Article VI\(^1\) and XVI of GATT 1994 deal with anti-dumping, subsidies and countervailing provisions under the GATT. The GATT provisions as well as the respective agreements on anti-dumping and on subsidies and countervailing measures need to be complied with in, order that the goods can be subjected to anti-dumping or countervailing measures.

**ARTICLE VI-ANTI-DUMPING AND COUNTERVAILING DUTIES**

**DUMPING DEFINED**

The Contracting Parties recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry in the territory of a contracting party or materially retards the establishment of a domestic industry. For the purpose of this Article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another :-

\(^1\) The Uruguay Round Agreements: Impact on Developing Countries, World Development, Vol 24
a. Is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or

b. In the absence of such domestic price, is less than either:

1. The highest comparable price for the like product for export to any third country in the ordinary course of trade, or

2. The cost of production of the product in the country of origin plus a reasonable addition for selling cost & profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

ANTI-DUMPING DUTY NOT TO BE GREATER IN AMOUNT THAN THE MARGIN OF DUMPING

In order to offset or prevent dumping, a contracting party may levy on any dumped product an anti-dumping duty not greater in amount than the margin of dumping in respect of such product. For the purpose of this Article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.

COUNTERVAILING DUTY NOT TO EXCEED THE AMOUNT OF SUBSIDY.\(^3\)

No countervailing duty shall be levied on any product of the territory of any contracting party imported into the territory of another contracting party in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term “countervailing duty” shall be understood to mean a special duty, levied for the purpose of offsetting any bounty or subsidy bestowed, directly, or indirectly, upon the manufacture production or export of any merchandise.

EXEMPTION FROM DOMESTIC DUTIES OR TAXES FOR EXPORT PRODUCTS NOT A CAUSE FOR LEVY OF ADD OR CVD

No product of the territory of any contracting party imported into the territory of any other contracting party should be subject to anti-dumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the

\(^3\) GATT ‘The Case of Open Service Market’, Rajesh Chadha
like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes.

ANTIDUMPING AND COUNTERVAILING DUTIES NOT TO BE IMPOSED TO COMPENSATE FOR THE SAME SITUATION

No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

DUMPING OR SUBSIDISATION MUST CAUSE MATERIAL INJURY

No contracting party shall levy any anti-dumping or countervailing duty on the importation of any product of the territory of another contracting party unless it determines that the effect of the dumping or subsidization domestic industry, as the case may be, is such as the cause or threaten material injury to established domestic industry, or is such as to retard materially the establishment of a domestic industry.

The Contracting Parties may waive the requirement of sub-paragraph (a) of this paragraph so as to permit a contracting
party to levy an anti-dumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in the territory of another contracting party exporting the product concerned to the territory of the importing contracting party. The Contracting Parties shall waive the requirements of sub-paragraph (a) of this paragraph, so as to permit the levying of a countervailing duty, in cases in which they find that a subsidy is causing or threatening material injury to an industry in the territory, of another contracting party exporting the product concerned to the territory of the importing contracting party.

In exceptional circumstances, however, where delay might cause damage which would be difficult to repair, a contracting party may levy a countervailing duty for the purpose referred to in sub-paragraph (b) of this paragraph without the prior approval of the Contracting Parties; Provided that such action shall be reported immediately to the CONTRACTING PARTIES and that the countervailing duty shall be withdrawn promptly if Contracting Parties disapprove.

CERTAIN EXCEPTIONS IN PRESUMPTION OF OCCURRENCE OF MATERIAL INJURY

A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower
than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the Contracting Parties substantially interested in the commodity concerned that:

The system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and

The system is so operated, either because of the effective regulation of production, or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Contracting Parties.

ARTICLE XVI - SUBSIDIES

SECTION A - SUBSIDIES IN GENERAL

SUBSIDY, INCLUDING ANY FORM OF INCOME OR PRICE SUPPORT SECTION A - SUBSIDIES IN GENERAL

If any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase export to any product from or to reduce imports of any product into, its territory, it shall notify the Contracting Parties in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization of the quantity of the affected product or products imported into or
exported from its territory and of the circumstances making the subsidization necessary. In any case in which it is determined that serious prejudice to the interests of any other contracting party is caused or threatened by any such subsidization, the contracting party granting the subsidy shall, upon request, discuss with the other Contracting Parties or Contracting Parties concerned or with the Contracting Parties, the possibility of limiting the subsidization.

SECTION B - ADDITIONAL PROVISIONS ON EXPORT SUBSIDIES

HARMFUL EFFECTS OF EXPORT SUBSIDIES

The Contracting Parties recognize that the granting by a contracting party of a subsidy on the export of any product may have harmful effects for other Contracting Parties, both importing and exporting, may cause undue disturbance to their normal commercial interests, and may hinder the achievement of the objectives of this Agreement.

A VOIDANCE OF THE USE OF SUBSIDIES ON THE EXPORT OF PRIMARY PRODUCTS

Accordingly, Contracting Parties should seek to avoid the use of subsidies on the export of primary products, if however, a contracting party grants directly or indirectly any form of
subsidy which operates to increase the export of any primary product from its territory, such subsidy shall not be applied in a manner which results in that contracting party having more than an equitable share of world export trade in that product; account being taken of the shares of the Contracting Parties in such trade in the product during a previous representative period, and any special factors which may have affected or may be affecting such trade in the product.

PROHIBITION ON GRANTING EXPORT SUBSIDIES

Further, as from 1 January 1958 or the earliest practicable date thereafter, Contracting Parties shall cease to grant either directly or indirectly any form of subsidy on the export of any product other than a primary product which subsidy result in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market. Until 31 December 1957 no contracting party shall extend the scope of any such subsidization beyond that existing on 1 January 1955 by the introduction of new, or the extension of existing, subsidies.

PERIODICAL REVIEW

The Contracting Parties shall review the operation of the provisions of this Article from time to time with a view to examining its effectiveness, in the light of actual experience, in promoting the objectives of this Agreement and avoiding subsidization seriously prejudicial to the trade or interests of Contracting Parties.
INTRODUCTION

The volume of international trade has markedly increased in recent decades. The rapid expansion of trade has complicated the work of customs administration making it more and more essential than ever for customs formalities to be simplified and harmonized as far as possible. The valuation of goods for customs purposes is one of the key areas in which harmonization of customs procedures is desirable. It is very unfortunate that progress in this area has been rather slow. A number of developing countries have not yet implemented the WTO Customs Valuation Agreement. Other developing countries who are the members of WTO have somehow taken steps to apply the code, but have not yet acquired the in-depth knowledge and expertise needed for its efficient implementation.

The WTO's promotion of unified customs valuation is an important aspect of its mandate to foster more efficient international trade by establishing worldwide standards of fairness, consistency and non-discrimination. Enhanced co-
operation among national customs administration is needed in particular in this area of globalization. If customs administrations are to meet the challenges of this new global environment, they must co-operate effectively on a worldwide level. In the light of the experience of the Korean government, putting the code into practice in a way that properly dismantles obstacles to trade is no simple matter. That is the main reason why developing country members of the WTO have been allowed a 'grace period' of five years until the end of 1999 to bring the Code into application.

THE HISTORICAL BACKGROUND

To begin with, a brief summary of the historical origins of the Code may be helpful for an understanding of how current issues have emerged. Early in the 20th century, various groups interested in promoting international trade, began to study ways of replacing the diverse and arbitrary national practices of customs valuation with an international system that would be neutral in its effects on competition as well as on trade policy. Several initiatives were organized under the auspices of the League of Nations, but they all proved futile. It was not until 1947 that the first agreement on general principles of customs valuation was reached and embodied in Article VII of the General Agreement on Tariffs and Trade (GATT), 1947.
Article VII of the GATT, provides that the customs valuation of goods;
Should be based on the actual value of the goods.
Should not be based on the value of goods of national origin or an arbitrary or fictitious values ;.and
Should be the price at which such or similar goods are sold in the ordinary course of trade under fully competitive conditions.

Article VII of the GATT permitted a choice between notional and positive concepts of customs valuation, but the general principles it established afforded no specific guidance on how these principles were to be applied in practice.

The Brussels Convention of 1950 which, was the next major advance in international co-operation set forth a definition of dutiable value, deemed suitable for world-wide adoption, the so-called 'Brussels Definition of Value' (BDV). The BDV was the first truly international system of customs valuation, but it was not regarded as fully satisfactory. It left too much of discretion to national customs administration leading to uncertainty in application. The BDV had adopted a truly artificial and purely theoretical approach to valuation, divorced from the concrete realities of business practices. It also lacked precision which led to the lack of uniformity in applying the BDV. It failed to achieve universal acceptance as US and Canada never accepted it. Since it was having the rigid procedure for amendment, it failed to
adapt to new developments in international trade.

The issues were hard fought in the Tokyo Round (1973-1979) but Agreement on Customs Valuation Code was eventually reached. The key to Agreement was that all sides concurred that their existing methods of valuation were unsatisfactory and in need of reform, and that international code could be a vehicle for such reform. Accepted by most developed countries, but by less than a dozen developing countries, it becomes one of the groups of limited-membership codes' governing non tariff trade measures. It was widely considered as a success.

During the Uruguay Round, the code was re-examined, principally. To see whether some adoption, without changing its basic principles, might make it more attractive to developing countries. The outcome was a minimally-revised new agreement, supplemented by two Ministerial Decisions designed to ease developing-countries fears that the rules would not fully meet their needs. In this Round, the European Community, the US, Canada and Australia all supporting the 1979 Agreement, only the developing countries opposed, the Customs Valuation Agreement as it emerged from the Uruguay Round was unchanged in all essentials.
The principal difference between the 1979 and the 1994 Agreement is that whereas only some countries had joined the Tokyo Round Customs Evaluation Code, all member state of the WTO (as well as any future members) are now bound under the integrated GATT / WTO system, and that the WTO Dispute Settlement Mechanisms, is expressly made applicable to controversies concerning customs valuation.

METHOD OF ACTUAL TRANSACTION VALUE

The primacy of transaction value as the valuation method is made clear in Article 1 of the Agreement, whose opening words, 'The customs value of imported goods shall be the transaction value that is the price actually paid or payable for the goods when sold for export to the country for importation. These words are qualified by a number of provisions, which may in fact make it necessary to move. On to the second valuation method, but the preference for the transaction value is clear. Royalties and license fees not actually included in the price paid or payable should be added. Other adjustments are also permitted. Article 1 is to be read together with Article 8 which provides inter alia for adjustments to the price actually paid or payable in cases where certain specific elements which are, considered to form a part of the value for customs purposes are required by the buyer but are not included in the price actually paid or payable for imported goods.
However, certain circumstances listed in Article 1 may justify the customs in doubting whether the transaction value of the goods can be used as a fair basis for levying duties. These may include the absence of an actual sale, restrictions attached to sale, conditions or considerations whose value cannot be established, or arrangements by which some of the proceeds of resale will be passed back to the original seller.

One source of possible concern will be a situation in which the buyer and seller are related - a situation which indeed arises frequently since much of the international trade takes place between elements of the same company under the Agreement. The fact that the buyer and the seller are related is not in itself grounds for regarding the transaction price as unacceptable, what matters is that the relationship does not influence the price.

**METHOD OF TRANSACTION VALUE OF IDENTICAL GOODS**

If and only if the customs authorities conclude, on the basis not only of Article 1 but also of interpretative notes, that the transaction price of the goods cannot be used as the basis of valuation, they may move the second valuation method. In applying Article 2, the customs administration shall, wherever
possible use a sale of identical goods at the same commercial labels and in substantially the same quantities as the goods being valued.

- A sale at the same commercial level but in different quantities
- A sale at a different commercial level but in substantially the same quantities; or
- A sale at a different commercial level and in different quantities.

Having found a sale under anyone of these three conditions adjustments will then be made, as the case may be, for

- Quantity factors only;
- commercial factors only; or
- Both commercial level and
- Quantity factors.

A condition for adjustment because of different commercial levels or different quantities is that such adjustment, whether it leads to an increase or a decrease in the value, be made only on the basis of demonstrated evidence that clearly establishes the reasonableness and accuracy of the adjustments, e.g. valid price lists contain prices referring to different levels or different quantities. If more than one price for identical goods is found, the lowest of these prices must be used for valuation.
METHOD OF TRANSACTION VALUE OF SIMILAR GOODS

The third method, for use if the second can not be used, is almost the same but bases valuation on the transaction value of the mostly closely similar, rather than identical goods. Similar goods need not be alike in all respects to the goods being valued, but they will have like characteristics and component materials, which allow them to perform the same functions and be commercially interchangeable, and will have been produced in the same country (and normally by the same producer) as the goods being valued. Once again, there are lengthy interpretative notes on such matters as the adjustments that they may have to be made to allow for the quantities or commercial factors being different in the case of the sale of the similar goods from that of the goods being valued.

EXCEPTION TO HIERARCHICAL RULE

The sole exception to the strict hierarchy of valuation methods concerns the fourth and fifth alternatives. Article 4 of the Agreement on Customs Valuation provides that if the customs value of the imported goods cannot be determined under the provisions of transaction value or similar or identical provisions than the customs value shall be determined according to the provisions of Article 5 or when the customs value cannot be determined under that Article, under the provisions of Article 6. But if the importer so requests fifth method may be tried before the fourth.
METHOD-OF DEDUCTIVE VALUE

Under the deductive value method, valuation is based on the resale price of the goods being valued or similar goods sold in the same country of the importation at or about the same time to persons unrelated to the seller who has exported the goods. The resources required for application of the deductive value method reflect the fact that this method entails making appropriate deductions necessary to reduce the price to relevant customs value at the point of importation or exportation as the case may be.

The profit and general expenses under this method should be taken as a whole. This figure should be determined on the basis of information supplied by or on behalf of the importer unless the importer's figures are inconsistent with those obtained in sales in the country of importation of imported goods of the same class or kind. Where the importer's figure are inconsistent with such figures the amount for profit and general expenses may be based upon relevant information other than that supplied by or on behalf of the importer.

In determining either the commissions or the usual profits and general expenses, the question whether certain goods are of the same class or kind as other goods must be determined on a case by case basis by reference to the circumstances involved.
Sales in the country of importation of the narrowest group or range of imported goods of the same class or kind, which includes the goods being valued, for which the necessary information can be provided, should be examined. For the purpose of deductive method, goods of the same class or kind includes goods imported from the same country as the goods being valued as well as goods imported from other countries.

Deductions made for the value added by further processing shall be based on objective and quantifiable data relating to the cost of such work. Accepted industry formulas, recipes, method of construction and other industry practices would form the basis of calculations. The deduction value would normally not be applicable when, as a result of the further processing, the imported goods lose their identity.

**METHOD OF COMPUTED VALUE**

In order to determine a computed value it is necessary to examine the costs of producing the goods being valued and other information which has to be obtained from outside the country of importation. In most of the cases the producer of the goods will be outside the jurisdiction of the authorities of the country of importation. The use of the computed value method is generally limited to those cases where the buyer and seller are related and the producer is prepared to supply the authorities of the country of importation the necessary costing and to provide facilities for any subsequent verification which may be necessary.
FALL-BACK METHOD

Only if none of the above five methods can be applied may the customs authorities fall back on the other means of establishing the value of the goods being imported. Article 7 of the Agreement requires that the value be determined using reasonable means consistent with the agreement and GATT Article VII, and on the basis of data available in the importing country.

Customs value shall not be determined under this method on the basis of –

- The selling price in the country of importation of goods produced in such country.
- A system which provides for the acceptance for customs purposes of the higher of two alternative values;
- The price of goods on domestic market of the country of exportation.
- The cost of production other than company values which have been determined for identical or similar goods in accordance with the computed value;
- The price of the goods for export to a country other than the country of importation.
- Minimum customs value; or
- Arbitrary or fictitious value.
GUIDELINES ON 'OBJECTIVE AND QUANTIFIABLE DATA'
AND ON ACCOUNTING STANDARDS

The Customs Valuation Code's preferred use of the actual transaction value method is conditional on the availability of objective and quantifiable data from the importer to substantiate additions require to be made under Article 8 of the code. This means that even if an importer has truthfully declared the actual value of imported goods, the value declared will not be acceptable to the customs authorities under the actual transaction value method if no data have been submitted to substantiate additions to the price included in the declared value however the code provide no concrete and specific definition of the term objective and quantifiable data. To ensure fairness and uniformity in administration, customs officials need to be furnished with a guideline that sets out a practical definition on which they can rely in decision making.

One approach of defining 'objective and quantifiable data' is to treat this expression as meaning information sufficient to demonstrate the truth and accuracy of the value declared by the importer. Even if an importer submit information which tends to substantiate the basis for the declared value, however, a calculation of value will not be acceptable to the customs administration under the actual transaction value method if it is not prepared in accordance
with generally accepted accounting principles in the country of importation

EXCHANGE RATES

Other rules in the code concern the exchange rates to be based for currency conversions involved in establishing customs value. Article 9 of the code provides that the rate of exchange to be used should be duly published by the importation country in respect of the period covered by such document of publication. Article 10 of the Code further provides that all information which is confidential in nature shall be treated confidential in strict sense of the term.

If, in the course of determining the customs value of the imported goods, it becomes necessary to delay the final determination of such customs value, the importer can withdraw the goods, if he/she can provide sufficient guarantee in the form of surety.

CUSTOMS VALUATION FOR RELATED PARTY TRANSACTION

One of the most difficult matters in customs valuation practice is how to appraise dutiable value in transactions between related parties, especially in international sales
between different entities under the common control of a single multinational enterprise. For the purpose of this code Article 15.4 provides that following persons shall be deemed to be related only if –

- They are officers or directors of one another’s business;
- They are legally recognized partners in business;
- They are employer and employee;
- Any person directly or indirectly owns, controls or holds five percent or more of the outstanding voting stock or shares of both of them;
- One of them directly or indirectly controls the other;
- Both of them are directly or indirectly controlled by a third person;
- Together they directly or indirectly control a third person;
- They are members of the same family.

The mere fact that the importers and exporter are related companies within the meaning of Article 15.4 of the code doesn’t in itself suffice for the customs administration to reject the declared transaction value. Even though the customs administration may presume or suspect that the relationship between the parties probably influenced pricing, the burden of proof to demonstrate that the price is not an 'arm's-length' value rests upon the customs administration. In the event that the customs administration has no objective evidence tending to prove that the relationship
influenced price, the importer may successfully challenge the valuation in litigation and a court may summarily rule against the customs administration in the absence of proof.

If any of the following elements is disclosed in the factual details of a related-party transaction based on the information and documents submitted by the importer, then there would be some reason to suspect that the relationship between the parties had influenced the price:

- The price is determined in a manner different from the ordinary way in which prices are determined between unrelated parties.
- The amount of profit or general selling expenses incurred by an importer in a related-party transaction is considerably higher than in similar transactions between unrelated parties; or
- The declared import price is uniformly low in comparison to prices observed in ongoing transactions in the same items between unrelated parties.

However, there also exist situations in which a declared transaction value is acceptable between related parties. This is the case when the importer can demonstrate that the declared value closely approximates one of the following, taken at or about the same time:
Global Competition

> The transaction value in sales to unrelated parties in the same country of importation of identical or similar goods;
> The customs value of identical or similar goods as determined under the deductive value method; or
> The customs value of identical or similar goods under a computed value method.

In applying the above tests, due account is to be taken of demonstrated differences in commercial levels, in quantities, in the elements enumerated in Article 8 of the Code and in costs incurred by the seller for sales to unrelated parties which are not incurred in sales to related parties.

CALCULATION OF PROFIT AND GENERAL EXPENSES

Calculation of an accurate figure for commission, profit or general selling expenses in the country of importation for goods of the same class or kind can pose manifold problems for customs authorities.

The Interpretative Notes to the Code indicate that 'sales of imported goods of the same class and kind should be examined and clarifies that imported goods includes not only similar goods imported from the same country as the goods
under valuation, but also goods imported from third countries. Such investigations are not easy to conduct. Therefore, customs administration conduct the calculations based on a range of values rather than on specific figures.

ROYALTIES AND LICENSE FEES

If the money paid for goods includes payment not only for goods themselves, but also for a right that is closely related to the goods such that the additional payments are a condition of importation then the customs value be include all relevant payments in the total price of the goods. The price actually paid or payable for goods includes all payments or performances of value passing from the buyer to the seller.

Article 8.1 (c) of the Code provides 'royalties and license fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the extent that such royalties and fees are not included in the price actually paid or payable.'

BURDEN OF PROOF

The allocation of the burden of proof between the custom administration and importers is an important requirement, given that they have often been accused of arbitrarily shifting the
burden of proof to importers based on unreasonable presumptions, abuses of discretion or ambiguous regulations. Once an importer has met the burden of proof to importers based on unreasonable presumption, abuses of discretion or ambiguous regulations. One an importer has met the burden of producing some evidence it will be incumbent on the custom administration to come forward with other evidence to rebate the submitted evidence. The options available to a customs administration are

- To make no specific regulation regarding burden of proof, leaving it for judicial determination in each case;

- To adopt provision along the lines in GATT Ministerial Decisions Regarding Cases Where Administration Have Reasons to Doubt the Truth of Accuracy of the Declared Value

- To incorporate into the national customs law a strict provision suiting the burden of proof in customs valuation cases to the importer.
Export is defined in Customs Act, 1962 as "Export with its grammatical variations and cognate expressions, means taking out of India to a place outside India."

The words "to a place out of India" are used with a view to disguise exports from coastal trade, where the goods are taken outside the territorial waters of India but are brought back to India at another port.

For our common understanding, export will be treated as complete when the goods leave the country and foreign exchange towards consideration of goods to received except where such consideration is not expected e.g. samples, free replacement etc. This understanding ought to serve us well specially while dealing with export promotion schemes.

In respect of services, receipt of foreign exchange in payment for the services rendered in the key as services is intangibles.

In 1991 our foreign exchange reserves had depleted to quite an extent. We then had enough reserves only to tide over the Import requirements of the coming three weeks. Hence, a lot of restrictions were imposed on Imports coming Into India.
However, at the same time the whole world was rushing towards globalisation and integration. Had India not joined the race, the economic scenario could have worsened. The only solution left for India was to increase its exports to tide over the ever-increasing imports. We were aiming to gain a considerable proportion of international business and make our presence felt on the international front. The Government announced various export promotion measures and incentives. Laws were formed to streamline the process of export and import. These laws ensured that our commitment to expansion of India’s trade was forever constant.

GLOBAL EXPORTS AND IMPORTS

Leading exporters and importers [top 30 countries] in world merchandise trade, 2003 (Billion dollars and percentage)

(All figures relate to Jan-Dec 2003)

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### Chapter – 9

#### Global Competition

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<td>17. Russian Federation</td>
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<td>18. Sweden</td>
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<td>19. Malaysia</td>
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<td>20. Switzerland</td>
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<tr>
<td>21. Australia</td>
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<td>22. Ireland</td>
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<td>23. Saudi Arabia</td>
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<td>25. Brazil</td>
<td>73.1</td>
<td>1.0</td>
<td>21</td>
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<tr>
<td>26. Australia</td>
<td>70.4</td>
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<tr>
<td>27. Norway</td>
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<td>28. Denmark</td>
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<td>0.9</td>
<td>18</td>
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<tr>
<td>29. Indonesia</td>
<td>60.7</td>
<td>0.8</td>
<td>6</td>
</tr>
<tr>
<td>30. United Arab Emirates</td>
<td>58.1</td>
<td>0.8</td>
<td>17</td>
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<td>7,482</td>
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- Retained Imports are defined as imports less re-exports.
- Imports are valued f.o.b.
- Includes significant re-exports or imports for re-exports.

**MEDIUM TERM EXPORT STRATEGY 2002 - 2007**

A lowering of customs and excise duties on key Inputs required for exports, a cheaper rupee, service tax rebate and a comprehensive value-added tax system were among the 15 major macro policies advocated by the Medium Term Export Strategy for 2002-07 unveiled by Union commerce and Industry minister Murasoli Maran.

The strategy focused on 220 Identified commodities grouped in sectors and on 25 potential markets In order to raise India’s share in the word trade from 0.67 per cent to at least one per cent In the medium term and achieve a compound annual export growth rate of 11.9 per cent during the period 2002-07.

Translated In value terms, the projected growth should result in a foreign exchange realization of $80 billion in five years, up from about $46 billion in 2000-01.
The policy advocated a "strategic policy" aimed at improving the "competitiveness of Indian exports". Key elements of this strategy include:

- Maintaining the real effective exchange rate of the rupee (REER) at a "level appropriate for ensuring price competitiveness of exports";
- Tariff policy which achieves lower average import tariffs benefiting exports through cheaper cost of Inputs by shifting to a 8-digit nomenclature for tariffs; and
- Balancing of overall lower tariffs by protecting sensitive Items which are likely to be affected due to removal of quanlitative restrictions (QRs).

The policy document also stated that export schemes need to be devised in such a manner that help the exporters get back taxes borne by them efficiently and quickly. Schemes of reimbursement need to be transparent and comprehensive to work effectively. Such a system is possible if a comprehensive VAT system is introduced at every level. Lower customs and excise duties for major inputs needed for exports can minimize the need for duty drawback.

The strategy also aimed at providing an effective and responsive trade defense mechanism such as continuation of anti-dumping and safeguard duties to provide protection against unfair trade practices, evolving WTO-compatible policies by extending non-actionable subsidies and supporting the farm
sector and continually evaluating the foreign direct investment policy.

While the proposed reduction in duties would bring down transaction cost of exporters, the new strategy also advocated "accountability" of export processing personnel and speedy implementation of electronic data interchange (EDI) connectivity for the purpose.

The policy paper also defined strategies for each of the 7 identified major sectors, namely, engineering/electrical/electronics and allied products; textiles, gems and jewellery, chemicals and allied products, including cement, agriculture and allied products, including plantations and marine products, leather and footwear and other items.

The need to carry forward India's emphasis on movement of natural persons under the agreement on trade in services in the WTO negotiations had also been emphasised in the strategy. A policy framework has been mooted to provide export credit by allocating adequate funds to the export and import bank (Exim Bank), besides concessional finance for the export sector.

The strategy made a significant departure from the earlier strategy of the past two decades in the sense that for the first time, it is based on an analysis of the import basket of major economies and identified the items in which India is competitive vis-a-vis some of the major exporting countries of these
products.

The strategy was a "road map" for the benefit of the private sector as well as exporters enabling them to gauge the extent of global competition and how to meet it. The across-the-board reduction in Import tariffs would have no negative Impact on the domestic sector and the proposal was designed only to equalize the effect of costly imports due to exchange rate depreciation and pointed out the.

**EXPORT PROMOTION MEASURES**

In order to promote exports, Government of India offers various export promotion schemes such as Duty Exemption / Remission Scheme, Export Promotion Capital Goods Scheme, Export Oriented Units, Electronics Hardware Technology Parks, Software Technology Parks, Bio. Technology Parks, Free Trade and Warehousing Zones, Special Economic Zones., Export of Services, etc. To facilitate exports there are other Initiatives like Market Access Initiative the aim of which Is to strengthen the infrastructure for exports, offer assistance to State Governments and provide financial assistance to exporters through Export Promotion Councils for development of export markets.

In order to be competitive In the International market, it is necessary that exporter should be free of burden of taxation. World wide, Indirect taxes are rebated In the form of schemes
similar to duty drawback. Considering that India is poised to expand its export basket by adding value-added products, the government has thought it fit to offer various Instruments to get rid of Indirect taxes.

Considering the complexities of taxation in India, it is necessary that Indian exporters should have multiple Instruments to ease the burden of taxation. It is equally important to have access to technologically developed capital goods, internationally competitive inputs, etc. We also need infrastructural development, particularly in the area of seaports and airports. In order to achieve 1.5% of global trade by 2009.

To ensure that the objectives are met within the given time frame. The government has devised export promotion schemes. These schemes are as under:

- Duty Exemption / Remission Scheme
- Export Promotion Capital Goods Scheme
- Export Oriented Units
- Electronic Hardware Technology Parks / Software Technology
- Parks / Bio-Technology Parks
- Agri Export Zones
- Free Trade and Warehousing Zones
- Special Economic Zones
- Deemed Exports.