III. Long Answer Type Questions

Question 1. Explain the steps of export procedure.
Answer: Export procedure: Imports and Exports (control) Act, 1947 regulates exports of goods from India. The Central Government announces rules, policies, procedures and incentives for exports from time to time. The procedure of export of goods from India is guided by these rules and regulations of the Government of India. But, in general, an export transaction has to pass through the following stages:

1. Receiving enquiries and sending quotations: The exporter receives order from importer and sends quotations for goods.
2. Receiving of Order or Indent: The order is received for export of goods containing instructions regarding goods, price, quality, quantity etc.
3. Credit enquiry or obtaining Letter of Credit: The credit worthiness of the importer is verified.
4. Obtaining Export License and Quota: The exporter of goods gets a license under Import and Export Control Act for sending the goods.
5. Compliance with Foreign Exchange Regulations: The exporter gives an undertaking to comply with foreign exchange regulations and deposit the exchange with Reserve Bank of India on receipt of price.
6. Fixing the Exchange Rate: The exchange rate is fixed on which the price is to be received.
7. Obtaining the Shipping Order: The exporter takes steps in regard to packing and marketing of goods. Packing is done as per the instructions of the indent.
8. Preparation of Invoice and Consular Invoice: After completing other formalities the exporter prepares the invoice. The invoice contains details such as name of ship, destination, packing marks, etc.
9. Obtaining Customs Permit: Some customs formalities are observed before goods leave the country. Custom authorities clear the goods after getting export duties.
10. Paying Dock Dues: Dock dues are paid to dock authorities.
11. Shipping of Goods: Before the goods are actually loaded custom officials verify the goods and their quantity.
12. Mate's Receipt: A receipt for the goods is issued by captain of the ship or his assistant acknowledging the receipt of goods.
13. Bill of Lading: It is a memorandum signed by master of ship acknowledging the receipt of exporter's goods.
14. Effecting Insurance: An insurance policy is obtained to safeguard the goods against the peril of the seas.
15. Certificate of Origin: Some importing countries require a certificate of origin for goods. This certificate is issued by the designate authorities of the country.
16. Securing Payment: The exporter will secure payment for the exports.
17. Obtaining Various Export Incentives: The exporter may be allowed some incentives by the government and these are received after completing the process of export.

Question 2. Why is export promotion necessary?

Answer:

1. To Earn Foreign Exchange: Every country in the world is trying to earn a share in the global trade. This is due to the lowering of trade barriers since the inception of the World Trade Organisation (WTO), increased import bills, and increased global competition in the domestic market. Also, most developing countries row heavily from financial institutions like the World Bank and the International Monetary Fund (IMF) and other sources to finance their developmental activities and reduce the balance of payment deficits. It is, therefore, imperative that the import bills as well as foreign loans be paid back in foreign exchange. In order to achieve this, earning foreign exchange through various export activities is the need of the hour.
2. To Motivate Organisations to Export: In order to motivate organisations to export and earn precious foreign exchange, governments offer certain incentives. These incentives help reduce the tax burden of the exporters and also achieve a competitive price-edge for their products in foreign markets. However, being a member of WTO, each country has to ensure that the incentives offered by its government do not give an unfair advantage to the exporters. Thus, no country is to give special trading advantages to another or to discriminate against its all nations stand on an equal basis and share the benefits of any move towards lower trade barriers (branch). Also, all export incentives have to comply with WTO norms and should be in line with its various principles.
3. To Promote Interests of Indian Exporters and keeping commitment of WTO: In India, the framework of export incentives in the form of duty exemption and remission schemes has been devised keeping in mind the interests of exporters as well as the commitments India has made to WTO.
   The Duty Exemption Scheme helps exporters import duty-free inputs required for manufacturing export products. The Duty Remission Schemes enable post-exports replenishment/remission of duty on inputs.
4. To Import Capital Goods: In addition to this, the Export Promotion Capital Goods (EPCG) scheme enables exporters to import capital goods at concessional rate of duty and suitable export obligation.
5. To Reduce Bureaucratic Hurdles: The incentives detailed above are available to all eligible exporters in India. In addition, the government has launched the very ambitious scheme of Special Economic Zones (SEZs) in order to reduce bureaucratic hurdles in importing inputs for exports and exporting finished products from India. These SEZs are modelled on the highly successful Chinese Economic Zones. It is expected that the SEZs will be the engines of growth in international trade for India.
6. To Correct Unfavourable Balance of Trade: During the period of planning, except two years, all other years have witnessed unfavourable balance of trade. It not only reduced the foreign exchange reserves of India but also made it difficult to achieve plan targets. Successful completion of plans, therefore, calls for turning of unfavourable balance of trade into favourable one which requires increase in exports.
7. To Reduce Foreign Loans: India has to row large foreign funds to import essential machinery for economic and industrial development. Till March 2009, India had contracted foreign loans amounting to ? 11, 42,618 crore. These loans are to be repaid one day. To pay interest and repay the principal amount of these loans, it is necessary that a policy of export

promotion be adopted. Foreign exchange earned as a result of larger exports will be utilized for the repayment of foreign loans.

8. To Achieve the Objective of Self-Reliance: One of the main objectives of Indian
plans is to make the country independent of foreign assistance. To achieve this objective, it is necessary to promote exports. By accelerating exports, large amount of foreign currency can be earned.
9. To Sell Surplus Production: During the period of planning, new industries have been set-up in India. In order to increase the sale of the products of these industries, their export is to be promoted. It becomes easy to increase exports under export promotion program.
10. To Finance Imports: Successful execution of the plans necessitates import of machines and other capital goods from abroad. To earn necessary foreign exchange to meet their import bills, it becomes necessary to increase exports.

Question 3. Explain different organizations involved in export promotion or facilitating foreign trade.
Answer: Following institutions help in promoting exports or facilitating foreign trade.

1. Department of Commerce: It is under Ministry of Commerce, Government of India. It is the apex institution responsible for the country's external trade and all matters connected with it. It formulates policies for foreign trade. It also formulates export and import policy of the country.
2. Export Promotion Council (EPC): These are non-profit organizations which are registered with either Companies Act or Societies Registration Act. They aim at promoting and developing the country's exports of particular products falling under their jurisdiction.
3. Commodity Boards: Commodity boards are the boards established by Indian Government for development of production of traditional commodities and their products. There are 7 boards at present.
4. Export Inspection Council (EIC): It was established under Export Quality Control and Inspection Act, 1963 which aims at sound development of export trade using quality control and pre-shipment inspection.
5. Indian Trade Promotion Organization (ITPO): It was set up on 1 January, 1992 under the Companies Act, 1956 by the Ministry of Commerce. It is a service organization and maintains regular and close interaction with trade, industry and Government. It has five regional offices in Mumbai, Bangalore, Kolkata, Kanpur and Chennai and four international offices in USA, Germany, Japan and UAE.
6. Indian Institute of Foreign Trade (IIFT): It was set up in 1963 as an autonomous body registered under the Societies Registration Act with the prime objective of professionalising the country's foreign trade management.
7. Indian Institute of Packaging (IIP): It was set up in 1966. It is a training cum research institute pertaining to packaging and testing. It caters to packaging needs with regard to both the domestic and export market. Its headquarters are in Mumbai and it has three regional offices in Kolkata, Delhi and Chennai.
8. State Trading Organizations: It was established in May, 1956. Its main aim is to stimulate trade primarily export trade among different trading partners of the world. Under it more organizations were set up later like Metals and Minerals Trading Corporation (MMTC) and Handloom and Handicrafts Export Corporation (HHEC).

Question 4. Write a note on the functions of World Bank.

Answer: World Bank is playing main role of providing loans for development works to member countries, especially to underdeveloped countries. The World Bank provides long-term loans for various development projects of 5 to 20 years duration.

1. World Bank provides various technical services to the member countries. For-this purpose, the bank has established The Economic Development Institute and a Staff College in Washington.
2. Bank can grant loans to a member country up to 20% of its share in the paid-up capital.
3. The quantities of loans, interest rate and terms and conditions are determined by the bank itself.
4. Generally, bank grants loans for a particular project duly submitted to the bank by the member country.
5. The debtor nation has to repay either in reserve currencies or in the currency in which the loan was sanctioned.
6. Bank also provides loan to private investors belonging to member countries on its own guarantee, but for this loan private investors have to seek prior permission from those counties where this amount will be collected.

Question.5. Explain all the documents used in export procedure.
Answer. Documents required for an international sale can vary significantly from transaction to transaction, depending on the destination and the product being shipped. At a minimum, there will be two documents: the invoice and the transport document. The buyer will usually provide the seller with a list of documents needed to get the goods into his country as expeditiously and inexpensively as possible. Some documentary requirements are not open to negotiation, as they are needed by the importer to clear customs at the port of destination.
International market involves various types of trade documents that need to be produced while making transactions. Each trade document is different from other and present the various aspects of the trade like description, quality, number, transportation medium, indemnity, inspection and so on. So, it becomes important for the importers and exporters to make sure that their documents support the guidelines as per international trade transactions. A small mistake could prove costly for any of the parties.
For example, a Trade Document about the Bill of Lading is a proof that goods have been shipped on board, while Inspection Certificate, certifies that the goods have been inspected and meet quality standards. So, depending on these necessary documents, a seller can assure a buyer that he has fulfilled his responsibility whilst the buyer is assured of his request being carried out by the seller.
The following is a list of documents often used in international trade:

1. Air Waybill;
2. Bill of Lading;
3. Certificate of Origin;
4. Draft (or Bill of Exchange);
5. Insurance Policy (or Certificate);
6. Packing List/Specification;
7. Inspection Certificate.

1. Air Waybills: Air Waybills make sure that goods have been received for shipment by air. A typical air waybill sample consists of of three originals and nine copies. The first original is for the carrier and is signed by a export agent; the second original, the consignee's copy, is signed by an export agent; the third original is signed by the carrier and is handed to the export agent as a receipt for the goods.
2. Bill of Lading (B/L): Bill of Lading is a document given by the shipping agency for the goods shipped for transportation

form one destination to another and is signed by the representatives of the carrying vessel.
Bill of lading is issued in the set of two, three or more. The number in the set will be indicated on each bill of lading and all must be accounted for. This is done due to the safety reasons which ensure that the document never comes into the hands of an unauthorised person. Only one original is sufficient to take possession of goods at port of discharge so, a bank which finances a trade transaction will need to control the complete set. The Bill of Lading must be signed by the shipping company or its agent, and must show how many signed originals were issued.
To be acceptable to the buyer, the B/L should:
1. Carry an "On Board" notation to showing the actual date of shipment, (Sometimes however, the "on board" wording is in small print at the bottom of the B/L, in which cases there is no need for a dated "on board" notation to be shown separately with date and signature.)
2. Be "clean" have no notation by the shipping company to the effect that goods/ packaging are damaged.

3. Certificate of Origin:
The Certificate of Origin is required by the custom authority of the importing country for the purpose of imposing import duty. It is usually issued by the Chambers of Commerce and contains information like seal of the chamber, details of the good to be transported and so on.
The certificate must provide that the information required by the credit and be consistent with all other document. It would normally include :
1. The name of the company and address as exporter.
2. The name of the importer.
3. Package numbers, shipping marks and description of goods to agree with that on other documents.
4. Any weight or measurements must agree with those shown on other documents.
5. It should be signed and stamped by the Chambers of Commerce.
4. Bill of Exchange:
Bill of Exchange is a special type of written document under which an exporter ask importer a certain amount of money in future and the importer also agrees to pay the importer that amount of money on or before the future date. This document has special importance in wholesale trade where large amount of money is involved.
On the basis of the due date there are two types of Bill of Exchange:
Bill of Exchange after Date: In this case the due date is counted from the date of drawing and is also called bill after date.
Bill of Exchange after Sight: In this case the due date is counted from the date of acceptance of the bill and is also called bill of exchange after sight.
5. Insurance Certificate:
Also known as Insurance Policy, it certifies that goods transported have been insured under an open policy and is not actionable with little details about the risk covered. It is necessary that the date on which the insurance becomes effective is same or earlier than the date of issuance of the transport documents.
Also, if submitted under a LC, the insured amount must be in the same currency as the credit and usually for the bill amount plus 10 per cent.
The requirements for completion of an insurance policy are as follows:
(a) The name of the party in favour of which the documents

has been issued.
(b) The name of the vessel or flight details.
(c) The place from where insurance is to commerce typically the sellers warehouse or the port of loading and the place where insurance cases usually the buyer's warehouse or the port of destination.
(d) Insurance value that is specified in the credit.
(e) Marks and numbers to agree with those on other documents.
(f) The description of the goods, which must be consistent with that in the credit and on the invoice.
(g) The name and address of the claims settling agent together with the place where claims are payable.
(h) Countersigned where necessary.
(i) Date of issue to be no later than the date of transport documents unless cover is shown to be effective prior to that date.

6. Packing List: Also known as packing specification, it contains details about the packing materials used in the shipping of goods. It also includes details like measurement and weight of goods.
   The Packing List must:
   (i) have a description of the goods ("A") consistent with the other documents.
   (ii) have details of shipping marks ("B") and numbers consistent with other documents.
7. Inspection Certificate: Certificate of Inspection is a document prepared on the request of seller when he wants the consignment to be checked by a third party at the port of shipment before the goods are sealed for final transportation.

Question 6. Explain all the documents used in import procedure.
Answer: Following documents are used in import procedure:

1. Trade Enquiry: Trade Enquiry is a written request by an importing firm to the exporter for supply of information regarding the price and various terms and conditions on which the exporter exports goods.
2. Performa Invoice: Performa Invoice is a document which contains details of quality, grade, design, size, weight and price of goods to be exported and the terms and conditions on which goods will be exported.
3. Indent: It is a document in which the importer orders for supply of requisite goods to the exporter and contains information on quantity and quality of goods, price to be charged, mode of forwarding the goods, type of packing and mode of payment etc.
4. Letter of Credit (L/C): A letter issued by an importer's bank guaranteeing payment upon presentation of specified trade documents (Invoice, Bill of Lading, Inspection and Insurance Certificates, etc.).
5. Shipping Advice: It is a document which exporter sends to the importer informing that goods have been shipped giving details of name of the vessel with date,the port of export, description of goods and the quantity and the date of sailing etc
6. Bill of Lading (B/L): A document that establishes the terms and conditions of a contract between a shipper and a shipping company under which freight is to be moved between specified points for a specified charge. The B/L is negotiable or non- negotiable forms.
7. Bill of Entry: It is a form supplied by the customs office and filled by the importer once the goods are received. Bill of Entry is submitted at the customs office with information such as the name and address of the importer, name of the ship in which

the goods were transported, number of packages, marks on the package, description of imported goods, quantity and value of the imported goods, name and address of the exporter, port of destination and customs duty payable.

8. Bill of Exchange: It is an order to the importer to pay a certain amount of money to, or to the order of, a certain person or to the bearer of the instrument. It may be sight draft or usance draft.
9. Import General Manifest: It is a document which contains the details of the imported goods. It is a document on the basis of which uploading of cargo takes place.
10. Sight Draft: It is a type of bill of exchange in which the drawer of bill of exchange instructs the bank to hand over the relevant documents to the importer only against payment.
11. Usance Draft: It is a type of bill of exchange in which the drawer of bill of exchange instructs the bank to hand over the relevant documents to the importer only against acceptance of the bill of exchange.
12. Dock Challan: When all formalities of customs are completed then dock charges are required to be paid. When he pays these charges, the importer or his clearing agent specifies the amount of dock dues in a challan or in any firm. It is called Dock Challan.

Question 7. Explain in brief international trade institutions and agreement.
Answer: Following are important international institutions related to international trade.
I. World Bank
The World Bank (the World Bank was known as the International Bank for Reconstruction and Development (IBRD) before its growth and expansion) was set up to assist the reconstruction of war affected countries and to facilitate the development of the underdeveloped nations of the world. Moreover, apart from investing in infrastructure development, agriculture, health and industry, the World Bank is significantly involved in programmes to remove poverty, increasing the income of the poor and providing technological support.
Five Agencies of World Bank:

1. International Bank for Reconstruction and Development (IBRD): The International Bank for Reconstruction and Development (IBRD), established in 1945, which provides debt financing on the basis of sovereign guarantees.
2. International Finance Corporation (IFC): The International Financial Corporation (IFC), established in 1956, which provides various forms of financing of without sovereign guarantees, primarily to the private sector.
3. International Development Association (IDA): The International Development Association (IDA), established in 1960, which provides concessional financing (interest- free loans or grants), usually with sovereign guarantees.
4. Multilateral Investment Guarantee Agency (MIGA): The Multilateral Investment Guarantee Agency (MIGA), established in 1988, which provides insurance against certain types of risks, including political risk, primarily to the private sector. The Multinational Investment Guarantee Agency, or MIGA, was established in April 1988 with the objective of encouraging foreign direct investment in the less developed countries. It aims at insuring investors against political and non-commercial risks, providing advisory services, etc..
5. International Centre for Settlement of Investment Disputes (ICSID): The International Centre for Settlement of Investment Disputes (ICSID), established in 1966, which works with governments to reduce investment risk.

Other Institutions:

1. UNCTAD: The United Nation Conference on Trade and Development, or UNCTAD, was established in 1964 with the objective of integrating the developing countries with the world economy through discussions. It undertakes activities such as collecting research and data for policy making and extending technical assistance to the less developed countries as per their requirements.
2. ITPO: The ITPO, or the Indian Trade Promotion Organisation, was formed on January 1, 1992, under the Companies Act, 1956. Its main objective is to maintain close interactions among traders, industry and the government. In order to fulfill this objective, the ITPO organizes trade fairs and exhibitions within and outside the country, thereby helping export firms to interact with international trade bodies.
3. INTERNATIONAL MONETARY FUND: The IMF, or the International Monetary Fund, came into existence in 1945 with the objective of creating and ensuring a healthy international monetary system. In 2005, it had 191 members. It aims at facilitating a system of international payments and adjustments in exchange rates among national currencies in order to bring about balanced growth at the international level and increase the levels of employment and income.
4. WORLD TRADE ORGANIZATION (WTO): Probably the only issue in economics where economists have a unanimous approach that free trade will bring about greater specialization and through comparative advantage will increase productivity and the rate of economic growth. For a long time, an effort is being made to bring all countries under preview of multilateral trade agreements.

WTO AGREEMENTS
Major WTO agreements are as follows:

1. GATT: General Agreements on Trade and Tariff which preceded WTO is very much a part of WTO agreements.
2. Agreements on Textile and Clothing (ATC): Under the ATC, the developed countries agreed to remove quota restrictions in a phased maimer during a period of 10 years starting from 1995. It is considered as a landmark achievement of WTO which made trade in clothing and textile as quota free.
3. Agreement on Agriculture (AOA): It is a significant step in an orderly and fair trade in agricultural products. The developed countries have agreed to lower down the customs duties on their imports and subsidies to the exports of agricultural products. The developing countries have been exempted from making similar reciprocal offers.
4. General Agreement on Trade in Services (GATS): Due to GATS the basic rules which govern trade in goods have become applicable to trade in services.
5. Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS): The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is an international agreement administered by the World Trade Organization (WTO) that sets down minimum standards for many forms of intellectual property (IP) regulations as applied to nationals of other WTO members. It was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994. The TRIPS agreement introduced intellectual property law into the international trading system for the first time and remains the most comprehensive international agreement on intellectual property to date. In 2001, developing countries, concerned that developed countries were insisting on an overly narrow reading of TRIPS, initiated a round of talks that resulted in the Doha declaration.

The Doha declaration is a WTO statement that clarifies the scope of TRIPS, stating for example that TRIPS can and should be interpreted in light of the goal "to promote access to medicines for all.

Question 8. Explain the major export promotion measures adopted by the government.
Answer: The major export promotion measures adopted by the government can be grouped under two heads:
I. Foreign Trade Promotion:

1. Duty Drawback Scheme: Goods meant for exports are not consumed domestically, these are not subjected to payment of various excise and customs duties, therefore, excise duties paid on such goods are refunded on production of proof of export of these goods. It is called duty drawback.
2. Export Manufacturing under Bond Scheme: This facility entitles firms to produce goods without payment of excise and other duties.
3. Exemption from Payment of Sales Taxes: Goods meant for export purposes are not subject to sales tax. Even for a long time, income derived from export operations had been exempted from payment of income tax.
4. Advance License Scheme: It is a scheme under which an exporter is allowed duty free supply of domestic as well as imported inputs required for the manufacture of exports goods.
5. Export Promotion Capital Goods Scheme (EPCG): The main objective of this scheme is to encourage the import of capital goods for export production. This scheme allows export firms to import capital goods at negligible or lower rates of customs duties subject to actual user condition and fulfillment of specified export obligation.
6. Scheme of recognizing Export Firms as Export House, Trading House and Superstar Trading House: Their objective is to promote established exporters and assist them in marketing their products in international markets. The government grants the status of Export House, Trading House, Star Trading House, etc.
7. Export of Services: In order to boost the export of services, various categories of services houses have been recognized.
8. Export Finance: Exporters require finance for the manufacture of goods. Therefore, two types of export finances are made available to the exporters by authorised banks.
9. Export Processing Zones (EPZ): These are industrial estates which firms enclaves from the Domestic Tariff Area. They aim at providing an internationally competitive duty free environment for export production at low cost. Recently these have been converted into Special Economic Zones.
10. EOU: 100% Export Oriented Units. This scheme was started in 1981. It is complementary to the scheme of EPZ. These have been set up with a view to generating additional production capacity for exports by providing an appropriate policy framework, flexibility of operations and incentives.

II. Organizational Support

1. Indian Institute of Foreign Trade (IIFT): Established in 1963 under the Societies Registration Act, the IIFT is an autonomous body responsible for the management of the country's foreign trade. It is also a deemed university that provides training in international trade, conducts research in areas of international business and disseminates data related to international trade.
2. Export Inspection Council (EIC): The EIC was established by the Government of India under Section 3 of the Export Quality

Control and Inspection Act, 1963, with the objective of promoting exports through quality control and pre-shipment inspections. According to this act, all goods that are meant for exports (except some commodities) must pass through the EIC for quality inspection.

3. Indian Institute of Packaging (IIP): The IIP is a training and research institute established in 1966 by the joint efforts of the Ministry of Commerce of the Government of India, Indian Packaging Industry and Allied Industries. The institute caters to the packaging needs of domestic manufacturers and exporters.
4. Indian Trade Promotion Organisation (ITPO): The ITPO was formed on January 1, 1992, under the Companies Act, 1956. Its main objective is to maintain close interactions among traders, industry and the Government. In order to fulfill this objective, the ITPO organizes trade fairs and exhibitions within and outside the country, thereby helping export firms to interact with international trade bodies.
5. Department of Commerce: The Department of Commerce is the apex body in the Ministry of Commerce of the Government of India and is responsible for formulating policies related to foreign trade as well as evolving import and export policies for the country. It is responsible for all matters related to the country's external trade.
6. Export Promotion Councils (EPCs): Registered under the Companies Act or the Societies Registration Act, EPCs are non-profit organizations that are responsible for promoting the exports of particular products. However, the product promoted by a particular EPC must fall under its jurisdiction.

*********** END **********