up at the meeting of SCOPE (AIR &
SHIPPING) for studying the adequacy of facilities at (i) airports & (ii) seaports. The Task Force on airports has already started functioning.

3. A team of experts was sponsored by Ministry of Commerce to Iran to study the possibilities of transit trade of Central Asian Republics (CARs) through Iran. The Team, in its report, has found that use of Iran as a transit route for our trade with CARs is feasible.

4. As a trade facilitation measure, an EDI Group was set up by Ministry of Commerce to prepare a concept paper on the introduction of Electronic Data Interchange (EDI) in India. The Group has submitted its report and further follow up action on the same is being taken now. EDI is defined as 'Computer transfer of commercial or administrative transactions using an agreed standard to structure the data pertaining to that transaction.' In common parlance, it is referred to as 'paperless' trading and is rapidly being adopted all over the world.

5. A Joint venture company has been created to set up an India International Marketing Centre at Rotterdam. The facility will enable Indian exporters to display their goods and hold meetings/conferences with the buyers. The Centre will also have limited warehousing space.

6. Railways have agreed to provide priority 'B' to movement of export cargoes to Star Trading Houses/Trading Houses on the
basic of self certification by the exporters.

7. In order to encourage the involvement of State Governments in the export efforts and to provide adequate incentives to them, the Centre has recently formulated an Export Promotion Industrial Parks (EPIP) Scheme. Under the Scheme, the Centre will provide grant to the States for creation and maintenance of modern infrastructure in the EPIP.

8. The Centre has issued a notification extending Export House Status to one Public Sector corporation in each State nominated by the State Government, in relaxation of the criterion laid down for recognition of Export Houses. The facility has been given for one year.

9. With a view to make the fruits and floriculture products competitive in the world markets, Government have announced on 10-9-93 an airfreight subsidy scheme, which will include selected fruits/floriculture products to selected destinations. The rate of subsidy will be Rs. 10/- per kg. for exports to Europe & USA by air and Rs. 6/- per kg. for exports to South East Asia and West Asia or 25 per cent of air freight rates approved by IATA, whichever is less.

Institutional Measures

1. The Ministry of Commerce had constituted on May 5, 1989 a Board of Trade to provide a forum for ensuring continuous
dialogue with trade and industry in respect of major developments in the field of international trade. The latest meeting of the Board of Trade was held on 13-1-1994.

2. A States Cell has been operating in Ministry of Commerce to act as a nodal agency for interacting with the State Governments/Union Territories on matters concerning imports and exports from the States.

3. Commodity Boards, Export Development Authorities and eleven Export Promotion Councils functioning under the Department of Commerce have been helping to boost up exports.

4. Six export Processing Zones at Kandla, Santacruz, Madras, Falta, Noida and Cochin are in operation export performance of these zones is steadily improving. The Export Processing Zone at Visakhapatnam, is under development.

5. An Appellate Committee is functioning in the Ministry of Commerce to hear appeals preferred by the appellants against statutory orders passed by office of DGFT imposing penalty/debarring parties from import facilities etc.

6. Six Task Force for important export sectors have been set up to cover agriculture and agro products and allied sectors, leather and leather products, electronics and information technology, textiles and garments, chemicals and pharmaceuticals and granite. The major function of the Task Force is to analyse the factors which hinder accelerated growth of exports in these product groups.
7. A problem handling mechanism in the form of an exporters' Grievances Redressal Cell has been constituted to ensure immediate action on all requests/representations received from exporters and organisations on problems being faced by them.

8. An Apex Group on Export Promotion is functioning under the Chairmanship of Commerce Secretary which meets every week to deliberate on important policy issues with a view to facilitate faster decision making, based on an informal exchange of views on important issues. This has facilitated prompt policy decisions on important issues.

Export Processing Zones, 100 per cent Export Oriented Units, Export Houses and Trading Houses

1. Export Processing Zones

Export processing zones have emerged as effective instruments to boost exports of manufactured products. The Zones, set up as enclaves separated from the Domestic Tariff Area by physical barriers, are intended to provide an internationally competitive duty-free environment for export production, at low costs. This enables the products to be competitive, both quality-wise and price-wise, in the international market. India has six such export processing zones of which four (at Falta, Madras, 0. Ibid.

8. Ibid.
Noida and Cochin) have been developed recently. A seventh Zone at Visakhapatnam was sanctioned at 15-3-1989 and is under implementation.

Each zone provides basic infrastructural facilities, like developed land, standard design factory buildings, built-up sheds, roads, power, water supply and drainage, in addition to a whole range of fiscal incentives. Customs clearance facilities are offered within the Zone at no extra charge while facilities of banking, post offices and clearing agents are also available in the Service Centres attached to each zone.

1. Kandla Free Trade Zone

Kandla Free Trade Zone (KAFTZ), the first export processing zone of the country, was set up in 1965, with the objectives of increasing exports and earning foreign exchange, besides industrialisation of the backward region of Kutch. It was also intended to assist in better utilisation of the facilities available at Kandla port.

During 1992-93 the Zone's exports were of the order of Rs. 532.42 crores. This was around 34 per cent more than the total exports during the previous year. During the first ten months of the current financial year, exports have been of the order of Rs. 467.78 crores.
There are 135 operating units in the Zone, including subsidiary units of 5 multi-national companies, and 12 units financed by NRI/Foreign investment. The Zone provides direct employment to 11,000 persons, with additional employment also being provided in the ancillary and service sectors.

2. Santacruz Electronics Export Processing Zone

The Santacruz Electronics Export Processing Zone (SEEPZ), which was set up in 1974, was initially meant exclusively for export of electronic items. Subsequently, a Gem & Jewellery Export Complex was added to the zone in March, 1988.

There are 108 units in production in the Zone. During the first ten months of the current financial year, the zone's exports amounted to Rs. 367.92 crores as against Rs. 310.39 crores during the corresponding period last year.

Of the total units in production, 38 have foreign equity collaboration and 16 have marketing and technical collaboration. The Zone provides employment to about 10,500 persons.

3. Noida Export Processing Zone

Noida Export Processing Zone (NEPZ) became operational in 1986-87. In view of the encouraging entrepreneurial response evoked by the Zone, Phase-II has been taken up for development.

Of the 202 projects so far cleared by the Board of Approvals, 60 have commenced production and exports.
worth Rs. 59.37 crores have been exported during the first ten months (Upto Jan, 94) of the current year, as against exports amounting to Rs. 53.82 crores during 1992-93.

4. Madras Export Processing Zone

The Madras Export Processing Zone (MEPZ) is one of the four zones set up in 1984. The work connected with the provision of infrastructural facilities for Phase-I of the Zone is complete. The zone has developed fast and continues to receive good response from entrepreneurs, both domestic and foreign. To cope with the increasing requirements, development of Phase II of the Zone has also been taken up.

So far, 172 units have been approved by the Board of Approvals of which 65 have commenced production. Exports during the first ten months of the current financial year amounted to Rs. 95.58 crores, as against total exports of Rs. 82.91 crores during 1992-93.

5. Falta Export Processing Zone

The Falta Export Processing Zone (FEPZ) is also one of the four Zones set up by the Government in 1984. Essential infrastructural facilities like land development, roads, water and power supply, standard design factory buildings and warehouses have been completed.
The Zone became functional in 1986 and 12 units are in operation. During the first ten months of current financial year, the units in the Zone have made exports to the tune of Rs. 37.63 crores as against exports of Rs. 33.48 crores during the entire year 1992-93.

6. Cochin Export Processing Zone

The Cochin Export Processing Zone (CEPZ) is one among the four zones which were set up in 1984. Construction activities for development of infrastructure that were started in 1985 are now complete. Construction of a multistoreyed building for housing electronics industries is currently in progress.

So far 23 units have started production and exports. Exports from the zone during the first ten months of the current financial year amounted to Rs. 41.62 crores as against exports of Rs. 24.83 crores during 1992-93.

II. Scheme of 100 per cent Export Oriented Units

The Scheme of 100 per cent export oriented units (EOUs) was introduced in 1980 with a view to generating additional production capacity for exports by providing an appropriate policy framework, flexibility of operations and incentives. In order to enable them to operate successfully in the international market, such units are allowed to import machinery, raw materials, components and consumables free of custom duties and if procured
indigenously, full remission of excise duty is available. These units have to operate under custom bond and achieve the level of value addition fixed by the Board of Approval.

**Export Performance**

193 units have reported commencement of production and the cumulative exports from 100 per cent EOUs by the end of March, 1993 have amounted to about Rs. 4620 crores. Export performance during the last 7 years has been as follows.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs. in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-87</td>
<td>291</td>
</tr>
<tr>
<td>1987-88</td>
<td>245</td>
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<tr>
<td>1988-89</td>
<td>460</td>
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<td>1989-90</td>
<td>605</td>
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<td>1990-91</td>
<td>640(P)</td>
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<td>1991-92</td>
<td>563(P)</td>
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<tr>
<td>1992-93</td>
<td>608(P)</td>
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</tbody>
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P. Provisional


The working of both the Scheme is reviewed from time to time through interaction with the units with a view, not only of resolving problems of individual units, but also to effect further improvements where required.
III. The Recent Changes/ Modifications Made in the EPZ/ 100 per cent EOU Scheme

Revised procedure of applications under 100 per cent EOU and EPZ Schemes has been introduced which also provides for "automatic approval" in certain cases. The automatic approval is granted by Development Commissioners of the Zones in the case of EPZ units and by SIA of the Department of I.D. in case of 100 per cent EOU subject to the application fulfilling specified conditions like achievement of minimum value addition. Export of GCA countries only, payment of royalty/ lumpsum within the prescribed limits, within locational conditions and feasibility of customs bonding.

The duty applicable on DTA sales from EOU/EPZ have been reduced by 50 per cent besides streamlining in the procedure for DTA sales.

Powers of the Board of Approvals and Administrative ministries have been decentralised and delegated to the Development Commissioners of EPZs, both for EOU and Zones, for being exercised by them under their respective charges to clear cases of import of additional capital goods, capacity enhancement, broad banding and increase in value of CG imports owing to currency fluctuations.
Certain specific power previously exercised by the Chief Controller of Imports and Exports under the Import Export Policy such as DTA sales, deemed exports, issue of green cards, and monitoring of exports have been decentralised and delegated to the development Commissioner of EPZs, both for units in EPZs and 100 per cent EOUs within their jurisdiction.

The scheme of International price Reimbursement for supply of iron and steel has been extended to EPZ/100 per cent EOU.

To encourage larger companies to set up EOUs or EPZ units, the facility of clubbing of the export earnings from these units with their other export earnings for the purpose of according status (and incentives) of Export Houses/Trading Houses/Star Trading Houses has been introduced. Establishment of Private Bonded Warehouses in EPZs for duty free import, store and supply of raw-materials components etc., to approved 100 per cent EOUs and EPZ units has been agreed to. Customs procedures for EPZ units/100 per cent EOUs has been simplified in the areas of supply/transfer of finished goods among themselves, bond for obtaining import clearance, disposal of obsolete machinery, import of additional duty-free FAX machine, excise duty exemption for the captive power plat, etc.
IV Export Houses, Trading Houses and Star Trading Houses

The objective of the scheme of Export Houses, Trading Houses and Star Trading Houses is to give recognition to the established Exporters and large Export Houses to build up the marketing infrastructure and expertise required for export promotion. The registered Exporters having a record of proven export performance over a number of years are granted the status of Export/Trading Houses/Star Trading Houses subject to the fulfillment of minimum annual average export performance in terms of net foreign exchange earnings.

The export, trading House and / Star Trading Scheme allows the Registered Exporters certain additional benefits available to them under the policy.

As on 31st December, 1994, there were 10 recognised Star Trading Houses, 147 recognised export Houses.

Industrial Policy, 1991

1. The Statement of Industrial Policy of July 24, 1991 announced a number of initiatives that are aimed at accelerating the pace of industrial growth by providing greater freedom in investment decisions keeping in view the objective of increasing exports, apart from other objective of increasing efficiency, competitiveness, technological upgradation and maximization of capacity utilization. The policy encourages foreign investment and

provides enhanced access to the state-of-the-art technology to enable advances in production techniques and to help attain international competitiveness.

2. Industrial licencing has been abolished for all industries other than 6 industries reserved for the public sector, those reserved for small scale sector, and a list of 15 industries that are compulsorily licenced.

3. In order to attract foreign investment in high priority industries involving large investments and advanced technologies, direct foreign investment upto 51 per cent foreign equity is being freely permitted. Foreign equity of upto 24 per cent of the total shareholding is also being permitted the small scale sector. Under automatic procedures, foreign technology agreements are being permitted in respect of industries that are designated as high priority industries. The use of foreign brand names and / or trade mark of goods is also now being permitted freely. To provide access to international markets, majority foreign equity holding upto 51 per cent equity is being permitted for international trading companies that are primarily engaged in export activities.

4. A system of automatic approvals has been introduced for speedy clearance of proposals and substantial powers have been delegated to the Development Commissioner of various Export processing Zones to boost production for exports. A liberal policy
for permitting investment of upto 100 per cent equity with full repatriation facilities in industrial ventures in high priority industries by Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs) has been announced. It has also been decided to permit 100 per cent NRI investment with full repatriation benefits in Export/Trading/Star Trading Houses also.

5. Fully recognising their potential for export promotion, the small scale industrial sector units have been assigned an important role in the industrial policy. Measure for improving the flow of credit to small scale units, the setting up of a Technology Development Cell (TDC) and an Export Development Centre (EDC) in SIDCO, and steps for improving the market access for goods produced by the small scale sector have been highlighted in the new policy announcements.

6. Creation of fresh capacities in the large scale sector in the 836 areas currently reserved for the small scale sector is being allowed in cases where the large scale units give an undertaking to export a minimum of 75 per cent of their production.

7. In the case of SSI units that undertake to export atleast 30 per cent of the annual production by the end of the third year from the date of commencement of commercial production, the limit of investment of fixed assets in plant and machinery has been enhanced to Rs. 75 lakh, Recognising the potential for export
growth in the readymade garments sector, during the year 1993-94 the investment ceiling in plant and machinery has been raised from Rs. 60 lakh to Rs. 3 crores and the export obligation under such investment has been reduced from 75 per cent to 50 per cent.

Export Oriented Units (EOUs) and Units in Export Processing Zone (EPZ)

The following are the major incentives/concessions provided in the EPZ and EOU.

(i) Duty-free import of Capital Goods, Raw materials, component, Consumables and spares.

(ii) Exemption from Excise Duty if goods are procured from indigenous sources.

(iii) Corporate Tax Holiday for a continuous block of five years during the eight years of operation.

(iv) Entire export earnings are allowed to be converted at market determined rates. (This facility has since been extended to the exporters in DTA also).

(v) Facility to sell upto 25 per cent /50 per cent of the production in DTA.

(vi) International Price Reimbursement scheme for Iron and Steel is applicable.

(vii) Revision of value addition formula on the basis of net foreign exchange earnings.
(viii) Extension of the facility of uniform DTA access of 25 per cent which was earlier available in two slabs of 15 per cent /25 per cent depending on use of indigenous raw materials, and simplification of procedures therefore.

(ix) Facility to import gold of 0.999 fineness, and fixation of wastage norms for gold and silver jewellery.

(x) The benefits available to approved units under the scheme of 100 per cent EOUS and EPZs have been extended to the exporters in agriculture, aquaculture, animal husbandry, floriculture, pisciculture, and poultry. Under this scheme, exporters of these commodities have to export 50 per cent of their produce and the remaining 50 per cent can be sold in the DTA subject to payment of relevant duties. This is against the permissible DTA sale limit of 25 per cent in other cases. In addition, agro based EOUS will not be subject to physical bonding. Guidelines for the sale of up to 50 per cent of their produce have been noticed.

Export-Import Policy 1992-97

1. The fundamental feature of the export-import policy 1992-97 is freedom in the field of foreign trade. The thrust is on fewer restrictions and less administrative control.

2. Based on feedback received from trade and industry, a revised version of the Export-Import Policy 1992-97 was announced on 31-3-1993.

3. All goods may be freely imported and exported, save for two negative lists, one for exports and the other for imports. Restrictions on import of raw materials and capital goods have been removed.

4. Import of Second hand capital goods is also allowed for 20 specified sectors including printing, garments, textiles, leather manufacturing, rubber and canvas footwear, sports goods, electric lamps, electronic components packaging materials, gorged tools, oil field services, writing instruments and sea food.

5. Exporters are entitled to import capital goods at concessional rate of duty under the Export Promotion Capital (EPCG) Scheme. This scheme allows exporters to import capital goods at concessional import duty of 15 per cent against export obligation of four times the CIF value of imports, to be fulfilled within a period of five years. A domestic importer under EPCG is permitted to source capital goods from a domestic leasing company.

6. A new scheme called the 'EPCG' scheme for Service Sector' has been introduced during the current year for permitting import of capital equipment at concessional duty of 15 per cent by professionals such as Architects, Chartered Accountants,
Doctors, Economists, Hotels & Restaurants and Journalists etc., against export obligation.

7. Under Duty Exemption Scheme, exporters can import duty-free critical raw materials, intermediates, components, and other inputs required for export promotion, subject to fulfilment of time-bound export obligation and value addition specified. The scope of the exemption scheme has been enlarged by introducing the value addition specified. The scope of the exemption has been enlarged by introducing the value based advance licences. Input-Output norms for more than 3000 export products have been standardised.

8. Units undertaking to export their entire production of goods (except the 25 per cent sales permitted in the Domestic Tariff Area (DTA); 50 per cent in case of agro-based units) may be set up under the Export Oriented units (ROU) Scheme or Export Processing Zone (EPZ) Scheme. Units are required to achieve the minimum value-addition specified.

9. Merchant and manufacturer exporters and trading companies including those having foreign equity, EOUs & Units in EPZs are given recognition as Export/Trading/Star Trading Houses based on certain minimum value of exports made during the preceding licencing years or during the preceding licencing year.

10. To encourage manufacturers and exporters to attain internationally accepted standards of quality for their products, special
Import licences are issued to manufacturers who have acquired ISO -9000 Series or BIS 14000 series or any other internationally recognised equivalent certification of quality. Special import licences are also granted to Export/Trading/Star Trading Houses.

**Important Measures Taken During the Year**

1. For grant of Duty Free Licences on adhoc norms, financial powers of Regional Advance Licensing Committees have been enhanced from Rs. 25 lakhs to Rs. 50 lakhs so that such applications could be disposed of at Regional office level.

2. For regularisation of default in fulfilment of value-wise export obligation under duty exemption scheme, a sum of rupees which is equivalent to the shortfall in Export obligation (EO) expressed in free foreign exchange is required to be paid. In addition to this, an alternative provision has been introduced in order to provide relief to the exporting community who for one or the other bonafide reason are not able to fulfil the value-wise E.O. in duty free licences. In terms of this alternative provision, the default in value-wise E.O. can now be got regularised on surrender of special import licences of a value equivalent to twice the amount of shortfall in value-wise E.O. This will also lead to an increase in the premium on special import licences.

3. The exporters may, based on prior permission from the Collector of Customs and subject to such conditions as may be specified by him, also effect imports and exports under duty
exemption scheme from any Sea Port/Air Port/ICDs and Customs stations, in addition to those specified in the relevant Customs Nationalisation for which no such permission is required.

4. A scheme was notified in June 1993, for allowing import for silver as an input for the manufacture and export of engineering goods under Duty Exemption Scheme.

5. As a measure of trade liberalisation, the condition of MEP, in the EXIM Policy 1992-97, in respect of (i) FCV Tobacco; (ii) ASIA Quality Pepper; (iii) Guar Gum (iv) Orchids; (v) Wheat products (vi) Meat of sheep, Goat and Buffalo and (vii) Basmati rice, has been done away with MEP on non-Basmati rice has been reduced.

6. With effect from 17th August, 1993, export of mustard seed and rapeseed are being allowed without any export license, subject to registration with Indian Oil and Produce Exporters' Association (IOPEA). For 1993-94, 50,000 MT each of mustard seed and rapeseed has been allowed for export.

7. With the issue of a Public Notice on 11th October, 1993 by the DGFT, export of wheat products has been decontrolled.

8. Export of Powder Milk, Butter and Ghee has been decanalised. Export of Powder Milk is permitted subject to quantitative ceiling of 25,000 MTs and that of Butter & Ghee
upto a ceiling of 7,500 MTs during the year 1993-94.

9. Vegetable oils, namely Coconut oil, cottonseed oil, Kaardi oil, Linseed oil, Mustard oil, Nigerseed oil, Rice Bran oil, Sunflower oil, Sesame seed oil, Soyabean oil, Salad oil and Corn oil may be exported freely without a licence in consumer packs upto 5 kg.

10. Procedure for approval of packet teas by the Tea Board has been liberalised and henceforth only those packets which use Tea Board Logo would be required to be approved by the Tea Board.

11. Tea(Distribution & Export) Control Order, 1957 has also been amended to provide for renewal of export licence by Tea-Board once every three years, instead of every year.

12. Considering the importance of the market of the erstwhile Russia, The Government have opened an office of Tea Board in Moscow.

13. The Gem and Jewellery exporters have been permitted to import cut and polished precious and semi precious stones other than emeralds upto 10 per cent of the CIF value of Gem Replenishment licence with actual user condition. Earlier, only rough stones were permitted and not cut and polished stones. The amendment has been made keeping in view the thrust on studded jewellery and therefore it is being restricted on actual user basis.
14. The minimum value addition for plain gold jewellery has been down from 15 per cent to 10 per cent for units in the domestic tariff area.

15. Higher weightage to gold jewellery exports for grant of Export/Trading /Star Trading House status has been given.

16. Electronic Hardware Technology Park (EHTP) scheme has become operational since April, 1993. Over sixty companies have been granted the approval to set up EHTP units. Nine Units out of the total approvals have already become operational.

17. With a view to promoting export of computer software from India, in October, 1993 Ministry of Commerce sponsored a proposal under the ECIP (European Community Investment Partners) Scheme for identification of joint venture partners in India and Europe. A good response is expected from the European Companies. Completion of the project is expected to result in a number of software joint ventures. The proposal is under consideration by the EC.

18. Embargo on trade with South Africa has been lifted.

Policy Development Since 30 March 1994

Continuation of the policy objective to promote exports and simplify import procedures, the following measure were undertaken during 1994-95. They are

-- third-party exports were given benefits under the Duty Exemption Scheme (DES) and the Export Promotion Capital goods Scheme.

-- the scope of items importable under Special Import Licenses (SILs) was increased.

-- the facility of granting duty free licences based on adhoc norms was made available to exporters.

-- the facility of granting duty free licences based on adhoc norms was made available to importers.

-- specified professional services were counted towards the granting of Export/Trading/Star Trading House Status.

-- a new category of Super Star Trading houses was created which inter alia, are entitled to membership of apex consultative bodies concerned with trade policy and promotion.

-- all second hand capital goods with a minimum residual life of over 5 years were made fully importable by Actual users.

-- bank guarantees and legal undertakings for advance licences were substantially rationalised and simplified.

-- the EPCG scheme continued to be extended to the services sector.

-- EOU status was given to units engaged in exports of agriculture and allied sectors, which exported at least 50 per cent of their produce as against a minimum of 75 per cent requirement for other sectors.
Streamlining of value addition formulae for EOU/EPZ's with the formulation of these measures, the trade policy focus has aimed at providing both the institutional and infrastructural back up to promote exports.

International Economic Environment

Uruguay Round Issues

The Uruguay Round of GATT negotiations was formally concluded at the ministerial conference held in Marrakesh, Morocco from 12-15 April 1994. India, along with 110 other countries authenticated the results of the Uruguay Round by signing the final Act. In addition, 104 countries also signed the Agreement establishing the World Trade Organisation (WTO). The WTO Agreement has come into force from 1, January 1995 and India has become a founder member of the World Trade Organisation, by ratifying the WTO Agreement on 30 December, 1994.

Estimates have been made by the World Bank, OECD and the GATT Secretariat, which show that the income effects of the implementation of the Uruguay Round package will add between 213 to 274 billion U.S. dollars annually to world income. The GATT Secretariat's estimate of the overall trade impact is that the level of merchandise trade in goods will be higher by 745 billion U.S. Dollars in the year 2005, than it would otherwise had

been. The GATT Secretariat's further projects that the largest increases will be in the areas of clothing (60%) agriculture, forestry and fishery products (20%) and processed food and beverages (19%). Since India's existing and potential export competitiveness lies in these product groups, it is logical to believe that India will obtain large gains in these sectors. Assuming that India's market share in world exports improves from 0.5% to 1%, and that we are able to take advantage of the opportunities that are created, the trade gains may conservatively be placed at 2.7 billion U.S. dollars extra exports per year. A more generous estimate will range from 3.5 to 7 billion U.S. dollars worth of extra exports. There are several areas in the Uruguay Round package that relate to market access. The more important ones are tariffs, textiles and garments and agriculture.

1. In most developed countries, industrial tariffs have been reduced and are now bound at very low levels (an average of 5%). They are not a significant barrier to trade. Developing countries have also been reducing their tariffs. The overall tariff reduction in the Uruguay Round is an average of one-third. On industrial raw materials, compound capital goods, India has bound tariffs at 40 per cent (where they were about 40% in 1993-94) and at 25 per cent in other cases. Tariff reductions, where necessary, are to be

13. Ibid., p. 100.
created out in six equated annual instalments from 1 March, 1995. As the reference date for reducing tariffs is 1 January, 1990, when Indian tariffs were high and substantial autonomous tariffs reductions have been undertaken since then, in the initial years there is no obligation to undertake significant tariff reductions. At present, 5 per cent of our tariff lines are bound and after the Uruguay Round Agreement comes into force, about 60 per cent of tariff lines will be bound. In comparison, many developing countries in Asia and Latin America have found between 90 and 100 per cent of their tariff lines at levels comparable to, or lower than, India's bindings.

(ii) The textiles and clothing agreement also forms part of market access. A major achievement has been the commitment to integrate this sector into a multilateral framework. This is the first time that importing countries have agreed to an unequivocal commitment to integrate textiles trade into GATT. The legal commitment of the integration has been further strengthened by the provision in the WTO text that any waiver from the obligations under an agreement involving a transition period can only be granted on the basis of a consensus. This is to say, any member can block the consensus for such a waiver decision. The 10 year transition period in the textiles agreement will enable India to devise policies and allow strategic reactions on the part of industry so as to reap the greatest benefits from the integration.

In addition, India has linked tariff reductions in and bindings in textiles and garments to be implementation of the textiles agreement.

(iii) On agriculture, India has ensured that all major programmes for the development of agriculture will be exempted from the disciplines in the agricultural agreement. The text provides for single Aggregate Measurement of Support (AMS), based on both product specific and non-product specific support. India's total AMS in the relevant base period of 1986-88 is negative (without taking into account exemptions available on input subsidies to low income and resource poor farmers) and there are no reduction commitments. Nor does India have any minimum market access commitments in agriculture. The text of the Final Act clarified that the operation of the public administration system will not be affected by the provisions of the agreement. On agricultural tariffs, developing countries have the flexibility of indicating maximum ceiling bindings. India has indicated ceiling bindings of 100 per cent on primary products, 150 per cent on processed products and 300 per cent on edible oils.

The Uruguay Round Agreement has also strengthened multilateral rules and disciplines. The most important of these relate to antidumping, subsidies and countervailing measures, safeguards and dispute settlement. For example, on subsidies, countries with a per capita income of less than U.S. dollars 1000 have been exempted from the general exemption to phase out export
subsidies on industrial products. Regardless of the level of per
capital income, all countries will have to phase out export
subsidies in products where they have a share of 3.25 per cent or
more of the world market in two consecutive years. But this only
affects India's exports of diamonds. In line with the new
obligations on anti-dumping and subsidies and countervailing
measures, amendments in the Customs Tariff Act have been made
through an ordinance promulgated an 31 December, 1994. Rules
concerning dispute settlement have been made time bound, automatic
and judicial in approach.

The Agreement on Trade Related Investment Measures
(TRIMs) prohibits investment measures that are inconsistent with
national treatment (Article I H) or general elimination of
quantitative restrictions (Article XI). Developing countries have
been allowed a five year transition period to phase out inconsistent
TRIMs. The agreement does not impose any obligation to provide
access to all or any particular sectors for foreign investment.

The General Agreement on services (GATS) has two major
across the board requirements. The first is non-discrimination on
the basis of the most favoured nation (MFN) clause and the second
is transparency. There is no requirement for an across the board
opening up of the services sector. India has made on offer on the
basis of the country's self-interest. India's interest in the negotia-
tions on services was primarily in the delivery of services through
the modality of cross border movements of natural persons. The
negotiations on services will come to an end six months after the entry into force of the agreement establishing the WTO.

(i) The Agreement on Trade Related Intellectual Property Rights (TRIPs) provides norms and standards for copyrights and related rights, trade marks, geographical indications, industrial designs, patents, layout designs of integrated circuits and protection of undisclosed information. On copyrights and related rights, the Agreement requires compliance with the provisions of the Berne Convention. India is already a signatory to the Berne Convention and the new Copyright Act already meets the requirements of the TRIPs agreement. A Bill to amend the Trade and Merchandise Marks Act of 1958, so as to provide for the protection of service marks, was introduced in parliament in 1993. In India, there is not specific law on geographical indications, although the case law permits protection of geographical indication. A new law will have to be enacted, but there is a five-year transition period under the Agreement before this needs to be done. On industrial designs, the Designs Act of 1991 will have to be updated, but there is a five-year transition period that is allowed. This five-year transition is also permitted for layout designs of integrated circuits and protection of undisclosed information.

(ii) On patents, the basic obligation is that production and process patents must be permitted in all areas. However, specific exceptions from patentability are permissible for selected areas.
Countries do not provide patents in certain areas now, can delay the provisions requiring product patents for another five years, beyond and five years that are granted as a general exemption. But exclusive marketing rights will have to provide for products which obtain patents after 1 January, 1995. The Patents (Amendment) Ordinance of 1994. On plant varieties, there is an obligation to provide for protection by patents or by an effective sui generis system or by a combination. The Agreement does not spell out the ingredients of the sui generis system and each country can determine the elements that can provide effective protection. India has decided to put in place a sui generis system rather than product patent, as that is more in the national interest. The Ministry of Agriculture has already begun work on the drafting suitable legislation that will also protect farmers and researcher rights adequately. The issue of regulation of access to genetic material is being addressed by a drafting group set up by the Ministry of Environment and forests.

**Agreements in Textiles**

India has signed two separate agreements with the USA and the EU on 31st December, 1994, on the subject of Market Access in Textiles. These agreements have been entered into with a view to facilitate trade in textile products between India and the USA and EU Countries. At present, approximately two thirds of India's total textile exports are to these countries.
It has been estimated that if India is able to utilise fully the additional access gained as a result of the two agreements, it will result in additional earnings of around Rs. 1100 crores per annum in the initial years. Because of the growth rates in the quotas built into the Agreement on Textiles and Clothing of the Uruguay Round, the additional access achieved will get magnified in the second and third phases of integration and will prove larger earnings during these periods.

In order to accommodate some of the concerns of the USA and the EU, India has agreed to grant a phased tariff liberalisation schedule for certain items with the WTO, at varying rates, for periods commencing from three to seven years. In addition, India has also agreed to open up its market for textile products, in a phased manner. Broadly speaking, in the first phase India has agreed to allow fibres, yarns and industrial fabrics, which are basic raw materials and in some of which domestic requirements are not adequately met, to be placed on the OGL. In the next phase, fabrics and in the subsequent phase made-up items and garments are to be allowed to be imported under OGL. This has been done in keeping with the policy of making available raw materials at internationally competitive prices.

Other Developments

The international economy has shown signs of recovery after a prolonged period of recession. International trade also has picked up. The ratification of the Marrakesh Agreement and the
establishment of the World Trade Organisation (WTO) will strengthen the multilateral framework for trade and further boost world trade. To outlook for some sub-Saharan countries is also beginning to improve, after several years of declines in real per capita income. Some of the countries which began their transition early are already growing or have contained previous output declines. Despite these positive signs, the world economy continues to suffer from certain structural weaknesses which may affect medium-term growth prospects. This will not be helpful to the reform programmes undertaken by several developing countries, including India.

Unemployment in industrial countries is at the highest level since in 1930s. This has created problems not only in these countries, but could translate into a clamour for protectionism, threatening multilateral trade. Fiscal deficits in many industrial countries continue to be high, putting pressure on national savings and interest rates. This adversely affects private investments in these countries and the flow of financial resources to the developing countries. Although seven developing countries are substantially liberalised trade as part of economic reforms, developed countries have raised barriers, threatening market access to items of interest to developing countries.

The official development assistance (ODA) to developing countries decreased by about 8 per cent in real terms in 1993 and is below 0.3 per cent of GNP of developed countries, against the
internationally accepted target of 0.7 per cent. In real terms the
lending from the IBRD stagnated since 1992 and aggregate net
transfers from the World Bank have been negative for the last
several years. There has been no fresh allocation of special
drawing rights (SDRs), the internationally-created reserve asset,
since 1981. More than one-third of developing countries and half
of the countries in transition had reserves equivalent to less than
two months of imports by the end of 1993. Given the needs of a
vast number of developing and transition countries, there is a
strong case for a fresh allocation of SDRs. Unfortunately, the last
Interim committee meeting held in Madrid in October, 1994 could not
reach a consensus on this.

CONCLUSION

A major achievement of economic reforms has been the
dramatic loosening of the foreign-exchange constraint on India's
economic growth, which has been prevalent since the mid-fifties.
The balance of payments continues to be comfortable in 1994-95.
Export growth may be lower than the high growth of 20 per cent
recorded in 1993-94 and import growth, fuelled by industrial
recovery, much higher than the 6 per cent registered last year,
resulting in a larger trade deficit for 1994-95. Nevertheless,
because of the better performance of invisibles and higher capital
inflows, the buildup in foreign currency reserves has continued and
may touch $ 20 billion at the end of 1994-95.
With industrial recovery strongly under way and imports rising, the trade deficit is expected to widen this year and perhaps even in 1995-96. Debt-service payments on past debt will continue to be high and may touch dollars 13 billion in 1995-96. In the medium-term, the health of India's balance of payments continues to depend crucially on export performance. Success in sustaining a strong export growth will depend on the maintenance of a competitive exchange rate, overall macroeconomic stability, steps to enhance the relative profitability of exports, as compared to the domestic market, and growing competitiveness of India's industry, agriculture and services. All this signifies India's integration into the global economic environment.