**INTERNATIONAL TRADE**

**UNIT-5**

**TOPIC: Export production assistance and export marketing assistance!**

To provide effective support to the exporters, particularly new and small exporters and effective system consisting of several export promotion measures have been instituted.

Although the intensity and coverage of these measures have undergone change with the liberalization of policy, there does exist a number of schemes for export production as well as marketing. The various export assistance or promotion measures are undertaken through a number of organizations’ existing both at the Centre and State level.

Export assistance includes facilities for efficient export production and marketing.

**1) Export Production Assistance:**

Export production assistance is available right from the stage of acquiring land and building, procuring plant machinery, equipment’s, components, spares, technical guidance/training, to giving finance and credit in time at comparatively cheaper rate. Export production assistance includes following facilities provided to enhance the assistance:

**i) Infrastructural Facilities:**

Besides providing land and building to exporting units, Special Economic Zones, Technology Parks, Export Promotion Parks, Industrial Estates, etc., have been set-up in various parts of the country.

* **There are 8 Special Economic Zones** at Kandla (Gujarat), Santa Cruz (Maharashtra), Falta (West Bengal), Noida (U.P.), Cochin (Kerala), Chennai (Tamil Nadu), Surat (Gujarat), and Visakhapatnam (Andhra Pradesh) which arc functional at present (Sept ’03). Whereas all the Zones, except Seeps, are multi-product Zones, the Seeps at Santa Cruz in Bombay is exclusively for Electronics and Gem and Jewellery items. Private Bonded Warehouses for Exports are also allowed to be set-up in **DTA (Domestic Tariff Area)** for procurement of goods from domestic manufacturers without payment of duty. Such applies are considered as physical export, provided payment for the same is made in foreign exchange.
* Government has also recently permitted development of Special Economic Zones by Private/State or Joint Sector. Export Promotion Industrial Parks Scheme has been introduced with a view to involving State Government in providing infrastructural facilities for export-oriented production.
* Technology Park for Electronic Hardware and Software development for export have also been set-up, mostly on the lines of SEZs providing same facilities for production and export.

**ii) Manufacture-in-Bond:**

Manufacture-in-bond facility is available both in the excise as well as customer regulations. Whereas rule 13 of the Central Excise Rules relates to Excise Regulations, Section 65 of the Customs Act provides facilities of manufacture in bond.

**iii) Machinery and Equipments:**

Besides making available machinery and equipments on lease, there is a special facility to import CG (Capital Goods) at 5% duty under EPCG, i.e., Export Promotion Capital Goods Scheme.

**iv) Production Inputs:**

Raw-materials, components, spares, consumables, etc., whether indigenous or imported, can be obtained for export production under various schemes. Imported inputs for use in export products are importable duty free under the Duty Exemption/Remission Scheme, popularly known as Advance Licensing Scheme, Duty Free Replenishment Certificate (DFRC), and Duty Entitlement Passbook (DEPB) Scheme, although there are several other schemes covered there under. Still another scheme known as duty free import entitlement scheme has been introduced for status holder exporters including service providers.

Goods (including CG) are also allowed to be imported without an import license or Customs Clearance Permit (CCP) for jobbing, repairing, servicing, etc., against bond, surety/security. Such goods are to be re-exported with specified minimum value addition. There are special for export of gold/silver jewellery and articles as also for specified sectors like pharmaceuticals, readymade garments other than leather garments, electronics/writing instruments, and engineering goods.

**v) Technology Upgradation:**

* Besides allowing duty free import of technical samples/prototypes and trade samples upto specified value, simplified approval mechanism has been introduced for foreign technology agreements. Foreign exchange is also released liberally for foreign visits and testing abroad of indigenous raw materials. National Laboratories, National Test House, etc., provide technical guidance for export production. The Pilot Test House offer special technical support facilities to the industry. SISIs and Regional Testing Laboratories also provide technical support.

**vi) Packing Credit:**

* It is also known as pre-shipment credit. It is available even if there is no export other in hand. It consists of cash credits and overdraft facilities, and given at a concessional rate of interest.
* Pre-shipment credit is also available in foreign currency under the PCFC Scheme. It is applicable to both the domestic and imported inputs for export goods.

**vii) Back-to-Back Letter of Credit (L/C):**

* An inland Back-to-Back Letter of Credit Scheme has been instituted which makes sub- suppliers of raw-materials, samples, etc., to exporter, eligible for export packing credit on the basis of export order or L/C in the name of the export order holder.

**2) Export Marketing Assistance:**

* A number of steps have been taken to assist the exporters in their marketing effort. These include conducting, sponsoring or otherwise assisting market surveys and research; collection, storage, and dissemination of marketing information, organising and facilitating participation in international trade fairs and exhibitions; credit and insurance facilities; release of foreign exchange for export marketing activities; assistance in export procedures; quality control and pre-shipment inspection; identifying markets and products with export potential; helping buyer-seller interaction, etc.
* **Some of the schemes and facilities which assist export marketing are as follows:**

**i) Marketing Development Fund (MDF):**

* This came into being in 1963-64, the nomenclature was changed to Marketing Development Assistance (MDA) in 1975. The fund is administered for providing grants/assistance to Export Promotion Councils, other export bodies, also for special schemes approved for specific export promotion efforts. The fund is on the decline, and sufficient amount had not been set apart in recent years.
* Assistance under the MDA is available for market and commodity researchers; trade delegations and study teams; participation in trade fairs and exhibitions; establishment of offices and branches in foreign countries; and grants-in-aid to EPCs and other approved organisations for export promotion. Interest on Export Credit by commercial banks and approved cooperative banks enjoy a subsidy of 1.5% out of MDA. Most of the MDA expenditure in the past was absorbed by the CCS. The CCS helped the exporters to increase the price competitiveness of the Indian products in foreign markets.

**ii) Cash Compensatory Support:**

Cash assistance for exports, which was later termed as Cash Compensatory Support (CCS.) was introduced in 1966. The stated objectives were to enable exporters to meet competition in foreign markets, to develop marketing competence and to neutralize disadvantages inherent in the existing stage of development of the economy. The main basis for the CCS Scheme was to provide compensation for unrebated indirect taxes (on both final and intermediate stages of production) which enter into export production but are not refundable through Duty Drawback System.

**iii) Foreign Exchange:**

It is released for undertaking approved market development activities such as participation in trade fairs and exhibitions, foreign travel for export promotion, advertisement abroad, market research, procurement of samples, and technical information from abroad.

**iv) Trade Fairs and Exhibitions:**

As trade fairs and exhibitions are effective media of promoting products, facilities are provided for enabling and encouraging participating of Indian exporters/manufacturers in such events. Foreign exchange is released for such purpose, the cost of participation is subsidized and the ITPO plays an Important role in organising and facilities participation in trade fairs/exhibitions. Besides the ITPO, some other promotional agencies also organise trade fairs. For example, the MPEDA organises sea foods trade fair in India, in every 2nd year, which attracts a number of foreign buyers and others connected with the sea foods industry.

**v) Export Risk Insurance:**

As international business in fraught with different types of risks, measures have been taken to provide insurance covers against such risks. The Export Credit Guarantee Corporation (ECGC) has policies covering different political and commercial risks associated with export marketing, certain types of risks associated with overseas investments and risks arising-out of exchange rate fluctuations. Further, ECGC extends the export credit risks cover the commercial banks. Marine insurance is provided by the general Insurance Corporation and its subsidiaries.

**vi) Finance:**

* The export-import bank and commercial banks and certain other financial institutions like specified cooperative banks provide pre-shipment and post-shipment finance to exports. Some of these institutions also provide suppliers’ credit including line of credit, to promote Indian exports. Export credits generally carry concessional interest rates.

**vii) Quality Control and Pre-Shipment inspection:**

* A number of steps have been taken by the Government to improve the quality of exports and to ensure that only goods of appropriate quality are exported from the country. The Export (Quality Control and Inspection) Act empowers the Government to make necessary regulations in this respect.

**viii) Institutional Assistance:**

* Export marketing is assisted in different ways by a number of organisations like the ITPO, EPCS, Commodity Boards, Export Development Authorities like the MPEDA and APEDA, IIFT, Indian Mission abroad, etc.

**ix) Dollar Denominated Credit for Exporters:**

* There has been a persistent complaint, rightly so, from the exporters that the interest rates in India are higher. This consequently is reflected in the cost of the products, which makes firms non-competitive in quite a few products. Even though government agrees in principle, it is not able to bring-down the interest rates in India, due to the fact that such a move would increase the money supply, and result in inflation.