WTO AGREEMENTS AND ITS IMPACT

INCO TERMS

IMPORT AND EXPORT POLICY

AGENCIES INVOLVED IN IMPORT AND EXPORT

Need for Establishment of WTO

- Trade and commerce imprints, began to be felt on the relations between nations and major economic phenomena began to have ripple effects on the international political landscape.
- The protectionism is one of the factors culminating World War II
- Importance of International Economic Collaboration and for ensuring Peace prompted US President and British PM to sign Atlantic Charter
- Developing nation change their outlook from Inward looking protectionist to an outward Orientation and develop policies like Look East Policy/Globalization Policy - to prosper & to strengthen its position in world trade.

Trade Wars are not un-common even today – as the world's largest economies (US & China) are still embroiled in Trade War which is impacting the economies and inflation world over.

The recent Russia –Ukraine war is the result of economic interests wherein certain theories suggest that West wants to Control Russia by restricting control of Sea Coast lines alongside Ukraine

In an attempt to pacify the Global Trading Network GATT was established with the primary focus on liberalizing and escalating world trade by reducing barriers to international trade

GATT has advocated many principles inter-alia including :

• **Most Favoured Nation (MFN) principle** - under which each economy engaged under trade has to treat all other economy analogous with respect to tariffs and other trade scenario as it treats its most favoured nations.

• **Reciprocity principle** under which an economy has to share its advantage in the form of bilateral agreement for market access or tariff reduction.

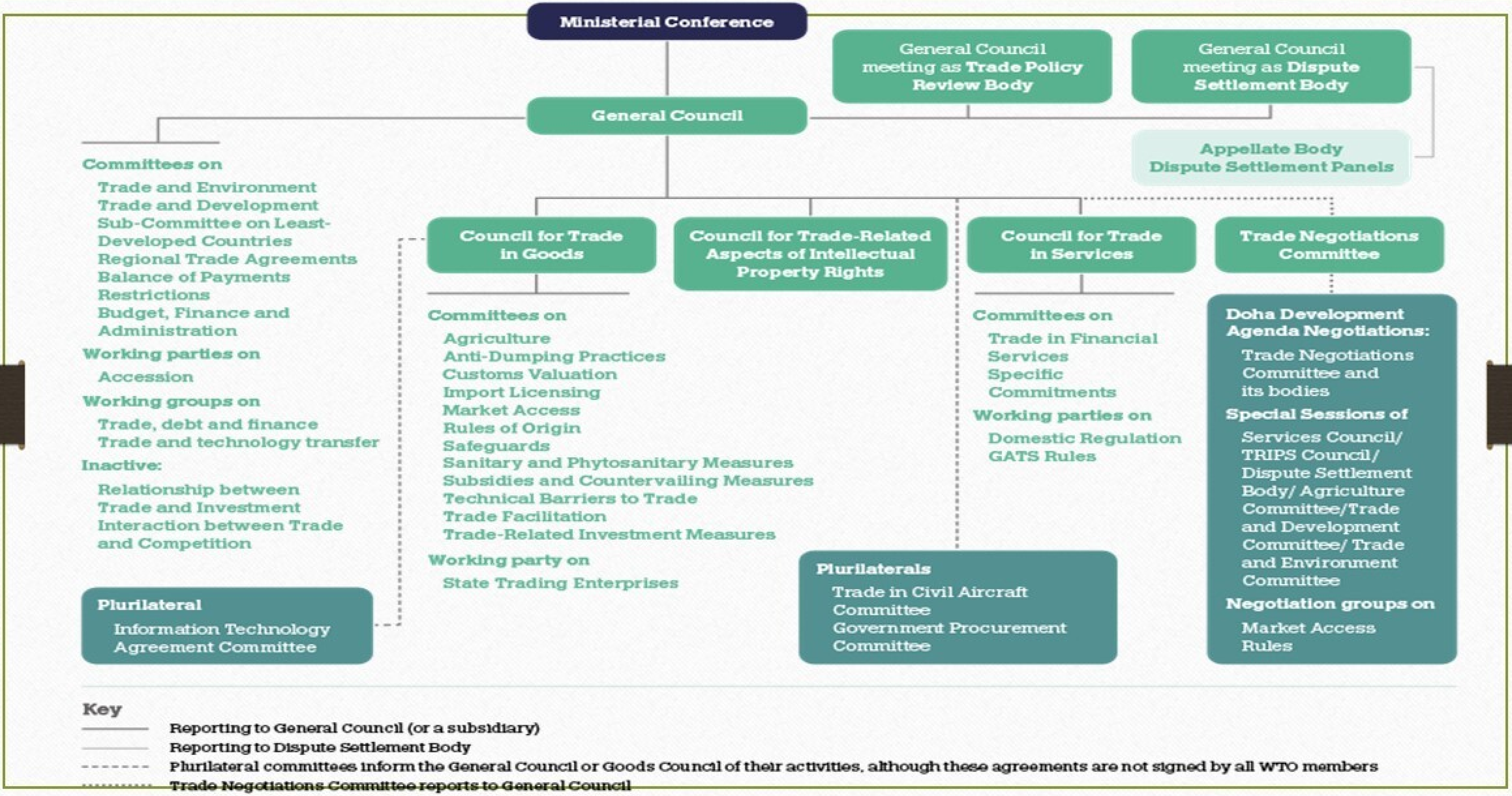
To further liberalise trade and raise the living standards WTO was set up as a successor to GATT on 01st January 1995

Guiding Pillars of WTO

Protecting the interests of developing countries against discriminatory trade practices of large and powerful countries

To limit trade only through tariffs and to provide market access

To help governments resist lobbying efforts by domestic interest groups seeking special favours


Ministerial Conference
General Council meeting as Trade Policy Review Body
General Council meeting as Dispute Settlement Body
General Council
Appellate Body
Dispute Settlement Panels
Committees on
Trade and Environment
Trade and Development
Sub-Committee on Least-Developed Countries
Regional Trade Agreements
Balance of Payments Restrictions
Budget, Finance and Administration
Working parties on
Accession
Working groups on
Trade, debt and finance
Trade and technology transfer
Inactive:
Relationship between Trade and Investment
Interaction between Trade and Competition
Plurilateral
Information Technology Agreement Committee
Council for Trade in Goods
Committees on
Agriculture
Anti-Dumping Practices
Customs Valuation
Import Licensing
Market Access
Rules of Origin
Safeguards
Sanitary and Phytosanitary Measures
Subsidies and Countervailing Measures
Technical Barriers to Trade
Trade Facilitation
Trade-Related Investment Measures
Working party on
State Trading Enterprises
Council for Trade-Related Aspects of Intellectual Property Rights
Plurilaterals
Trade in Civil Aircraft Committee
Government Procurement Committee
Council for Trade in Services
Committees on
Trade in Financial Services
Specific Commitments
Working parties on
Domestic Regulation
GATS Rules
Trade Negotiations Committee
Doha Development Agenda Negotiations:
Trade Negotiations Committee and its bodies
Special Sessions of
Services Council/ TRIPS Council/ Dispute Settlement Body/ Agriculture Committee/Trade and Development Committee/ Trade and Environment Committee
Negotiation groups on
Market Access
Rules
Key
Reporting to General Council (or a subsidiary)
Reporting to Dispute Settlement Body
Plurilateral committees inform the General Council or Goods Council of their activities, although these agreements are not signed by all WTO members
Trade Negotiations Committee reports to General Council

India’s Association with WTO :

India’s association with the World Trade Organization goes back to the days of GATT,

A major turning point in India’s approach to trade occurred in 1991. Crippled with severe economic challenges and trade deficits, India was forced to open its doors to the outside world.

Liberalization, privatization and globalization became the governing principles of India’s foreign policy.

Major WTO Agreement

1) Agreement on subsidies and countervailing measures - SCM

The Agreement on Subsidies and Countervailing Measures (“SCM Agreement”) addresses two separate topics:

→ Multilateral disciplines regulating the provision of subsidies,

AND

→ Use of countervailing measures to offset injury caused by subsidized imports

The SCM Agreement defines the term “subsidy” as a financial contribution by a government or any public body within the territory of a member which confers a benefit.

Only 4 “specific” subsidies are under the purview of Subsidies and Countervailing Measures Agreement disciplines.

Enterprise-Specificity:	Industry-Specificity:	Regional Specificity:	Prohibited Subsidies:
A country’s government targets a specific company or companies for subsidization	A government targets certain sector or sectors for subsidization.	A government targets producers in particular areas of its territory for subsidization	A government targets export products or goods using native inputs for subsidization

Prohibited subsidies

Further classified into two parts

Subsidies dependent upon export performance

Subsidies contingent upon the use of indigenous content over imported goods

Against Such subsidies, Member countries can take following measures

Countervailing Duty :It is levied on imported goods to counterbalance subsidies provided by the exporter country.

- E.g. :- Imposition of countervailing duty on imported Chinese pneumatic tires

Anti-Dumping Duty – Sometimes countries resort to subsidize production or exports so heavily that exporters are able to sell goods below domestic price or even production cost in international markets.

- E.g. : -Anti-dumping duties on 99 Chinese products, including chemicals & petrochemicals, pharmaceuticals etc.

- Sunset Clause :
- These can only be done in a transparent manner and a sunset period should be specified.
- Sunset clause requires that a countervailing measure must be terminated after five years, unless it is determined that continuation of the measure is necessary to avoid the persistence or recurrence of subsidization and injury.

General Agreement on Trade in Services – GATS

GATS was inspired by the ideas of :

- creating a credible system of international trade norms;
- principle of non-discrimination;
- stimulating economic activity through definite policy bindings; and
- progressive liberalization of trade.

Services negotiations in the WTO follow the discussions on the so-called

Positive List Approach

&

Negative List Approach

Positive List Approach

- members list all of the services where they undertake to reduce tariff or non-tariff barriers
- entails the opening of markets and the granting of national treatment to foreign service suppliers vis-à-vis the items in the list.

Negative List Approach

- related to those services where trade barriers are maintained
- Western Countries are advocating to move from positive list approach to negative list approach
- India is against this idea as it will throw open almost the entire Indian services sector to the mercy of western multinational giants

NEGOTIATIONS IN SERVICES UNDER GATS ARE CLASSIFIED INTO 4 MODES

(i) Cross border supply of services, without the movement of natural persons.
For e.g. Business Process Outsourcing (BPO), KPO or LPO services.

(ii) Supply of a service of one country to the consumer of another country;
For e.g. telecommunication.

(iii) Commercial presence, which encompasses services provided by a service supplier of one country in the territory of any other country, creating scope for foreign investment..
For e.g., higher education, insurance, medical, etc.

(iv) Presence of natural persons, which covers facilities provided by a service supplier of one country through the presence of natural persons in the territory of any other country;
For e.g. a company sending its engineers for onsite work in US/Europe or Australia.

Trade-Related Aspects of Intellectual Property Rights – TRIPS

The **Agreement on Trade-Related Aspects of Intellectual Property Rights** is an intercontinental agreement administered by the WTO that lays down the minimum standards for various types of intellectual property (IP).

(i) **<u>Copyright</u>** – This refers to the legal right to control the production and selling of a book, play, film, photograph, or piece of music.

(ii) **<u>Geographical Indications :</u>**- Geographical indications are defined as indications which identify a good as originating in the territory of a Member, where a given quality, reputation or other characteristics of the good is essentially attributable to its geographical origin.

(iii) **<u>Industrial Designs</u>** :- The agreement obliges members to provide for the protection (for at least 10 years) of independently created industrial designs that are new or original.

(iv) Integrated Circuit layout designs :-

(v) Patents : - a patent is an intellectual property right (IPR) awarded to inventors.

(vi) Trademarks - any sign, or set of signs, able to distinguish one undertaking's products and services from other undertakings', shall be eligible for trademark registration, provided that it is clearly detectable

Trade-Related Investment Measures – TRIMS

TRIMS applies to measures that affect trade in goods. This agreement states that no Member shall apply a measure that discriminates against foreign products or that leads to quantitative restriction.

Agreement on Agriculture – AoA

Designed to remove trade barriers and to encourage transparent market access and integration of global markets,

AOA stands on three Pillars :

(i) Domestic Support, i.e., subsidies such as guaranteed minimum price
(ii) Market Access requires that tariffs, which have been fixed (like custom duties)
(iii) Export Subsidies

India & WTO Agreements :

Free Trade Agreement

A free trade agreement is an agreement in which two or more countries agree to provide preferential trade terms, tariff concession etc. to the partner country.

India has negotiated FTA with many countries e.g. Sri Lanka and various trading blocs as well e.g. ASEAN

Preferential Trade Agreement

In this type of agreement, two or more partners give preferential right of entry to certain products. This is done by reducing duties on an agreed number of tariff lines.

India signed a PTA with Afghanistan.

Comprehensive Economic Partnership Agreement

CECA/CEPA also looks into the regulatory aspect of trade and encompasses and agreement covering the regulatory issues. India has signed CEPAs with South Korea and Japan.

Comprehensive Economic Cooperation Agreement (CECA)

CECA generally covers negotiation on trade tariff and TQR rates only. It is not as comprehensive as CEPA. India has signed CECA with Malaysia.

Global System of Trade Preferences (GSTP)

Under agreement establishing GSTP, tariff concessions are exchanged among developing countries, who have signed agreement.

Asia Pacific Trade Agreement: (APTA)

APTA is a preferential trading arrangement designed to liberalise and expand trade in goods progressively in Economic and Social Commission for Asia and Pacific (ESCAP) region through liberalization of tariff and nontariff barriers.

Broad overview of the benefits provided by Trade Agreement to Indian exporters are as follows:

1. **Tariff reduction** – Widely known benefit of an FTA or PTA is reduced tariff for the offered product list It allows exporters to access the market at lower tariff hence provides competitive final prices for the exporters of a partner country.

2. **Access to new markets** – The FTAs give easier and competitive access to the exporters as well as importers in the partner countries.

3. **Trade risk diversification** – Increasing the diversification in terms of product basket and diversification countries help in hedging the unfavorable consequences on global and national trade due to geopolitical turmoil

4. **Innovation and competition** – Generally better market integration tend to enhance competition thereby it pushes the industry towards innovation benefitting consumers in long run.

5. **Technology transfer and increased integration** – Increased trade leads to better integration of market and also facilitate transfer of skills and technology.

INCOTERMS :

International Trade encompasses countries and their relative diverse language and trade practices.
At times it become difficult for trade participating countries to understand the commonly used terms & Practices.
To standardise the terminologies in International Trade of Goods a set of rules has been adopted by International Chamber of Commerce which are known as Incoterms

The Incoterms are a globally-recognised set of standards, used worldwide in international and domestic contracts for the delivery of goods.

Incoterms, which stand for INternational COmmercial TERMS, is a set of 11 rules issued by the International Chamber of Commerce aiming at reducing confusion between buyers and sellers in an international trade transaction.

Launched in September 2019, Incoterms *2020* will come into effect on 1 January 2020.

All contracts made under Incoterms *2000* and any other previous editions remain valid and parties to a contract for the sale of goods can agree to choose any version of the Incoterms rules.

IMPORTANCE OF INCOTERMS :

- Importers and exporters should consider which incoterms is best for them before the contract of sale is negotiated. This can prevent surprise costs and unnecessary complications.
- Choosing an incoterm means getting on the same page as your supplier – it aligns everyone on shipping procedures when multiple parties and stakeholders are involved.
- These globally accepted terms ensure the timely payment of goods, services, and duties, while protecting suppliers, carriers, and buyers.
- All International purchases will be processed on an agreed Incoterm to define which party legally incurs costs and risks. Incoterms should be clearly stated on relevant shipping documents

Incoterms® 2020 rules for any mode(s) of transport

EXW – EX-WORKS OR EX-WAREHOUSE

Ex works is when the seller places the goods at the disposal of the buyer at the seller's premises or at another named place (i.e., works, factory, warehouse, etc.).
The seller does not need to load the goods on any collecting vehicle. Nor does it need to clear them for export, where such clearance is applicable

FCA – FREE CARRIER

The seller delivers the goods to the carrier or another person nominated by the buyer at the seller's premises or another named place.
The parties are well advised to specify as explicitly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

CPT – CARRIAGE PAID TO

The seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such site is agreed between parties).
The seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

CIP – CARRIAGE AND INSURANCE PAID TO

The seller has the same responsibilities as CPT, but they also contract for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage.
The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

DAP – DELIVERED AT PLACE

The seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination.
The seller bears all risks involved in bringing the goods to the named place

DPU – DELIVERED AT PLACE UNLOADED

DPU replaces the former Incoterm® DAT (Delivered At Terminal). The seller delivers when the goods, once unloaded are placed at the disposal of the buyer at a named place of destination.
The seller bears all risks involved in bringing the goods to, and unloading them at the named place of destination.

DDP – DELIVERED DUTY PAID

The seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination.
The seller bears all the costs and risks involved in bringing the goods to the place of destination.
They must clear the products not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

Incoterms® 2020 rules for Sea and Inland Waterway Transport

FAS – FREE ALONGSIDE SHIP

- The seller delivers when the goods are placed alongside the vessel (e.g., on a quay or a barge) nominated by the buyer at the named port of shipment.
- The risk of loss of or damage to the goods passes when the products are alongside the ship. The buyer bears all costs from that moment onwards.

FOB – FREE ON BOARD

- The seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment
- The risk of loss of or damage to the goods passes when the products are on board the vessel. The buyer bears all costs from that moment onwards

CFR – COST AND FREIGHT

- The seller delivers the goods on board the vessel
- The risk of loss of or damage to the goods passes when the products are on board the vessel.
- The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

CIF – COST, INSURANCE AND FREIGHT

- The seller delivers the goods on board the vessel.
- The seller must contract for and pay the costs, insurance and freight necessary to bring the goods to the named port of destination.

Import & Export Policy

Prohibited/Restricted Import- Export

Free Import - Export

Foreign trade in India is promoted and facilitated by the Directorate General of Foreign Trade (DGFT), under the Ministry of Commerce and Industry (MoCI).

Foreign Trade Policy (FTP) is the prime policy that lays down simple and transparent procedures which are easy to comply with

and

administer for efficient management of foreign trade in India.

The Policy aims at enhancing the country's trade for economic growth and employment generation.

The Customs Tariff Act/Central Excise Tariff Act & GST Tariff Act are the other two important Acts that lay down how the Customs and Excise duties shall be levied on trade, respectively.

The DGFT issues the authorization to exporters and monitors their corresponding obligations through a network of 38 regional offices. The DGFT also implements the Foreign Trade Policy of India.

The Indian Trade Classification – Harmonized System (ITC-HS) allows for the free import of most goods without a special import license.

Most items fall within the scope of India's export-import policy regulation of Open General License.

This means that products can be freely importable without restrictions and without a license unless they are regulated by the provisions of the policy or applicable laws.

However, certain goods require special permission or licensing

Following authorities are responsible for issuing import license for respective commodities:

Department of Electronics for computer and computer-related systems
Department for the Promotion of Industry and Internal Trade (DPIIIT – Technical Support Wing) for organized sector units registered under it, except for computers and computer-based systems

Ministry of Defense for defense-related items

DGFT for small-scale industries not covered above

Chapter 2 Of Foreign Trade Policy provides that Exports and Imports shall be 'Free' except when regulated by way of

'prohibition',
'restriction' or
'exclusive trading through State Trading Enterprises (STEs)'

as laid down in Indian Trade Classification (Harmonized System) [ITC (HS)] of Exports and Imports.

- The list of 'Prohibited', 'Restricted' are separately listed.

- Actual User Condition :

Goods which are importable freely without any 'Restriction' may be imported by any person.

However, if such imports require an Authorization, actual user alone may import such good(s) unless actual user condition is specifically dispensed with by DGFT.

Principles of Restrictions DGFT may, through a Notification, impose restrictions on export and import, necessary for: -

(a) Protection of public morals;
(b) Protection of human, animal or plant life or health;
(c) Protection of patents, trademarks and copyrights, and the prevention of deceptive practices;
(d) Prevention of use of prison labour;
(e) Protection of national treasures of artistic, historic or archaeological value;
(f) Conservation of exhaustible natural resources;
(g) Protection of trade of fissionable material or material from which they are derived;
(h) Prevention of traffic in arms, ammunition and implements of war
(i) Relating to the importation or exportation of gold or silver

Based on the principles cited above different acts provide for restriction for different products/services. Few examples are listed as below :

1) The Prevention of Food Adulteration Act, 1954 and Food Safety and Standards Authority Act, 2006

As per the Prevention of Food Adulteration Act, 1954 (PFA), any product not fulfilling the statutory provisions is not allowed to be imported into the country.

PFA/FSSAA lay down detailed guidelines for examination and testing of food items prior to Customs clearance.

All consignments of high risk food items, as listed in DGFT Policy Circular

All consignments of perishable items like fruits, vegetables, meat, fish, cheese, etc., will continue to be handled in terms of the guidelines.

2) Labeling of the goods imported into India

DGFT Notification provides for labeling of the goods imported into India which are covered by the provisions of Standards of Weights & Measures (Packaged Commodities) Rules, 1977.
This Notification mandates that compliance of labeling conditions have to be ensured before the import consignment of such commodities are cleared by Customs for home consumption.

3) The Livestock Importation Act, 1898

The import of livestock and livestock products is regulated by the Livestock Importation Act, 1898. The objective of this Act and the notifications/orders issued therein is to regulate the import of livestock products in such a manner that these imports do not adversely affect the country's human and animal health population.
Destructive Insects & Pests Act, 1914, PFS Order, 1989 and Plant Quarantine (Regulation of Import into India) Order, 2003

4) Drugs and Cosmetics Act, 1940 and Drugs and Cosmetics Rules, 1945

In terms of Rule 133 of the Drugs and Cosmetics Rules, 1945, no cosmetics shall be imported into India except through the points of entry specified in Rule 43A of the said Rules.

5) Hazardous Wastes (Management and Handling) Amendment Rules, 1989.

As per Chapter 1A of General Notes regarding Import Policy (ITC (HS) Classification of Export and Import Items, Schedule I, imports of Hazardous Waste into India shall be subject to the provisions of Hazardous Wastes (Management and Handling) Amendment Rules, 1989.

. **Import and Export of Hazardous Wastes for dumping and disposal**

Import of hazardous wastes from any country to India and export of hazardous wastes from India to any country for dumping or disposal shall not be permitted.

The Central Government shall, after examining the communication received and on being satisfied that the import of such hazardous wastes is to be used for processing or reuse as raw material grant permission for the import of such wastes subject to such conditions as the Central Government may specify in this behalf and

if, however the Central Government is not satisfied with the communication received under sub-rule (2), may refuse permission to import such hazardous wastes.

Any importer importing hazardous waste shall provide necessary information as to the type of hazardous wastes he is to import, in Form 6, to the concerned State Pollution Control Board or Committee/the Central Pollution Control Board in the case of Union Territories.

(5) The State Pollution Control Board or Committee shall examine the information received under the sub-rule (4) and issue instruction to the importers as its considers necessary.

(6) The Central Government or the State Pollution Control Board or Committee, as the case may be, shall inform the concerned Port Authority to take appropriate steps regarding the safe handling of the hazardous wastes at the time of off-loading the same.

(7) Any person importing hazardous wastes shall maintain the records of the hazardous wastes imprted

Import and Export of Hazardous Wastes for recycling and reuse

(1) No person shall import or export hazardous wastes or substances containing or contaminated with such hazardous wastes as specified in Schedule 8, even for recycling.

(2) The Ministry of Environment and forests shall be the Nodal Ministry to deal with the trans-boundary movement of hazardous wastes and to grant permission of transit of hazardous wastes through any part of India.

(3) Import and export of hazardous wastes shall be permitted only as raw materials for recycling or reuse. (Schedule 3, 4).

(4) Any occupier importing or exporting hazardous wastes shall provide detailed information in Form 7A to the Customs authorities.

(5) Any occupier importing or exporting hazardous wastes shall comply with the prescribed conditions

(6) In case of any dispute as the grant of permission to import or export of hazardous wastes, the matter shall be referred to the Central Government for a decision.

Powers to DGFT Under Foreign Trade Regulation Act 1992 :

"Section 3(1) of the Foreign Trade Regulation Act 1992 grants powers to the Central Government by Order published in the Official Gazette, to make provision for the development and regulation of foreign trade by facilitating imports and increasing exports.

In terms thereof DGFT vide Circular has been granted power vide Notification No. 17/2015-2020 dated August 10, 2021 so as to amend the provision regarding prohibition and restrictions for imports/ exports, in line with international agreements.

DGFT may, through a Notification, impose 'Prohibition' or 'Restriction': –

a) on export of foodstuffs or other essential products for preventing or relieving critical shortages;

b) on imports and exports necessary for the application of standards or regulations for the classification, grading or marketing of commodities in international trade

c) on imports of fisheries product, imported in any form, for enforcement of governmental measures to restrict production of the domestic product or for certain other purposes;

d) on imports to safeguard country's external financial position and to ensure a level of reserves.

e) on imports to promote establishment of a particular industry;

f) for preventing sudden increases in imports from causing serious injury to domestic producers or to relieve producers who have suffered such injury;

g) for protection of public morals or to maintain public order;

h) relating to the importations or exportations of gold or silver;

i) for the protection of country's essential security interests:
i. relating to fissionable materials or the materials from which they are derived;
ii. relating to the traffic in arms, ammunition and implements of war;
iii. taken in time of war or other emergency in international relations; or

Etc…..

EXPORT PROMOTION SCHEMES IN INDIA

Following are promotion schemes/incentives the Govt. of India has introduced to compensate hurdles facing by the India exporters :

1. **MEIS Scheme:** This is designed to provide rewards to exporters to offset infrastructural inefficiencies and associated costs like payment of basic customs duty, additional duty, payment of central excise duty. MEIS was introduced in the Foreign Trade Policy (FTP) for the period 2015-2020.

2. **RoDTEP Scheme**: RoDTEP is a new scheme to replace the existing MEIS scheme for exports of goods from India,which aims to reimburse the taxes and duties incurred by exporters such as local taxes, coal cess, mandi tax, electricity duties and fuel used for transportation, which are not exempted or refunded under any other existing scheme.

3. **SEIS Scheme-** This reward scheme is to promote the export of services from India.SEIS Scheme was introduced on 1st April 2015 for 5 Years under the Foreign Trade Policy of India 2015-2020.

4. **AAS Scheme-** Advance License scheme was introduced to allow duty-free import of raw materials required for the production of export goods

5. **DFIA Scheme-** The purpose of this scheme is the same as the Advance License scheme i.e. to allow duty-free import of raw materials. However, unlike the AA, DFIA Scheme is a post-export scheme. It means that duty-free import is allowed only after the export is made.

6. **DBK Scheme-** It is a refund of the duties given by the Govt. In the DBK scheme, duties of customs & central excise that are chargeable on imported and indigenous materials used in the manufacture of exported goods are refunded back.

7. **RoSCTL Scheme-** The old RoSL scheme was replaced by the new RoSCTL Scheme from 07.03.2019.RoSCTL scheme is only applicable to the Apparels & made-up Industry .It gives a refund of State and Central Taxes and Levies such as VAT on transportation fuel, Captive Power, Mandi Tax, Electricity Duty. Etc.

8. **EPCG Scheme-** The objective of the EPCG Scheme is to facilitate the import of capital goods/machinery for producing quality goods and services and enhance India's manufacturing competitiveness.

9. **EOU/EHTP/STP/BTP Schemes-** The major benefits of the EOU Scheme are – No Import duties while procuring raw materials or capital goods, faster custom clearance facilities, it can be set up anywhere in the country, unlike an SEZ unit.

10. **GST Refund for Exporters / LUT Bond facility** / 0.1% GST benefit for Merchant Exporters- Exporters are given a host of preferential facilities under the GST Act. They can make an export supply either "on payment of GST" or "without paying any GST" under the LUT bond facility.

11. **TMA Scheme-** This scheme is introduced only for the agricultural export products and it came into effect from 01.03.2019.

12. Deemed Export Benefits- The Objective of these benefits is to provide a level-playing field to the domestic manufacturers in certain specified situations

13. Star Export House / Status Holder Certificate- This is not a financial incentive scheme, but a kind of recognition/certification given by the Govt. of India to eligible exporters. Status holders are regarded as business leaders who have successfully contributed to India's foreign trade.

14.**MAI Scheme-** The objective of this scheme is to play a catalytic role in promoting exports from India by exploring new markets and supporting all the export promotion activities in the new markets.

15.**MDA Scheme-** This is an old scheme that was merged into the new Market Access Initiative (MAI Scheme), 2018.

16. **TEE Scheme-** Towns exporting goods worth more than Rs. 750 Cr. And having high export potential are notified as Towns of export excellence (TEE).Financial assistance is provided to recognized associations in those towns as per the guidelines covered under the Market Access Initiative (MAI Scheme).

17**. IES Scheme-** IES which is also known as an Interest subvention scheme was introduced in April 2015, to provide pre and post-shipment export credit to exporters in rupees. 18. NIRVIK Scheme- It is primarily an insurance cover guarantee scheme that provides a cover of up to 90% of principal and interest as against the current credit guarantee of only up to 60% loss. The cover will include both the pre and post-shipment export credit.

Facilitation Measures for Imports

- <u>**Introduction of Revised Authorised Economic Programme(AEO) :**</u> wherein extensive benefits, including greater facilitation and self certification, have been provided to those entities who have demonstrated strong internal control system and compliance with CBEC

  <u>**Setting Up of Customs Clearance Facilitation Committee (CCFC) :**</u> been set-up at every major Customs seaport and airport under the chairmanship of Chief Commissioner of Customs/Commissioner of Customs.

- <u>**Amendments in Warehousing provisions for introducing record based controls :**</u> warehousing provisions has been amended to leverage the benefits of automation for facilitating trade and

  The amended provisions provide a single point for the importer or owner to seek extension of the warehousing period and pay duties online.

- **Indian Customs Single Window Project :** Indian Customs has introduced SWIFT (Single Window Interface for Facilitating Trade) for ensuring ease of doing business.
- Under Indian Customs Single Window Project, the importers electronically lodge their Customs clearance documents at a single point only with the Customs.

- **Reduction in mandatory documents for imports and exports :**
- CBEC has reduced the number of mandatory documents and prescribed only three mandatory documents for general import/export.
- Packing list and commercial invoice has been merged into a single document for Customs purposes.
- SDF form required to be submitted along with shipping bill (export declaration) is no longer required.

- **<u>24×7 Customs Clearance :</u>** CBEC introduced the facility of 24×7 Customs clearance in the year 2012 for goods exported under free Shipping Bills and now been extended to all Bills of Entry at various sea ports and air cargo complexes.

- **<u>Reducing/eliminating printouts in Customs Clearance :</u>**
- With the aim of "ease of doing business" and promoting paperless clearance, Board has decided to do away with routine print-outs of several documents
- e.g. GAR 7 Forms/ TR 6 Challans, TP copy, Exchange Control Copy of Bill of Entry and Shipping Bill, and Export Promotion copy of Shipping Bill.

Government And other Authorities involved in Import/Export

Definition

- **Export :**
- As per FT (D & R) Act,
- Export of Goods means taking out of India any goods by land, sea or air;

Definition of "Export" under the Foreign Exchange Management Act, 1999

- "export", with its grammatical variations and cognate expressions, means— Goods - the taking out of India to a place outside India any goods,
- Services - provision of services from India to any person outside India;

Import :

- "Import of Goods" means bringing into of India any goods by land, sea or air;

Definition under the Foreign Exchange Management Act, 1999

- Import – Goods - Bringing into India any goods or services;
- Services - Bringing into India any services.

Steps in Export :

Establishing a unit: To start the export business, first a sole proprietary concern, partnership firm, or a company has to be set up as per procedure.

Opening a bank account: A current account with a bank authorized to deal in foreign exchange should be opened.

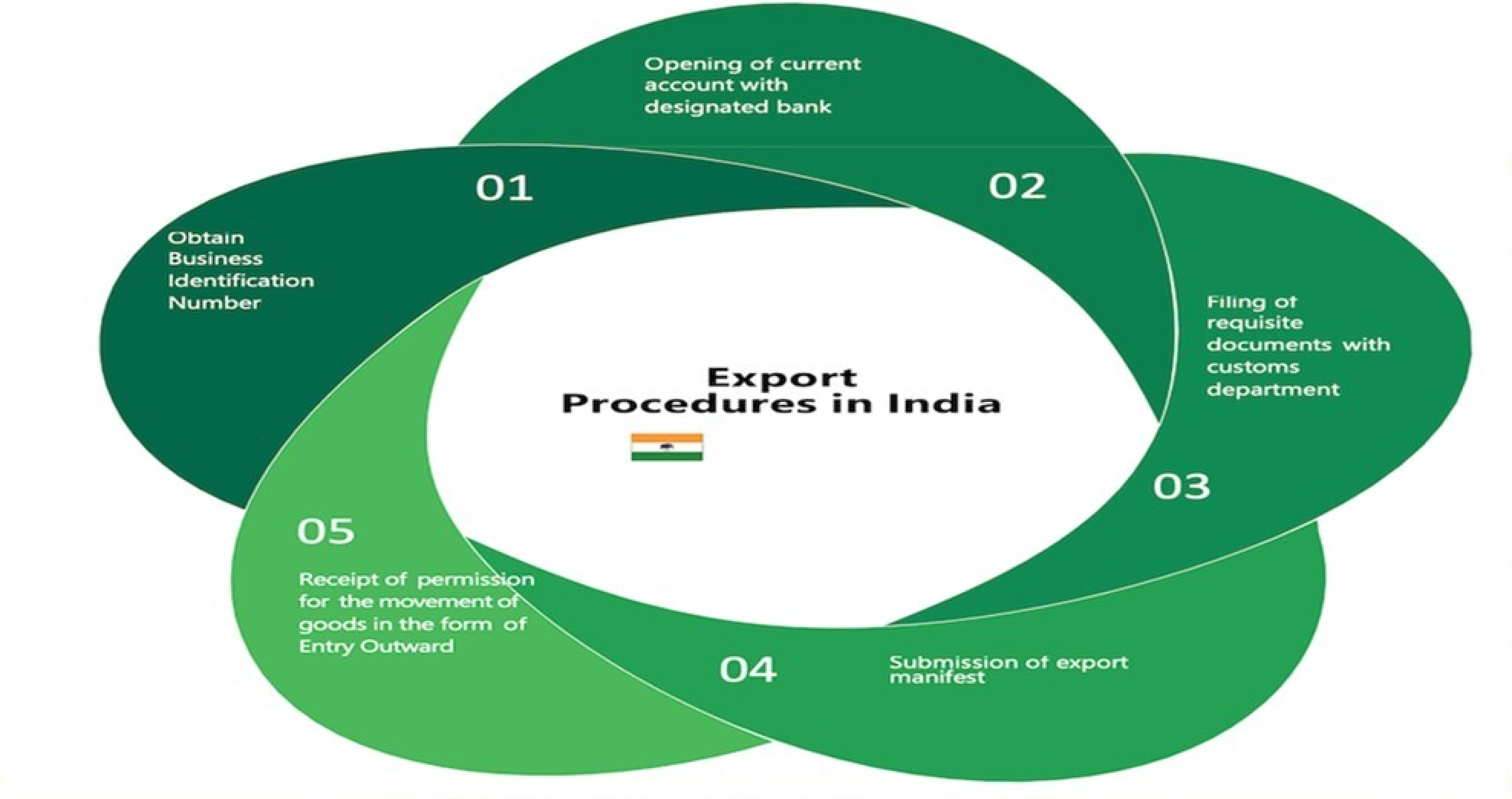
Obtaining permanent account number (PAN): It is necessary for every exporter and importer to obtain a PAN from the Income Tax (IT) Department.

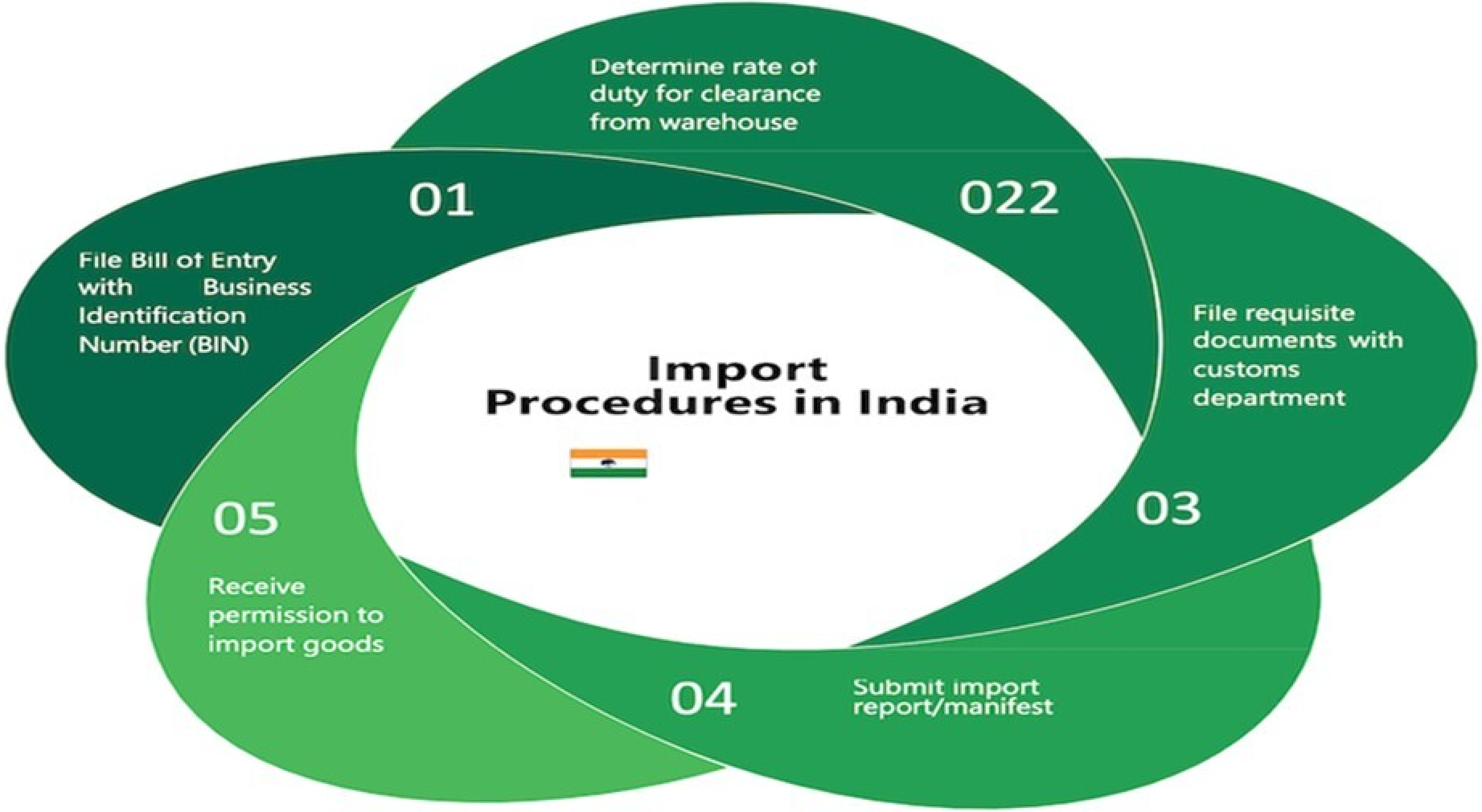
Obtaining importer-exporter code (IEC) number: As per the FTP, it is mandatory to obtain the IEC for export and import from India.

Registration cum membership certificate (RCMC): Exporters are required to obtain RCMC granted by the concerned Export Promotion Councils (EPCs), Federation of Indian Export Organization (FIEO), Commodity Boards, or authorities in order to avail authorization to export-import or any other benefit or concession under FTP 2015-2020.

Covering risks through ECGC: Risks involved in international trade owing to buyer or country insolvency can be covered by an appropriate policy from the Export Credit Guarantee Corporation Ltd (ECGC).

Export Procedures in India




Import
Procedures in India
01
File Bill of Entry with Business Identification Number (BIN)
022
Determine rate of duty for clearance from warehouse
03
File requisite documents with customs department
04
Submit import report/manifest
05
Receive permission to import goods

Authorities/Agencies Involved in Export of Goods

- Other Than Buyer & Seller there are many agencies which authorises or facilitates Export of Goods Out of India.
- These Include :
- A) Ministry of Commerce & Industry
- B) Ministry of Finance
- C) Jurisdictional GST Department
- D) Customs Department
- E) Shipping Lines
- F) Custom House Agents
- G) Bankers..etc
- Let's deal with role of each one by one

MINISTRY OF COMMERCE & INDUSTRIES :

The Ministry of Commerce and Industry administers two departments, the Department of Commerce and

the Department for Promotion of Industry & Internal Trade

Department of Commerce:
The department is entrusted with formulating and implementing the foreign trade policy and responsibilities relating to multilateral and bilateral commercial relations, state trading, export promotion measures, and development and regulation of certain export oriented industries and commodities.

Department for Promotion of Industry & Internal Trade : This department is responsible for determining the Industrial Policy at Central Government level, including :

General Industrial Policy
Productivity in industry
Matters related to e-Commerce
Promotion of Internal Trade, Including Retail Trade.

The Department also handles matters related to Foreign Direct Investment (FDI) and undertakes promotion of direct foreign and non-resident investment

MINISTRY OF FINANCE :

The Ministry of Finance is an important ministry within the Government of India concerned with the economy of India, serving as the Indian Treasury Department.

The Ministry of Finance is responsible for enforcing and upholding various financial laws to effectively grow or maintain a stable economic environment in the Country

It is bestowed with the responsibility of implementing taxation policies;
addressing domestic policy and delivering strategies to ensure domestic economic growth; and
handling all matters concerning international financial matters.

Following ministries works under the Ministry of Finance :
a) **Department of Economic Affairs:** The Department of Economic Affairs is the nodal agency of the Union Government to formulate and monitor country's economic policies and programmes having a bearing on domestic and international aspects of economic management.

DEPARTMENT OF REVENUE:

The Department of Revenue functions under the overall direction and control of the Secretary (Revenue).

It exercises control in respect of matters relating to all the Direct and Indirect Union Taxes through two statutory Boards namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC).

INCOME TAX DEPARTMENT :

The Income Tax department comes under Ministry of Finance and is responsible for issuance of PAN and issuing various Income Tax Forms through which Income earned by the taxable person is assessed.

GOODS & SERVICE TAX DEPARTMENT :

GST department works under Ministry of Finance and play instrumental role in regulating foreign trade and ensuring tax compliance.

1) Filing of Letter of Undertaking : For Export of Goods or services without payment of tax a LUT is to be filed with Jurisdictional GST Authorities at the beginning of each Financial Year. This will facilitate export of goods/services without GST.

2) Physical verification & Sealing of Export Goods : Before Physical dispatch of goods from place of manufacture, same needs to be verified and sealed in presence of Jurisdictional GST Authorities

3) Filing of Monthly return for export : After exportation of goods, these details needs to be submitted in monthly GST returns to be filed with GST department.

4) Filing refund when not exported under LUT : When-ever export of goods are not made under LUT, exporter of goods is eligible to refund of GST paid on outward supply or Inputs used in Outward supply subject to certain conditions. These refunds are processed and settled by Jurisdictional GST Authorities.

CUSTOMS DEPARTMENT :

The Customs Department's job is to regulate the import and export of products in order to collect duty and prevent the entry of banned and restricted products.

Customs Department exercise physical control of goods getting inside territorial water/custom frontiers of India (Import) or getting out of Custom Frontiers of India (Export).

Prevention of smuggling including interdiction of narcotics drug trafficking

Collection of Customs duties on imports and exports as per the Customs Act, 1962 and the Customs Tariff Act, 1975

SHIPPING LINES :

Shipping Lines are playing an important role in Export by providing containers for International trade
Shipping line is the only agency that actually moves your goods from one country to another for a fee and completes the delivery channel.

The shipping industry is principally regulated by the International Maritime Organization

Functions discharged by Shipping Lines in Export

- Freight Negotiation
- Shipment schedule
- Release Order for Container Stuffing
- Export General Manifest (EGM)
- Mate Receipt
- Bill of Lading
- Collection of Payment
- Shipped on Board

FUNCTIONS DISCHARGED BY SHIPPING LINES IN IMPORT

- ❖ Intimation of vessel schedule to port authority
- ❖ Obtain Vessel Discharge Certificate
- ❖ Filing of Import General Manifest (IGM)
- ❖ Filing of Sub Marine Transshipment Permit (SMTP)
- ❖ Booking of Containers for their Final Destination (i.e. for ICDs/CFS)
- ❖ Transportation of Containers through CONCOR / CWC / Pvt. Transporters
- ❖ Collection of Bill of Lading along with Inland Haulage Charges (IHC)
- ❖ Releasing Examination Order for examination of goods
- ❖ Issue of Delivery Order for final delivery of goods
- ❖ Called for Empty containers back or market it for Export purpose

CUSTOM HOUSE AGENT :

A custom house agent (CHA) is like a legal adviser or lawyer they will suggest to you the correct classification of goods.

Whenever your CHA will file your bill of entry/shipping bill the whole customs clearance process is done by CHA.

Whenever any query is raised by Customs officers on the bill of entry the "G-card" holder of your CHA will meet the customs officer and resolve the query.

Appointing a customs house agent is required for smoother customs clearance of goods as CHA can understand complex process & terminology and can identify the document required for customs clearance.

DIRECTORATE GENERAL OF FOREIGN TRADE (DGFT) :

DGFT is responsible for formulating guidelines for imports and exports in our country.

The main responsibilities include preparation, formulation, and implementation of Exim Policies.

It is also responsible for assigning an import-export code(IEC). The Importer -Exporter Code (IEC) is a key business identification number which is mandatory for Exports or Imports.

No person shall make any import or export except under an IEC Number granted by the DGFT.

Wherever advance authorization allowing duty free imports obligating exports, the authority to seek compliance of authorization quantity and export thereof is dealt with by DGFT.

RESERVE BANK OF INDIA :

The RBI regulates the foreign exchange matters as per the FEMA Act.

Reserve Bank of India plays the role of Monetary Authority and Manager of Foreign Exchange.

As the Monetary Authority aims to maintain price stability and ensure adequate flow of credit to productive sectors

and

being the Manager of Foreign Exchange, it seeks to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

It issues guidelines for realization of export proceeds by the exporter from time to time through the authorized dealers.

Whenever export of goods or services is without consideration or are free supplies as warranty replacement, exporter has to seek GR Waiver (Guaranteed remittance) certificate from Reserve Bank of India

BANKS :

Banks Help Build Trust Between Buyer and Seller by assuring future payments for your goods and services by opening LC's etc.

Banks help by providing finances to manufacturer to establish projects which allows them to procure export order and export goods

Banks provide foreign exchange services. This helps businesses trade comfortably in their local currencies while benefiting from transactions carried out abroad

FEDERATION OF INDIAN EXPORT ORGANISATION (FIEO)

FIEO is the premier body of all export promotion councils, commodity boards, and export development authorities in India.

It provides the crucial interface between international trading community of India and the central and state governments, financial institutions, ports, railways, surface transport and all others engaged in export trade facilitation.

EXPORT PROMOTION COUNCILS (EPCS):

Export Promotion Councils are government-initiated authorities that promote and support export firms in developing their overseas trade .

EPCs also promote government schemes, act as a data store and conduct overseas tours and studies.

They also act as an intermediary between the government and the export industry and are critical in formulating the foreign policies of the country.

INDIAN COUNCIL OF ARBITRATION (ICA):

It was set up under the Societies Regulation Act and it settles the commercial disputes among the traders especially foreign/international trading.

CABINET COMMITTEE ON ECONOMIC AFFAIRS (CCEA) :

CCEA has a mandate to review economic trends on a continuous basis with a view to evolving a consistent and integrated economic policy framework for the country.

It also directs and coordinates all policies and activities in the economic field including foreign investment.

Matters regarding fixation of prices of agricultural products as well as reviewing progress of activities related to rural are in CCEA's competence.

Price controls of industrial raw materials and products, industrial licensing policies etc..

Summary of Agencies Involved and related functions

Levels	Heads	Organisations	Functions
1	Formulating and Implementing Policies and Guideline	Directorate General of Foreign Trade (DGFT) Department of Economic Affair	Formulates Guidelines of Import and export and implements EXIM policy. Formulating and monitoring country's economic policies
2	Review, Regulates and Monitoring	Cabinet Committee on Economic Affair Reserve Bank of India	Review economic trend to frame economic policies Regulates foreign exchange matters

Levels	Heads	Organisations	Functions
3	Control	Central Board of Indirect Tax and Customs The Directorate of Enforcement Department of Revenue	Handles customs related issues and publish " Indian Customs Tariff Guide. Law enforcement agency and economic intelligence agency . Responsible for enforcing laws and fights economic crime. Controls in respect of indirect taxes and customs
4	Support and Arbitration	Export Promotion Councils Federation of Indian Export Organisations Indian council of Arbitration	Promoting Government schemes and support export firms in developing trade. Import and export duties. Settle commercial disputes especially foreign/international trade