EXPORT AND IMPORT

BBA
Semester-V

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BBA: EXPORT AND IMPORT

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FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining 'A' grade from the NAAC in the year 2016, Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 443 affiliated colleges spread over the two districts of Guntur and Prakasam.

The University has also started the Centre for Distance Education in 2003-04 with the aim of taking higher education to the door step of all the sectors of the society. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even to housewives desirous of pursuing higher studies. Acharya Nagarjuna University has started offering B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004 onwards.

To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy ofthis distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.

It is my aim that students getting higher education through the Centre for Distance Education should improve their qualification, have better employment opportunities andin turn be part of country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson- writers of the Centre who have helped in these endeavors.

Prof. Raja Sekhar Patteti
Vice-Chancellor
Acharya Nagarjuna University

B.B.A -SEMESTER – V
503BBE21- EXPORT AND IMPORT

Unit-I:

Exporting Preliminary Considerations -Generation of Foreign enquiries, obtaining local quotation and offering to overseas buyers scrutinizing export order, opening L/C by buyers- Export Controls and Licenses Patent, Trade Mark, Copy Right Registrations Confidentiality and NDA.

Unit-II:

Export Sales Selling and Purchasing- Consignment - Leases Marine and Air Causality Insurances - Export Finance - Forex - Major currencies, Exchange rates, relations & impact - Export costing and pricing and Incoterms Export License Import License.

Unit-III:

Export Packaging - Preparation of pre-shipment documentation – Methods of Transportation – Country of Origin Marking- Inspection of Export consignment - Export by Post, Road, Air & Sea - Claiming for Export benefits and Duty drawbacks.

Unit-IV:

Shipment & Shipping documents - Complicated problems in shipments & negotiation of shipping documentations - Corporate marketing strategies - 100% EOU and Free trade zone - Deemed Export Isolated Sales Transactions.

Unit-V:

Acts for export/import - Commencement - Customs Formalities - Export Documentation - Export of Services - Export of Excisable Goods - Import Documentation - Clearance - 100% export-oriented units - customs house agents - import of different products - import/export incentives - import licenses etc.

References:

1.C. Rama Gopal, Export Import Procedures- Documentation and Logistics, New Age International.

2. P K Khurana, Export Management.

3.Thomas E Johnson and Donna L, Export Import Management, Export and Import Procedures and Documentations.

(**503BBE21**)

MODEL QUESTION PAPER

B.B.A. DEGREE EXAMINATION,

Third Year – Fifth Semester

Part II

Paper VI – EXPORT AND IMPORT

Time : Three hours **Max. Marks: 70**

SECTION A–(5 x 4 = 20 marks)

Answer any FIVE of the following.

Each question carries 4 marks.

1. Patent

2. NDA

3. Leases

4. Pre–shipment

5. Isolated Sales Transactions

6. Acts of Exports

7. Clearance.

8. EOU.

SECTION B – (5 x 10 = 50 marks)

Answer ALL questions.

Each question carries 10 marks.

9. (a) Explain the importance of Copy Right. Registration.

Or

(b) Explain the process of generation of enquiries.

10. (a) Explain the factors influence Exchange Rates.

Or

(b) Write the need and importance of Marine insurance.

11. (a) Explain the necessary documents required for claiming export benefits.

Or

(b) Explain the benefits of Duty Drawback.

12. (a) Explain the problems associated in shipments.

Or

(b) Explain the advantages and limitations of Free Trade Zones.

13. (a) Explain the procedure of Customs clearance formalities.

Or

(b) Explain Export and Import Incentives.

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2	EXPORT CONTROLS AND LICENSES	2.1 – 2.14
3	EXPORT SALES	3.1 – 3.11
4	EXPORT FINANCE	4.1 – 4.17
5	EXPORT PRICING AND COSTING	5.1 – 5.16
6	SHIPPING DOCUMENTS	6.1 – 6.9
7	CORPORATE STRATEGIES FOR EXPORT MARKETING	7.1 – 7.13
8	EXPORT PACKAGING	8.1 – 8.17
9	INSPECTION OF EXPORT CONSIGNMENT	9.1 – 9.16
10	ACTS FOR EXPORTS/IMPORTS	10.1 – 10.19
11	100 % EXPORT ORIENTED UNITS	11.1 - 11.15

LESSON 1
INTRODUCTION TO EXPORTS AND IMPORTS

Learning Objectives:

1. To make the students to know the basic concepts of exports and imports
2. To make the students to understand overview and the process of export business
3. To make the students to understand foreign queries and quotation in exports

Course Outcome The purpose of this unit is to make understand the meaning of the term Export and import management. To know what are the functions, importance and scope of export management and to understand the qualities required to become a successful export manager.

Structure of the lesson

1.1 Introduction:
1.2 Need for Export or Export management At Business Level
1.3 Trade Policy
1.4 Exporting Preliminary Considerations
1.5 Generation of foreign enquiries
1.6Obtaining Local Quotations in exports
1.7Overseas buyers scrutinizing
1.8Export Order
1.9Export Procedure:
1.10 Opening Letter of credit by buyers
1.11 Importance of Letters of Credit
1.12 Types of a Letter of Credit
1.13 Summary
1.14 Key Words
1.15 Self-Assessment Questions
1.16 Suggested Readings:

1.1 Introduction: Creation of appropriate institutional framework and supportive environment facilitates the growth of external trade. In a developing country like India, the real barometer of Sustained economic development is the growth index of exports. Sustained growth in exports can only be accelerated by conducive framework. The primary objective and emphasis of the Framework is towards accelerated development with the required regulation to support the Framework structure. The role of regulation is to protect the interests of consumers, obtain Conditions of competition and foster the institutional framework. The present regulatory Framework in India is highly supportive. The attitude of the government, a very important Aspect for faster pace is poised in that direction to make the framework achieve the sustained growth, removing the bottlenecks, hindering the path of progress and development.

1.2 Need For Export Or Export management At Business Level

1. **Export Obligation**: It means the firm which intends to import capital goods at concessional rates has to export the goods, under EPCG scheme. Thus the firm can fulfil its export obligation. In India, units operating in the SEZ are expected to honour export obligation against special concession offered to them. Therefore every business unit has to export first in order to import goods.

2. **Increase Production Capacity**: For every business unit increase production is necessary, in order to meet domestic demand and export order. Exports are possible when surplus production is available after meeting domestic demand.
3. **Organizational Efficiency**: Export management enables a firm to improve its organizational efficiency. E.g. firms have to emphasize on training and development of employees. This helps to improve knowledge, attitudes, skills and social behaviors. Therefore, the overall efficiency of the organisation improves due to training, research and other much activities which are encouraged by export management.
4. **Higher Profits** Export management enables a business unit to export quality goods at higher prices and thereby raise the profit margin.
5. **Reputation and Goodwill** Exports bring reputation to the export firm in international market as well as in the domestic market. It is assumed that export firms. Produce quality goods which help to develop goodwill. e.g. some of the world famous firms include- • Microsoft for computer and Nike for Sports. • Sony for Electronics etc.
6. **Economies of Scale** Because of increase in export there will be large scale production and distribution. This will result inI. Economies of large scale production like discount in bulk purchase of material and reduce cost. II. Economies of large scale distribution such as freight concession on bulk shipment of goods.
7. **Technological Up gradation** Continuous research and development activities lead technological development and improvement in other organisational activities which help in improvement in quality standards which is beneficial to the form and customers both.
8. **Imports are liberalized** Business organisations exporting on a large scale collect huge foreign exchange which can be utilised for the import of new technology machinery and component. This also raises their competitive capacity.
9. **Spreading of Marketing** Risk A firm engaged in domestic as well as export marketing activities can spread its marketing risk. The loss in domestic market can be compensated by the profit, earned in export market and vice versa.
10. **Government** Incentives Exporter gets various assistances and incentives for export promotion. These are Duty Drawback, Octroi exemption, Excise duty exemption, Income tax exemption, liberal finance etc. These incentives make export marketing attractive and profitable. In present global trade, all countries developed as well as developing take special interest and initiative in making export trade at a very large scale. Thus large scale exports are necessary for survival and growth of developed as well as developing countries. Presently U.S.A., European counties, China, Japan, India, and many other countries, take special measure, for promoting export. This suggests the significance of exports to all counties developed, developing and even to poor counties. Therefore it is correct to say that, “Exports are necessary not only for developed counties but also for developing countries like India”

1.3 Trade Policy: Trade policy is one of the many economic instruments for achieving economic growth. The basic twin objectives of the trade policy have been to promote exports and restrict imports to the level of foreign exchange available in the country. The inherent problems of the country have been non-availability/acute shortage of crucial inputs like industrial raw materials, supporting relevant technology and required capital goods. The problems can be removed by imports. But, continuous imports are neither possible nor desirable. The gap between exports and imports is financed through borrowing and foreign aid. However, imports must be financed by exports, in the long run. The basic objective of the trade policy revolves round the instruments and techniques of export promotion and import management.

1.4 Exporting Preliminary Considerations:
Before beginning to export and on each export sale thereafter, a number of considerations should be addressed to avoid costly mistakes and difficulties. Those companies that begin 37 exporting or continue to export without having addressed the following issues will run into problems sooner or later. So there are the preliminaries that one should consider before starting export business.

1. Selection of business
2. Selection of mode of operations
3. Selection of name for the business
4. Selection of product
5. Se3lect effective way of business correspondence
6. Selection of markets\
7. Selection of prospective buyers
8. Selection of channel of distribution
9. understanding risks in international trade

1) **Selection of Name of Firm**: An entrepreneur can choose any name for the firm he wants to start. It is desirable that the name of the firms indicates that the business relates to export / import. Various words like global, international and overseas in the name of the firm convey the meaning that the firm is engaged in export.

2) **Approval to Name of Firm** There is no need to obtain prior approval of Regional Licensing Authority of DGFT for the proposed name of business firm. However, if the firm is planning to export readymade garments to any country, approval from Apparel Export Promotion Council (AEPC) is required. The entrepreneur has to apply to AEPC in the prescribed application form for the clearance of the name. While applying, one can suggest two or three names, in the order of preference. Once the name is approved, registration of firm in that name with AEPC is to be made within a period of three months. After the registration is done, the firm would become a registered exporter and be able to get the quota allocation for export of ready made garments to export quota countries. Export of ready made garments to countries like USA, Canada and countries of European Union requires quota approval from AEPC.

3) **Registration of Organisation**: The form of organisation can be sole proprietorship, partnership firm under Indian Partnership Act, 1932 or joint stock company registered under the Companies Act, 1956. If it is a joint stock company, it can be either a private limited company or public limited company. If the form of business is partnership or joint stock company, registration under the appropriate act is required. A sole trader requires permission from local authorities, as required. No separate registration is needed for a sole proprietorship.

4) **Opening of Bank Account** The firm or company has to open a bank account with a branch of a commercial bank, authorised by Reserve Bank of India to deal in foreign exchange. Only a select few branches of commercial banks are authorised by RBI to deal in foreign exchange. The firm may require pre and post shipment finance for its business. In deciding the bank and branch, the firm has to keep its credit requirements and cooperative attitude of the bank to assist as it would be a new entrant in the field of international business. Timely credit is an important Export Preliminaries 7

ingredient for the success or failure of business, in particular, in international business which is highly competitive.

5) **Obtaining Permanent Account Number** Export income is subject to a number of exemptions and deductions under the Income Tax Act. For claiming those exemptions and deductions, it is necessary for every exporter to obtain Permanent Account Number from the income tax authority. This PAN is required to be quoted while applying for Export Import Code number.

6) **Products**: Initially, the exporter should think about certain considerations relating to the Product it intends to export. For example, is the product normally utilized as a component In a customer's manufacturing process? Is it sold separately as a spare part? Is the product a raw material, commodity, or finished product? Is it sold singly or as part of a set or system? Does the product need to be modified—such as the size, weight, or Color—to be saleable in the foreign market? Is the product new or used? (If the product is used, some countries prohibit importation or require independent appraisals of Value, which can delay the sale.) Often the appropriate method of manufacturing, marketing, the appropriate documentation, the appropriate procedures for exportation, and the treatment under foreign law, including foreign customs laws, will depend upon these considerations.

7) **Volume** (Quantity) what is the expected volume of export of the product? Will this be an isolated? Sale of a small quantity or an ongoing series of transactions amounting to substantial Quantities? Small quantities may be exported under purchase orders and purchase Order acceptances. Large quantities may require more formal international sales agreements; more secure methods of payment; special shipping, packing, and handling procedures; the appointment of sales agents and/or distributors in the foreign country; or After-sales service.

8) **Country Market and Product Competitiveness Research:** On many occasions, a company's sole export sales business consists of responding to orders from customers located in foreign countries without any active sales efforts by the company. However, as a matter of successful exporting, it is imperative that the company adequately evaluate the various world markets where its product is likely to be marketable. This will include review of macro-economic factors such as the size of the population and the economic development level and buying power of the country, and more specific factors, such as the existence of competitive products in that country.

9) **Identification of Customers: End Users, Distributors, and Sales Agents:** Once the countries with the best market potential and the international competitiveness Of your company's products have been evaluated, the specific purchasers, Such as end users of the products, sales agents who can solicit sales in that country for the products, or distributors who are willing to buy and resell the products in that country, must be identified.

10) **Compliance with Foreign Law:** Prior to exporting to a foreign country or even agreeing to sell to a customer in a foreign country, a U.S. company should be aware of any foreign laws which might affect the sale. Some specific examples are as follows:

✓ Industry Standards

- ✓ Foreign Customs Laws
- ✓ Government Contracting
- ✓ Buy American Equivalent Laws
- ✓ Exchange Controls and Import Licenses
- ✓ Value-Added Taxes
- ✓ Specialized Laws

1.5 Generation of foreign enquiries: Generating foreign queries in exports and imports typically involves inquiries or requests from foreign entities regarding products or services. These queries can vary widely depending on the nature of the business, the industry, and the specific needs of the foreign entity. Here's how such queries might be generated:

1. ***Product Enquiries***: Foreign entities may inquire about the availability, specifications, pricing, and terms of certain products they are interested in importing. These inquiries often involve detailed questions about product features, customization options, and compatibility with local regulations or standards.

    - Detailed product specifications, including size, dimensions, materials, and technical specifications
    - Availability of customized options or variations to meet specific requirements
    - Pricing structures, including bulk discounts, wholesale pricing, and any applicable taxes or duties
    - Samples availability and associated costs for testing and evaluation

2. ***Order Placement:***Foreign buyers might send queries related to placing orders, including inquiries about minimum order quantities, payment terms, delivery schedules, and shipping options. These queries often involve negotiations to finalize the terms of the purchase agreement.
    - Clarification on payment methods accepted, such as bank transfers, letters of credit, or online payment platforms
    - Confirmation of lead times for production, processing, and shipping
    - Agreement on INCO terms (International Commercial Terms) specifying the responsibilities and liabilities of both parties during transportation
    - Documentation requirements for import/export processes, including invoices, packing lists, and certificates of origin.

3. ***Customs and Regulations***: Foreign entities may seek clarification on customs procedures, import regulations, tariffs, and other legal requirements for importing goods into their country. These queries often require detailed knowledge of international trade laws and regulation.
    - Guidance on navigating import/export regulations, including tariff codes, import duties, and customs clearance procedures
    - Assistance with obtaining necessary permits, licenses, or certifications required for specific product categories
    - Information on trade agreements or preferential trade arrangements that may impact tariffs or customs duties
    - Updates on any changes to international trade regulations or compliance standards affecting the shipment

4. ***Quality assurance and compliances:*** Foreign buyers may request information about product quality standards, certifications, and compliance with industry regulations or standards. These queries often involve providing documentation and assurances regarding the quality and safety of the exported products.
    - Documentation of product testing results, quality control processes, and certifications obtained (e.g., ISO, CE, FDA)
    - Assurance of compliance with relevant industry standards, safety regulations, and environmental requirements
    - Transparency regarding product sourcing, manufacturing processes, and supply chain traceability
    - Handling of product recalls or quality issues, including communication protocols and resolution procedures.
5. ***Logistics and shipping***: Foreign entities may inquire about logistics arrangements, including transportation options, shipping costs, insurance coverage, and expected delivery times. These queries often involve coordinating with shipping companies and freight forwarders to ensure smooth and timely delivery of goods.
    - Coordination of transportation arrangements, including mode of transport (air, sea, road, rail), shipping routes, and transit times
    - Provision of freight quotations, including freight charges, insurance premiums, and any additional surcharges
    - Assistance with customs documentation preparation, including bills of lading, certificates of origin, and export declarations
    - Tracking and monitoring of shipments, providing updates on shipment status and anticipated delivery dates.
6. ***After sales service***: Foreign buyers may seek assistance with product installation, training, maintenance, and troubleshooting after the sale. These queries often require providing technical support and assistance to ensure customer satisfaction and repeat business
    - Technical assistance for product installation, setup, and operation, including user manuals or instructional materials
    - Warranty information, including coverage periods, terms, and conditions
    - Troubleshooting guidance and remote support services to address any issues or concerns post-purchase
    - Feedback collection mechanisms to gather customer insights and improve product/service offerings
7. ***Market Information***: Foreign entities may request market research or insights into local market trends, consumer preferences, competitive analysis, and potential business opportunities. These queries often involve providing data and analysis to help foreign buyers make informed decisions about their import-export activities.
    - Market research reports, industry analyses, and trend forecasts relevant to the product category or target market
    - Competitive intelligence, including competitor profiles, pricing strategies, and market positioning
    - Identification of potential distribution channels, partners, or sales opportunities within the foreign market
    - Insights on cultural nuances, consumer preferences, and market entry strategies tailored to the specific region or country
8. ***Negotiations and contractual agreements***: Foreign entities may engage in negotiations and discussions to finalize contractual agreements, including terms of

sale, warranties, dispute resolution mechanisms, and other legal aspects of the business relationship.

- Drafting and reviewing of contracts, purchase orders, and sales agreements to ensure alignment with both parties' interests
- Negotiation of terms and conditions, including price adjustments, delivery schedules, and payment terms
- Clarification of rights and obligations, dispute resolution mechanisms, and termination clauses
- Legal counsel or mediation support to resolve any contractual disputes or disagreements amicably.

Effective handling of foreign queries in exports and imports requires proactive communication, attention to detail, and a customer-centric approach to meet the needs and expectations of international buyers while mitigating risks and ensuring regulatory compliance throughout the trade process.

Obtaining local quotations and offering to overseas buyers scrutinizing export order

1.6 Obtaining Local Quotations in exports: Obtaining local quotations in exports is a vital aspect of international trade. It involves sourcing price quotes from local suppliers or manufacturers in the exporting country to understand the costs involved in producing or sourcing goods for export.

Here's a general process for obtaining local quotations in exports.

1. **Identify Potential supplier:**Research and identify potential suppliers or manufacturers in the exporting country who can provide the required goods or materials.
2. **Contact suppliers**: Reach out to these suppliers through various channels such as email, phone, or in-person visits. Clearly communicate your requirements, including specifications, quantity, and quality standards, delivery terms, and any other pertinent details
3. **Request for Quotations**: Send out formal requests for quotations (RFQs) to the selected suppliers. The RFQ should outline all necessary information and requirements and specify a deadline for submitting quotations
4. **Evaluate quotations**: Once you receive the quotations from different suppliers, evaluate them carefully. Consider factors such as price, quality, reliability, delivery time, payment terms, and any other relevant terms and conditions.
5. **Negotiation process**: If necessary, engage in negotiations with the suppliers to finalize terms that are mutually beneficial. This may involve negotiating prices, delivery schedules, payment terms, or other aspects of the deal
6. **Select Supplier**: Based on your evaluation and negotiation process, select the supplier(s) that best meet your requirements and offer the most competitive terms
7. **Documentation:** Once you've chosen a supplier, ensure that all terms and conditions are documented clearly in a purchase agreement or contract. This helps avoid misunderstandings and ensures that both parties are aware of their rights and obligations.
8. **Monitor Performance:**After selecting a supplier, monitor their performance closely to ensure they meet their obligations regarding quality, delivery, and other agreed-upon terms.
9. **Establish Relationship:**Building strong relationships with local suppliers is crucial for long-term success in exporting. Maintain open communication and foster a cooperative and collaborative partnership.

By following these steps, you can effectively obtain local quotations in exports and establish reliable supply chains to support your international trade operations.

1.7 Overseas buyers scrutinizing

The immediate task of the exporter is to acknowledge the export order which is different from its acceptance. Then he should proceed to examine the export order carefully in respect of item, specification, pre-shipment inspection, payment conditions, special packaging labelling and marketing requirements, shipping and delivery date, marine insurance, documentation, arbitration, applicable laws and jurisdiction, etc. The various aspects relating to processing of an export order as are discussed as under

Scrutiny: The exporter purchase order should be examined carefully and its contents scrutinized in terms of the invoice/contract sent to the foreign buyer on the following aspects.

1. Item (product) : The order has been received for the product for which quotation/offer was sent and the exporter is still in the position to supply the product.
2. Size and Specifications : Should be same as per offer / quotation
3. Pre-shipment inspection: Should be either by exporter himself or any agency easily available. If the buyer desires the inspection to be done by an agency/agent of his choice, financial and physical aspects of inspection should be examined and communicated to the buyer. If compulsory pre-shipment inspection by Indian Export Inspection Agency is required, the buyer should be informed about the applicable scheme
4. payment Conditions : are same and stipulated. A confirmed sight and irrevocable letter of credit (L/C) has been opened, where required
5. Packaging, Labelling and Marking requirements: If any should be noted for compliance. Particular attention should be paid to the individual packaging of consumer goods required for direct sale to the consumers. In such a case labels, price tags, poly pack/skin packing etc. would be required and supply be assured
6. Shipment and delivery date : It should be in conformity with the exporters plans and whether part shipment is allowed
7. Documents particularly those which are required with the bill of exchange
8. Guarantee/Warranty clause should be same as per quotation/offer
9. Force Majeure clause should cover acts of Gods and other acts, beyond the control of exporter as mentioned at quotation / offer stage by exporter
10. Arbitration as per Indian council of Arbitration clause for International contracts or other acceptable international clauses as agreed between the parties
11. Laws applicable and jurisdiction, in case of default / dispute arising during the execution of the contract

1.8 Export Order: export is one of the major components of international trade. Exports facilitate international trade and stimulate domestic economic activity by creating employment, production, and revenues. Businesses export goods and services where they have a competitive advantage.

Exports are governed by Foreign Trade (Development & Regulation) Act, 1992 and Export-Import (EXIM) Policy. Directorate General of Foreign Trade (DGFT) is the primary governing body responsible for the export and import policies in the country. Since an export trade has to follow a specific set of procedures from receiving inquiries to completion of the transaction, exporters need to get themselves registered with these authorities for ensuring all the legal formalities as required by them are met and also for receiving incentives which are allowed under the export promotion schemes.

The Reserve Bank of India (RBI) guidelines have to be met by the exporter. An exporter also requires an Import-Export Code Number from the concerned regional licensing authority.

1.9 Export Procedure: in general an export procedure as follows.

1. **Receipt of an Order: T**he exporter of goods is required to register with various authorities such as the income tax department and Reserve Bank of India (RBI). In addition to this, the exporter has to appoint agents who can collect orders from foreign customers (importer). The Indian exporter receives orders either directly from the importer or through indent houses.
2. **Obtaining Licence and quota:** After getting the order from the importer, the Indian exporter is required to secure an export license from the Government of India, for which the exporter has to apply to the Export Trade Control Authority and get a valid license. You can get a license from here too. The quota is referred to as the permitted total quantity of goods that can be exported**.**
3. **Letter of Credit: t**he exporter of the goods generally asks the importer for the letter of credit, or sometimes the importer himself sends the letter of credit along with the order.
4. **Fixing the Exchange Rate:** Foreign exchange rate signifies the rate at which the home currency can be exchanged with the foreign currency i.e. the rate of the Indian rupee against the American Dollar. The foreign exchange rate fluctuates from time to time. Thus, the importer and exporter fix the exchange rate mutually.
5. **Foreign Exchange Formalities:** An Indian exporter has to comply with certain foreign exchange formalities under exchange control regulations. As per the Foreign Exchange Regulation Act of India (FERA), every exporter of the goods is required to furnish a declaration in the form prescribed in a manner. The declaration states:-
    - The foreign exchange earned by the exporter on exports is required to be disposed of in the manner specified by RBI and within the specified period
    - Shipping documents and negotiations are required to be done through authorised dealers in foreign exchange
    - The payment against the goods exported will be collected through only approved methods
6. The exporter should make required arrangements for executing the order
    - Marking and packing of the goods to be exported as per the importer's specifications.
    - Getting the inspection certificate from the Export Inspection Agency by arranging the pre-shipment inspection
    - Obtaining insurance policy from the Export Credit Guarantee Corporation (ECGC) to get protection against the credit risks
    - Obtaining a marine insurance policy as required
    - Appointing a forwarding agent (also known as custom house agent) for handling the customs and other related matters
7. **Formalities by a forwarding agent:** The formalities to be performed by the agent includes
    - For exporting the goods, the forwarding agent first obtains a permit from the customs department
    - He must disclose all the required details of the goods to be exported such as nature, quantity, and weight to the shipping company
    - The forwarding agent has to prepare a shipping bill/order
    - The forwarding agent is required to make two copies of the port challans and pays the dues

- The master of the ship is responsible for the loading of the goods on the ship. The loading is to be done on the basis of the shipping order in the presence of customs officers
- Once the goods are loaded on the ship, the master of the ship issues a receipt for the same

8. **Bill of Lading:** The Indian exporter of the goods approaches the shipping company and presents the receipt copy issued by the master of the ship and in return gets the Bill of Lading. Bill of lading is an official receipt which provides the full description of the goods loaded on the ship and the name of the port of destination
9. **Shipment Advise to the importer:** The Indian exporter sends shipment advice to the importer of the goods so that the importer gets informed about the dispatch of the goods. The exporter sends a copy of the packing list, a non-negotiable copy of the Bill of Lading, and commercial invoice along with the advice note.
10. **Presentation of documents to the Bank**: The Indian exporter confirms that he possesses all necessary shipping documents namely; Marine Insurance Policy The Consular Invoice Certificate of Origin The Commercial Invoice The Bill of Lading Then the exporter draws a Bill of Exchange on the basis of the commercial invoice. The Bill of Exchange along with these documents is called Documentary Bill of Exchange. The exporter then hands over the same to his bank
11. **The realisation of export proceeds**: In order to realise the proceeds of the export, the exporter of the goods has to undergo specific banking formalities. On submission of the bill of exchange, these formalities are initiated. Generally, the exporter receives payment in foreign exchange

1.10 Opening Letter of credit by buyers

A Letter of Credit (LC) is a document that guarantees the buyer's payment to the sellers. It is issued by a bank and ensures timely and full payment to the seller. If the buyer is unable to make such a payment, the bank covers the full or the remaining amount on behalf of the buyer. A letter of credit is issued against a pledge of securities or cash. Banks typically collect a fee, ie, a percentage of the size/amount of the letter of credit.

A Letter of Credit is an arrangement whereby Bank acting at the request of a customer (Importer / Buyer), undertakes to pay for the goods / services, to a third party (Exporter / Beneficiary) by a given date, on documents being presented in compliance with the conditions laid down.

1.11 Importance of Letters of Credit: Since the nature of international trade includes factors such as distance, different laws in each country and the lack of personal contact during international trade, letters of credit make a reliable payment mechanism. The 'International Chamber of Commerce Uniform Customs and Practice for Documentary Credits' oversees letters of credit used in international transactions

Parties to a Letter of Credit

A letter of credit transaction normally involves the following parties :

i) **APPLICANT / OPENER** – the buyer of the goods / services (Importer) on whose behalf the credit is issued

ii) **ISSUING BANK** - the Bank which issues the credit and undertakes to make the payment on behalf of the applicant as per terms of the L/C.

iii) **BENEFICIARY** - the seller of the goods / services (exporter) in whose favour the credit is issued and who obtains payment on presentation of documents complying with the terms and conditions of the LC.

iv) **ADVISING BANK** – Banks which advises the LC, certifying its authenticity to beneficiary and is generally a bank operating in the country of the beneficiary.

v) **CONFIRMING BANK** – A bank which adds its guarantee to the LC opened by another Bank and thereby undertakes responsibility for payment/acceptance/negotiation/incurring deferred payment under the credit in addition to that of the Issuing Bank. It is normally a bank operating in the country of the beneficiary and hence it's guarantee adds to the acceptability of the LC for the beneficiary. This is being done at the request / authorization of the Issuing Bank.

vi) **NOMINATED BANK** – A Bank in exporter's country which is specifically authorized by the Issuing Bank to receive, negotiate, etc., the documents and pays the amount to the exporter under the LC.

vii) **REIMBURSING BANK** – Bank authorised to honour the reimbursement claim made by the paying, accepting or negotiating bank. It is normally the bank with which Issuing Bank has Nostro Account from which the payment is made to the nominated bank.

viii) **TRANSFERRING BANK** – In a transferable LC, the 1st Beneficiary may request the nominated bank to transfer the LC in favour of one or more second beneficiaries. Such a bank is called Transferring Bank. In the case of a freely negotiable credit, the bank specifically authorised in the LC as a Transferring Bank, can transfer the LC.

1.12 Types of a Letter of Credit: The letters of credit can be divided into the following categories:

1. **Sight Credit:** Under this LC, documents are payable at the sight/ upon presentation of the correct documentation. For example, a businessman can present a bill of exchange to a lender along with a sight letter of credit and take the necessary funds right away. A sight letter of credit is more immediate than other forms of letters of credit.
2. **Acceptance Credit/ Time Credit:** The Bills of Exchange which are drawn and payable after a period are called usance bills. Under acceptance credit, these usance bills are accepted upon presentation and eventually honoured on their respective due dates. For example, a company purchases materials from a supplier and receives the goods on the same day. The bill will be delivered with the shipment of goods, but the company may have up to 30 days to pay it. This 30 day period marks the usance for the sale.
3. **Revocable and Irrevocable Credit:** A revocable LC is a credit, the terms and conditions of which can be amended/ cancelled by the Issuing Bank. This cancellation can be done without prior notice to the beneficiaries. An irrevocable credit is a credit, the terms and conditions of which can neither be amended nor cancelled. Hence, the opening bank is bound by the commitments given in the LC.
4. Confirmed Credit:Only irrevocable LC can be confirmed. A confirmed LC is one when a banker other than the Issuing bank, adds its own confirmation to the credit. In case of confirmed LCs, the beneficiary's bank would submit the documents to the confirming banker.
5. Back-to-Back credit: In a back to back credit, the exporter (the beneficiary) requests his banker to issue an LC in favour of his supplier to procure raw materials, goods on the basis of the export LC received by him. This type of LC is known as Back-to-Back credit.Example: An Indian exporter receives an export LC from his overseas client in the Netherlands. The Indian exporter approaches his banker with a request to

issue an LC in favour of his local supplier of raw materials. The bank issues an LC backed by the export LC.

6. Transferable Credit: While an LC is not a negotiable instrument, the Bills of Exchange drawn under it are negotiable. A Transferable Credit is one in which a beneficiary can transfer his rights to third parties. Such LC should clearly indicate that it is a 'Transferable' LC.

1.13 OPENING OF Letter of Credit – GENERAL GUIDELINES

- Original letter from DGFT allotting an IEC Number is to be scrutinized and a certified copy to be kept on record for all customers desiring to open LCs for import purposes.
- LC application form (AD 04) and following documents are to be obtained from the importer.
  - Underlying contract or indent
  - Exchange Control copy of valid import licence, or Open General Licence (OGL) declaration stating that the goods are freely importable furnishing therein ITC(HS) classification number.
  - Insurance policy or cover note if the imports are on FOB or C&F basis for 110% of LC value, in the currency of the LC to be opened and in favour of the Bank A/c importing customer
  - Declaration under FEMA 1999, Section 10(5), Chapter III
  - Credit Report on Overseas Seller from the approved credit rating agency, for LCs value exceeding USD one lac and above or equivalent

Branch to satisfy that:

i) The LC application cum agreement form is adequately stamped as per respective State Stamp Duty Act/Laws

ii) The LC application is signed by an authorised signatory of the firm, company etc. The signature is to be verified by the processing officer to satisfy the genuineness. However, no rubber stamp/initial for having verified the signature is to be affixed on the application, since it is a stamped security document. In the case of companies, common seal of the Co. is to be affixed as per sealing clause contained in the Articles of Association duly backed by Board Resolution.

iii) The LC application is complete in all respects with clear and consistent instructions which correspond to the conditions / provisions of accompanying contract / indent / licence. In case of any variance the importer customer should be asked to obtain necessary modifications.

iv) The beneficiary of the LC should not be importer himself or his nominee or his buying agent. Further, beneficiary should be either a manufacturer, supplier or shipper of the goods. Care should be taken 15 with regard to method of payment where the beneficiary is in one country and shipment is authorised from a different country.

v) If the commodity imported is subject to actual user condition or any other condition, its compliance is ensured by the branch.

vi) If the merchandise is freely importable, the relevant declaration paragraph in the LC application is properly filled in.

vii) The insurance policy / cover note provides coverage up to 110% of the invoice value, in the currency of invoice in the banks' name and covers risks under Institute Cargo Clause 'A". If 'shipment on deck' is permitted under the LC the risk of jettisoning and washing overboard should be covered in case LC permits transhipment, such risk must be covered by insurance. The validity of the insurance should be in consonance with the LC/contract terms.

viii) The LC should stipulate a condition that goods should be consigned to the bank with importer as a notify party.

ix) If the import is from Nepal/Bhutan payment under the LC is to be made only in Indian Rupees. Similarly if imports are from ACU countries, payment under the LC should conform to ACU mechanism.

x) If the import is covered under licence, the importer must submit Exchange Control copy of the same. The licence must be scrutinised to ensure that:

1.14 Summary : Exporting can be a very challenging activity for many firms -- unfortunately, it usually takes more effort than just placing goods in a box and slapping on foreign shipping label as we will see, although sometimes, it is almost that easy if we follow the procedure.

1.15 Key words:

Import
Export
Letter of Credit
Foreign Enquiries

1.16 Self-Assessment Questions

a. Define Exports? How can we improve exports performance?
b. How do we get legal quotation in export management
c. What is buyer scrutinizing process explain in detail
d. What is letter of credit explain different types

1.17Suggested for further Readings

i) Export and import management by Justin Paul and Rajiv Aserkar, Oxford Publication

ii) Just For Starters: How To Start Your Own Export Business, by NIIR Board

iii) Export/Import Procedures and Documentation, Thomas E. Johnson and Donna L. Bade.

iv) Export Policy–Procedures and Documentation Mahajan, M. I., 2006,, Snow White, New Delhi

Dr. Nagaraju Battu

LESSON 2
EXPORT CONTROLS AND LICENSES

Learning Objectives:
1. To make the students to know the basic concepts of Exports
2. To make the students to understand overview of patents and other license in exports
3. To make the students to understand procedure of copy right registration in exports
4. To make the students to understand confidentiality and Non-Disclosure agreement

Structure of the lesson

2.1 Export Control
2.2 Importance of Export Control regulations
2.3 Patent and trademark
2.4 The patent system
2.5 Procedure For Obtaining Patent
2.6 Trademark
2.7 Functions of a trademark
2.8 Different types of trademarks
2.9 Steps for registration of international trademarks
2.10 Copy right registration
2.11 Benefits of Copyright Registration
2.12 Legal Rights of a Copyright Owner
2.13 Confidentiality Agreement and Non-Disclosure Agreement (NDA)
2.14 What are the similarities between the two types of agreements?
2.15 Letter of credit
2.16 Summary
2.17 Key Words
2.18 Self-Assessment Questions
2.19 Suggested readings

2.1 Export Control: Export Controls are laws and regulations that govern the transfer or disclosure of goods, technology and funds originating in one country to persons or entities based or having citizenship in another country. This applies even if the regulated items are not crossing an international border.

Examples of activities subjected to Export Controls

Some examples of activities that are subjected to export controls include:

- Transferring controlled information, such as technical data, to persons and entities across international borders.
- Shipping controlled physical items such as scientific equipment that requires export licenses from one country or jurisdiction to another.
- Verbal, written, electronic, and/or visual disclosures of controlled scientific and technical information related to export-controlled items of foreign persons within a country.
- Provisions of services and/or conducting financial transactions with an embargoed or boycotted country, restricted individuals, or entities.

2.2 Importance of Export Control regulations

The purpose of export control regulations is to control exports of goods and technology that could impact the national interests of the country imposing the regulations.

These interests can include military, economic, and political concerns. Regulations are often also used to advance a country's foreign policy goals.

Export compliance is not only a legal requirement to do business internationally, but also a key part of protection for national security and foreign policies. For example, EAR is responsible for the regulation of export items that relate to weapons of mass destruction, human rights abuses, and/or terrorist activities. Export control regulations govern almost any technology that could have a military application. These solutions allow enterprises to control and audit the sharing of technical data while complying with Export Control Regulations, ensuring sensitive information is protected from being mishandled or misused.The more international an organization's operations are, the more important compliance with Export Control regulations. Non-compliance with export controls runs the risk of penalties or jail time. Not only can enterprises face hefty fines, but these violations can also lead to the suspension of a company's export privileges, preventing businesses from operating internationally.

2.3 Patent and trademark

Patent is a monopoly right granted by the State to an inventor for a limited period, in respect of the invention, to the exclusion of all others. A system of patents serves many useful purposes. If the invention is commercially utilized, the patent ensures just reward in terms of money and recognition for the inventor, for all the time and effort, knowledge and skills, money and other resources invested to come up with the invention. For the society, commercial exploitation of an invention means newer and better products, higher productivity, and more efficient means of production. The objective of granting the patent is to ensure that it is worked (utilized) in the country; and it is not meant to block production or further research and development. A patent system encourages technological innovation and dissemination of technology. This in turn stimulates growth and helps the spread of prosperity and better utilization of resources.

2.4 The patent system: The practice of granting monopolies by patent has a long history of over 600 years. The term patent can be traced to the term Letters Patent, a grant in the form of a document rolled up with the King's or Queen's seal appended at the bottom, conferring certain rights and privileges on an individual. The grant was not sealed or closed but it was open to public. Though letters patent were granted for various purposes, they were most often granted to inventors, and hence the word 'patent' was eventually used to describe the inventor's monopoly. The law relating to patents in India is governed by Indian Patents Act, 1970 as amended by Patents (Amendment) Act, 1999 and Patents (Amendment) Act, 2002, which came into force with effect from May 2, 2003. In our discussion, we will refer to this act as the Indian Patents Act (IPA). The purpose of patents is to afford protection to the inventor for the invention for a limited period in exchange for the disclosure of all the necessary knowledge to ensure its commercial working. It provides an exclusive right to the inventor for exploiting the invention and affords protection against unauthorised use of the invention by third parties. The main objective of national patent legislation is to accelerate the technological and industrial development of the country. A patent is an exclusive monopoly right granted to the inventor (patentee) to make, use, license or sell the invention for a limited period of time. After the expiry of the patent term, anybody from the public can use the invention as it passes into public domain.

2.5 PROCEDURE FOR OBTAINING PATENT:

Apply for Patent: An application for a patent for an invention may be made by a person claiming to be the true and first inventor of the invention or his assignee, or by the

legal representative of any deceased person who immediately before his death was entitled to make such an application. The term true and first inventor means that the claimant has to be the actual inventor and not merely be the first importer of the invention or the first person to whom the invention is communicated from outside India. In case the inventor is employee of an organization, the inventions made during the employment would be patentable in the name of the employee. However, the ownership of the patent (i.e. rights of using, manufacturing, selling etc.) will be dependent on the terms of contract between the employee and employer. It is a common practice in the R&D organizations to keep the ownership rights with the employer though the patent is in the employee's (inventor's) name.

Filing a Patent Application: There is only one application filed for one invention. This must be done in a prescribed form along with the prescribed fees in the appropriate patent office. It should be accompanied by a provisional or a complete specification (see 4.4.3). If the application is filed by the assignee, it must be accompanied with the proof of the right to make the application. Every application must state that the applicant is in possession of the invention and shall name the owner claiming to be the true and first inventor. Where the true and first inventor is not the applicant, a declaration is required that the applicant believes the person so named to be the true and first inventor. Every international application under the Patent Co-operation Treaty (PCT) for a patent designating India shall be deemed to be an application under the Indian Patents Act if a corresponding application has also been filed before the Controller in India. Recently the World Intellectual Property Organization (WIPO) has launched the facility of electronic patent filing under PCT. Typically, the form of application for grant of an Indian patent asks for (i) full name, address, nationality of the applicant(s) and inventor(s), (ii) patent specifications, and (iii) whether an application has been made or patent granted in a PCT or a convention country, which affords to citizens of India, or applicants for patents in India. Similar privileges as granted to its own citizens in matters of patent and which has been so notified by the Central Government with relevant dates.

Filing of Provisional and Complete Specification: A specification is an accurate description of the patent stating how the invention can be carried out by the method best known to the applicant. The specification ends with a claim or claims defining the scope of the invention for which protection is claimed. Every application must be accompanied by a provisional or a complete specification. It is possible to file the application with provisional specifications. But it is necessary to file the complete specifications within one year of filing the original patent application. The application is deemed to be abandoned if this condition is not met. The twelve months limit can be extended to 15 months if an application is made to the Controller with such request and the prescribed fee is paid. A complete specification filed may include claims in respects of developments of or additions to the invention described in provisional specification. The inventor is entitled to apply for a separate patent in respect of such developments/additions. In case of a convention application the patent application must be accompanied with a complete specification only. The claim/claims of a complete specification relate to a single invention, or to a group of inventions, which form a single inventive concept e.g. in an instrument there may be 8 or 10 different inventions used. All these could be separately patented; or they can be patented together as a group; if they form an integrated instrument.

Publication of the Application: Normally every patent application is published after 18 months of filing the application and objections are invited. The patent application shall not be open to the public for eighteen months after the date of filing, or date of priority, whichever is earlier. However, if the invention is considered relevant for defence purposes, the Controller may issue direction to prohibit or restrict such publication. In the case of secrecy direction, the application will be published when the secrecy directions cease to

operate. The publication will include the particulars of the date of application, number of application, name and address of the applicant and an abstract. Upon publication of an application, the patent office, on payment of the prescribed fees, will make the specification and drawings, available to the public. If the specification mentions a biological material, which is not available to the public, the applicant is required to deposit the material in an authorised depository institution. From this institute, the biological material mentioned in the specification is made available to the public, as necessary.

Examination of the Application: For granting a patent, examination of the application is a mandatory step. However, such examination is taken up only if the applicant or any other interested person makes a request in the prescribed manner for such examination within 48 months from the date of filing of the patent application. If such request is not made within the prescribed time, the patent application is treated as withdrawn. When the patent application is in respect of an invention for a chemical substance used as an intermediate in the preparation of a medicine or drug including insecticides etc used for protection or preservation of plants, the request for examination has to be made within a period of 12 months from 31st December, 2004 or within 48 months from the date of the application, whichever is later. If such a request is not so made, the application shall be treated as withdrawn.

Acceptance and Advertisement of Complete Specifications: Once the complete specification is accepted, Controller notifies it to the applicant and also advertises it in the Official Gazette. On advertisement, the application and the specification with the drawings, if any, are open for public inspection. From the date of advertisement of the acceptance of the complete specification and until the date of sealing of the patent, the applicant will have the like privileges and rights as if a patent for the invention had been sealed on the date of advertisement. However, the applicant is not entitled to initiate any proceedings for infringement until the patent has been sealed.

Opposition to the Grant of Patent: Any person interested in opposing the grant of patent may give notice to the Controller of such opposition within 4 months from the date of advertisement of the acceptance on the grounds like:

- The invention was wrongfully obtained by the inventor/applicant;
- The invention, as claimed in any claim of the complete specification has been anticipated in a specification filed for another patent earlier; or
- The invention as claimed in any claim was publicly known/used in India before the priority date of the claim; or
- The subject of the patent is not an invention, within the meaning of the Act; or
- The information furnished is false; or
- Geographical origin of biological material is not disclosed or falsely disclosed; or
- In the case of a convention application (an application filed in India following a patent application for the same invention made in a convention country), the application was not made in the prescribed time. Convention country means a country notified as such by the Central Government

Grant and Sealing of Patent: Where the application for a patent along with complete specification has been accepted either without opposition or after the opposition, a patent shall be granted if the applicant makes a request in the prescribed manner for a grant of patent. The request has to be made within six months from the date of advertisement of the acceptance of the complete specification. The patent so granted shall be sealed with the seal of the patent office and the date of sealing of patent shall be entered in the register.

2.6 Trademark:

Introduction: A trademark is any word, name, symbol or device used to identify and distinguish goods and/or services from those of others. Trademarks also indicate the source of the goods, even if that source is unknown to the consumer. In modern times, a consumer usually does not know the manufacturer of the goods personally, unlike before the beginning of the Industrial Revolution, when there was a limited number of manufacturers and every consumer used to know the manufacturer personally. Apart from these, trademarks can be logos, aromas, sounds, personal brand names, slogans, smells, etc. Even specific colours can be trademarked under specific brands, such as UPS Brown (also known as Pullman Brown), Home Depot orange, Tiffany blue or John Deere green, etc.

In other words, trademarks can be almost anything that distinguishes the products and/or services from others and signifies their sources. The rationale for granting legal protection for trademarks is that they are a type of intellectual property that demonstrates the standard of quality of products and/or services mainly based on goodwill, and provides legal protection to your brand from fraud and counterfeiting.

What is a trademark

A trademark is the characteristics or combinations of characteristics capable of distinguishing the goods and/or services of one enterprise from those of other enterprises. Trademarks fall under the ambit of intellectual property rights and are protected by national and international laws.Examples of trademarks include the Nike “Swoosh” symbol, the arched M for McDonald’s or the bitten apple symbol for Apple computers, etc.

Under The Trade Marks Act, 1999, the word “mark” is defined under Section 2(1)(i)(V)(m) as “a device, brand, heading, label, ticket, name, signature, word, letter, numeral”. The term “Mark” under the Act also includes the shape of goods, packaging, or combination of colours or any other type of combination.

Section 2(1)(i)(viii)(zb) in the Trade Marks Act, 1999 defines trademark as a mark which is:

- capable of being represented graphically;
- capable of distinguishing the goods or services of one person from those of others;
- may include the shape of goods, their packaging and combinations of colours.

Section 2(1)(i)(viii)(zb)(i) in the Trademarks Act, 1999 mentions about registered trademarks for goods and services and further states that the person has the right to use the mark as the proprietor.

Section 2(1)(i)(viii)(zb)(ii) in the Act states that a person has the right to use the mark either as a proprietor or a permitted user whether with or without any indication of the identity of that person. The proprietor or a permitted user can also use a certification trademark or a collective trademark in this regard.

2.7 Functions of a trademark

The following functions are performed by a trademark:

- Firstly, a trademark indicates the source or origin of the goods, products, or services. In this case, it is presumed that any particular good can have only one origin.
- It assures the quality of the goods bearing the trademark to the consumers.
- Apart from the quality which is related to the goodwill of the product, the trademark also creates brand awareness and serves the marketing purposes and advertising aspects. In other words, companies put a great amount of resources into developing any product, marketing it to customers, providing customer support and backing up their products with warranties. Trademark assures that the effort to serve the consumers pays back.

- Provides legal protection and guards against counterfeiting and fraud of a particular brand.
- Finally, trademarks are used to differentiate the product from others. This is the distinguishing factor that falls under distinctiveness. The idea is that trademarks would distinguish marketed goods and services from those of competitors.

2.8 Different types of trademarks

The term trademark also describes any of the following types of marks. While trademarks identify products including physical goods and commodities, there are also other types of trademarks that protect different aspects of any product. However, the basic purpose of all types of trademarks is to help consumers distinguish and differentiate between similar products. Following are the main types of trademarks that can be registered:

Service mark: Service marks are exactly the same in principle as trademarks. However, the words, names, symbols, or devices identify and distinguish the source of a service. Service mark serves as a brand identifier. Service marks are used in services such as sponsorship, management and investment, various services such as hotels, entertainment, real estate services, etc. Examples of service marks include the golden arches of McDonald's or the phrase "Just Do It." used by Nike.

Certification mark: A certification mark is any word, phrase, symbol or design or a combination of any of these, owned by one party that certifies that the goods and services of another party meet certain standards or requirements. A certification mark identifies either the nature of any product or service. Examples of certification marks include star ratings in electrical appliances based on the consumption of energy or the 'India Organic' certification mark for organically produced farmed products in India.

Collective mark: A collective mark is used by members of any association collectively or any collective group to identify the source of goods or services. It indicates a mark which is used for goods, services and for a group of organisations with similar characteristics. The organisation or group uses this mark for multiple people in a group organisation.

Collective marks are of two types: collective trade and service marks and collective membership marks.

Collective trade and service mark: A collective trade or service mark is any word, phrase, symbol or design that is owned by any co-operative, association, collective group or organisation and is used by the members to indicate the source of goods or services. Examples of collective trademarks include the marks used by various lobby groups. One of the commonly known collective trademarks is CA used by the Institute of chartered accountant.

Collective membership mark: A collective membership mark is used to indicate that a person is a member of some organisation, such as a trade union or an association like the Rotary Club. However, it is not used to identify the source of goods and services.

Trade dress: Trade dress refers to features of the visual representation of any good or product or its packaging that tell the source of the product to customers. It is implemented to protect consumers from getting deceived or confused due to the packaging or appearance of goods that are framed to replicate the original goods in question. Examples of trade dress include the cherry red sole of a Christian Louboutin shoe or grills of the Rolls Royce car.

Non-conventional trademarks: Apart from the abovementioned, some other types of non-conventional trademarks that fall under the category of trademark are as follows:

- **Word mark** comprises any standalone word or words. They are used for business purposes. Examples of word marks include words such as 'FedEx' or 'Coca-Cola' etc.
- **Letter mark** contains only one letter, initials or an abbreviation. Examples of letter marks are NASA, the abbreviated version of the National Aeronautics and Space Administration, a space agency of the US Government or ISRO, the national space

agency of India also known as the Indian Space Research Organisation. The double C mark of the French branch Chanel or the YSL mark of Yves Saint Laurent, a luxury brand also falls under letter marks.

- **Logo mark** only contains a symbol without any words but at the same time it encodes a brand message. However, it requires advertisement reports to make this mark recognisable. Examples of logo mark include the famous bitten apple of the Apple company.
- **Combination mark** is a combination of a letter mark and a word mark or a combination of a symbol and word mark. Examples of combination marks include the globe symbol with the word Wikipedia written in capital letters or the trademark of Adidas. They are also known as device marks.
- **Colour mark** is the specific colour that serves as the trademark purpose of any business. The colour should have definite and unique Pantone codes. One of the most popular colour marks is the Tiffany blue colour, a specific shade of cyan used for the jewellery boxes by the jewellery company Tiffany. Under the colour mark, brands can also file their own colour combinations.
- **Shape mark** is a trademark that protects the specific shape of any product. Common example of a shape mark is the unique shape of bottles or containers of the products of specific companies which no other company can copy or replicate such as the shape of Cadbury chocolate or the unique shape of the bottle of Coca-Cola.
- **Motion mark** is a unique graphics animation, animated computer sequence, or short video used by the companies for the product. Popular motion marks include Nokia's open screen with a handshake, the car door motion of Lamborghini or the animated graphics of picture companies, such as Paramount Pictures just before the beginning of the movies.
- **Sound mark** is a trademark where sound is used to identify the source of the goods and products. They include business jingles or specific sounds used by companies. One of the examples of sound marks includes the default ringtones of smartphone companies such as Apple or Samsung.

2.9 Steps for registration of international trademarks

An international trademark protects a brand for a period of 10 years. After the 10-year period, the registration of the international trademark can be renewed. The procedure for registering an international trademark involves the following steps:

Step 1: Application through the National Trademark Office

The first step involves the submission of the application to the national trademark office of the respective countries. The office is known as the "office of origin." For example, if a business is based in India, the Office of Registrar of Trademarks, India will be the office of origin.In the national office, the form MM2(E) should be filled up. Thereafter, the national office should conduct an examination to see whether the trademark fulfils all the conditions of a valid trademark. If they are satisfied, the application will be forwarded to WIPO for further examination.

Step 2: Examination of the forwarded trademark application by the WIPO

After receiving the forwarded trademark application, WIPO will further examine the application to make sure that there are no defects in the application. If the trademark application meets all the criteria, it will be published in the WIPO Gazette of International Marks. Next, the trademark application will be forwarded to all the national offices of the requested countries under the Madrid Protocol where the applicant wants to register the trademark.

Step 3: Examination of the trademark application by the concerned national trademark office of the requested countries

After WIPO forwards the trademark application to the national trademark offices of each of the requested countries, they will separately conduct an examination. Apart from looking for the faults and defects in the application, the national trademark offices of the concerned countries will examine if the trademark creates any conflict with the other trademarks registered in their own countries. This includes the publication of the application in their own national gazette or bulletin and offers a specific time period for trademark holders to communicate regarding any similarity.

If any conflicts arise with the pre-registered trademarks, the national office should communicate a notification of provisional refusal within a year. If there is no conflict, the application for the trademark will be approved in the requested countries and it will be protected.

Step 4: Monitoring of the trademark

After the registration of an international trademark, it should be monitored periodically to ensure no other competitors are copying the trademark. This is particularly important in the case of an international trademark.Trademark monitoring services search for infringements of a particular trademark and alert brands when there is a possible threat of infringement. The trademark monitoring service can be offered by any individual, such as an IP advocate, any IP law firm or even a software that automatically searches for any infringement of a particular brand.

Step 5: Renewal of trademark

An international trademark is only protected for 10 years. After this time period is over, an application for the renewal of the trademark should be filed. The WIPO and most of the national trademark offices do not give automatic reminders, hence, it is up to the individual to manage it carefully. Failing this, the entire application procedure has to be followed once again from the beginning. So, it is very important to do periodic trademark status checks.

Fees for an international trademark

Under the Madrid system, the cost of an international trademark registration includes the basic fee (colormark costs more fees than other trademarks), additional costs depending on where the location the individual requested to protect the mark, and how many classes of goods and services to be covered by the registration. After getting an international trademark registration, additional fees may be applicable in order to expand the geographical scope of coverage, modify or renew the trademark.

2.10 Copy right registration

Exporters and Importers of any country need to register the company with several authorities, institutions, and government schemes. Such **export import registration** or policy helps the company to grow continuously without any hurdles in the form of incentives/benefits while conducting export and import trade. IEC (Import Export Code) is a number given by the Director of Foreign trade that is mandatory for importing and exporting goods and services from India.

Copyright registration in India is a very important process for those who wish to protect their creative works from being used without their consent. By registering a work with the Indian Copyright Office, creators can legally defend their rights if anyone tries to use their content without permission.

2.11 Benefits of Copyright Registration

Copyright registration offers several advantages to creators and intellectual property owners, including the following:

- **Safeguarding the Owner:** Copyright registration provides copyright owners exclusive rights over their work, encompassing reproduction, distribution, adaptation, dissemination, and translation.
- **Legal Protection:** Creators benefit from legal protection, ensuring their work cannot be reproduced without proper authorization.
- **Enhancing Brand Value:** A registered copyright serves as proof of ownership, allowing creators to use it for marketing purposes and contributing to goodwill creation.
- **Global Reach:** Copyright protection extends internationally. If a work is copyrighted in one country, it enjoys similar privileges in other countries, including India.
- **Copyright as an Asset:** Copyright is considered an intellectual property asset, making it an intangible resource that can be sold or licensed, adding economic value.
- **Owner Visibility:** Copyright registration raises the work profile, making it accessible worldwide and searchable in copyright registries. It also prevents unauthorized use of the work once registered.
- **Economic Stability:** Copyright registration promotes economic stability, enabling creators to reproduce and monetize their art in various forms, contributing to their financial well-being.

2.12 Legal Rights of a Copyright Owner

As a copyright owner, you are entitled to a range of legal rights, which include:

- **Claiming Authorship:** You can claim authorship of your published work, asserting your paternity over the creation.
- **Reproduction and Storage:** The owner can reproduce the work in any tangible form and store it in any medium through electronic means.
- **Control Over Publication:** You can decide where and where not to publish your work, exercising the publication right.
- **Public Performance and Communication:** The owner may publicly perform or communicate the work to the public. You also have the authority to create translations or adaptations of the original work.
- **Protecting Reputation:** In case of any potential harm to your image or reputation, you have the right to take necessary preventive actions.
- **Selling or Transferring:** The owner can sell or transfer the copyright, granting others the rights to use, reproduce, or adapt the work as specified in the transfer agreement.

These legal rights empower copyright owners to manage and protect their creative works while allowing them to control their intellectual property.

2.13 Confidentiality Agreement and Non-Disclosure Agreement (NDA)

The terms confidentiality agreement and non-disclosure agreement are used so interchangeably that it's difficult to tell whether or not they're the same thing. Each term appears in a variety of business situations, thus complicating the situation further. Confidentiality agreements and non-disclosure agreements both essentially deal with the same thing: information security

Confidentiality Agreement: Confidentiality agreement is a legal document that requires one or more parties to keep confidential/classified information secret. Whenever confidential business information or a trade secret is not meant to be revealed to the public domain, third parties, or market rivals, a confidentiality clause is frequently implemented.

A confidentiality agreement differs from a waiver of confidentiality, in which the parties involved relinquish confidentiality commitments. A non-disclosure agreement (NDA) is a specific kind of confidentiality contract.

Non-Disclosure Agreement (NDA): A non-disclosure agreement (NDA) is a documented agreement between two or more parties For example: people, organizations, entities, etc.) that forbids the unauthorized release of sensitive information. In a word, if you are presented with an NDA, you are being asked to promise not to disclose any confidential material that is discussed with you to any other entity or person. Conversely, if you are the one who is extending the NDA, then you are instructing somebody not to reveal the knowledge that you might disclose to them going forward.

2.14 What are the similarities between the two types of agreements?
The terms "confidentiality agreement" and "non-disclosure agreement" are used so interchangeably that it's difficult to tell whether or not they're the same thing. Each term appears in a variety of business situations, thus complicating the situation further. Confidentiality agreements and non-disclosure agreements both essentially deal with the same thing: *information security*. Similarly, any changes in how each title is used are usually minor and have more to do with the parties involved with the contract than with anything mandated by law.
This overview will go through such nuances and will assist you in determining whether your present confidentiality agreements provide adequate information protection.

What is the difference between these two?
A *confidentiality agreement* is a legal document that "binds one or more parties to keep secret or proprietary information confidential or proprietary." An NDA is a kind of a contract that upholds secrecy; it does so by defining a confidential partnership and legally binding any parties who sign the NDA to that partnership. Whenever there is a one-way communication of classified material, an NDA is usually more suitable. A confidentiality agreement, on the other hand, is more suited during partnerships, such as when two or more parties are working on a project that requires exchanging sensitive information or the creation of some kind of intellectual property.
Inventors frequently utilize NDAs to preserve confidentiality before applying for a patent to legally assert their rights. In the U.S. and worldwide, a public revelation of a patented idea could waive patent rights. An NDA is an instrument that is frequently used to prevent this from happening until the inventor is able to file a patent application. In order to preserve valuable business information and trade secrets, a company may ask potential hires to sign NDAs (known as *employment NDAs*) as a mandatory requirement. Some examples include:

- ✓ Before disclosing their award-winning culinary secrets/recipes to new chefs, a restaurant may ask employees to sign an NDA.
- ✓ To safeguard proprietary custom software and algorithms, a tech start-up may ask its employees to sign an NDA during on boarding.
- ✓ To protect unique fabrication techniques that bring out market-leading cost efficiencies, a manufacturer could ask employees to sign an NDA.
- ✓ Employees in a marketing agency may be required to sign an NDA to keep the agency's client contact list, service charges, and other confidential data from being shared with competitors.

Confidentiality agreements are frequently used at the commencement of a joint project or other business partnerships in which both parties are likely to share classified data. Confidentiality clauses, for instance, are commonly utilized by the original equipment manufacturer (OEM) and a supplier. The confidentiality agreement allows the OEM to give the vendor sensitive specifications while allowing the vendor to tell the OEM about its proprietary manufacturing method(s). Both parties are revealing knowledge that might be

damaging to their respective businesses if disclosed. If you operate an early-stage start-up, small business, or a division in a bigger corporation, then confidentiality contracts and NDAs are critical to safeguarding your start-up's sensitive information or intellectual property.

When is a Confidentiality Agreement/Non-Disclosure Agreement (NDA) used?

The terms "Confidentiality Agreement" or "Confidential Disclosure Agreement" (CDA) and "Non-Disclosure Agreement" (NDA) are often used in quite similar contexts. Both are attempting to prevent sensitive or private information from becoming public (or publicly known by any means). Although the two phrases (and the corresponding contracts) are more or less equivalent in nature, they are used in slightly different situations.

For instance:

1. **When a higher level of secrecy is necessary, a confidentiality agreement is used.**:*Non-disclosure* means that one must not reveal any personal or confidential information. However, maintaining *confidentiality* necessitates being much more proactive in ensuring that information is kept private. This could involve limiting the use of personal information; safeguarding electronic databases; preventing employee theft; establishing consultant NDAs; mandating freelancers to sign the same contract, and so on.
2. **Confidentiality agreements are more commonly employed in professional and personal settings:** In such settings, the data could be commercially delicate or perhaps personally incriminating evidence that you come across while working (*e.g.,* keeping the details of a conflict or even the fact that one occurred from turning into public knowledge).
3. **In a third-party or start-up scenario, a non-disclosure arrangement is increasingly common:**The type of data that needs to stay confidential in this situation might be a business secret, trademark, innovation; proprietary information; pricing arrangements; banking information, and so forth. These third parties could be vendors, distributors, customers, or, possibly, investors.
4. **When the responsibility is one-way (or unilateral), a non-disclosure agreement is employed:**In the case of a unilateral (one-way) flow of information, a non-disclosure agreement is commonly employed. The contract is more likely to be characterized as a "confidentiality agreement" if there is a two-way (or multilateral) communication of classified or financially privileged information.
5. **Non-disclosure agreements are more popular In the U.S.:**In countries like Australia, New Zealand, England, and Canada, however, the term "Confidentiality Agreement" is more generally used.

Why do you need a non-disclosure agreement?

An NDA is a legal contract that safeguards the communication of non-public and/or proprietary data with a third party in order to protect a start-up's confidential information. When a start-up shares non-public and/or private information with another individual, group, or commercial entity, then this document is utilized.For example, in an employment agreement, there may be a clause prohibiting the employee from disclosing their compensation to their co-workers. In the U.S., the term "nondisclosure agreement" is commonly used, and this form of agreement is more appropriate whenever there is a one-way obligation.

NDAs are commonly used in the following scenarios:

- Approaching a possible partner, buyer, or distributor about a business concept
- Providing a possible purchaser of your start-up with fiscal, accounting, promotional, and/or other related information
- When a potential buyer or licensee is shown a new product/service

- Receiving services from a business or an individual who, in the course of delivering such services, may have access to classified information
- Providing employees with access to your startup's sensitive and proprietary information while they are on the job.

Why do you need a confidentiality agreement?

A confidentiality contract is a documented legal contract involving two or more parties in which the parties promise to treat information with respect and security. This sort of contract has legally enforceable contractual terms that prevent the parties from exposing sensitive and confidential information to the public or to a third party. Confidentiality agreements are used when extremely sensitive information with a high monetary or social value is exchanged. For example, all military agreements are kept strictly private through confidentiality agreements. Confidentiality agreements are also often used in the corporate world.

Components of Confidentiality Agreements

“Confidential information” is a term used to describe information that is not publicly available. A confidentiality agreement should have the following components (among others):

- Explanation of the agreement's purpose
- Types of information that the parties can and cannot share
- Other requirements
- Provisions pertaining to the contract’s legal enforcement
- A provision requiring the parties to restore sensitive documents after usage
- A clause indicating that the agreement is enforceable by heirs and assigns
- Provisions for resolving any disagreements that arise

2.15 Letter of credit: There are several uncertainties that arise when buyers and sellers across the globe engage in maritime trade operations. Some of these uncertainties revolve around delayed payments, slow deliveries, and financing-related issues, among others. The sheer distances involved in international trade, different laws and regulations, and changing political landscape are just some of the reasons for sellers needing a guarantee of payment when they deliver goods through the maritime route to their sellers. Letters of credit were introduced to address this by adding a third party like a financial institution into the transaction to mitigate credit risks for exporters

What is Letter of Credit: A letter of credit or LC is a written document issued by the importer’s bank (opening bank) on importer’s behalf. Through its issuance, the exporter is assured that the issuing bank will make a payment to the exporter for the international trade conducted between both the parties.

A letter of credit is a document typically issued by a bank or financial institution, which authorizes the recipient of the letter (the "customer" of the bank) to draw amounts of money up to a specified total, consistent with any terms and conditions set forth in the letter. This usually occurs where the bank's customer seeks to assure a seller (the "beneficiary") that it will receive payment for any goods it sells to the customer. For example, the bank might extend the letter of credit conditioned upon the beneficiary's providing documentation that the goods purchased with the line of credit have been shipped to the customer. The customer may use the letter of credit to assure the beneficiary that, if it 49 satisfies the conditions set forth in the letter, it will be paid for any goods it sells and ships to the customer. In simple terms, a letter of credit could be said to document a bank customer's line of credit, and any terms associated with its use of

that line of credit. Letters of credit are most commonly used in association with long-distance and international commercial transactions.

- **Confirmed Letter of Credit** A letter of credit, issued by a foreign bank, which has been verified and guaranteed by a domestic bank in the event of default by the foreign bank or buyer. Typically, this form of letter of credit will be sought when a domestic exporter seeks assurance of payment from a foreign importer.
- **Commercial Letter of Credit** A commercial letter of credit assures the seller that the bank will provide payment for any goods or merchandise shipped to the bank's customer, assuming the seller provides any required documentation of the transaction and its shipment of the purchased goods.
- **Irrevocable Letter of Credit** An irrevocable letter of credit includes a guarantee by the issuing bank that if all of the terms and conditions set forth in the letter are satisfied by the beneficiary, the letter of credit will be honoured.
- **Revocable Letter of Credit**An revocable letter of credit may be cancelled or modified after its date of issue, by the issuing bank.
- **Standby Letter of Credit** In the event that the bank's customer defaults on a payment to the beneficiary, and the beneficiary documents proof of its loss consistent with any terms set forth in the letter, a standby letter of credit may be used by the beneficiary to secure payment from the issuing bank.

Features/characteristics of Letter of Credit :A letter of credit is identified by certain principles. These principles remain the same for all kinds of letters of credit. The main characteristics of letters of credit are as follows

Negotiability: A letter of credit is a transactional deal, under which the terms can be modified/changed at the parties assent. In order to be negotiable, a letter of credit should include an unconditional promise of payment upon demand or at a particular point in time

Revocability: A letter of credit can be revocable or irrevocable. Since a revocable letter of credit cannot be confirmed, the duty to pay can be revoked at any point of time. In an irrevocable letter of credit, all the parties hold power; it cannot be changed/modified without the agreed consent of all the people

Documents required for a Letter of Credit

- Shipping Bill of Lading
- Airway Bill
- Commercial invoice
- Insurance certificate
- Certificate Origin
- Packing List
- Certificate of Inspection

Merits of Letter of Credit: Letter of Credit offers many advantages to the exporter as well as the importer that advantages are explained below:

Benefits of L/C to the Exporter

1. **Provide Packing Credit**: Exporters can easily collect pre-shipment finance (Packing Credit) from the bank against Letter of Credit. As a matter of fact, red clause letter of credit is issued to the exporter to enable him to collect pre-shipment finance from bank.
2. **Avoid blocking of Fund**: The exporter gets immediate payment from the bank when he submits full set of negotiable documents to the bank. If the documents are drawn as per the terms of the letter of credit the bank pays the exporter in full. Therefore, the exporter does not have to block his funds.
3. **Clearance of Import Regulation** Once, the L/C is issued by the issuing bank, the exporter can be reasonably sure that all the import trade & exchange control

regulation in the importer's country have been complied with and that the transfer of funds against payment would not create a problem from the exchange control authorities.

4. **Free from Liability**: Where the L/C is a confirmed & without resource one, liability of the exporter ceases once he presents the documents & adheres to all the conditions of terms of trade.
5. **Certainty of Payment**: The importer cannot refuse to take possession of the goods & to clear the payment when the terms of payment is the letter of credit. This problem of no-possession of goods & non-payment may arise in case of D/P's D/A.
6. **Reduction in Bad Debts**Under L/C, the exporter does not run the risk of bad debts because the payment is guaranteed by the issuing bank. In the case of confirmed L/C, there is a double guarantee by the issuing bank & confirming bank

Merits to the Importer

1) **Delivery on time:** The importer can obtain required documents on time under the terms of L/C. Thus, he can get the delivery of good on time.

2) **Better Terms of Trade:** The opening bank provides credit facility to the importer. This helps the importer to obtain better terms of trade from the foreign supplier.

3) **Better relations:** Letter of Credit creates a better relationship between the buyer & the seller as all the terms are specified & both parties are protected.

4) **No Blocking of Funds:** The importer need not block his funds by making advance payment to the exporter.

5) **Sure Shipment of Goods:** The exporter cannot get any benefit under the letter of credit without shipping the goods & submitting documents to the bank. Therefore, the importer is certain to get the supply.

6) **Overdraft facility:** When the importer falls short of payment, he can take possession of the documents against overdraft facility.

2.16 Summary: In conclusion, a Letter of Credit is a critical tool in international trade, providing financial security and trust between buyers and sellers by ensuring that payments are made under agreed conditions.

2.17 Key Words : Letter of Credit, Patent, Copy right, Trademark, Non-Disclosure Agreement

2.18 Self-Assessment Questions

- ✓ What is letter of credit, explain its process and benefits
- ✓ Define Export License? Why it is important in International Trade
- ✓ Why Patent is important in international trade Discuss
- ✓ Briefly explain about Non - Disclosure Agreement
- ✓ Explain the procedure of Trademark in Export and import business

2.19 Suggested readings

- ❖ Export and import management by Justin Paul and Rajiv Aserkar, Oxford Publication
- ❖ Just For Starters: How To Start Your Own Export Business, by NIIR Board
- ❖ Export/Import Procedures and Documentation, Thomas E. Johnson and Donna L. Bade.
- ❖ Export Policy–Procedures and Documentation Mahajan, M. I., 2006,, Snow White, New Delhi

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LESSON – 3
EXPORT SALES

Objectives:
The students will be able to:
- To understand the nature of export sales and distinction between domestic and export sales contracts;
- To learn about concepts of export and import and their distinctions; and
- To know about marine insurance and air cargo insurances and their related aspects.

STRUCTURE

3.1.Introduction
3.2.Nature of Export Sales
3.3.Distinction between Domestic and Export Sales Contracts
3.4.Concept of Export
3.5.Concept of Import
3.6.Differences between Exports and Imports
3.7.Concept of Consignment
3.8.Marine Insurance – Introduction
3.9.Air Cargo Insurance
3.10.Summary
3.11.Keywords
3.12.Self-Assessment Questions
3.13.Suggested Readings

3.1. INTRODUCTION
Exports and imports are carried out by traders who are residents of different countries. Goods have to cross national frontiers and several types of physical and financial risks are to be faced. Laws and regulations of the exporting and importing countries are also to be observed. It is, therefore, very important that the parties to an export-import transaction put down the terms of agreement clearly to avoid misunderstanding and disputes. Further, in Indian context, an exporter is supposed to show a documentary proof of an export contract to secure special export facilities. In this unit, you will learn the nature of export sales contract and various provisions of Incoterms.

3.2. NATURE OF EXPORT SALES
Contract is a legal concept. It has been defined in the Section 2(h) of the Indian Contract Act, 1872. In simple terms, acontract is an agreement which can be enforced by law. An agreement, on the other hand, takes place when a valid offer has been made and accepted by the other party without any qualification. This process of contract formation is valid all over the world.

Though the offer-acceptance sequence appears logical and simple, sometimes complexities can arise. Let us consider a common situation in export business. An exporter sends his offer in a proforma commercial invoice along with his standard conditions in sales. The importer' accepts the offerbut refers to his own standard conditions of purchase. Since these two sets of conditions are different no contract is formed. Importer's acceptance will not be considered legally as acceptance but only as a counter-offer. If the exporter in turn confirms his acceptance without referring again to his standard conditions, a contract is formed.

3.3. DISTINCTION BETWEEN DOMESTIC AND EXPORT SALES CONTRACTS

A major point of distinction between a domestic and export contract lies in identifying the proper law governing the export contract. This is not a problem for domestic sales contracts because the proper law will always be the Indian law in India. It will be the respective national laws in each country so far as their domestic transactions are concerned. But in export transactions, there are two nations, that of the exporter and importer. Therefore, the question arises, which country's law will apply to an export contract.

This is a very complex problem bur the principle generally followed is that the parties to the contract may agree mutually about the applicability of particular country's law. The country chosen must be either that of the exporter or the importer. In special circumstances, a third country's law may be chosen, provided that the country has something to do with the contract. For example, that may be the country where the goods will be re-exported by the importer subsequently. Only when the parties fail to mention the applicable law and a dispute arises later on, the court will decide which law should apply.

Each country's law has developed a set of rules which the courts consider while deciding on this issue. This is commonly known as 'conflict of laws' situation. Some of the factors considered by the courts are: the place where the contract is signed, the language the contract is written, the place of business of the parties, etc. However, these days, the courts normally identify as 'proper law', i.e., the law applicable to the contract (as the one where the contract is to be carried out, i.e., the place where the delivery is to take place). Since in most export transactions, delivery is made in the exporter's country (normally when the goods are placed on the carrier in the exporter's country), the applicable law becomes the exporting countries law.

3.4. CONCEPT OF EXPORT

Export refers to the method of selling goods and services created in one country to another country. These goods and services can be physical goods such as machinery, raw materials, consumer products, and intangible goods such as banking, software development, or consulting.

Exporting aims to earn foreign exchange and increase a country’s trade surplus, the difference between its exports and imports. Exporting can positively impact a country’s economy by creating employment opportunities and encouraging domestic production. Exporters often receive incentives from their government, such as tax breaks or subsidies, to encourage and support their international trade activities.

Export Example:

India is a country that exports a wide range of goods and services to other countries around the world. The following are some examples of Indian exports:

Gems and Jewellery: India is one of the world’s largest exporters of gems and jewellery, accounting for over 14% of global exports in this category.

Pharmaceuticals: India is a major supplier of affordable generic drugs to countries worldwide, with pharmaceuticals being one of its top export sectors.

Textiles and Clothing: India is a leading export of textiles and clothing, with products such as cotton yarn, fabrics, and ready-made garments being shipped to European countries, the US, and the Middle East.

3.5. CONCEPT OF IMPORT

Import refers to purchasing goods and services from another country into one’s own country. These goods and services can be physical items such as machinery, raw materials, finished consumer products, and intangible goods such as transportation, tourism, or

consulting. Importing is to access goods and services that are unavailable or more expensive domestically or to supplement domestic production.

Importing can have a negative impact on a country's trade surplus, as it increases the country's expenditure on foreign goods and services. However, imports can also provide consumers and businesses access to a wider range of goods and services at more competitive prices. They can facilitate the transfer of technology and knowledge between countries. Governments may regulate imports through policies such as tariffs, quotas, or quality standards.

***Example of Import*:**

India is a country that imports various goods and services from other countries. The following are some examples of Indian imports:

Crude Oil: India heavily depends on imported crude oil to meet its energy needs, as domestic production is limited. Major oil-producing countries such as Saudi Arabia, Iraq, and Iran are major sources of India's oil imports.

Electronics: India imports many electronic goods, such as computers, smartphones, and televisions, primarily from countries such as China, South Korea, and Japan.

Precious Metals: India is a major importer of precious metals such as gold and silver, used in jewellery-making and as a store of value. These metals are primarily sourced from countries such as Switzerland, the United Arab Emirates, and South Africa.

3.6. DIFFERENCES BETWEEN EXPORTS AND IMPORTS

The main difference between export and import is about the movement of goods. In export, goods and services are sold to other countries, but Import involves buying goods and services from other countries.

Exports and imports are two concepts that are closely related to international trade. Both terms refer to the movement of goods and services between countries but have different meanings and implications. When a country sells its products to other nations, it's called "export." It's like sharing things you make with others.

On the other hand, "import" means buying things from other countries. The difference between exports and imports is that exports are a source of income for a country, while imports represent a cost. Let's learn more differences between these two concepts.

Parameters	Export	Import
Definition	The process of sending goods and services from one country to another for sale or trade	The process of bringing goods and services into a country from another country for personal or commercial use
Purpose	To earn foreign exchange and increase the country's trade surplus	To access goods and services that are not available or are more expensive domestically
Impact on the balance of trade	The positive impact as it increases the trade surplus	Negative impact as it decreases the trade surplus
Domestic production	Encourages domestic production as exports are usually of goods and services that are produced in the country	Encourages foreign production as imports are usually of goods and services that are produced in other countries

Impact on employment	Increases in employment as exports create demand for domestically produced goods and services, leading to increased production and employment opportunities	This can have a negative impact on employment as imported goods and services can lead to decreased demand for domestically produced goods and services, resulting in job losses.
Foreign exchange rate	A strong export sector can increase the value of the country's currency	A strong import sector can decrease the value of the country's currency
Government policy	Governments often provide incentives for exporters, such as tax breaks or subsidies.	Governments may impose tariffs or quotas on imports to protect domestic industries.
Examples	Exporting cars from Japan to the United States	Importing crude oil from the Middle East to the United States

3.7.CONCEPT OFCONSIGNMENT

Consignment in international trade is a variation of open account in which payment is sent to the exporter only after the goods have been sold by the foreign distributor to the end customer. An international consignment transaction is based on a contractual arrangement in which the foreign distributor receives, manages, and sells the goods to the exporter who retains title to the goods until they are sold.Clearly, exporting by consignment is very risky as the exporter is not guaranteed any payment and its goods are in a foreign country in the hands of an independent distributor or agent.

Consignment helps exporters become more competitive on the basis of better availability and faster delivery of goods. Selling on consignment can also help exporters reduce the direct costs of storing and managing inventory. The key to success in exporting on consignment is to partner with a reputable and trustworthy foreign distributor or a third-party logistics provider. Appropriate insurance should be in place to cover consigned goods in transit or in possession of a foreign distributor as well as to mitigate the risk of non-payment.

3.8. MARINE INSURANCE– INTRODUCTION

According to Marine Insurance Act, cargo insurance is an insurance cover for marine goods, air cargo and post parcels. The purpose of cargo insurance is to protect goods against physical loss or damage, during transit. All export consignments should preferably be insured even if the terms of contract do not provide for it. Exporter should insure the goods sent on consignment.

Cargo insurance is a contract of indemnity whereby the insurance company (Insurer) undertakes to indemnify the owner (Insured) of a ship or goods, against risks that are incidental to Marine insurance (Section 3 of the Marine Insurance Act, 1963). The underwriter insures the goods against loss and damages caused by perils specified in the contract for a stipulated consideration, known as 'Premium'.

3.8.1. Parties involved in Marine Insurance:

There are two parties involved in to insurance:

1. The insurance company is also known as underwriter who assumes the liability as and when loss occurs.
2. The insured is the one who procures the policy or becomes the beneficiary through the insurance contract.

3.8.2. Principles governing in Marine Insurance:

(i) **Principle of Utmost Good Faith**: The insured must disclose all the facts known to him or ought to be known to him, in the ordinary course of business.

(ii) **Principle of Insurable Interest**: Any person who has 'insurable interest' in the cargo only can insure. Exporter is said to have insurable interest in the safe arrival of cargo as he is the owner of the property.

(iii) **Principle of Indemnity**: The underwriter indemnifies the loss arising from the risks covered under a policy. In a contract of indemnity, only loss is made good. However, a marine insurance is commercial indemnity, so even the reasonable anticipated profit is also made good.

(iv) **Causa Proxima**: The insurer indemnifies if the loss arises only from the nearest cause. If goods are stolen due to faulty packing, the insurer does not indemnify the loss.

3.8.3. Types of Marine Insurance Policies: The shipper or insured covers the risks depending on the terms of letter of credit/export order. The Institute of London Underwriters has drawn up the different clauses in marine insurance policy in respect of risk coverage. The risk coverage is done in terms of various institute cargo clauses. Different marine insurance policies with different risk coverage are: (a) Institute Cargo Clause A: This policy covers all the risks of loss or damage to goods. This is the widest cover. (b) Institute Cargo Clause B: This policy covers risks less than under clause 'A'. (c) Institute Cargo Clause C: This policy covers lowest risks. War and Strikes, Riots and Civil Commotion (SRCC) clause is excluded in all the above policies. These risks can be covered by specifically asking for, paying additional premium.

3.8.4. Risks not Covered by Marine Insurance:

1. Under Normal Conditions: Due to nature, certain goods carry inherent vice such as easy breakage. Damage to fragile glassware is not covered, if inadequately packed. Damages caused during original packing are excluded, no matter when the damage occurs, for instance, damages caused by a nail driven by careless packers into the contents of packages.

2. Insurance Contract Specifically Excluded: Losses due to leakage or hook losses in case of goods packed in bags may be excluded by the insurance contract itself. Solidification of palm and coconut oil may be excluded, unless heated storage is available.

3. Delayed Arrival: Loss of profit, market loss due to delayed arrival or deterioration arising due to delay is excluded.

4. Ordinary and Unavoidable Trade Losses: Shrinkage and evaporation in bulk shipment or infestation in case of copra are excluded, unless specifically provided.

5. Violence: Certain perils such as wars, strikes, riot and civil wars are excluded, unless specifically endorsed.

6. Dangerous Drugs Clause: Insurance policy stipulates losses connected with shipment of opium and other dangerous drugs are not paid unless specified conditions are met.

3.8.5. Terms Used in Marine Insurance:

(a) '**Fire**' includes direct and indirect fire damage including loss while extinguishing fire.

(b) '**Assailing thieves**' refer to forcible taking, does not cover clandestine theft or mere pilferage.

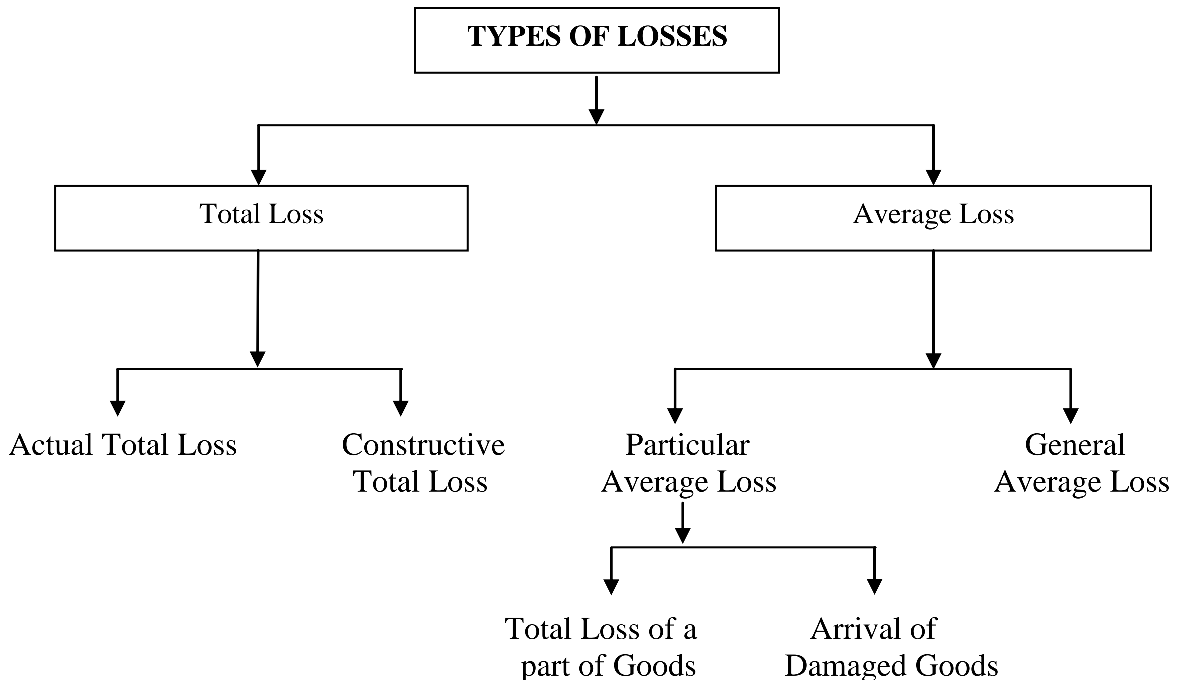
(c) '**Jettison**' is the throwing of articles, usually to lighten the vessel in times of emergency.

(d) '**Barratry**' is the willful misconduct of the master and crew that would include international casting away of the vessel, theft or wrongful conversion with dishonest intent.

(e) '**All other Perils**' do not cover all the perils that befall a shipment, but only connected sea perils.

(f) '**Perils of the Sea'**: It includes out of the ordinary wind and wave action, stranding, lightning, collision, and damage by sea water when caused by peril such as opening of the seams of the vessel by stranding or collision.

3.8.6. Kinds of Losses: There are two kinds of marine losses, viz., Total loss and Average loss.



1. Total Loss:

Total loss can be further classified into actual loss or constructive loss.

(A) **Actual Total Loss may occur when**:

(i) The insured cargo is physically destroyed such that there is no possibility of salvage or recovery of the goods.

(ii) The insured cargo is damaged that it ceases to be a thing or description insured. E.g. Cement bag turns into concrete due to sea-water contact.

(iii) The cargo is irretrievably lost. For example, when the ship sinks, the cargo can be retrieved only after a long time and the salvaged goods cannot be of any value to the insured.

(B) **Constructive Total Loss** can take place when the cargo is damaged to such an extent that the cost of saving and repairing or reconditioning of the goods is more than the value of the goods.

2. Average Loss:

If loss is less than total, it is called an average loss in insurance. Average loss may be particular or general.

(A) **Particular Average Loss**: There are two types of particular average losses i.e. the total loss of a part of goods and goods arrived in damaged condition.

(i) Total loss of a Part of Goods: When a part of total consignment is lost, this method is applied. Value will be arrived by multiplying the number of items lost with per unit value declared in the invoice.

(ii) Arrival of Damaged Goods: In case, the goods arrive in a damaged condition at the point of destination, the consignee or his agent and ship surveyor attempt to arrive at

the agreed percentage of depreciated value of goods for settlement. Say, the depreciated value is arrived at 30%, insurance company will pay the balance 70% of the declared value. If both the parties fail to arrive at a settlement, the damaged goods will be sold, locally, in the open market. To arrive at the claim amount, the sale proceeds will be deducted from the wholesale value of those goods at that place and time where damaged goods are sold. The claim amount and sale proceeds are given to the insured. Auction charges and other incidental expenses have to be borne by the insurer. If the damaged goods can advantageously be repaired, the underwriter pays the repair charges to the insured, not exceeding the insured value.

(B) **General Average Loss**: This may occur whether the goods are insured or not. It results from an intentional sacrifice or expenditure incurred by the master of the vessel to save the ship or goods from danger for the common benefit of the owners of the ship and goods. It needs to be emphasised that the sacrifice or expenditure should be made knowingly, but prudently, and in a reasonable manner. General average loss would arise in the following circumstances:

(i) Some goods are thrown to lighten the ship when the ship is caught in a rough weather.
(ii) Make payment to the nearby agency to tow the ship in danger of sinking to the nearby safe port or
(iii) Pour water to extinguish fire.

When general average loss occurs, captain of the ship reports the matter of loss to the port authorities. The port authorities appoint an Average Adjuster for preparing the statement of general average adjustment and fixing the contribution to be made by the owner of the vessel and various shippers. After cargo owners make payment of their contribution, the shipping company gives delivery of goods to the concerned owners.

The preparation of general average adjustment is a complex accounting operation. This job is normally entrusted to the professionally trained average adjuster (not the insurance company). This entire exercise frequently requires two or three years for completion.

The average adjuster also gives a certificate of contribution to the shippers in respect of the amount of contribution, payable by different parties. The insured would be able to get the contribution certificate from the shipper, soon after payment. The insured can get settlement of claim from the insurance company, producing the evidence of contribution certificate and its payment.

3.8.7. Procedure and Documentation for Filing Claim and Duties of the Assured:

- **Notice to Ins**urer: In the event of loss or damage to the goods, insured or his agent has to give immediate notice to the insurance company.
- **Reasonable Care**: It is a condition of the policy that the insured and his agents should act as if the goods are uninsured and should take all such measures and actions as may be reasonable and necessary to minimise the loss or damage. They must also ensure that all the rights against carriers, bailees or third parties are protected.
- **Survey and Claim**: At the time of taking delivery, if any package shows signs of outward damage, insured or his agents must call for a detailed survey by the ship surveyors and lodge the monetary claim with the shipping company for the loss or damage to the packages.
- **Outward Condition**: Many a time, when the outward condition of the packages is in apparent sound condition, the insured takes delivery, unsuspectingly. After reaching warehouse, on opening the packages, they find damages to goods. In such an event, the insured and/or agent should immediately inform the insurance company and call for the ship surveyor for detailed survey. They should not make any delivery of goods. They should not disturb the packing materials or the contents in packages.

- **Missing Packages**: In case any package is found missing, the insured must lodge the monetary claim with the insurance company and its bailees (shipping company) and obtain a proper acknowledgement from them.
- **Time Limit**: The time limit for filing suit against the shipping companies is one year from the date of discharge of goods.

Documents Required: The following documents are to be submitted by the insured to enable the insurance company to settle the claims expeditiously:

1. Original Insurance Policy or Certificate
2. Copy of Bill of Lading
3. Survey report/Missing certificate
4. Original Invoice and Packing List together with shipping specification or weight notes
5. Copies of Correspondence exchanged with the carriers or bailees
6. Claim Bill.

Precautions: While procuring insurance, exporter should observe the following precautions:

(i) Amount of insurance is 110% of C.I.F. value of goods. 10% covers anticipated profits. In other words, exporter is allowed to take a policy to cover profits up to a maximum amount of 10% of CIF value.

(ii) Insurance document is not later than the date of shipment.

(iii) Amount insured must be in the same currency invoice to take care of the exchange fluctuations.

(iv) Insurance document is issued by the insurance company or its agents or underwriters. The document issued by the brokers is not a good document.

3.9. AIR CARGO INSURANCE

A buyer or seller of goods carried over the air is protected by **air cargo** insurance from loss, damage, and, in some situations, even shipment delays.Most air freight businesses offer carrier liability insurance, an essential requirement for all freight but often provide minimal coverage.

Air cargo insurance will shield you from financial loss if your goods are harmed or lost. It reimburses you for the total price of your insurance if a covered incident damages your freight. Typical exclusions include piracy, acts of war, terrorism, cargo abandonment, and natural disasters. Additionally, it differs from the carrier liability and insurance plans provided by specialized cargo and freight insurance companies, freight forwarders, agents, and big brokers.

3.9.1. Benefits of Air Cargo Insurance: If your consignment is harmed or lost en route, the main benefit of air cargo insurance is that it lessens your financial loss. The small investment you make (sometimes referred to as the premium) assures you when your products depart your warehouse.

It also offers your business the advantages listed below:

- You avoid unplanned stops in your financial flow.
- If profits are covered, profits are still made.
- The claims process is effective due to the competent service.

3.9.2. When do you need Air Cargo Insurance: Even if it isn’t required by law, getting air cargo insurance for your shipment is typically smart.

There are also other things to consider, like the weather and traffic. Your freight is at significant risk while it travels through several hands, vehicles, and ports. Therefore, the longer it is exposed to risk, the more likely it will be lost, stolen, or destroyed.

Remember that even if the carrier is held legally liable, their liability is typically limited to less than the cost of commonly transported goods. As per COGSA, the Carriage of Goods by

Sea Act, ocean freight carriers are only liable for up to US$500 per package/shipping unit or the real value of the goods, whichever is less.

Based on these numbers, you could still suffer a financial loss without cargo or freight insurance. But there are situations when it is not required. Reviewing your contract's inconveniences is essential because some absolve you of liability at specific points in the shipment process. You can save money by establishing the full scope of the contract and just purchasing insurance when necessary.

3.9.3. Types of Cargo Insurance: The two primary types of cargo insurance are land and marine (which also covers air cargo).

Land Cargo Insurance: This insurance covers trucks and other light utility vehicles that move cargo across the land. It is frequently used for domestic freight because it is constrained within a nation's borders. Other land freight transportation hazards, such as theft and collision damage, are also covered.

Marine Cargo Insurance:Marine cargo insurance, which safeguards items transported via water, is a near cousin of air cargo insurance. This insurance, which primarily applies to international trade, covers air and ocean freight. It safeguards aircraft and ships from harm by loading and unloading, inclement weather, mishaps, and other dangers.

3.9.4. Damages not covered underAir Freight Insurance: Cargo insurance excludes risks and problems that the shipper has substantial control over. As a result, policies often do not include:

- Damage to your products if it can be proven that inadequate packaging was the cause of any damage.
- Damage brought on by faulty items. If the carrier can demonstrate that faulty items inside your cargo brought on the damage, the policy will not compensate you.
- Freight of particular types. All insurance companies do not cover hazardous materials, certain electronic products, and other very valuable or fragile items.
- Some modes of transportation are also available. Some insurance may only cover your cargo transported by ship, plane, or vehicle.

3.9.5. ClaimingProcedure:Carriers are assumed not to be responsible for any loss or damage unless otherwise proven. Their limitations are expressly specified in the Bill of Lading, which is permissible language, and they would also take all reasonable steps to limit or prevent their liabilities. You must thus demonstrate that they were careless with your cargo or that the damage or loss happened while they controlled it. And if you are successful, the insurance provider will pay you because your claim is valid.

You'll also need to locate the following details about your shipment to submit a claim:

Your insurance carrier provides the number on the inventory list. You can request an inventory list if they don't give it to you.

- **Room of the Item:** This refers to where the item was before it was packaged.
  Please describe the item in as much detail as possible, such as its size, weight, visual signals, and any related accessories.
- **Damage:** Describe the location and extent of the damage to your shipment.
  Age of the item and the date of purchase – If you don't have any production records, estimate the age of the item and the date of purchase. Remember that the ages and dates of purchase will vary for used products.
- **Original and Replacement Costs:** Calculate the replacement costs by writing down the original costs as carefully as possible and looking up the cost of a similar item.
  Indicate the cost of your item or the amount listed in the inventory if your claim is for loss when stating the amount of your claim. You include the repair cost only if your claim is for damage to the item. Your policy's underwriter might also request that you provide documentation of ownership or worth.

3.10.SUMMARY

Exports and imports are carried out by traders who are residents of different countries. Goods have to cross national frontiers and several types of physical and financial risks are to be faced. Laws and regulations of the exporting and importing countries are also to be observed. Export refers to the method of selling goods and services created in one country to another country. Import refers to purchasing goods and services from another country into one's own country. These goods and services can be physical items such as machinery, raw materials, finished consumer products, and intangible goods such as transportation, tourism, or consulting.

According to Marine Insurance Act, cargo insurance is an insurance cover for marine goods, air cargo and post parcels. Different marine insurance policies with different risk coverage are: (a) Institute Cargo Clause A: This policy covers all the risks of loss or damage to goods. This is the widest cover. (b) Institute Cargo Clause B: This policy covers risks less than under clause 'A'. (c) Institute Cargo Clause C: This policy covers lowest risks. War and Strikes, Riots and Civil Commotion (SRCC) clause is excluded in all the above policies. These risks can be covered by specifically asking for, paying additional premium. A buyer or seller of goods carried over the air is protected by air cargo insurance from loss, damage, and, in some situations, even shipment delays. Most air freight businesses offer carrier liability insurance, an essential requirement for all freight but often provide minimal coverage.

3.11. KEY WORDS

Consignment: Consignment in international trade is a variation of open account in which payment is sent to the exporter only after the goods have been sold by the foreign distributor to the end customer.An international consignment transaction is based on a contractual arrangement in which the foreign distributor receives, manages, and sells the goods to the exporter who retains title to the goods until they are sold.

Marine Insurance: According to Marine Insurance Act, cargo insurance is an insurance cover for marine goods, air cargo and post parcels. The purpose of cargo insurance is to protect goods against physical loss or damage, during transit.

Principle of Indemnity: The underwriter indemnifies the loss arising from the risks covered under a policy. In a contract of indemnity, only loss is made good. However, a marine insurance is commercial indemnity, so even the reasonable anticipated profit is also made good.

Air Cargo Insurance: Air cargo insurance is a type of policy that protects a buyer or seller of goods that are being transported through the air. It reimburses the insured for items that are damaged, destroyed, or lost and, in some cases, may even offer compensation for shipment delays.

3.12. SELF ASSESSMENT QUESTIONS

1. Define Export Sales. Explain the nature of Export Sales.
2. How domestic sales contract differ from export sales contracts?
3. Explain the concepts of Export and Import. Distinct between exports and imports.
4. What do you know about Marine Insurance? What are the different kinds of losses involved in marine insurance?
5. What are the risks not covered by marine insurance?
6. Define air cargo insurance. Describe different types of cargo insurance.

3.13. SUGGESTED READINGS

1. Belay Seyoum, '**Export-Import Theory, Practice and Procedures'**, International Business Press, New York, 2000.
2. Raj Agrawal, '**Indian Foreign Trade'**, Excell Books, New Delhi, 2002.
3. Justin Paul & Rajiv Aserkar, '**Export Import Management**', Oxford University Press India, New Delhi, 2013.
4. Jignesh Vidani, '**Export and Import Procedures – A Guide to International Business**', Educreation Publishing, Chhattisgarh, 2018.
5. J. Senthilvelmurugan & S. Mahalakshmi, '**Export and Import Documentation and Procedures**', MJP Publishers, Chennai, 2013.

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LESSON – 4
EXPORT FINANCE

Objectives:
The students will be able to:

- To learn the concepts of export finance and Institutional Framework;
- To categorize different types of export finance along with the pre-shipment and post-shipment finance;
- To understand the Role of EXIM Bank and recent development in export financing; and
- To know about forex market, major currencies in the world and exchange rates mechanism in India.

STRUCTURE

4.1. Export Finance – Introduction
4.2. Institutional Framework
4.3. Pre-Shipment Finance
4.4. Post-Shipment Finance
4.5. Exports under different payments
4.6. Deferred Credit Facilities
4.7. Role of Export Import Bank of India (EXIM Bank)
4.8. Recent Developments in Export Financing
4.9. Forex Market
4.10. Major Currencies in the World
4.11. Exchange Rates Mechanism
4.12. FERA, FEMA and Exchange Control Regulations
4.13. Summary
4.14. Key Words
4.15. Self-Assessment Questions
4.16. Suggested Readings

4.1. EXPORT FINANCE - INTRODUCTION

Finance can be termed as the livelihood of any business. Export finance refers to the credit facilities extended to the exporters at pre-shipment and post-shipment stages. It includes any loan to an exporter for financing the purchase, processing, manufacturing or packing of goods meant for overseas markets. Credit is also extended after the shipment of goods to the date of realisation of export proceeds. There are various schemes of finance available to exporters at pre-shipment and post-shipment stages. The role of EXIM Bank in export finance is very crucial.

4.2. INSTITUTIONAL FRAMEWORK

Institutional framework for providing finance comprises Reserve Bank of India, Commercial Banks, Export Import Bank of India and Export Credit and Guarantee Corporation. Reserve bank of India, being the central bank of country, lays down the policy framework and provides guidelines for implementation. Export finance short or medium term, is provided exclusively by the Indian and foreign commercial banks which are members of the Foreign Exchange Dealers' Association. The Reserve Bank of India function as refinancing institutions for short and medium term loans respectively, provided by

commercial banks. Export Import Bank of India, in certain cases, participates with commercial bank in extending medium tern1 loans to exporters. Commercial banks provide finance at a concessional rate of interest and in turn are refinanced by the Reserve Bank/Export Import Bank of India at concessional rate. In case they do not wish to avail refinance, they are entitled for an interest rate subsidy. Export Credit & Guarantee Corporation (ECGC) also plays an important role through its various policies and guarantees providing cover for commercial and political risks involved in export trade.

4.3. PRE-SHIPMENT FINANCE

Pre-shipment finance is provided to the exporters for the purchase of raw materials, processing them and converting them into finished goods for the purpose of export. Let us discuss various pre-shipment advances available to the exporters.

4.3.1. Packing Credit: The basic purpose of packing credit is to enable the eligible exporters to procure, process, manufacture or store the goods meant for export. Packing credit refers to any loan to an exporter for financing the purchase, processing, manufacturing or packing of goods as defined by the Reserve Bank of India. It is a short term credit against exportable goods.

Packing credit is normally granted on secured basis. Sometimes clear advance may also be granted. Many advances are clean at their initial stage when goods are not yet acquired. Once the goods are acquired and are in the custody of the exporter banks usually convert the clean advance into hypothecation/pledge. Let us first discuss the detail procedure of packing credit.

Eligibility: Packing credit is available to all exporters whether merchant exporters, Export1 Trading/Star Trading/Super Star Trading Houses and manufacturer exporters. Manufacturers of' goods supplying to Export/Trading/STISS'T Houses and merchant exporters are eligible for packing credit. The credit is given to eligible exporters for specified purposes against irrevocable letter of credit by the foreign buyer through the medium of a reputed bank. It is also available against a confirmed or firm export order/contract placed by the buyer for export of goods from India.

Running Account Facility: The RBI has permitted banks to grant packing credit advances even without lodgement of LIC or firm order/contract under the scheme of Running Account Facility subject to the following conditions:

i) The facility may be extended, provided the need for Running Account facility has been established by the exporters to the satisfaction of the bank
ii) The banks may extend this facility only to those exporters whose track record has been good
iii)LIC or firm order is produced within 2 reasonable period of time. For Commodities under selective credit control, banks should insist on production of LICs or firm orders within one month- from the date of sanction.
iv) The concessive credit available in respect of individual pre-shipment credit should not go beyond 180 days.

Packing credit may also be given under the Red Clause letter of credit. In this method, credit is given at the instance and responsibility of the foreign bank establishing the LIC. Here, the Packing credit advance is made against a simple receipt and is unsecured.

Amount: The loan amount is decided on the basis of export order and the credit rating of the exporter by the bank. Generally the amount of packing credit will not exceed FOB value of the export goods or their domestic value whichever is less. It can be to the extent of domestic value of the goods even though such value is higher than their FOB value provided the goods

are entitled to duty draw back and also covered by the Export Production Finance Guarantee of the ECGC.

Period: The Packing Credit can be granted for a maximum period of 180 days from the date of shipment. The banks are authorised by RBI to extend this period. This period can be extended for a further period of 90 days, in case of non-shipment of goods within 180 days, The extension can be done provided the banks are satisfied that the reasons for extension are due to circumstances beyond the control of the exporters, Pre-shipment credit may be given for a longer period upto a maximum of 270 days, if the banks are satisfied about the need for longer duration of credit.

Rate of Interest: The interest payable on pre-shipment finance is usually lower than the normal rate, provided the credit is extinguished by lodging the export bills on remittances from abroad. If the exporter fails to do so they would not be able to avail concessional rate of interest.

In order to avail the packing credit, exporters are expected to make a formal application to the bank giving details of credit requirements alongwith the required documents.

4.3.2. Advance against Incentives: When the value of the materials to be procured for export is more than FOB value of the contract, the exporters may get packing credit advance more than the FOB value of the goods. The excess of cost of production over the FOB value of the contract represents incentives receivables. For example, when the domestic price of goods exceeds the value of export orders, the difference represents Duty drawback entitlement. Banks can grant advances against duty drawback at pre-shipment stage subject to the condition that the loan is covered by Export Production Finance Guarantee of Export Credit Guarantee Corporation (ECGC). This guarantee enables banks to sanction advances at the pre-shipment stage to the full extent of cost of production. The extent of cover and the premium are the same as for packing credit guarantee.

4.3.3. Pre-shipment Credit in Foreign Currency: This is an additional window to rupee packing credit scheme. This credit is available to cover both the domestic and imported inputs of the goods exported from India. The facility is available in any of the convertible currencies. The credit will be self liquidating in nature and accordingly after the shipment of goods the bills will be eligible for discounting/rediscounting or for post-shipment credit in foreign currency. Some exporters can avail this finance under the following two options.

i) the exporters may avail pre-shipment credit in rupees and, then, the post-shipment credit either in rupees or in foreign currency denominated credit or discounting/rediscounting of the export bills:
ii) the exporters may avail pre-shipment credit in foreign currency and discounting/rediscounting of the export bills in foreign currency.

PCFC credit will also be available both to the supplier units of EPUEOU and the receiver units of EPZ/EOU. The credit in foreign currency shall also be available on exports to Asian Clearing Union (ACU) Countries. This will be extended only on the basis of confirmed/firm export orders or confirmed L/Cs. The Running Account facility will not be available under the scheme.

4.4. POST-SHIPMENT FINANCE

It may be defined as "any loan or advance granted or any other credit provided by a bank to an exporter of goods from India from the date of extending the credit after shipment of goods to the date of realisation of export proceeds. It includes any loan or advance granted to an exporter on consideration of or on the security of, any Duty Drawback or any cash receivables by way of incentive from the Marketing Development Fund or any other relevant source.”

While granting post-shipment finance, banks are governed by the guidelines issued by the RBI, the rules of the Foreign Exchange Dealers Association of India (FEDAI). The Trade Control and Exchange Control Regulations and the International Conventions and Codes of the International Chambers' of Commerce. The exporters are required to obtain credit limits suitable to their needs. The quantum of credit depends on export sales and receivables.

Post-shipment finance is granted under various methods. The exporter may choose the type of facility as per his requirement. The Banks scrutinise the documents submitted for compliance of exchange control provisions like:

i) the documents are drawn in permitted currencies and payment receivable as permitted method of payment;
ii) the relevant GRPP form duly certified by the customs is submitted and particulars as stated in the GWPP form are consistent with the documents tendered as well as the sale contract/firm order etc./letter of credit;
iii) the documents are submitted within the time limit stipulated and in case of delay suitable explanation is made;
iv) the period of usance is in consonance with the time limit prescribed for realisation of export proceeds.

Let us now discuss various types of post-shipment finance.

4.4.1. Negotiation of Export Documents under Letters of Credit: Where the exports are under letter of credit arrangements, the banks will negotiate the export bills provided it is drawn in conformity with the letter of credit. When documents are presented to the bank for negotiation under L/C, they should be scrutinized carefully taking into account all the terms and conditions of the credit. All the documents tendered should be strictly in accordance with the L/C terms. It is to be noted that the L/C issuing bank undertakes to honour its commitment only if the beneficiary submits the stipulated documents. Even the slightest deviation from those specified in the L/C can give an excuse to the issuing bank of refusing the reimbursement of the payment that might have been already made by the negotiating bank.

4.4.2. Purchase/Discount of Foreign Bills: Purchase or discount facilities in respect of export bills drawn under confirmed export contracts are generally granted to exporters who enjoy Bill Purchase/Discounting limits sanctioned by the bank. As the security offered by the issuing bank under letter of credit arrangement is not available, the financing bank is totally dependent upon the credit worthiness of the foreign buyer. The documents, under the Documents against Payment (D/P) arrangements, are released through foreign correspondent only when payment is received. Whereas in that case of Documents against Acceptance (D/A) bills, documents are delivered to the overseas importers against acceptance of the draft to make payment on maturity. Since the financing banks are open to the risk of non-payment, ECGC policies issued in favour of exporters and assigned to banks are insisted upon.

Under the Policy, ECGC fixes limits and payment terms for individual buyers and the financing bank has to ensure that the limit is not exceeded so that the benefits of policy are available. Banks also secure a guarantee from ECGC on the post-shipment finance extended by them either on a selective or whole turnover basis. Banks sometimes do obtain credit reports on foreign buyers before they purchase the export bills drawn on the foreign buyer.

4.4.3. Advance against Bills Sent on Collection: Post-shipment finance is granted against bills sent on collection basis in the following situations:

i) when the accommodation available under the foreign bills purchase limit is exhausted
ii) when some export bills drawn under L/C have discrepancies
iii) where it is customarypractice in the particular line of trade and in the case of exports to countries where there are problems of externalization.

Under the above situation, the bank may send the bill on collection basis and finance the exporter to some extent out of the total bill amount. The amount advanced will be liquidated out of the export proceeds of the export bill and the balance paid to the exporter.Exporters may avail themselves on the forward exchange facility where they do not wish to be subjected to exchange risk on account of the new procedures for overdue export bills.

4.4.4. Advance against Goods Sent on Consignment: Sometimes exports are affected on consignment basis. In such condition, payment is receivable subject to sale of goods. Goods are exported 'at the risk of exporter for sale. The banks may finance against such transaction subject to the exporter enjoying specific limit for such purpose. The overseas branch/correspondent of the bank is instructed to deliver the documents against Trust Receipt.

4.4.5. Advance against Export Incentives: Advances against the export Incentives are given at the pre-shipment stage as well as the post-shipment stage. However, the major part of the advance is given at the post-shipment stage. The advance is granted to an exporter in consideration of or on the security of any duty drawback incentives receivable from the Government. The banks follow their own procedure in granting the advance. The most common practice is to obtain a power of attorney from the exporter executed in their favour by the banks. It is sent to the concerned government department like the Director General of Foreign Trade, Commissioner of Customs, etc. These advances are not granted in isolation, it is granted only if all other types of export finance are extended to the exporter by the same bank.

4.4.6. Advance against Undrawn Balances: In some of the export business, it is the trade practice that the bills are not drawn for the full invoice value of the goods. A small part of the bills is left undrawn for payment after adjustments due to difference in weight quality, etc. Advances are granted against such undrawn balances. In this case the export proceeds must be realised within 90 days.

The advances are granted provided the undrawn balance is in conformity with the normal level of balances left undrawn subject to a maximum of 5% of the full export value. The exporters are supposed to give an undertaking that they will surrender the balance proceeds within 6 months from the date of shipment

4.4.7. Advance against Retention Money: Banks grant advances against retention money, which is payable within one year from the date of shipment. The advances are granted upto 90 days. If such advances extend beyond one year, they are treated as deferred payment advance which are also eligible for concessional rate of interest.

4.4.8. Post-shipment Export Credit Guarantee and Export Finance Guarantee: Past-shipment finance given to exporters by banks through purchase, negotiation or discount of export bills or advances against such bills qualifies for this guarantee. Exporters are expected to hold appropriate shipments or contracts policy of ECGC to cover the overseas credit risks.

Export Finance Guarantee covers post-shipment advances granted by banks to exporters against export incentives receivable in the form of duty drawback, etc.

4.4.9. Post-shipment Credit in Foreign Currency: The exporters have the option of availing of export credit at the post-shipment stage either in rupee or in foreign currency. The credit is granted under the Rediscounting of Export Bills Abroad Scheme (EBR) at LIBOR linked interest rates. The scheme covers export bills with usance period upto 180 days from the date of shipment, Discounting of Bills beyond 180 days requires prior approval from RBI. The exporters have the option to avail of pre-shipment credit and post-shipment credit either in rupee or in foreign currency. If pre-shipment credit has been availed of in foreign currency, the post-shipment credit necessarily to be under the EBR scheme. This is done because the foreign currency pre-shipment credit has to be liquidated in foreign currency.

4.5. EXPORTS UNDER DEFERRED PAYMENTS

All export proceeds must be surrendered to an authorised dealer within 180 days from the date of shipment. Exporters are required to obtain permission from the Reserve Bank through authorised dealers in the event of non-realisation of export proceeds within the prescribed period. However, realising the special needs of exports of engineering goods and projects, Reserve Bank has formulated special schemes permitting deferred credit arrangements. This will enable realisation of export proceeds over a period exceeding six months. Hence, contracts for export of goods and services against payment to be secured partly or fully beyond 180 days are treated as deferred payment exports. The credit extended is termed as deferred payment term credit.

For financing under deferred credit system a single point approval mechanism within a threetier system operates.

This system includes:

i) Commercial banks who are authorised dealers in foreign exchange in India, can provide in principle clearance for contracts valued upto Rs.25 crore. They can avail refinance from EXIM bank.
ii) EXIM bank is empowered to give clearances for contracts of value of above Rs.25 crore and upto Rs. 100 crore.
iii) A working group considers proposals of contracts of value beyond Rs. 100 crore. The working group consists of representatives of all the above institutions to provide single window clearance.

Deferred credit facility is normally allowed only for export of engineering goods, turnkey projects involving rendering of services like designing, civil construction and erection and commissioning of plant or factory along with supply of machinery, equipment and materials. Project exports eligible for export finance are as follows:

Turnkey Projects: These projects involve supply of equipment alongwith related services like design, detailed engineering, civil construction, erection and commissioning of plants, etc. ii) Construction projects involve civil works, steel structural works as well as associated supply of construction materials and equipment. iii) Technical and consultancy service contracts involve provision of personnel, furnishing of knowhow, skills, operation and maintenance services and management contracts.

These services include:

a) Engineering services contracts involve supply of services such as design, erection, commissioning or supervision of erection and commissioning.
b) Consultancy services contracts involve preparation of feasibility studies, project reports, preparation of designs and advice to the project authority on specifications for plant and equipments.

4.6. DEFERRED CREDIT FACILITIES

Export of goods on deferred payment terms can be financed under suppliers credit or Buyer's credit. Let us first understand what they are:

Supplier's Credit: The exporter extends credit directly to the overseas buyer and seeks refinance from commercial banks1EXIM bank. Buyer's Credit: It is a loan extended by a financial institutions or a consortium of financial institutions to the overseas buyer for financing a particular contract. Let us discuss Buyer's Credit in detail.

Under this scheme, credit is granted by EXIM Bank jointly with an authorised dealer to foreign buyers may connection with export of capital goods and turnkey projects from India. The exporters are paid out of the buyer's credit on a non-recourse basis on their complying with the terms of the export contracts to be financed under the scheme. Before the exporter enters into any contract providing for credit terms to be financed under buyer's credit scheme,

they should have detailed discussion with the bankers. While considering proposals under the scheme, the following factors are taken into account by EXIM Bank:

I) competence and capability of Indian exporters in complying with the proposed commercial terms of the contract;
II) justifiability of the contract on commercial considerations;
III) economic viability of the overseas projects concerned of the importer and general economic conditions of his country;
IV) credit worthiness of foreign borrower.

Reserve Bank's permission is also required for the purpose of granting credit under the scheme since payment will have to be made to the exporter on behalf of non-resident buyer. Application to the Reserve Bank should be made by the authorised dealer in Form DPX 6 for the purpose.

4.7. ROLE OF EXPORT IMPORT BANK OF INDIA (EXIM BANK)

Export-Import Bank of India was set up in 1982, for the purpose of financing, facilitating and promoting foreign trade of India. It is the principal financial institution in the country for coordinating working of institutions engaged in financing exports and imports. The major functions of EXIM bank are as follows:

Finance: The present focus of EXIM Bank is on export finance. The Bank finances export of Indian machinery, manufactured goods, consultancy and technology services on deferred payment terms. EXIM Bank finance is also available at Export production stages.

Services: EXIM Bank provides information, advisory services to enable exporters to evaluate the international risks, export opportunities and competitiveness.

Research & Analysis: Research & Analysis carried out on specific industry subsectors with export potential, and international trade related subjects are provided to exporters. Look at Table where details of various programmes offered by the EXIM Bank have been shown.

Lending and Service Programmes of EXIM Bank

Programme	Use
For Indian Entities	
Export (Supplier's) Credit	Enables Indian exporters to extend term credit to overseas importers, of eligible Indian goods.
Financing of Rupee Expenditure for Project Export Contracts	Enables companies to meet cash flow deficits of projects being executed overseas on cash payment terms.
Finance for Consultancy and Technology Services	Enables Indian exporters of consultancy and technology services to extend term credit to overseas importers.
Pre-shipment Credit	Enables Indian exporters to buy raw material and other inputs for export contracts involving cycle time exceeding six months.
Finance for Deemed Exports	Enables Indian Companies to meet cash flow deficits of con @acts secured in India and financed by multilateral funding agencies.
Foreign Currency Pre-shipment Credit	Enables eligible exporters to access finance for import of raw materials and other inputs needed for export production.
Finance for EOU's & Units in EPZs	Enables Indian companies to acquire indigenous and imported machinery and other assets for export production.
Foreign Currency Lines of	Enables eligible export-oriented units to acquire imported

Credit for Imports	machinery for export production.
Export Vendor Development Finance	Enables vendors of export-oriented units to acquire plant & machinery and other assets for increasing export capability
Export Product Development Finance	Enables Indian firms undertake product development, R & D for exports.
Overseas Investment Finance	Enables Indian promoters to finance equity contribution in joint ventures/WOS set up abroad.
Software Training Institutes	Enables setting up of institutes for software training.
Export Marketing Finance	Enables exporters to implement market development programmes and finances productive capabilities I through loan financing.
Production Equipment Finance	Enables eligible export-oriented units to acquire equipment.
Underwriting	Enables Indian exporters to raise finance from capital markets through public/rights issues of equity shares/debentures with the backing of EXIM Bank's underwriting commitment.
Forfaiting	Enables Indian exporter to convert credit sale to cash sale on without recourse basis.
Guarantee Facility	Enables Indian companies to provide requisite guarantees to facilitate execution of export contracts and import transactions.
UC Confirmation	Confirmation of LICs covering import of capital goods.
Project Preparatory Services Overseas	Enables Indian consultancy firms undertake project preparatory studies in developing countries by grant/loan financing.
Business Advisory & Technical Assistance Services$ Overseas	Enables Indian consultancy firms undertake specific assignments in select countries through grant financing.
Cooperation Arrangement with African Management Services Co. (AMSCO) Amsterdam	Enables Indian consultants secure assignments in various projects that are managed by AMSCO in different parts of Sub-Saharan Africa, through grant financing.
Africa Enterprise Fund	Enables Indian Consultancy Firms to undertake specific assignments to assist small and medium entrepreneurs in Sub-Saharan Africa.
Africa Project Development Facility	Enables Indian consultancy firms undertake specific assignments in Sub-Saharan Africa through grant financing.
EC Investment Partners Facility	Enables setting up of joint ventures in India between Indian companies and enterprises in the European Community.
For Commercial Banks	
Refinance of Export (Supplier's) Credit	Enables banks to offer credit to Indian exporters of eligible goods, who extend term credit over 180 days to importers overseas.
Small Scale Industry (SSI) Export Bills Rediscounting	Enables banks to rediscount export bills of their SSI customers with usance not exceeding 90 days.
Relending Facility	Enables banks overseas to make available term finance to their clients for import of eligible Indian goods.
Refinance of Term Loans to	Enables banks to offer credit to eligible export-oriented

EOUs	units to acquire indigenous and imported machinery and &her assets for export production.
Bulk Import Finance	Enables banks to offer finance to importers for bulk import of consumable inputs.
Guarantee-cum Refinance Supplier's Credit	Enables banks to protect their own cash flow as also its exporter client's cash flow on account of default by overseas buyer. Protects the Bank by not treating the Advance as a Non-performing Asset for provisioning purposes.
For Overseas Entities	
Lines of Credit	Enables overseas financial institutions, foreign governments, their agencies to onlend term loans to finance import of eligible goods from India.
Buyer's Credit	Enables overseas buyer to import eligible goods from India on deferred credit terms.

4.8. RECENT DEVELOPMENTS IN EXPORT FINANCING

As an offer of attractive credit terms is a crucial factor in winning export contracts. Hence, financial institutions are offering several innovative financial services to exporters. Some of these services are discussed below:

Factoring: It is an attractive way of providing export finance to exporters. In this system factor bears the complete credit risk. Who is a factor? A factor is a special type of agent who, depending upon the type of agreement, offers a variety of services. These services include coverage of credit risk, collection of export proceeds, maintenance of accounts receivables and advance of funds. Purchase of receivables of its clients without recourse is the most important service of the factor. A big advantage to the exporter is that it is without recourse financing. This means that the risk of non-payment by the importer is to be borne entirely by the factor.

In India, International Export Factoring services on with recourse basis have been approved by the RBI. It provides a new dimension to management of export receivables. SBI Factors and Commercial Services Pvt. Ltd., Bombay has been permitted to provide International Export Factoring. In this system, the exporter enters into an export factoring agreement with exporter's factor. The exporters ship goods to approved foreign buyers. Each invoice is made payable to a specific factor in the importer's country. Copies of invoices and shipping documents are sent to the Importers factor. Exporter's factor will make prepayment to the export against approved export receivables. On receipt of payments from the importer on due date of invoice, importer's factor remits the fund to the exporter's factor. The exporter's factor pays to the exporter after deducting the amount of prepayments.

Forfaiting: Forfaiting refers to the non-recourse discounting of export receivables. It is a mechanism of financing exports that involves less risk and enhances international competitiveness. It converts a credit sale into cash sale for an exporter. In this system forfaiting agency discounts inl.ernationa1 trade receivables of the exporter. The forfaiter pays the exporter in cash and undertakes the risk associated with the export deal. The exporter surrenders, without recourse to him, his rights to claim for payment on goods delivered to an importer.

All exports of capital goods and other goods made on medium to long term credit are eligible to be financed through forfaiting. In India, EXIM bank plays an intermediary role between the Indian exporter and the overseas forfaiting agency. The exporter approaches EXIM bank for forfaiting transaction. EXIM bank obtains details from overseas agencies related to the transaction. The bank receives bills of exchange or promissory notes from the exporter and sends them to the forfaiter for discounting. Subsequently, the bank arranges for

the discounted proceeds to be remitted to the Indian exporter. The bank issues appropriate certificates to enable Indian exporters to remit commitment fees and other charges.

According to the Monetary Policy (announced on October 22, 1997), RBI has allowed Authorised dealers to undertake forfaiting of medium term export receivables.

4.9. FOREX MARKET

The forex market allows participants, such as banks and individuals, to buy, sell or exchange currencies for both hedging and speculative purposes. The foreign exchange (forex) market is the largest financial market in the world and is made up of banks, commercial companies, central banks, investment management firms, hedge funds, retail forex brokers, and investors.

History of the Forex Market: The forex market is not dominated by a single market exchange but by a global network of computers and brokers from around the world. Forex brokers act as market makers as well and may post bids and ask prices for a currency pair that differs from the most competitive bid in the market.

The forex market is an over-the-counter (OTC) market. This mean trading happens without a single centralized exchange. Currencies move between those who are trading, although with the support of brokers who provide the means to do so. There exists a substantial amount of interbank forex trading. Large banks trade currencies for purposes such as hedging, balance sheet adjustments, and on behalf of clients.

Until World War I, currencies were pegged to precious metals, such as gold and silver.Then, after the Second World War, the system collapsed and was replaced by the Bretton Woods agreement. That agreement resulted in the creation of two international organizations to facilitate economic activity across the globe. They were the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), commonly known as the World Bank. The Bretton Woods meeting also produced the General Agreement on Tariffs and Trade (GATT).

The new system also replaced gold with the U.S. dollar as a peg for international currencies. The U.S. government promised to back up dollar supplies with equivalent gold reserves. But the Bretton Woods currency system was suspended in 1971 when U.S. President Richard Nixon announced a “temporary” suspension of the dollar’s convertibility into gold.

Currencies are now free to choose their own peg and their value is determined by supply and demand in international markets.

Type of Forex Markets: Three are three key types of forex markets: spot, forward, and futures.

Spot Forex Market: The spot market is the immediate exchange of currency between buyers and sellers at the current exchange rate. The spot market makes up much of the currency trading.

The key participants in the spot market include commercial, investment, and central banks, as well as dealers, brokers, and speculators. Large commercial and investment banks make up a major portion of spot trades, trading not only for themselves but also for their customers.

Forward Forex Market: In the forward markets, two parties agree to trade a currency for a set price and quantity at some future date. No currency is exchanged when the trade is initiated. The two parties can be companies, individuals, governments, or the like. Forward markets are useful for hedging.

On the downside, forward markets lack centralized trading and are relatively illiquid (since there are just the two parties). As well, there is counterparty risk, which is that the other part will default.

Futures Forex Market: Future markets are similar to forward markets in terms of basic function. However, the big difference is that future markets use centralized exchanges. Thanks to centralized exchanges, there are no counterparty risks for either party. This helps ensure future markets are highly liquid, especially compared to forward markets.

Big Players in the Forex Market:

The U.S. dollar is by far the most-traded currency. The most traded currency pairs all contain the dollar. USD/EUR, USD/JPY, USD/GBP, USD/CNY, and USD/CAD are the top five most traded pairs.

In 2022, Deutsche Bank was the largest trader in the forex market with 10.89% market share. UBS was second, with a 9.69% market share. JP Morgan, State Street, and XTX Markets make up the remaining places in the top five.

4.10. MAJOR CURRENCIES IN THE WORLD

- US dollar (USD)
- Euro (EUR)
- Japanese yen (JPY)
- Pound sterling (GBP)
- Australian dollar (AUD)
- Canadian dollar (CAD)
- Swiss franc (CHF)
- Chinese Renminbi (CNH)
- Hong Kong dollar (HKD)
- New Zealand dollar (NZD)

4.10.1.US dollar (USD) : The US dollar is the official currency of the United States. It is the number one most traded currency globally, accounting for a daily average volume of US$2.9 trillion.

There are several reasons for its popularity. Firstly, the US is the world's largest economy and a powerhouse in international trade. Secondly, the US dollar is the world's primary 'reserve currency', held by central and commercial banks for the purposes of international transactions and investment – estimated to make up nearly 63% of currency reserves by volume. Thirdly, many commodities are priced in dollars, including gold, oil and copper.

While the value of the dollar is primarily influenced by US economic performance and demand for commodities, its value can also be influenced by fluctuations in the economic performance of other countries that use the dollar – either officially or as their de facto currency. These countries include Ecuador, Panama and El Salvador, among others.

4.10.2.Euro (EUR): The euro is the official currency of the European Union (EU) and the second most traded globally, accounting for a daily average volume of nearly US$1.1 trillion. It is issued by the European Central Bank (ECB).

The popularity of the euro is primarily down to the scale and economic clout of the area in which it is used – the eurozone. This currently comprises 19 of the 28 countries within the EU, but the bloc's remaining members – except the UK and Denmark – are required to join in time under the Maastricht criteria. It is also the world's second biggest reserve currency, estimated to make up roughly 20% of global reserves by volume.

The euro's value is strongly influenced by political and economic developments within the bloc. Events that can have an effect include ECB meeting announcements, gross domestic product (GDP) releases, employment data, national and EU-wide elections, among others included on our economic calendar.

4.10.3.Japanese Yen (JPY): The Japanese yen is the official currency of Japan and the third most traded globally, accounting for a daily average volume of US$554 billion. It is also the

third biggest reserve currency – estimated to make up around 4.9% of global currency reserves. It is issued by the Bank of Japan (BoJ).

The yen's value is highly dependent on the strength of Japan's economy, particularly its manufacturing sector which is responsible for key exports including vehicles, electronics, machine tools, ships and textiles. As the value of the yen often increases in line with demand for these products, many forex traders pay attention to economic releases. These can include the BoJ meeting announcement, GDP data, the index of industrial production, the Tankan survey, and unemployment numbers.

The strength of the Chinese renminbi can also have an effect as China is a key competitor in manufactured goods. A weak renminbi can make China's exports more competitive internationally, reducing demand for Japanese products and, in turn, the yen. Finally, it is worth noting that the cost of oil can play an important role in determining the yen's value. This is because Japan is a major importer of oil and high prices can weigh heavily on its economy.

4.10.4.Pound Sterling (GBP): The pound sterling is the official currency of the United Kingdom and its territories, and the fourth most traded globally at a daily average volume of nearly US$422 billion. It is also the fourth biggest reserve currency – estimated to account for 4.5% of global reserves by value.

The pound's value depends largely on the UK's economic performance, with inflation rate data, the Bank of England's (BoE's) monetary policies, GDP and employment reports all likely to have an effect. In recent years, its value has also been affected by the UK's changing relationship with Europe: the country voted to leave the EU in a referendum held on 23 June 2016. Brexit is currently scheduled for 29 March 2019, with the nature of the country's final relationship with the EU – particularly its future trading relationship – likely to impact on the pound in the years to come.

4.10.5.Australian Dollar (AUD): The Australian dollar is the official currency of the Commonwealth of Australia and the fifth most traded globally, accounting for a daily average volume of US$223 billion. The currency is the sixth most commonly held reserve currency – estimated to account for 1.8% of global reserves by value.[3] It is issued by the Reserve Bank of Australia (RBA).

The Australian dollar's value is strongly influenced by commodity prices and the 'terms of trade' – the ratio between the prices of its imports and exports. Australia is a major exporter of coal, iron and copper, among other mined commodities, and a major importer of oil – so shifts in the trading volumes and prices of these commodities can impact AUD.

The currency's value also depends on the size of the country's foreign liabilities, with an increase here likely to result in a fall in the value of AUD against major trading partners' currencies.

Additionally, any difference between the RBA's interest rates and those of other central banks can have an effect, as money is likely to flow into countries with higher interest rates and away from countries with lower interest rates.

4.10.6. Canadian dollar (CAD): The Canadian dollar is the official currency of Canada and the sixth most traded globally, accounting for a daily average volume of US$166 billion. The currency is the fifth most commonly held reserve currency, at 2.02% of global reserves by value. It is issued by the Bank of Canada (BoC).Much like Australia, Canada is rich in natural resources and a major exporter of commodities, which means their prices can be a critical factor in determining CAD's value. The currency is likely to rise in value if commodity prices increase and fall in value if they decrease.

Canada's major trading partner is the US, which accounts for more than 75% of all exports and 50% of its imports. As a result, Canada's economy and the value of the Canadian dollar are particularly sensitive to changes in US economic performance and the value of the

US dollar. Differences between the interest rates offered by the two countries can also play an important role in determining CAD's value, with the currency likely to appreciate against the dollar if the BoC's rates are higher than the Fed's, and vice versa.

4.10.7. Swiss franc (CHF): The Swiss franc is the official currency of Switzerland and the seventh most traded globally, accounting for a daily average volume of US$164 billion. It is also the eighth most commonly held reserve currency, at 0.18% of global reserves by value. It is issued by the Swiss National Bank (SNB).

The country's reputation for financial services and banking secrecy, relatively sound monetary policies and low levels of debt have made the Swiss franc a 'safe-haven' currency. This means it tends to rise in times of global economic uncertainty as money pours into the country.However, roughly half of Swiss exports are purchased by countries within the eurozone, so the currency's value is also strongly influenced by the strength of the euro and the economic performance of countries within this region.

4.10.8. Chinese Renminbi (CNH): The Chinese Renminbi – sometimes referred to colloquially as the 'yuan' – is the official currency of the People's Republic of China and the eighth most traded globally, accounting for a daily average volume of US$142 billion. Despite being an emerging market currency, it is also the seventh most held reserve currency – estimated to account for 1.23% of global reserves. It is issued by the People's Bank of China (PBoC).

For many years, the renminbi was pegged against the US dollar. But the PBoC recently loosened its monetary policy to allow it to float within a narrow band against a basket of major currencies – apparently with a view to letting it float freely in the future. However, many economists believe China has benefitted from a weak renminbi, which has made its exports more competitive over the last few decades and enabled it to maintain a trade surplus with many other countries, and are therefore sceptical of its claims to be targeting a free-floating renminbi.

As China is a major exporter of commodities and manufactured goods, the value of the renminbi depends heavily on the country's terms of trade, particularly with major trading partners such as the US and Europe. As a result, Trump's trade war and its effects on US-China relations and international trade in general could have a big effect on the renminbi in the coming months and years.

4.10.9. Hong Kong dollar (HKD): The Hong Kong dollar is the official currency of Hong Kong and the ninth most traded globally, accounting for a daily average volume of US$117 billion. Unlike many of the other currencies on this list, HKD is not a major reserve currency. It is issued by the Hong Kong Monetary Authority (HKMA) in HKD$10 notes, while all other denominations are issued by three authorised banks – The Hongkong and Shanghai Banking Corporation (HSBC), Standard Chartered Bank and Bank of China. Its exchange rate is fixed at around HK$7.80 to US$1, with the three authorised banks having to deposit dollars with the HKMA when they issue bank notes to keep its price close to this level.

Turnover in HKD doubled between April 2016 and April 2019, taking the currency from 13th in the global rankings to ninth. This increase in trading volume is likely the result of the uncertainty surrounding the political situation in Hong Kong, which has increased the volatility of HKD pairs and created opportunities for profit.

4.10.10. New Zealand dollar (NZD): The New Zealand dollar is the official currency of New Zealand and the tenth most traded globally, accounting for a daily average volume of US$68 billion. Like the krona, it is not a major reserve currency. It is issued by the Reserve Bank of New Zealand.

The value of NZD is strongly dependent on New Zealand's trading relationships, the value of the country's imports and exports, and the strength of trading partners' currencies. New Zealand's key trading partners are China and Australia. Its main exports are agricultural

products – particularly dairy and meat products – while its main imports are oil, machinery and cars.

The monetary policies of the Reserve Bank of New Zealand can also have an effect, particularly the interest rates offered and how these compare to those offered by other banks globally. The currency is likely to appreciate when interest rates are relatively high compared to those on offer in other countries, and depreciate when they are relatively low.

4.11. EXCHANGE RATES MECHANISM

All the countries make foreign exchange regulations in order to restrict imports and so it is one of the types of non-tariff barriers created by importing countries for making balance of payment favourable. The main aim of this regulation is that foreign exchange received should be properly utilised according to the policies of the Government. Government of India has made FERA (Foreign Exchange Regulation Act), which is now replaced with FEMA (Foreign Exchange Management Act). The Act is made for regulating the availability and use of foreign exchange through exports. Thus foreign exchange may not be easily available for imports.

In India, separate Act was passed in 1973 called FERA which was amended in 1993 by FEMA. This Act is the basic for Exchange Control in India. Indian Exporters have to follow certain regulations under FEMA, e.g. 1) Exporters have to register with RBI and obtain code No. 2) They have to receive payment from importers within 180 days of shipment of goods as prescribed by RBI 3) RBI has authorised certain banks to deal in foreign exchange operations. So the exporter has to approach their banks only.

Objectives of Exchange Rates:

1) To introduce rational fixation of exchange rates.
2) To prevent flight of foreign capital.
3) To secure imports of essential goods etc. on reasonable terms.
4) To secure guaranteed market for domestic products.
5) To make the balance of payments favourable.
6) To give protection to home industries.
7) To check the import of continuous consumption.
8) To help in economic development of country.
9) To provide revenue to the Government.
10) To protect the country from the adverse effect of the policies of other countries.
11) To prevent the sudden fall in foreign exchange rates.
12) To prevent the outflow of capital.
13) To help in import of defence and essential items.

Factors Determining Exchange Rates: Following are the factors that influence the exchange rates:

1) Primary Determinants:

a) Demand and supply of foreign currency, e.g. If the country has import surplus its exchange rate will depreciate and in case export surplus rate will increase. In foreign exchange market there are three types of transactions:

i) Purchases and Sales for trading purposes.
ii) Speculative deals by professional dealers.
iii) Protective movements by substantial holders.

b) Domestic economic policies affecting the internal purchasing power of that currency. A country with high rate of inflation than other countries may face a decline in the value of its currency relative to other currencies and vice versa.

2) Secondary Determinants:

a) Psychological factors such as expectations of people may influence on exchange rate e.g. flight of hot money or short term capital movements.
b) International differentials in interest rates have important effect on the exchange rates.
c) Political events like change in Government leads to change in Government policies may have impact on the exchange rate for a currency.
d) Sentiment of investors about future exchange rates. If it is bearish (selling the currency with the fear of depreciation) it will have impact on the spot exchange rates. If the sentiment is bullish (Buying the currency with hope of appreciation), the spot rate is likely to go up.

4.12. FERA, FEMA AND EXCHANGE CONTROL REGULATIONS

Reserve Bank of India is the Exchange Control authority in India. RBI frames the exchange control regulations. The Foreign Exchange Regulations Act, 1973 (FERA 1973), as amended by the Foreign Exchange Regulation (Amendment) Act, 1993, which formed the statutory basis for exchange control in India, stands repealed from the first of June 2000. From this date, the FEMA 1999 forms the statutory basis for Exchange Control and Management in India. Government of India has notified that FEMA shall come into force from 1-6-2000. All foreign exchange transactions taking place on and from this date are governed by the provisions of FEMA 1999, the Rules, Regulations, Notifications/directions or orders made or issued there under.

Basic Difference in Approach: The objective of FERA was to conserve foreign exchange and put them to judicious utilisation. The focus of FEMA is to facilitate external trade and payments and to promote and maintain an orderly growth of foreign exchange market, in India. FEMA has diluted the rigorous enforcement provisions that were the hallmark of the erstwhile legislation. The FEMA is more transparent in its application.

Main Provisions of FEMA:

The Act provides:

- The amount representing the full value of goods exported should be realised and paid to the authorised dealer on the due date for payment or within a period of six months from the date of shipment, whichever is earlier. In case of exports of software in non-physical form, the period is reckoned from the date of invoice. This period restriction is not applicable in respect of shipment made on deferred payment terms or consignment basis.
- Ceiling on agency commission at 12.5% of FOB value has been abolished with effect from 1st June 2000, date when FEMA has come into force.
- Residents going abroad for business purposes or attending seminars or participating in conferences can avail foreign exchange up to $ 25,000 per trip, without the approval of RBI. Period of stay is immaterial.
- Under the liberalised exchange rate management system, exporters are permitted to maintain foreign currency balances in separate foreign currency accounts known as ‘Exchange Earners Foreign Currency’ (EEFC) w.e.f. 1-3-1994.

  1. Merchant/ Manufacturer Exporter : 50%
  2. 100% EOU/EPZ unit : 70%
  3. SEZ Unit : 100%
  4. Status Holder Exporter : 100%
- Indian companies engaged in certain specified sectors are permitted to acquire shares of foreign companies, engaged in similar activities or issue ADRs/GDRs up to certain specified limits.

- FEMA is a civil law unlike FERA. Contravention under FEMA will be dealt with through civil procedures. FERA presumes everyone accused as guilty of the crime and the accused has to prove his innocence. Whereas in FEMA, no such assumption exists. Like any other civil case, the prosecution has to prove that the person had committed the offence. Arrest could be made under FERA. This stringent provision of arrest has been deleted under FEMA.

4.13. SUMMARY

Export finance is provided at the pre-shipment and post-shipment stages. In India, the export credit facilities are provided largely by commercial banks. RBI and EXIM banks offer refinance. EXIM bank, in certain cases, participates with commercial banks in extending medium and long-term credit to exporters. In India, pre-shipment finance 1s offered in the form of (i) packing credit (ii) Advance against incentives and (iii) Pre-shipment Credit in Foreign Currency (PCFC). Packing credit facilities are provided to the exporters for making necessary arrangements for executing export contracts. The basic purpose of packing credit is to enable the eligible exporters to procure, process, manufacture or store the goods meant for export. It is extended on the strength of either the letter of credit or confirmed export contracts. Generally the amount of packing credit does not exceed FOB value of the export goods or their domestic value whichever is less. When the value of the materials to be procured for export is more than FOB value of the contract, the exporters may get the credit against the receivables export incentives. The pre-shipment finance may also be available in 1 foreign currency.

The credit provided by a bank to an exporter after the shipment of goods is referred to the post-shipment credit. The quantum of credit depends on export sales and receivables. Various types of post-shipment credit are: (i) Negotiation of Export Documents under Letters of Credit (ii) Purchase/ Discount of Foreign Bills (iii) Advance against Bills sent on Collection Basis (iv) Advance against Goods sent on Consignment Basis (v) Advance against Export Incentives (vi) Advance against Undrawn Balances (vii) Advance against Retention Money (viii) Post-shipment Export Credit Guarantee and Export Finance Guarantee and (ix) Post-shipment Credit in Foreign Currency. Deferred Credit facilities are offered for export of engineering goods, turnkey projects and consultancy projects.

Export Import Bank plays an important role in promoting exports from India through its various financing schemes. It refinances to commercial banks in respect of credit extended by them to exporter, gives loans to Indian companies for financing exports under deferred payment, provides lines of credit and buyer's credit to overseas entities. The bank also advises Indian exporters on matters pertaining to terms of payment, export financing, etc. Factoring and forfaiting are the recent developments in export financing.

Government of India has made FERA (Foreign Exchange Regulation Act), which is now replaced with FEMA (Foreign Exchange Management Act) for regulating the availability and use of foreign exchange through export. Various factors influences the exchange rates, such as demand and supply of foreign currency, domestic economic policies affecting the internal purchasing power, psychological factors, international differentials in interest rates, political events, sentiments of investors about future interest rates, etc.

4.14.KEY WORDS

Bill of Exchange: The drawing of a Bill of Exchange (frequently referred to as a draft) is the method most commonly used by exporters as a means of obtaining payment from buyers for goods shipped.

Consignment Exports: Where the exporter ships the goods abroad, usually to his agent, on an understanding that goods will be sold and sale proceeds after deducting agent's commission and other selling expenses will be remitted to him.
Deferred Payment Exports: A situation, where the exporter agrees to receive the proceeds after a period extending beyond six months.
Foreign Exchange Dealers' Association of India (FEDAI): Association of commercial banks possessing Reserve Bank licences for dealing in foreign currencies.
Letter of Credit: An arrangement whereby a bank (the issuing or opening bank) guarantees on behalf of its customer (the applicant or importer) to make payment to the beneficiary or exporter upon presentation of documents specified in the credit.

4.15.SELF-ASSESSMENT QUESTIONS

1. Describe the procedure of pre-shipment credit in Foreign Currency.
2. What is post-shipment finance? Explain various types of post-shipment finance.
3. Explain the procedures of export under deferred payments.
4. Describe the role of Export Import Bank of India (EXIM Bank).
5. Explain the recent developments in Export Financing.
6. Define Forex Market. What are the different types of forex markets?
7. Explain the major currencies to be held in the world.
8. Write a note on FEMA.
9. What are the factors which determine the exchange rates?

4.16. SUGGESTED READINGS

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LESSON – 5
EXPORT PRICING AND COSTING

Objectives:
The students will be able to:
- To understand the concepts of export pricing and export costing and distinctions between pricing and costing;
- To learn about purpose of Incoterms 2000 and duties of exporters and importers in relating to Incoterms 2000;and
- To study the export licensing and import licensing procedures.

STRUCTURE
5.1. Export Pricing and Costing – Introduction
5.2. Export Pricing Vs. Export Costing
5.3. Incoterms 2000
5.4. Export Licensing
5.5. Import Licensing
5.6. Summary
5.7. Key Words
5.8. Self-Assessment Questions
5.9. Suggested Readings

5.1. EXPORT PRICING AND COSTING – INTRODUCTION

Pricing and costing are two different things and an exporter should not confuse between the two. Price is what an exporter offer to a customer on particular products while cost is what an exporter pay for manufacturing the same product. Export pricing is the most important factor in for promoting export and facing international trade competition. It is important for the exporter to keep the prices down keeping in mind all export benefits and expenses. However, there is no fixed formula for successful export pricing and is differ from exporter to exporter depending upon whether the exporter is a merchant exporter or a manufacturer exporter or exporting through a canalising agency.

Determining Export Pricing: Export Pricing can be determined by the following factors:
- Range of products offered.
- Prompt deliveries and continuity in supply.
- After-sales service in products like machine tools, consumer durables.
- Product differentiation and brand image.
- Frequency of purchase.
- Presumed relationship between quality and price.
- Specialty value goods and gift items.
- Credit offered.
- Preference or prejudice for products originating from a particular source.
- Aggressive marketing and sales promotion.
- Prompt acceptance and settlement of claims.
- Unique value goods and gift items.

Export Costing: Export Costing is basically Cost Accountant's job. It consists of fixed cost and variable cost comprising various elements. It is advisable to prepare an export costing sheet for every export product.

As regards quoting the prices to the overseas buyer, the same are quoted in the following internationally accepted terms which are commonly known as Incoterm. In the era

of Global Market Economy and fierce competition, importance of accurate costing of product need not be over – emphasized. In accurate costing can lead to either losing of orders or losing of profits. Export pricing is most important tool for promoting sales and contesting international competition. Exporter has to face domestic producers in the export market, producers in other competing supplying countries and domestic producer's in one owns country. Costs, Demand and Competition are the three important factors that determine price. The price for export should be as realistic as possible. The exporter has to exclude cost for domestic production which are not applicable for export and add those elements of costs which are relevant to export product. Exporter has to compete with manufacturers formal over the world. Hence, his price has to be realistic considering all export benefits and price in foreign market.

There is no fixed formula for successful export pricing. It differs from exporter to exporter depending upon whether the exporter is a merchant exporter or manufacturer exporter or exporting through canalizing agency. Exporter has to assess the strength of his competitor and anticipate the move of competitor in the market of operation. Exporter can still be competitive with higher prices with better delivery package or added advantage.

Following are few examples of such factors:

- Range of product offered:

Pricing and costing are two different things and an exporter should not confuse between the two. Price is what an exporter offer to a customer on particular products while cost is what an exporter pay for manufacturing the same product.

Export pricing is the most important factor in for promoting export and facing international trade competition. It is important for the exporter to keep the prices down keeping in mind all export benefits and expenses. However, there is no fixed formula for successful export pricing and is differ from exporter to exporter depending upon whether the exporter is a merchant exporter or a manufacturer exporter or exporting through a canalising agency Pricing and costing are two different things and an exporter should not confuse between the two. Price is what an exporter offer to a customer on particular products while cost is what an exporter pay for manufacturing the same product.

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5.2. EXPORT PRICING Vs. EXPORT COSTING

There is a lot of confusion between the price and the cost. Many consider these synonymous. A few points to give mental pictures of these points are as under:

- Price is what we offer to the customer Cost is the price that we pay/incur for the product
- Price includes our profit/margin, cost only gives the expenses we have incurred.

- Cost is the Cost Accountant's privilege, Pricing is the marketing man's privilege.

Export Price:

Once the Ex-works/purchase price has been decided the additional expenses that have to be added are as under:

- Loading charges from work to truck/rail/air, etc.
- Freight charges to port of shipment
- Clearing and forwarding charges
- Dock charges / wharf age/ terminal handling charges, etc.
- Insurance charges
- Insurance (both to port of shipment and destination)
- Commission
- Interest charges
- Guarantee/ warrantee costs

In order to withstand internal competition, the Government offers certain exemptions and incentives/benefits. These are additional realizations which tend to reduce the cost of the product, the following are few of them:

- There is no sales tax applicable on the final product
- There is no excise applicable on the final product
- Duty free import of raw materials, components and consumables i permitted under the advance licensing scheme.
- Income benefit under 80HHC
- Special import license
- Credit of duty under the duty Entitlement Pass Book Scheme
- Any other special subsidy announced by the Government

Special Factor for Exporting Pricing: There are many unique factors relating to goods to be sold abroad. These factors influence their determination in compassion to those having bearing on pricing for domestic products. These factors may be delivery schedules, terms of payments, motivation of pricing size of order, etc.

Factors that increase price of Export Products:

- Special packing, making and labeling
- Additional supervision and effort for Export product
- Export Transaction cost
- Cost of Export Procedure
- Marketing cost
- Additional Insurance cost

Factors that reduce price of Export Products:

- Export Assistance and Facilities
- Refund or exemption from excise duty
- Lower price due to imported components and spares
- Import of raw materials at International price
- Benefit of economy of scale
- Cheaper Export credit

Ascertaining Exact Benefits from Export Assistance Scheme: In order to ascertain the exact benefits that can be derived from export assistance schemes it is necessary first to locate the exact clarification or SI Number of the product under these schemes. The problem is exacerbated for products carrying specific brand names, as the band rate may differ from the all industry rate. This occurs for example, under the duty drawback credit scheme, which provides relief on the customs and excise duties paid on raw materials and components used in export production. The exporter should be aware of two types of drawback rates:

1. **All industry rates**: These are published in the form of a Government notification every year and are normally valid for one year.
2. **Brand rates**: These are fixed at the exporters or the manufacturer request.

Components, spare parts, ancillary items: Finding out the rate of assistance for components, spare parts or ancillary items of the main product exported can be a problem. To determine the exact rate of assistance it is necessary first to determine the exact classification of the product which has to be priced. This is especially important as the classification of a primary or main product may differ than from those of its components or ancillaries. The rate of assistance may sometimes be the same for the primary items and the co-product. Furthermore, there are common or general rates applicable to products which are not classifiable under any of the SI. Number for which specific policies have been laid down. Where it is not possible for exporters to determine the classifications on their own, they may seek the assistance of the disbursing authorities or organisations set up to help them.

When approaching an organisation like an Export Promotion Council, licensing authorities or the Drawback Directorate for a product classification, the exporter must present the details required to establish this classification. These include the technical and trade name of the product, its various uses and its essentials ingredients (raw materials, etc,)

5.3. INCOTERMS 2000

There are a number of common sales or trade terms used in international trade to express the sale price and corresponding rights and obligations of the seller and buyer. These terms are defined by the International Chamber of Commerce, which are known as 'Incoterms'.

Purpose of Incoterms: The purpose of Incoterms is to provide common interpretation for the different trade terms used in international trade.

In international business, parties are from diverse nations. Different meanings exist for different terms, due to different trade practices followed in those countries. Specific terms are to be interpreted by all parties in a similar manner; otherwise disputes are bound to arise. This can create misunderstandings and disputes. They may lead to litigation resulting in wastage of time, money and strained relationship, disrupting the long- standing mutually beneficial business contacts. In order to remedy the problem, International Chamber of Commerce has developed Incoterms. The uncertainties of different interpretation have been greatly avoided or atleast reduced by these Incoterms. These terms have been revised several times with the changes in international commercial practices, from time to time. The current version of Incoterms has been issued in 1990. They define the rights and responsibilities of importers and exporters in international trade.

Types of Contracts:

Type of contract depends on the basis of price quotation. Mainly, there are three types of contracts, which are often used in international market.

ExWorks Contract: The seller fulfills his obligation by delivering the goods at his factory/shop/warehouse. The buyer bears all the costs and risks in taking the goods from that place to the desired destination. This term represents the minimum obligation on the part of the seller. In this type of contract, the obligations of the seller are the lowest and contract price is always the lowest.

Free on Board (FOB): The seller fulfills his obligation when he delivers the goods on the ship rails at the named port of shipment. The buyer has to bear all costs and risks from that point of time. Cartage up to the port, inland insurance, port dues and loading charges into the ship are to be borne by the seller. The seller has to take care of all these expenses. The term can only be used for sea or inland water transport.

Duties of the Exporter

(A) Supply the contracted goods in conformity with the contract of sale and deliver the goods on board the vessel named by the buyer at the named port of shipment;
(B) Bear all costs and risks of the goods until such time as they shall have effectively passed the ship's rail. In other words, once goods are placed on ship's rail, title to the property passes to the buyer and so risks too;
(C) Provide at his own expense the customary clean shipping documents as proof of delivery of goods;
(D) Provide export licence and pay export duty, if any; and
(E) Pay loading costs.

Duties of the Importer

(A) Reserve the necessary shipping space and give due notice of the same to the exporter;
(B) Bear all costs and risks of the goods from the time when they shall have effectively passed the ship's rail;
(C) Pay freight;
(D) Pay unloading costs and
(E) Pay the price as provided in the contract to the exporter.

Cost Insurance Freight (CIF): In addition to the responsibilities associated with FOB contract, exporter has to arrange shipping space, bear the ship freight and marine insurance charges from his contract price.

Duties of the Exporter

(A) Supply the goods in conformity with the contract of sale, arrange at his own expense, for shipping space by the usual route and pay freight charges for the carriage of goods;
(B) Obtain at his own risk and expense all documentation regarding government authorization necessary for the export of goods;
(C) Load the goods at his own expense on board the vessel at the port of shipment;
(D) Procure at his own cost in a transferable form a policy of marine insurance for a value equivalent to C.I.F. plus 10%;
(E) Bear all risks until the goods shall have effectively crossed the ship's rail and furnish to the buyer a clean negotiable bill of lading;
(F) Provide export licence;
(G) Pay export duty if any and
(H) Insure the goods.

Duties of the Importer

(A) Accept the documents when tendered by the exporter, if they are in conformity with the contract of sale and pay the price;
(B) Receive the goods at the port of destination and bear all costs except freight and marine insurance, incurred in respect of carriage of the goods;
(C) Pay unloading costs and
(D) Bear all risks of the goods from the time they shall have effectively passed the ship's rail at the port of shipment.

5.4. EXPORT LICENSING

Once export contract is procured, exporter has to execute it according to the terms of the contract. Finally, the export contract is completed successfully only when sale proceeds for the contract are realised, in full, along with incidental export incentives that Government of India has offered. Processing of an export order, strictly, starts only after the exporter receives the export contract. However, certain procedural matters are essential to follow to get the export order so that the export contract would be legally binding. The objective is to

execute the order to get payment of export proceeds. Processing of an export order can be divided into four stages. They are:

(A) Getting Export Order
(B) Pre-Shipment
(C) Shipment
(D) Post-Shipment

(A) Getting Export Order

(1) Export Licensing: Many items of goods are free for exports without obtaining any licence, while a few are banned and some others are canalized requiring licence, prior to export. So, exporter has to check up whether any licence is required before accepting and executing export order. Needless to add, the items of export agreed upon do not fall in the banned list.

The Negative list consists of goods; the import or export of which is prohibited, restricted through licensing or otherwise canalized.

Part I: Prohibited Items: These items cannot be exported or imported. These items include wild life exotic birds, wood and wood products in the form of logs, timber, pulp and charcoal.

Part II: Restricted Items: These are the goods that can be exported /imported only with a licence, in accordance with regulations governing in this behalf.

Part III: Canalized Items: Goods, which are canalized, can be imported or exported through the canalizing agency, specified in the Negative List. The Director General of Foreign Trade, may, issue licence to any other person to import or export those items, which are included in the Negative List.

It is evident from the above, barring prohibited items, other goods can be imported or exported by licence or through the designated canalizing agency or others under special conditions.

(2) Inquiry and Offer: Exporter may receive inquiries, directly. An inquiry is a request from the prospective buyer to keep him informed of the terms and conditions of sale. Any export inquiry has to be attended with promptness and meticulous care. It is to be remembered that importers are in an advantageous position as many exporters compete to clinch the deal.

If the inquiry is from a new person, it is usual to inquire about the credentials of the potential importer. Importer may furnish his bank reference or trade reference. Trade reference means the importer may furnish the names of persons with whom he had business dealings, earlier, to facilitate the exporter to gather required details.

As export business is becoming highly competitive, many a time, exporters have to take the initiative, without waiting for inquiries, in identifying potential buyers by gathering information from trade journals which publish trade inquiries.

Whatever be the mode of gathering information, exporter has to react with speed and elegance by submitting the offer, through proforma invoice, with detailed literature in respect of product such as specifications, quality, packing, price, mode of transport and period required for supply of goods, after receipt of confirmed order. An offer is a proposal, which may be in the form of a letter or proforma invoice. It is desirable to send samples as they speak better about quality, which is the main criterion for selection of exporter. When it is necessary to send samples, current regulations, in force, are to be followed.

(3) Examination of Terms of Export: Before the export order is finalised for acceptance, it is highly essential to the exporter to examine the terms and conditions, carefully. These are some of the conditions which warrant careful examination, in particular:

(i) Product description including specifications, style, colour, packing conditions, etc.
(ii) Marking and Labeling requirements, if any.

(iii) Price, terms of payment (FOB, CIF etc.) including currency, nature of letter of credit (revocable, irrevocable, confirmed, unconfirmed, restricted, unrestricted etc), credit period, if any.
(iv) Terms of shipment including choice of the carrier, mode of carriage, place of delivery, date of shipment/delivery, port of shipment, Trans- shipment, etc.
(v) Inspection requirement including type of inspection, place of inspection and inspection agency.
(vi) Insurance requirements including nature of risks to be covered and insurable value.
(vii) Documents for realsing payment including nature and number of invoices, certificate of origin, certificate of inspection, insurance policy, document of title, etc.
(viii) Last date for negotiation of documents with bank.
(ix) Frustration clause indicating circumstances under which both the parties would be discharged from liability.

Exporter has to examine all the clauses from the angle of cost implication. A new exporter who is keen to get the export contract may not give serious consideration and tend to ignore the implications of certain aspects. This situation may result in loss in the deal. To illustrate, an exporter has not observed the requirement of a pre-shipment inspection by an agency who does not have office in India. Soon after the manufacture of the product, exporter has realised the time and cost implications for conducting inspection by a foreign agency. It is unlikely importer would agree to change the inspection agency, at that stage. If any condition is not acceptable, suitable amendment has to be secured from importer and only after all the clauses are acceptable, exporter has to accept export order.

(4) Export Contract and Confirmation of Acceptance: Export Agreement, Export Order and Export Contract signify the same essence. It indicates the decision of foreign buyer to buy specified items from the Indian exporter at the mutually agreed terms and conditions. This can take place in three ways.

(i) Exporter may send the proforma invoice, in triplicate, to the importer. Importer accepts and sends two copies of proforma invoice, duly signed. As offer has been accepted, a binding contract has formed. However, exporter sends one copy of the proforma invoice, duly signed, again, to the importer as a token of confirmation of acceptance. This confirmation is, indeed, a precaution to ensure that the exporter has received the acceptance of contract from the importer and confirmation of acceptance would be a record to the importer.
(ii) Instead of exchanging the proforma invoice, a second way is for the importer to place a purchase order, duly signed, on the exporter, which is accepted by the exporter. Then, a confirmation follows from the exporter to the importer. It is commercially prudent to send confirmation in the form of a documentary evidence. There is no specific format of this confirmatory letter and an ordinary letter also would serve the purpose. In certain countries, it may be a legal requirement.
(iii) A contract may incorporate all the terms and conditions such as description of goods, quantity, price, total amount payable, delivery schedule, mode of payment, payment of freight and other clauses such as certificate of origin and inspection that may be mutually agreed upon between the importer and exporter. When both the parties sign the contract, it becomes a binding contract between the exporter and importer.

(B) Pre-Shipment

(1) Pre-shipment Finance: If the exporter is in need of finance to execute the export contract, he has to make arrangements for securing necessary finance, well in advance. Now-a-days, banks extend financial assistance liberally, at concessional interest rate. Under the export credit (interest subsidy scheme), the RBI enables the commercial banks to extend pre-

shipment credit in the form of packing credit and post-shipment credit, both at concessional interest rates. Pre-shipment credit is given to an exporter for purchase of raw materials, processing them and converting them into finished goods for the purpose of exports.

The purchasing, processing and packing of goods for export are facilitated by packing credit facility. This facility is accorded on the basis of either letter of credit or the confirmed export order or any other evidence of the export order. Packing credit, at the time of disbursement for purchase, is unsecured as banks may not insist upon any margin. So banks, generally, insist on some collateral security either in the form of immovable property or, atleast, a good third party guarantee. After goods are purchased by the exporter, they stand hypothecated to the bank. Banks obtain letter of hypothecation of goods, invariably, at the time of sanction of credit facility. When packing credit facility is sanctioned by the bank, they affix a rubber stamp on the export order/letter of credit with the words reading "Export finance granted". The purpose is to avoid duplicate financing. Packing credit loan is disbursed in instalments, depending on the requirements and progress of production schedule. This packing credit loan account gets closed as and when exporter negotiates the bill through the same bank. Bank obtains an undertaking from the exporter that the export bill shall be negotiated through that bank only to facilitate closure of packing credit loan account.

Banks also sanction post-shipment credit to bridge the gap between the shipment of goods and realisation of sale proceeds. Exporter can secure sanction of interest-free credit against duty drawback. The greatest advantages are interest free element on credit and release of funds blocked in the form of customs duty and excise duty incidence on the inputs. The interest free credit is for a period of 90 days. This credit is given to exporter against duty drawback claim, which is pending scrutiny, sanction and payment. This scheme is applicable only if excise duty has been determined on All Industry Rates or Brand Rate basis.

A good bank goes a long in the way of successful execution of the contract, in particular, to a new exporter as unexpected contingencies may come up demanding additional financial assistance. More so, timely sanction is the most important requirement as shipment has to be made before the stipulated date, otherwise letter of credit would not be valid for negotiation of documents.

(2) Production and Procurement of Goods: Once export contract is confirmed, exporter has to arrange manufacture of goods meant for export, if they are not readily available. In case, there are production constraints, priority is to be given for exports as timely delivery is the most important criterion in case of exports and, if necessary, certain rescheduling of production for meeting indigenous requirements may have to be made. If the goods are not to be manufactured but are to be procured from the local market, necessary action has to be initiated to meet the delivery schedule.

If exporter is a manufacturer, a detailed plan of action is to be drawn as manufacturing process is not as simple as procuring finished goods. The details of inputs required for production should be presented in the form of a document called Bill of Materials. The manufacturer/exporter has to prepare backward pass calculations to ascertain the time schedule of requirement of materials. For calculating this, it is desirable to leave a margin of ten to fifteen days to the date of shipment of goods to face unforeseen contingencies. It is also prudent to plan for labelling, packing and packaging, simultaneously. A careful cost and time schedule and their periodical review are essential to meet the deadline date of delivery schedule and achieve the anticipated level of profits.

(3) Shipping Space: As soon as confirmed export contract is received from the importer, exporter has to make the necessary arrangements for shipping space. The exporter has to make the necessary reservation, in case goods are to be sent by sea. The reason is there is shortage of shipping space and equally their frequency is also limited. Exporter has to gather information about the sailings for the port of destination, matching the delivery schedule.

Necessary information can be gathered from Daily Shipping intelligence to which exporters may subscribe. Shipping agents work on behalf of the shipping companies who can be contacted too about the availability of the required space to match the schedule of delivery, at economic cost. Clearing and Forwarding agents are the specialized people in this line of activity who can be appointed. Exporter sends the cargo to the clearing and forwarding agents who take care of shipment of goods. In case, goods are to be sent by air, the problem is not that difficult as there are adequate airlines for booking the cargo.

There are two kinds of acceptance in case of shipment by sea, Shipping Advice and Shipping Order (Dead Freight). Shipping advice is only an intimation by the shipping company to the exporter that the goods would be accepted on the ship if there is availability of space on the ship. In this case, shipping company is not bound to accept and there is no commitment on the part of shipping company to provide space on board. Exporter would be running the risk if there is no space soon after the goods are sent for shipping and may not be able to send the goods as per delivery schedule. Where delivery schedule is not important, exporter can book on this basis which is not, normally, the case in exports. Shipping order, on the other hand, is a total commitment on the part of shipping company to provide the space on board and reserves the area for that exporter to whom commitment is made. If shipping company fails to provide the shipping space after issuing shipping order, shipping company can be sued for damages. As and when shipping order is issued to the exporter, shipping company sends a copy of shipping order to the commander of the ship for earmarking the space to the exporter.

(4) Packing and Marking: Soon after the goods are ready for shipment, they should be properly be packed and marked.

Importer's specific instructions in respect of packing and marking should be complied with, totally. In the absence of instructions from importer, exporter has to follow the packing rules prescribed by The Bureau of Indian Standards for certain items. The British Standard Packing Code, published by the British Standards Institute and the Exporters' Encyclopaedia published in the U.S.A. give detailed packing instructions which can be followed by the exporters to match international standards in respect of packing. In respect of hazardous goods, shipping companies to give certain packing instructions, which are to be followed, scrupulously. Shipping companies do not accept the goods unless their rules are followed in respect of such goods. If necessary, assistance can be taken from Indian Institute of Packing (IIP) in respect of packing.

Necessary markings have to be made on the packages by the exporter, following importer's instructions. Needless to add, importer's instructions are to be followed meticulously by the exporter in respect of every aspect. In the absence of his specific instructions only, question of choice arises and in such event international standards are to be followed to secure total protection from any claim for negligence and consequential damages. Marking should include markings of the consignee, port of shipment, port of destination, measurements, the country of origin, gross and net weight and any other instructions of the importer. The International Trade Forum has indicated several rules for marking procedures, which are to be followed by the exporters.

(5) Quality Control and Pre-Shipment Inspection: Goods are not to be shipped unless they are of quality. If quality standards are not maintained, exporter's image gets ruined and further chances of export orders come to a virtual close. Normally, quality brings repeat orders to the exporters and so exporters should not take the slightest chance in respect of goods exported outside the country. Even the image of the country would be at stake and so the Government has taken several measures to maintain high standard of quality in respect of exports. One of the important measures taken by the Government to maintain stringent quality, Export (Quality Control and Inspection) Act, 1963 has been passed. The Act

empowers to bring any commodity within its purview. Once notification is made in respect of any commodity under this Act, that commodity cannot be exported unless a certificate of export-worthiness is obtained from the Export Inspection Council (EIC) or any other approved authority, authorised in this matter. The Indian Customs authorities require the inspection certificate issued by the designated agency before permitting the goods for shipment.

Inspection of goods may be conducted under:

(i) Consignment-wise inspection;
(ii) In-process Quality Control; and
(iii) Self-Certification

In respect of consignment-wise inspection, before the excise authorities seal the packs, the process of pre-shipment inspection must be completed. Once production is completed, production department should submit an application to the prescribed agency on the prescribed form known as ‘Notice of Inspection’ with the following documents:

(i) A copy of the Commercial Invoice
(ii) A copy of the Export contract
(iii) Importer’s technical specifications and/or approved sample
(iv) Demand draft covering the prescribed fee.

After inspection, the Export Inspection Agency gives the Certificate of Inspection, in triplicate. Exporter has to submit the original certificate to the customs authorities for granting approval for shipment of goods. Second copy is sent to the importer along with the documents and the third copy is retained by the exporter for his record.

In respect of those industries which have continuous processing activity and established in-process quality control infrastructure and checks, they can submit their request application to Export Inspection Agency (EIA) for recognition as Export Worthy Units or Adequacy of IPQC Units. After inspection of the facilities and procedures followed for quality control by a panel of experts appointed by EIA, the manufacturing units are given the approval. After completion of production, the export worthy unit conducts its own inspection and gives a declaration about the quality control. Based on the declaration of the unit, EIA gives the certificate of quality inspection. EIA does not make any separate inspection. EIA makes periodical review of the working of the units and makes suggestions for improvement.

Under the system of Self Certification System, the manufacturing units which have proven record of maintenance of quality can issue pre-shipment inspection certificate themselves. Now, specified categories of exporters can avail self-certification scheme.

(6) Central Excise Clearance: As soon as goods are ready for despatch to the port of shipment, exporter has to apply to the central excise authority for excise clearance of the cargo. The exporter has, now, an option to remove the goods with inspection by the central excise or remove the goods without inspection. For this, exporter has to apply to the jurisdiction Range Superintendent of central excise in the prescribed form ARE-1, in sixtuplicate. For inspection, exporter has to give advance notice of 24 hours to the range superintendent. The inspection may be made by the range superintendent or excise inspector, nominated by the superintendent of excise. After inspection, they seal the goods and give excise clearance. In case, goods are inspected by the excise authorities and seals are not broken, the customs authorities may not inspect the goods at the port. If goods are removed by the exporter, without the inspection by excise authorities, customs conduct inspection of goods at the port.

As a matter of policy to encourage exports, exporters are exempted from payment of central excise duty on the final product. Where exemption is not possible, refund of excise duty is made. Exporter has option to export under rebate or export under bond. In respect of excise duty paid on inputs, refund is made through Cenvat Credit or Duty Drawback.

In case of export under rebate, excise duty has to be paid first by the exporter and once the export transaction is completed, refund of excise duty paid can be claimed. In case of export under bond, excise duty need not be paid, but bond has to be executed by the exporter in the prescribed format, as approved by Controller of Central Excise, by producing security or surety, at least to the amount equivalent to the amount of excise duty chargeable on the goods.

(7) Appointment of C & F Agent: As exports is a complex subject and requires lot of documentation and compliance of procedures, it is desirable for the exporter to appoint C & F agent who are specialized in this field to guide and arrange shipment of goods, at economic cost, for the smooth completion of export transaction.

Clearing and Forwarding agents, also known as freight forwarders, provide specialised services in moving the goods from the exporter's warehouse to importer's warehouse. Their main function is to secure customs clearance for the cargo, ship them and procure the relevant transport document (Bill of Lading or Airway Bill). They also help in labelling, marking, transporting from the exporter's warehouse to the port and advising the exporter in the selection of shipping agent, route for shipment and economical mode of despatch of goods. The role of clearing and forwarding agent is very significant in the export scenario. They also provide non-essential services such as arranging warehousing facility in the importer's country in the event of importer's refusal to take delivery of goods and coordinating with the surveyor in case of damage to the goods, during transit.

(8) Obtaining Insurance Cover: Before the goods are exported, exporter takes insurance cover for the cargo. The exporter must take appropriate insurance cover for full risk coverage. The risks can be covered in the following two ways:

(i) ECGC policy to cover commercial and credit risks.

(ii) Marine policy, if the price quotation agreed is on CIF basis.

Goods are subject to maritime perils. Marine insurance is a contract of insurance to cover the losses caused through the perils of the sea. Marine insurance is undertaken by General Insurance Corporation of India which has four subsidiaries, viz., New India Assurance Company Ltd., Oriental Fire and General Insurance Company Ltd, The National Insurance Company Ltd and The United Fire and General Insurance Company Ltd.

(C) Shipment

(1) Documentary Examination at Customs House: Goods may be shipped out of India only after customs clearance is obtained. The document on which the customs give their clearance for export is Shipping Bill. The customs grant permission at two stages:

(i) **Documentary check at Customs House**: The objectives are to determine the value of goods and assess customs duty. Secondly to examine and ensure that the formalities regarding exchange control, licensing, pre-shipment quality control and inspection etc. have been complied with or not.

(ii) **Physical examination at Shipment Shed**: The physical examination is made to verify that the goods are the same as declared in the documents submitted at the Customs House.

For this, the exporter or his C&F agent has to submit the following documents to the customs authorities for their checking:

(A) Shipping Bill (Five copies)

(B) Commercial Invoice (one for each of the shipping bill)

(C) Packing List or Packing Note

(D) Certificate of Origin

(E) GR Form (Original and duplicate)

(F) Export Licence (wherever required)

(G) Letter of Credit

(H) Original contract where available or correspondence leading to contract
(I) Certificate of Inspection (original copy, where required)
(J) ARE Form-1
(K) Marine insurance policy
(L) Other documents.

After examination of documents and assessment of value, the customs appraiser at Customs House makes an endorsement on the duplicate copy of the shipping bill. The customs appraiser also determines the amount of physical examination of goods and assigns an official for the conduct of examination.

(2) Obtaining 'Carting Order' and Customs Physical Examination: After physical examination order by the customs is given, it is desirable to obtain the carting order from the Port Trust Authorities. Then, the C&F agent obtains the carting order from the superintendent of Port Trust Authorities to move the cargo into the port premises. The cargo is physically moved into the port. The dock appraiser physically examines the goods. After verification and prima facie satisfied, the dock appraiser seals the packages, prepares physical inspection report and passes the cargo for shipment by issuing the formal order "Let Export Order" on the back of the duplicate shipping bill. Then cargo is kept in the appropriate shed allotted till they are shipped on board. Instead of examining in the port, a facility is available for checking the goods and sealing the packages at the factory or warehouse of the exporter. This is more convenient to the exporter and any shortcoming can be corrected, with more ease at the factory or warehouse. For this, an application has to be submitted by the exporter to the Assistant Collector of Customs.

(3) Loading Cargo on Vessel: At the time of shipping the goods on board, the preventive officer of customs has the right to inspect the goods before the goods are actually loaded on ship. However, if he is satisfied with the bonafides of the goods and the seals on the packages, he may not open the packages. Inspection is discretionary. The C&F agent submits the duplicate copy of the shipping bill where the endorsement "Let Export Order" has been made by the dock appraiser. The preventive officer of customs endorses the order "Let Ship Order", as supplementary, on the back of the duplicate copy of the shipping bill. This endorsement is an authorisation from the customs to the shipping company to accept the goods for loading.

(4) Exchange Control Formalities: An exporter of goods has an obligation to receive payment and bring the sale proceeds into the country. The Government does not allow exports for any other consideration. The Exchange Control Regulations require the exporter to:

a. Make a declaration to the customs authorities representing the full value of goods,
b. Negotiate all the shipping documents, including those relating to sales on consignment basis, through the authorized dealer;
c. Receive payment through the authorized dealer and
d. Surrender the foreign exchange through the exchange control authorities to authorized dealers.

Exporters are required to realise the sale proceeds within the prescribed period. If the exporter has any genuine difficulty in realizing the sale proceeds within the prescribed period, he can seek extension of time from RBI. Exporter has to prove that the delay is beyond his control and not due to his fault or negligence.

Compliance of the above exchange control formalities is made through customs. Exchange control authorities require the exporter to fill certain forms and submit them to the customs authorities to ensure compliance of exchange control formalities.

(D) Post-Shipment

(1) Presentation of Documents for Negotiation: After shipment of goods, exporter has to negotiate the documents through a bank within a period of 21 days from the date of shipment. Submission of relevant documents to the bank and the process of obtaining payment is called "Negotiation of Documents". Documents which are submitted, in this context, to the bank are called "Negotiable set of Documents" which normally contains:

- Bill of Exchange, Sight Draft or Usance Draft.
- Full set of Bill of Lading or Airway Bill.
- Customs Invoice.
- Commercial invoice including one copy duly certified by customs.
- Packing List.
- Original Letter of Credit.
- Certificate of Origin.
- Exchange control copy of the Shipping Bill.
- Marine Insurance Policy, in duplicate.
- Foreign Exchange Forms, GR/SDF/SOFTEX/PP Forms, in duplicate

When the documents are presented under Letter of Credit, Negotiating Bank makes the payment immediately. In the absence of letter of credit, exporter's bank may purchase the documents and provide funds immediately or send for collection and on realisation gives credit for the amount collected, after deducting commission.

(2) Export Incentives: Government of India has been providing incentives to exporters as is done in many countries.

Exporter has to claim the incentives available, adopting the required procedure to be followed. Incentives may be in the form of:

(A) Duty Drawback (DBK)
(B) Exemption/Refund of Excise duty
(C) Exemption of Sales Tax
(D) Exemption of Octroi Duty
(F) Rebate in Rail Freight
(G) Exemption from Income-Tax.

5.5. IMPORT LICENSING

India's import and export system is governed by the Foreign Trade (Development & Regulation) Act of 1992 and India's Export Import (EXIM) Policy. Imports and exports of all goods are free, except for the items regulated by the EXIM policy or any other law currently in force. Registration with regional licensing authority is a prerequisite for the import and export of goods. The customs will not allow for clearance of goods unless the importer has obtained an Import Export Code (IEC) from the regional authority.

Import Policy

The Indian Trade Classification (ITC)-Harmonized System (HS) classifies goods into three categories:

- Restricted
- Canalized
- Prohibited

Goods not specified in the above mentioned categories can be freely imported without any restriction, if the importer has obtained a valid IEC. There is no need to obtain any import license or permission to import such goods. Most of the goods can be freely imported in India.

Restricted Goods:

Restricted goods can be imported only after obtaining an import license from the relevant regional licensing authority. The goods covered by the license shall be disposed of in the

manner specified by the license authority, which should be clearly indicated in the list.
Canalized Goods: Canalized goods are items which may only be imported using specific procedures or methods of transport. The list of canalized goods can be found in the ITC (HS). Goods in this category can be imported only through canalizing agencies. The main canalized items are currently petroleum products, bulk agricultural products, such as grains and vegetable oils, and some pharmaceutical products.
Prohibited Goods: These are the goods listed in ITC (HS) which are strictly prohibited on all import channels in India. These include wild animals, tallow fat and oils of animal origin, animal rennet, and unprocessed ivory

Over the last decade, India has steadily made the process of importing products easier. Most items fall within the scope of India's Open General License regulations. This means that products are deemed to be freely importable without restrictions and without a license unless they are regulated by the provisions of the policy or applicable laws.

Imports of items not covered by an Open General License are regulated and fall into three categories: banned or prohibited items; restricted items requiring an import license; and "canalized" items, importable only by government trading monopolies and subject to Cabinet approval regarding timing and quantity.
Below are designated import certificate issuing authorities:

- The Department of Electronics for computer and computer-based systems
- The Department for the Promotion of Industry and Internal Trade (DPIIT), Technical Support Wing (TSW), for organized sector units registered under it, except for computers and computer-based systems
- The Ministry of Defense (MoD) for defense-related items
- The Director General of Foreign Trade (DGFT) for small-scale industries not covered above as well as on behalf of any of the above
- The Embassy of India in Washington, DC on behalf of any of the above authorities.

Capital goods, except those specified in a negative list, can be imported with an Authorization under the Export Promotion Capital Goods plan at zero customs duty, subject to the fulfillment of a time-bound export obligation.
Duty exemption/remission schemes are also offered, which enable duty free import of inputs for export production, including replenishment of inputs.
Advance Authorization: Certain products require an advance license to allow duty free importation to India. These include inputs that are physically incorporated into products made in India for export. In addition, fuel, oil, and catalysts consumed/utilized to produce export products, are also allowed under this plan. Raw materials and inputs are allowed in terms of Standard Input-Output Norms, or under self-declared norms of Indian exporters.

Advanced Licenses are issued on pre-export or post-export bases in accordance with foreign trade policies and procedures, and can be issued for:

- Physical exports: An Advance License may be issued for physical exports to a manufacturer, exporter, or merchant exporter tied to supporting manufacturers for the import of inputs required for an export product.
- Intermediate supplies: An Advance License may be issued for intermediate supply to a manufacturer/exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance License; and
- Deemed exports: An Advance License may be issued for deemed exports to the main contractor for the import of inputs required for the manufacture of goods to be supplied to the categories mentioned in the Foreign Trade Policy. An Advance License for deemed exports can also be acquired by a subcontractor, provided the

name of the subcontractor appears in the main contract. Such licenses for deemed exports can also be issued for supplies made to UN organizations or under the Aid Program of the UN, or other multilateral agencies, and paid for in foreign exchange.

- An Advance License may be issued for supply of 'stores' on board of foreign going vessel / aircraft, subject to condition that there is specific Standard Input Output Norms in respect of item supplied.

Import Declaration: Importers are required to furnish an import declaration in the prescribed bill of entry format, disclosing full details of the value of imported goods.

Import Licenses (where applicable)

All import documents (e.g., ex-factory invoices, freight documentation, insurance certificates) must be accompanied by import licenses. This enables customs to properly clear the documents for timely import.

Letter of Credit: Importers must include a copy of the letter of credit to record payment for imports. This document is normally verified by the issuing bank.

Not all consignments are inspected prior to clearance, and inspections may be waived for known importers. Under the current customs regime, an appointment with the clearing agent helps avoid delays. In general, documentation requests and requirements are extensive, and delays are frequent in India.

Clearance delays cost time and money, including additional detention and demurrage charges, making it more expensive to operate and invest in India. For delayed clearances, importers seek release of shipments against a performance bond, and furnishing a bank guarantee for this purpose can be a costly option. Indian customs authorities have recently extended operations to 24 hours to ensure more timely clearances of imports.

5.6. SUMMARY

Pricing and costing are two different things and an exporter should not confuse between the two. Price is what an exporter offer to a customer on particular products while cost is what an exporter pay for manufacturing the same product. Export pricing is the most important factor in for promoting export and facing international trade competition. It is important for the exporter to keep the prices down keeping in mind all export benefits and expenses. Export pricing is the most important factor in for promoting export and facing international trade competition. It is important for the exporter to keep the prices down keeping in mind all export benefits and expenses.

There are a number of common sales or trade terms used in international trade to express the sale price and corresponding rights and obligations of the seller and buyer. These terms are defined by the International Chamber of Commerce, which are known as 'Incoterms'.

Processing of an export order, strictly, starts only after the exporter receives the export contract. However, certain procedural matters are essential to follow to get the export order so that the export contract would be legally binding. Exporter is also provided with certain incentives in the form of import licensing to import inputs and raw materials to facilitate and promote exports. The incentives are in the form of Duty Entitlement Pass Book Scheme and Duty Exemption Scheme.

5.7.KEY WORDS

LIBOR: LIBOR refers to the arithmetic average of the rates of which six major banks in London are willing to pay/to borrow dollars at certain time during the morning.

Sight Bill: The Bill, requires the drawee, to whom it is addressed, to make payment immediately on presentation.

Usance Bill: The bill which has a usance period, usually of 30, 60, 90, 120 or 180 days, required the drawee to pay the bill after the expire of usance period.

5.8.SELF-ASSESSMENT QUESTIONS

1. What is meant by export pricing? What are the factors which determine the export pricing?
2. Describe the concept of export costing with suitable examples.
3. How Export Pricing differ from Export Costing?
4. What do you know about Incoterms 2000? Explain the duties of exporters and importers in relating to Incoterms 2000.
5. Describe the four stages held in processing of an export order.
6. Write a note on Import licensing.
7. Write short notes on the following:
   (A) Negative List
   (B) Shipping order
   (C) Customs formalities
   (D) Packing and Markings
   (E) Negotiation of documents

5.9. SUGGESTED READINGS

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Dr. G. Naga Raju

Lesson – 6
SHIPPING DOCUMENTS

OBJECTIVES:

✓To understand the stages of the shipping process
✓To learn the importance of accurate shipping information
✓To comprehend the significance of proper packaging and labeling
✓To identify the different shipping methods and their criteria
✓To recognize the necessity of preparing shipping documents
✓To explore strategies for managing common shipping issues effectively

STRUCTURE:

6.1 Introduction:
6.2 Pre-Shipping Process
6.3 Post-Shipping Process
6.4 Shipping Issues and the Proven Strategies for Managing Them
6.5 Presentation of Documents for Negotiation after exports
6.6 Export Shipping Documentation Process
6.7 Summary
6.8 Key words
6.9 Self- Assessment questions
6.10 Reference

6.1 Introduction:

Shipping is the physical movement of goods from one point to another, such as the moving of merchandise from the warehouse to the customer. The shipping process follows the manufacture and the packing of goods and will be controlled by a shipping or logistics company.

Stages of the Shipping Process:

The shipping process is typically segregated into 6 major portions:

Pre-shipping process: It involves accumulating shipping information, packaging and labeling of products, selecting shipping method and finally preparation of the necessary documents such as invoices, customer declarations etc.

Shipping process: This involves giving the parcel to the shipping carrier and tracking of the parcel as it is moving towards the destination and constant communication with the carrier.

Post-shipping process: It involves confirmation of the delivery of consignment with the customer, effectively handling returns and exchanges, managing lost or damaged packages and responding to customer complaints in the prescribed SLA.

6.2 Pre-Shipping Process

The pre-shipping process is the stepping stone of the shipping process and consists of preparing the packages for shipment. This step involves various activities which ensures that the package is ready for shipment and reaches its final destination in perfect condition.

Gathering Shipping Information: This involves collation of all the vital information for shipping the goods such as recipient's contact information, address details etc. It is henceforth critical to ensure the accuracy of the shipping information to minimize delayed or lost packages.

Packaging and Labelling: This involves selection of appropriate packaging content such as bubble wrap, cartons etc to safeguard the products inside the package. Also, the package should be labelled appropriately with information such as the recipient's address, and any special instructions such as “Fragile Item” or “Handle with care”.

Selecting Shipping Method: This involves selecting the most feasible shipping method based on factors such as the package size and weight, destination and the delivery time slot. Shipping options broadly consists of 6 categories, namely ground shipping, express shipping and international shipping.

Preparation of documents: This involves preparing the necessary documents such as custom declarations, bill of lading and invoices etc. Appropriate documentation is essential as it helps to clear customs and avoid any legal battles, in case of international shipments.

By following the above steps in order, businesses can go through a very smooth shipping journey and avoid and obstacles that may take a toll on the customer satisfaction.

Shipping Process :

After the consignment is prepared for shipping, it consists of a no. of steps when it is handed over to the shipping carrier for delivery purpose.

Handing over packages to the shipping carrier: It involves delivering the package physically to the carrier such as UPS, USPS or FedEx. Package is scanned and then entered into the carrier’s system for tracking purposes.

Tracking Package: It involves monitoring the movement of the package as it is heading towards its destination. Shipping carrier helps in providing the tracking information like the package's current location, delivery status and estimated date of delivery which is further shared to the end customer.

Communication with shipping carrier: It involves building constant communication with the carrier to clear any obstacles that comes by.This comes handy when in case the package is missing, delayed or damaged.

Estimated Delivery Time: It involves providing an estimated time of delivery to the end customer basis the chosen shipping method and carrier. The estimated time of delivery can in turn be shared with the customer via email, text message or via a tracking link.

By navigating the shipping process in a time bound and effective manner, businesses can be rest assured that packages are delivered on time and in a good condition so that customer satisfaction is on an upward trajectory.

6.3 Post-Shipping Process

Once the consignment is delivered to the end customer, the post-shipping journey comes into picture. It also involves several activities that ensures customer satisfaction is intact and address any obstacles that may arise.

Confirming Delivery: It ensures that the package is delivered at the appropriate location to the right customer. The delivery confirmation of the package can be checked by navigating on to the shipping carrier’s tracking system.

Handling Returns and Exchanges: It is the case of reverse shipment which involves managing the returns or exchanges of the goods as requested by the customer. The businesses should have a clear and concise return policy in place which details out the instructions for returning the products.

Dealing with Lost or Damaged Packages: It involves addressing any query that may come by during shipment such as damaged or missing items. The business entity should work with the carrier to locate the missing packages and file a complaint in case of damaged packages.

Addressing Customer Concerns and Complaints: It involves handling customer queries and complaints in line with the shipping process. The business should proactively respond to customer queries and provide solutions in a timely manner for all the concerns raised.

Shipping documents, as the name suggests, are the documents necessary to transport an item from one location to another. They're made up of applicable records, forms, and certificates that provide information about the item being shipped. This may include details such as the item description and specification, quantity, price, ship date, delivery address, and shipping method.The exact documents required may vary depending on factors such as the shipping method, delivery destination, and type of goods. However, most packages will require waybills, commercial invoices, packing lists, and certificates of origin.

As these documents provide information about the goods being shipped, they help ensure that packages are delivered on time and to the right addresses. They help courier services determine how to route the package and deliver them in the most efficient manner. Moreover, these documents are also necessary in international shipments to ensure that the package is in compliance with the import regulations of the countries through which it is routed. Ensuring all the necessary documents are included with the correct information will streamline the customs clearance process and allow for speedy international deliveries.

1. Commercial invoice

A commercial invoice is an essential shipping document that is issued to a buyer before their items are shipped. This document assists local Malaysian and foreign customs authorities with all the information required for them to determine if your shipment can be exported or imported. It provides a comprehensive summary of a shipment, including the buyer's and seller's information, a description of their contents, cost breakdown, harmonised system (HS) codes and terms of sale. Also ensure to state the insurance costs and country of origin.

2. Bill of lading

The bill of lading (BL or BoL) is a legal export trade document between the person shipping and the shipping company. It contains everything the shipping company needs to know to be able to get the goods to the right destination in optimal conditions. Information includes the shipping destination, the shipment's contents and handling instructions. The BL is attached to the product and should contain the signatures of the seller, shipper, and buyer. It helps to prevent asset theft and to ensure that all parties that acknowledge the shipment contents verify that what is on the BL is indeed accurate and if not, to take legal action against the responsible party.

6. Air waybill

An air waybill is a type of bill of lading and therefore, also contains key information of a shipment, like its destination and contents. It works similar to an ocean bill of lading. For such a document, the third-party carrier assumes responsibility from the time it receives the parcel to when it delivers it. What's special about an air waybill is that it is non-negotiable, meaning only the specified receiver can accept the delivery and sign the document. Unlike other bills of lading, it also does not specify flight details or when it will reach its destination.

7. Certificate of origin

A certificate of origin (COO) is an important shipping document that helps in verifying a product's country of origin. Through this, a custom's authority would know where a certain product was produced, manufactured and processed. You can apply for a COO from your local chamber of commerce, submit and have it approved by the local authorities. If you're exporting to a country where free trade agreements are established between your country and theirs, a COO would be a way to let customs know that goods are eligible for reduced taxes and duties – termed preferential COO. Otherwise, it's called a non-preferential COO. Some countries don't require such a document, so check to see what the port authorities of your import destination have in their list of requirements.

5. Export and import licence

Different countries have different goods that are restricted from shipping out of the country. These could include certain liquids, chemicals or medicines, or particular films and

photographs. To export these goods, businesses would need to apply for a special export licence to obtain the permissions to bring such goods. To import or export goods which require a license, traders first must register with the Companies Commission of Malaysia. Once registered, a company must then apply for an import license from the Ministry of International Trade and Industry (MITI). Malaysia uses a privatized single digital window for all import and export regulations called Dagang Net.

6. Export packing list

An export packing list is a detailed document that provides information to the relevant parties that handle the shipment along the supply chain journey. It allows goods to be stored properly. For example, if you are shipping medicines that need to be stored at a particular temperature and handled specially, an export packing list provides adequate information to ensure your parcel can be processed and handled properly.

An export packing list contains the following information:

- Exporter’s details
- Consignee and buyer’s details
- Shipping details (method of dispatch, shipment type, country of origin, country of final destination, voyage number, date of departure)
- Product and packaging details
- Authorised signature

7. Insurance certificate

An insurance certificate is proof of insurance coverage if a shipment is lost or damaged. It provides the buyer or consignee with the assurance that they will be compensated for any goods that fail to reach their destination. It also ensures the shipper is covered if something happens.

8. Inspection certificate

An inspection certificate is a document that professionally verifies that the contents of your shipment are of the quantity and quality specified and that they are also what the buyer ordered.

6.4 Shipping Issues and the Proven Strategies for Managing Them

Having been a pioneer and leader in the specialty crating and shipping industry for more than 60 years, we’ve encountered just about any shipping challenge you can imagine. We’ve also learned from the experiences and found ways to avoid those problems, or at least deal with them quickly and efficiently if they can’t be avoided.

1. Items are damaged during handling or shipping

No doubt about it: Conditions in the shipping stream can be very harsh. The forces that items face as they’re loaded onto trucks, planes and ships, and transported over bumpy roads, through turbulence, and on rough seas are far greater than what they experience sitting at your business location or home. However, when the proper packaging and crating scheme is developed by a trained and experienced packaging engineer, the risk of damage is dramatically reduced.

2. Shipping costs are unreasonably high

There are, of course, expenses associated with transporting goods safely from Point A to Point B. But if the fees are higher than you believe they should be, there are actions you can take to reduce them. For example, you should compare providers, keeping in mind that improper handling and logistical errors on the part of a “bargain” shipper can end up costing you far more than what you would pay a premier provider.

It’s also helpful to arrange for shipping as far in advance as possible. Waiting until the last minute to make your plan can result in higher fees for expediting the shipment. And if shipping multiple items, you should consider the needs of each. If some of them are required

more urgently but others less so, it may be cost-effective to split the shipment up, with the different components using shipping methods appropriate for their deadline.

6. Lack of knowledge about international shipping

The process of getting a shipment from Detroit to Houston is fairly simple. Your assets might simply be loaded onto a truck that arrives at the destination a few days later. Shipping items overseas is another matter altogether. There are customs requirements, forms that need to be completed, transfers from one carrier to another, etc. The best way to ensure that your international shipping goes smoothly is to work with a crating and shipping company that has significant experience in getting goods to their foreign destinations.

For example, Craters & Freighters can take the burden of learning about international shipping rules off of you because we've coordinated the transportation of assets to and from virtually every major overseas destination through the years. We help you with everything from securely packaging your items, to filling out the paperwork, to tracking your shipment every step of the way.

7. Shipping route disruptions

Many forces outside your control can impact shipping routes. Natural disasters, political unrest and pandemics are just a few examples. While these events can't be prevented, there may be ways to work around them in many instances.

Working with an experienced shipping logistics company provides a few benefits. First, they monitor local, regional, national and world events in order to anticipate problems. Then, if issues arise, they leverage their knowledge and extensive network of industry contacts to determine if there is a way to modify the path a shipment will take to avoid trouble spots.

5. Lost items

With some shipping companies, once an item enters the shipping stream it can feel like it's fallen into a black hole. It's a different story with premium crating and shipping providers. They track your shipment throughout its journey and immediately take action if they lose contact with a package. The sooner problem resolution begins, the more likely it is that assets are found and get back on track.

6. The stress of "split shipments"

In some shipping engagements, like estate shipping, items are picked up in one location but must be delivered to multiple locations. This can create a major headache for family members if they have to coordinate the process. At Craters & Freighters, we step in to handle the logistics, carefully labeling, logging and tracking assets as they go their separate ways, always keeping shippers and recipients updated on the progress of the project.

7. Harsh environmental conditions along the shipping route

One hidden form of damage to assets is the effects of environmental conditions—in particular, corrosion and other internal damage that can be caused to electronics like servers by high humidity levels, such as during ocean transport. However, precautions like moisture-barrier packaging, desiccants and humidity indicator cards can help ensure that sensitive items are protected.

8. Shipping hazardous materials

There are many restrictions associated with the shipping of hazardous materials or "hazmat." A shipping and crating company experienced in hazmat shipping can help you understand the

packaging and handling requirements, and the related paperwork, so that you don't break any rules or regulations in moving your materials.

9. The cost of repairing or replacing damaged goods

Despite your best efforts and those of your shipping company, items can still be damaged during transport. To keep from having to absorb the cost of repairing or replacing damaged goods, you can arrange for what's called cargo insurance, ideally through the company that is coordinating your shipment. At Craters & Freighters, for example, we're authorized to pack and crate almost any type of item with coverage through our insurance company thanks to many years of very low claims ratios.

6.5 Presentation of Documents for Negotiation after exports

After shipment of goods, exporter has to negotiate the documents through a bank within a period of 21 days from the date of shipment. Submission of relevant documents to the bank and the process of obtaining payment is called "Negotiation of Documents". Documents which are submitted, in this context, to the bank are called "Negotiable set of Documents" which normally contains:

Bill of Exchange, Sight Draft or Usance Draft. • Full set of Bill of Lading or Airway Bill. • Customs Invoice. • Commercial invoice including one copy duly certified by customs. • Packing List. • Original Letter of Credit. • Certificate of Origin. • Exchange control copy of the Shipping Bill. • Marine Insurance Policy, in duplicate.

When the documents are presented under Letter of Credit, Negotiating Rank makes the payment immediately. In the absence of letter of credit, exporter's bank may purchase the documents and provide funds immediately or send for collection and on realization gives credit for the amount collected, after deducting commission.

6.6 Export Shipping Documentation Process

Step 1: Receive an Inquiry:

The first step in the shipping documentation process is when someone inquires about buying your products. When a potential buyer expresses interest, they will often send **a** letter of inquiry outlining the terms of their interest along with a request for an informal or formal quote.

Step 2: Screen the Potential Buyer and Country

After you receive an inquiry from a buyer, you first need to make sure you can do business with them. That means screening them against the various denied and restricted party lists. You can manually screen their name, their company name and their address by checking each of the scores of lists published by the U.S. government, or you can automate that process by using software like Shipping Solutions, which automatically checks against the latest version of all the lists.

If your buyer shows up on any of the lists, you cannot do business with them. If they do not show up, proceed with caution.

The screening step also includes making sure you can ship your goods to the buyer's country. In some cases, you can ship only if you apply for an export license. It's best to complete the licensing process as early as you can to avoid causing delays.

Step 6: Provide a Proforma Invoice

After screening your buyer and their country, you may need to provide the buyer with a **proforma invoice** for the transaction. The proforma invoice is the first impression you will make on your buyers, so make sure you do it right. It acts like a quote and looks like a commercial invoice, and it can be used to arrange financing for the purchase.

If the proforma invoice results in an order, the final commercial invoice will closely resemble the proforma invoice. That means all of the costs included in the quotation are firm and may not vary beyond the terms outlined in the letter of credit.

Certain countries require a proforma invoice if they tightly control their currency, require an import permit, or protect local industry by placing import quotas on certain types of goods.

Step 4: Finalize the Sale

After you send the proforma invoice, the buyer will either reject or accept your proposal. As part of the acceptance process, they will most likely want to negotiate the terms of the sale. This will result in a verbal or written **contract**.

Not only should these negotiations include a discussion of the price to be paid, but they should also include a discussion of:

- The payment terms you'll be using, whether it's cash in advance, open account or something in between.
- The term of sale you'll be using, which is typically one of the 11 Incoterms 2020 rules.
- How your goods will be shipped.
- Who's responsible for shipping the goods.
- Who's responsible for hiring the freight forwarder or carrier.
- Who's responsible for filing the electronic export information through AES.
- How the transaction will be paid. If you're using a letter of credit, you need to make sure you have the necessary documents to satisfy its requirements.
- What documents need to be provided by which party. As the exporter, you'll need to meet whatever regulations your buyer may have in their own country as well as the documentation and regulation requirements of the U.S.

By taking care of all these important details before you ship any goods, you'll save a lot of time and avoid potential headaches—especially if you have specific deadlines to meet.

Once you've reached agreement on these points and any others you or your buyer wants to discuss, you'll receive the order, which may appear in the form of a **purchase order**.

Step 5: Prepare the Goods and the Shipping Documents

Once you have finalized your sale and prepared your goods for export, you need to prepare the proper shipping documents. Your export shipment may require you include these five export forms:

Commercial Invoice

The first form you almost always need to include is the commercial invoice, and it is used by several parties throughout the shipment. U.S. Customs and Border Protection may review it for export control purposes. The customs authority in the destination country requires the invoice to clear the goods for import. The buyer may use the invoice to release funds through its bank to the seller. And the exporter may need it to make an insurance claim if any damage occurs during the shipment.

The commercial invoice includes these important data elements. An exporter typically includes three copies of the invoice with the original signed in blue ink.

Packing List

In addition, you would typically include a packing list, which provides the freight forwarder, carrier and ultimate consignee with information about your shipment, the packing details and the marks and numbers noted on the outside of the boxes.

A packing list is also used by customs authorities in the importing country to assess security and compliance. And it is a required document to file a claim with the carrier or insurance company in the event of cargo damage or loss.

Certificate of Origin
While some countries will accept a statement of origin on the commercial invoice, the customs authorities of other countries may require a separate document titled a certificate of origin. The certificate of origin is documentary evidence that the goods originated in the country stated on the certificate, commercial invoice or packing list.
If the United States has negotiated a free trade trade agreement (FTA) with the country to which you are exporting—and if your goods qualify for reduced tariffs under the terms of the agreement—you may want to provide the specific form for that trade agreement. You'll find free PDF samples of many of these FTA certificates of origin on the Shipping Solutions website.
Shipper's Letter of Instruction
Based on the discussions you had with your buyer in step four about the type of export and who is filing through AES, you may need to prepare a Shipper’s Letter of Instruction (SLI). An SLI provides your company with a written record of who received the shipping documents, who to contact for questions, who to contact for proof of export and who issued the export control information that was used to support the decision to export the goods.
In a routed export transaction—unless you specifically negotiate for filing—the forwarder/buyer will most likely file through AES. Otherwise, you can file through AES yourself or your agent will file through AES for you. If your agent files, you must provide an SLI as well as power of attorney to file on your behalf.
Bills of Lading
You will need at least one—but you may need several—bills of lading to accompany your export. For example, you may need an inland bill of lading to move your goods to a port or airport. For moving goods out of the United States you will need a separate bill of lading, which is usually filled out by your freight forwarder. If necessary, you will also need to complete a dangerous goods form at this point.
Step 6: Run a Restricted Party Screening (Again)
Right before the goods ship for export, run one last restricted party screening to make sure nothing has changed on any denied or restricted party list. If you use Shipping Solutions Restricted Party Screening Wizard to do this, your screenings will automatically be documented in the software, providing a paper trail of your due diligence in the event of an audit.
Step 7: Miscellaneous Forms and Ship Your Goods
There may be other specific documents to prepare before you can export your goods. These may be identified in the sales contract you negotiated with your buyer, documents required under the terms of a letter of credit or other payment options, or forms requested by the freight forwarder. These additional documents may including a bank draft or, for a temporary export, an ATA carnet.
Once all your documents are accurately completed and you fulfilled the other steps of this export process, go ahead and ship your goods!
One Last Tip: Record-Keeping
Don't forget that not only must you prepare a variety of documents for your export shipment, it is also your responsibility to keep copies of all of your documents, as well as all other correspondence throughout the sale, including phone calls, emails, etc. After all, it is your job—not your buyer’s, your forwarder's or anyone else’s— to document the whole process.

6.7 Summary:
The processes of shipment and managing shipping documents are crucial for international trade, involving the transport of goods and essential documentation such as Bills of Lading

and Commercial Invoices. These documents facilitate customs clearance and risk management, addressing various logistical needs and legal requirements.
However, managing these processes often presents challenges including logistical errors, documentation inaccuracies, and unforeseen delays. Negotiating these documents is vital to ensure they accurately reflect transaction details and comply with global regulations. To ensure timely deliveries and adherence to legal standards, professionals must navigate these issues with a deep understanding of international laws and a meticulous approach to document preparation.

6.8 Key Words:

Commercial Invoice: A document used in foreign trade that provides information about the products sold, including price, quantity, and other crucial details.
Certificate of Origin: A document that certifies where the goods in a shipment were manufactured, which is crucial for determining duties and complying with import regulations.
Customs Clearance: The process by which goods are inspected and approved by customs authorities, ensuring they comply with a country's regulations.
Negotiation of Shipping Documents: The process of ensuring that shipping documents are accurate and conform to the terms of the trade agreement and regulatory requirements.
Letters of Credit: Financial instruments issued by a bank on behalf of the buyer guaranteeing payment to the seller, used to mitigate risks in international trade.

6.9 Self-Assessment Questions:

1 What is the importance of gathering accurate shipping information before dispatching goods?
2 List the types of packaging materials that might be used to protect fragile items during shipping.
3 Describe the role of a tracking system in the shipping process. Why is it vital for customer satisfaction?
4 What steps should a company take upon confirmation of delivery to ensure customer satisfaction?
5 What are the typical actions a company should take if a package is reported lost or damaged?
6 What information is typically included in a commercial invoice and why is it important?
7 What is the purpose of a Bill of Lading in the shipping industry?
8 Identify and discuss strategies to manage high shipping costs.
9 Describe the process and importance of screening a potential buyer in the export documentation process.
10 Discuss the role of international shipping laws and regulations in the export process.

6.10Reference:

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LESSON – 7
CORPORATE STRATEGIES FOR EXPORT MARKETING

OBJECTIVES

✓To understand the fundamental principles and challenges of export marketing.

✓To explore various pricing strategies applicable to export marketing.

✓To learn the importance and methods of online marketing in the context of export businesses.

✓To recognize the significance of culture-specific marketing plans in expanding export sales.

✓To familiarize with traditional marketing strategies adapted for international markets.

STRUCTURE

7.1 Introduction
7.2 Pricing Strategies
7.6 6 Steps for Building a Successful Export Marketing Strategy
7.4 Export Oriented Units (EOU) Scheme
7.5 Free Trade Zone
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7.1 INTRODUCTION

Export marketing focuses on marketing your product in other countries instead of your own. Although it applies strategies that are similar to domestic marketing, export marketing tends to be more challenging, since you must appeal to different cultures, ideals and tastes. Laws and regulations are also different from place to place. Export marketing may entail a greater risk and effort and may require substantial financial resources.

7.2 Pricing Strategies :

Pricing strategy refers to changes in the prices of products that business owners make to persuade consumers to buy their products. Pricing strategies are useful for export advertising if you do not have many competitors in the target country that offer the same product as you do, or if you are new to that specific market and you want consumers to try your product. Types of pricing strategies include discounts, promotions, membership special pricing and bundle pricing.

Online Marketing

Online marketing is just as crucial today for an export business as it is for a national business, since people in most countries have some level of access to the Internet and its benefits, and online shopping is still a growing trend. Online marketing includes online ads, websites and email marketing.

Facebook and Google ads are some of the most common online marketing strategies, and people in most countries have access to them. You can purchase advertising on specific websites, but most online ads work through keywords. Your ad appears when a user uses words similar to those from your ad in a search, or navigates to similar sites.

Culture-Specific Marketing Plans

Export marketing strategies that pinpoint the target country's cultural differences can increase the bottom line. Research is crucial with these plans, starting with surveys and investigations to find out how consumers in other countries view your products or services. Some multi-national corporations use this strategy to great effect by completely changing branding for every country they sell to. You can pinpoint your promotions this closely or simply change your product to reflect religious views, current trends or different cultural viewpoints from general market areas you want to start selling to.

Traditional Marketing

Traditional marketing strategies can be just as effective in promoting your products in other countries as they are in your own country. Banners, billboards, pamphlets, print advertising, word-of-mouth and business cards are some of the most common forms of traditional marketing. A key difference is that to apply this type of marketing strategy to an export business, you must study the culture of your target market, and tailor your message to the market. Your export marketing strategies are only as effective as they are relevant to your consumers' lives.

Effective Marketing Action Plan

A calculated and aggressive marketing strategy is essential to export marketing. To implement export marketing correctly, you must do it in correct stages to ensure export sales growth. According to Export.gov, it is vital for a company's international business plan to define where it stands relative to potential markets, and to clearly lay out its objectives for them. A strategic action plan focuses marketing targets by collecting and analysing relevant information, accounting for restrictions, and laying out the steps for an action approach. A company must formulate obtainable objectives, as well as a corresponding timetable to make them reality, and maintain the flexibility to adjust objectives if conditions change.

7.66 Steps for Building a Successful Export Marketing Strategy

An export marketing plan will allow businesses to investigate their target market and determine how their products can successfully fit into it. There are huge differences between markets and countries that prevent the use of a "one size fits all" approach. The developed plan should function as one of the company's most strategic and tactical documents and act as a guide for internal communication as it relates to international marketing strategies.

1. Start an Export Market Expansion Program

A. **Organize the Program**

Designate program leaders and export teams. Summarize baseline company and export history.

B. **Benchmark Company Preparedness**

Conduct an export benchmark assessment. Summarize significant findings and define action steps that will need to be implemented.

C. **Define Export Outcomes**

Determine your company's rationale for expanding exports. Develop long-term program and financial objectives that will define the program's intended destination.

D. **Evaluate Start-up Results**

Periodically assess progress toward achieving results and identify needed adjustments.

2. Target High-Potential Export Markets

A. **Select Best-Prospect Products**

Assess products with export potential for hurdles that might be encountered—export, import, sales, use and other hurdles. Select and prioritize best-prospect products.

B. **Develop EPO and Resource Network**
Identify export promotion organizations (EPOs), establish working relationships, inventory available services and coordinate EPO's resources with the company's resources. Select services to be used.

C. **Target High-Potential Markets**
Establish market selection indicator screening criteria. Scan literature. Collect relevant data, information and opinion. Analyse, screen and select the highest potential markets.

D. **Evaluate Targeting of Markets**
Evaluate targeting of high-potential markets.

3. Build Export Expansion Market Plans

A. **Determine Market Entry Methods**
Review market entry method options. Assess options in relation to target and ROW markets. Select the most appropriate market entry methods for each market.

B. **Select Market Segments and Distribution Channels**
Research target markets to identify potential market segments and channels of distribution. Analyse and determine the appropriate channels of distribution. Match and select priority segments and channels. Develop profiles of preferred distribution channel partners.

C. **Determine Product, Price and Promotion**
Research target market to identify competitors. Analyze competitors' products, market segments served, channels of distribution, trade and payment terms, price and promotions. Analyze price and terms options. Develop competitive positioning.

D. **Develop Target Market Profiles**
Profile each target market. Summarize market segments, channels of distribution, competitors and company's products, prices and promotions to be offered in each market.

E. **Finalize Export Market Plans**
Define current activities. Summarize findings and assumptions. Establish objectives and strategies. Forecast sales and expenses for each market.

F. **Evaluate Export Market Expansion Plan Results**
Review the sales and other objectives for the target and ROW markets. Determine the degree to which each objective was achieved. Develop adjustments in the export plan.

7. Build a Highly Effective Export Organization

A. **Refine Export Processes and Policies**
Develop a flow chart of export processes. Adjust processes to improve efficiency and accommodate accelerated volume of business. Develop plans for improving coordination. Adjust policies and processes to accommodate accelerated export activity.

B. **Develop Export Team and Expertise**
Designate a company-wide export team. Identify units and positions with export-related tasks. Inventory the skill and training needs of the staff. Schedule and initiate in-house and outside training opportunities.

C. **Select ESO Network**
Identify the types of export service organization (ESO) services that will be required. Identify and screen potential ESOs. Establish a profile of the preferred type of provider for each service needed. Assess and select the ESOs.

D. **Obtain Required Approvals**
Identify the mandatory and voluntary approvals available. Comply with approval requirements.

E. **Internationalize Communications and Materials**
Develop guidelines for internationalizing the company's communications and materials. Identify materials, specify changes to be made in the materials and develop an implementation schedule.

F. **Plan Promotional Event Participation**
Identify target market and global trade shows and other promotional events. Assess the options and select the events in which the company will participate. Start planning for participation in the events.

G. **Develop First-Contact Methods**
Determine the type of first-contact methods to be used in each target market. Develop the first-contact materials to be used. Identify sources of contact information. Schedule activities.

H. **Develop Distribution Partner Response Process**
Organize an initial screening process for distribution partner inquiries. Plan the response actions to be used and develop the response communications and materials.

I. **Develop Sales Response Process**
Organize a screening process for sales inquiries. Plan the response options to be used and develop the response materials.

J. **Evaluate Build Export Organization**
Evaluate the degree to which the build export organization results were achieved.

5. Build a Successful Export Distribution Network

A. **Recruit Distribution Partner Candidates**
Prepare for participation in promotional events. Implement the promotional activities and participate in promotional events. Recruit distribution partner candidates. Assess and evaluate the promotional activities and events.

B. **Screen and Select Preferred Distribution Partners**
Initially screen and respond to distribution partner inquiries. Screen and select best-prospect partners. Qualify and select high-potential partners. Assess and select preferred distribution partners.

C. **Finalize Distribution Partner Agreements**
Visit the preferred distribution partner and market. Establish mutual expectations. Negotiate distribution partner agreements. Finalize agreements.

D. **Evaluate Export Distribution Network Results**
Evaluate the degree to which the export distribution network modules were achieved.

6. Build Profitable Global Export Sales

A. **Initiate Export Sales Activities**
Prepare for participation in sales promotional events. Implement sales promotional activities. Solicit sales inquiries. Assess sales promotion events and activities.

B. **Screen and Respond to Export Sales Inquiries**
Screen inquiries for potential sales opportunities. Determine types of responses. Establish terms and prices. Prepare sales quotes and responses.

C. **Finalize Export Sales**
Negotiate final sales terms and prices. Examine purchase orders and payment documents. Accept and acknowledge orders. Finalize any financing arrangements.

D. **Prepare and Ship Export Orders**
Schedule any pre-inspections and crate order. Book shipment of order. Obtain required documents. Prepare commercial and other documents and filings. Collect on cash-in-advance sales. Deliver order to carrier.

E. **Collect on Export Orders**
Collect on letter of credit, documentary collection and open account methods.

F. **Evaluate Export Sales Results**
Evaluate export sales, shipping and collection results.

7.4 Export Oriented Units (EOU) Scheme

The scheme of 100 per cent EOUs was introduced in 1980 with the objective of boosting exports by generating additional production capacity. It was primarily designed for promotion and growth of manufacture and export of value added products. In order to make these units cost efficient, facilitate their free access to foreign technology and encourage them to venture into foreign markets on a large scale, a wide range of incentives have been provided to these units. The scheme provides for duty free import/procurement of capital goods, raw materials, components, packing materials, consumables, spares and various other specified categories of equipment including material handling equipments. These units have to execute a bond to fulfil the EO and abide by the conditions of notifications and Exim Policy and to pay on demand the duty leviable on goods, as are not used in the manufacture of goods for export. The EOUs should achieve, the level of value addition (VA) as specified in the letter of permission (LOP) or positive net foreign exchange earnings specified in Exim Policy 2002-2007, as applicable.

Implementation of EOU scheme:

EOUs basically function under the administrative control of the DC of special economic zones, (SEZs) formerly known as export processing zones (EPZs). The jurisdictions are notified by the Ministry of Commerce. In all, there are seven DCs at Mumbai, Gandhidham, Chennai, Cochin, Visakhapatnam, Noida and Kolkata. All policy decisions relating to the EOUs are taken by the Board of Approvals (BOA) set up under the Ministry of Commerce and Industry. The provisions of the Customs and Central Excise law, pertaining to EOUs are administered by the Commissioners of Customs and Central Excise under the control of Central Board of Excise and Customs (CBEC). Monitoring achievement of VA/NFEP and, in default, levy of penalty under Section 11(2) of Foreign Trade (Development and Regulation) Act, 1992 are within the jurisdiction of the DCs functioning under the Ministry of Commerce. Recovery of customs duty in case of shortfall in VA/NFEP is within the purview of concerned commissionerates of Customs/Central Excise. With the approval of DC/BOA, EOU can be de-bonded on their inability to achieve EO/VA or other requirements, subject to levy of penalty and payment of duty applicable at the time of de-bonding.

The Export Oriented Units (EOU) scheme was introduced to boost exports, increase foreign earnings and created employment in India. The EOU scheme is complementary to the scheme for Free Trade Zone, Export Processing Zone. Units that are undertaking to export their entire production of goods are allowed to set up as an EOU. In this article, we look at the Export Oriented Units scheme in detail.

Export Oriented Units

Export-oriented units are units undertaking to export their entire production of goods. EOUs can engage in manufacturing, services, development of software, repair, remaking, reconditioning, re-engineering including making of gold/silver/platinum jewellery and articles. Further, units involved in agriculture, agro-processing, aquaculture, animal husbandry, biotechnology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and granites can also obtain the status of EOU.

Benefits of Export Oriented Units

The Export Oriented Units enjoys the below following benefits

- EOUs has a permit to procure raw material or capital goods duty-free, either through import or through domestic sources;
- EOUs are eligible for reimbursement of GST;
- EOUs are eligible for reimbursement of duty paid on fuels procured from domestic oil companies;
- EOUs are eligible for claiming **input tax credit** on the goods and services and refund thereof;
- Fast track clearance facilities;
- Exemption from industrial licensing for the manufacture of items reserved for SSI sector.
-

Eligibility Criteria for EOU

For the status of EOU, the project must have a minimum investment of Rs.1 crore in plant and machinery. This condition does not apply for software technology parts, electronics hardware technology parks and biotechnology parks. Further, EOU involved in handicrafts, agriculture, animal husbandry, information technology, services, brass hardware and handmade jewellery does not have any minimum investment criteria.

Obtaining EOU Status

To obtain EOU status, application for setting up of unit under EOU scheme must be made to the Board of Approval. In the case of approving, they provide validity of Letter of Permission for setting up EOU. The Letter of Permission will have an initial validity of 2 years to enable the unit to construct the plant and install the machinery. Further, a person can obtain an extension for a period of upto one year. On starting operation, in a period of 5 years, the EOU will have to achieve positive net **foreign exchange** earning cumulatively.

Application and Approval

Applications for setting up of units under the EOU scheme, other than proposals for setting up of units in the services sector (except for R&D, software and IT-enabled services, or any other service activity delegated by BoA), shall be approved or rejected by the Units Approval Committee within 15 days as per criteria.

Exit from EOU Scheme

With the approval of DC, an EOU may opt-out of the scheme. These exits shall subject to a penalty of Excise and Customs duties and industrial policy in force. In case the unit has not achieved obligations, it shall be taxable to a penalty at the time of exit. In case of gems and jewellery unit ceasing its operation, the gold and other precious metals, gems, alloys and other materials available for the manufacture of jewellery, is given to an agency specified by DoC, at a price to be determined by that agency.

7.5 Free Trade Zone:

A free trade zone is any location where goods can be shipped, handled, manufactured, reconfigured and re-exported without the involvement of customs agencies. A major seaport, an international airport or a border facility between two or more countries may be designated a free trade zone.

A free-trade zone (FTZ) is a class of special economic zone.It is a geographic area where goods may be imported, stored, handled, manufactured, or reconfigured and re-exported under specific customs regulation and generally not subject to customs duty. Free trade zones are generally organized around major seaports, international airports, and national frontiers—areas with many geographic advantages for trade.

The World Bank defines free trade zones as "small, fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations".[4] Free-trade zones can also be defined as labour-intensive manufacturing centres that involve the import of raw materials or components and the export of factory products, but this is a dated definition as more and more free-trade zones focus on service industries such as software, back-office operations, research, and financial services.

FTZs have proliferated with speed in recent decades. In 1975, only 79 or so FTZs existed, sprinkled over a couple dozen countries. By 2019, OECD data indicate that FTZs had grown by 4,600 percent, with a sprawl of at least 6,500 FTZs currently mapped across 160 countries. This dramatic growth isn't accidental. As FTZ proponents will point out, these zones offer a number of economic benefits to countries in a globalizing world, such as streamlined transnational manufacturing chains. The zones are especially attractive to low- and middle-income countries looking to attract export businesses and foreign direct investment.

FTZs aren't without a dark underbelly, however. Because customs oversight, AML/CFT frameworks, and other regulatory checks are weak or nonexistent, FTZs have become hotspots for illicit as well as trade-based money laundering operations, tax evasion, terrorist financing, and other forms of financial crime. As GFI's Daniel Neale puts it, "If an offshore financial center is thought of as a tax haven for illicit finance, think of an FTZ as a haven for illicit trade." Corruption vulnerabilities inherent in FTZs have led the EU Justice Commissioner, VěraJourová, to label them "emerging threats." Furthermore, FTZs have in many ways outgrown their original purposes as labor-intensive manufacturing hubs, becoming increasingly lucrative for non-manufacturing industries such as financial services, software, research and development, and even art collection.

EU and OECD officials have recently expressed concern that FTZs are being increasingly used to manufacture, sell, and move counterfeit and pirated goods across the world. OECD data indicate that the counterfeit and pirated goods trade grew by 80 percent between 2008 and 2016. By 2016, the trade was worth US$509 billion, a figure that represents 6.6 percent of total global trade. While the prevalence of FTZs in a given economy isn't the only determinant of the scale of its counterfeit goods exports, it is a significant one. There is a robust correlation between both the amount and size(s) of FTZs in a country and the quantity of counterfeit goods it produces and exports.

Consider Ciudad del Este, a large Paraguayan city situated at the crossroads of Brazil, Argentina, and Paraguay, a notorious region known as the Tri-Border Area. The Ciudad hosts two FTZs and is colloquially known as the "largest illicit economy in the Western Hemisphere." In 2017, AlexandreCollares Barbosa, then Brazil's Attorney General, announced that over US$18 billion in illicit funds move through this region annually. The U.S. Federal Research Division estimated that prior to 2001, an average of US$12 billion were laundered in the region annually. The massive amount of illicit funds flowing through the city each year–which outpaces, by a long shot, its US$6.5 billion GDP–has caught the attention of various U.S. government agencies, who have connected the city's shadowy regulatory structure to back-channel Hezbollah fundraising and narcotics-related money laundering. Ciudad del Este has also long been known for its illicit tobacco trade, with the country "dumping billions of illicit cigarettes on the global market."

Morocco

- Tanger Free Zone

- Atlantic Free Zone Kenitra
- Free Zones at Tanger Med Ksar el MajazMellousa 1 and 2
- Free Zone in Dakhla and Laayoune:
- Free Storage Zone of hydrocarbons: Kebdana and Nador

Egypt

Egypt has nine free-trade zones.

- Alexandria Public free Zone
- Damietta Public Free Zone
- Ismailia Public Free Zone
- Keft Public Free Zone
- Media Production City Free Zone
- Nasr City Public Free Zone
- Port Said Public Free Zone
- Shebin El Kom Public Free Zone
- Suez Public Free Zone

7.6 Free Trade Zones in India:

India's free trade and warehousing zones, also known as export processing zones (EPZs) or special economic zones (SEZs), play a crucial role in the country's economic growth and development. These zones are specially designated areas that offer various incentives and benefits to businesses, to promote exports and attract foreign direct investment (FDI). In this blog post, we will delve into the role of India's free trade zones and their impact on the country's economy.

India's free trade zones were first established in the late 1960s, to boost exports and industrialization. Over the years, the government expanded these zones and introduced a range of incentives such as tax holidays, duty-free imports and exports, simplified customs procedures, and infrastructure support. These measures aimed to attract both domestic and foreign companies to invest in these zones and set up export-oriented industries. In the Indian context, these zones are designed to boost exports, generate employment, and attract foreign direct investment (FDI). The concept of FTZs gained momentum in India in the early 2000s as part of economic liberalization measures.

One of the significant benefits of free trade zones is the duty exemption on imported raw materials, machinery, and components used for the production of goods meant for export. This has made Indian free trade zones attractive for manufacturing and assembly operations, particularly for industries such as textiles, electronics, automobiles, and pharmaceuticals. By allowing duty-free imports, companies can reduce their production costs and become more competitive in the global market. This benefit has helped India become a manufacturing hub for various international brands.

Another advantage of free trade zones is the ease of doing business. The government has taken steps to simplify customs procedures and reduce bureaucratic hurdles for businesses operating in these zones. This includes providing a single-window clearance mechanism for obtaining various permits and licenses required for setting up and operating a business. These streamlined processes have significantly reduced the time and effort required for companies to start their operations and have contributed to the overall ease of doing business in India.

Furthermore, free trade zones offer a range of infrastructure facilities and services to businesses. These include well-developed industrial parks, dedicated power

supply, transportation networks, and ready-to-use factory spaces. These infrastructure provisions not only help businesses reduce their setup costs but also ensure a conducive environment for production and operations. Additionally, free trade zones often have specialized training facilities and research centers, which further enhance the skill levels of the workforce and promote innovation.

A key objective of establishing free trade zones is to attract foreign direct investment (FDI). India has been successful in attracting FDI inflows, particularly in sectors such as information technology, pharmaceuticals, and automotive industries. The incentives and benefits offered within the free trade zones, coupled with the country's large domestic market, skilled labor force, and growing economy, make India an attractive investment destination for foreign companies. This inflow of FDI not only brings in much-needed capital but also facilitates technology transfers and knowledge sharing, contributing to the overall development of Indian industries.

The presence of free trade zones also benefits the local economy and generates employment opportunities. The establishment of industries within these zones creates direct and indirect employment for the local population. Furthermore, the growth of industries in these zones stimulates economic activities in nearby regions, leading to the development of ancillary industries, trade, and services. This creates a multiplier effect, generating additional employment opportunities and income streams for the local population.

In recent years, India has also leveraged its free trade zones to promote various export-oriented sectors. For example, the government has set up special economic zones dedicated specifically to sectors such as textiles, gems and jewelry, pharmaceuticals, and electronics. Such targeted approaches not only boost exports but also help in promoting the growth of these specific industries, fostering innovation and technological advancements.

Criticism on free Trade zones:

Despite the many advantages of free trade zones, there have been some criticisms as well. Opponents argue that the incentives and benefits provided within these zones create a non-level playing field, as companies operating outside the zones do not enjoy similar benefits. This can result in a skewed growth pattern, with most economic activity concentrated within the free trade zones while neglecting other regions. Additionally, there have been concerns about labor conditions within some of these zones, with allegations of labor exploitation and poor working conditions. Furthermore, the success of FTZs depends on factors such as political stability, regulatory clarity, and a conducive business environment. Navigating these challenges requires a collaborative effort between the government, businesses, and local communities.

In conclusion, India's free trade zones play a vital role in promoting economic growth, attracting foreign direct investment, and boosting exports. The incentives and benefits offered within these zones have made India an attractive investment destination for both domestic and foreign companies. Furthermore, the establishment of industries within these zones generates employment opportunities and stimulates economic activities in nearby regions. However, the government needs to address the concerns raised by critics and ensure that these zones contribute to balanced and sustainable economic development across the country.

Free Trade Zones in India:

Details Free Trade and Warehousing Zones (FTWZs) SEZs in India				
S. No.	**Name of the developer**	**Location**	**Area (hectares)**	**SEZ status**
1	Arshiya International Limited	TalukaPanvel, District Raigad, Maharashtra	57.898	Notified/Operational
2	J. Matadee Free Trade Zone Private Limited	SriperumbudurTaluk, Kancheepuram District, Tamil Nadu	40	Notified/Operational
6	Arshiya Northern FTWZ Limited	Moujpur, Bulandshar, Uttar Pradesh	51.4694	Notified/Operational
4	Arshiya International Ltd.	Taluka& District Nagpur, Maharashtra	46.26	Notified
5	Lepakshi Knowledge Hub Private Limited	ChillamaturuMandal, Ananthapur District, Andhra Pradesh	40	Formal approval
6	ISPRL FTWZ Padur (Indian Strategic Petroleum Reserves Ltd.)	Padur, Karnataka	41.20	Formal approval
7	Cochin Port Trust	ThoppumpadyRamesaram Village, Cochin, Kerala	40.85	Formal approval
8	Venkatesh Coke & Power Ltd.	PonneriTaluk, Thiruvalur District, Tamil Nadu	46.71	Formal approval

In-terms of warehousing and distribution, TVS Supply Chain Solutions offers state-of-the-art facilities within the FTZs. We provide secure storage spaces for goods, ensuring efficient inventory management and timely deliveries. These warehousing facilities are equipped with advanced technologies and integrated systems, enabling real-time monitoring and tracking of goods, thus ensuring efficient handling and minimizing downtime.

When it comes to transportation, we offer a wide range of services to meet the diverse needs of businesses operating within FTZs. WeThey provide multimodal transportation solutions, including road, rail, air, and sea, ensuring the seamless movement of goods across different locations. Additionally, our extensive network and expertise optimize transportation routes, minimize transit times, and reduce transportation costs.

Activities allowed in an FTWZ

An FTWZ is a distinct area designated for activities, such as warehousing and trade. Within FTWZs, the following activities are permitted:

- Storing goods on behalf of foreign suppliers for dispatch according to the owner's instructions.
- Trading, whether with or without labeling, packing, or repacking, without the need for processing.
- Employing refrigeration for storage purposes.
- Assembling completely knocked-down or semi-knocked-down kits.
- Reselling, re-invoicing, or re-exporting imported goods.
- Trade transactions in foreign currencies are permitted.

7.7 Deemed Exports:

Meaning of Deemed exports:

"Deemed Exports" refer to those transactions in which the goods supplied do not leave the country, and the payment for such supplies is received either in Indian rupees or in free foreign exchange.

The following categories of supply of goods by the main/ sub-contractors are regarded as "Deemed Exports" under the Foreign Trade Policy, provided the goods are manufactured in India:

(a) Supply of goods against Advance Authorisation/Advance Authorisation for annual requirement/DFIA

(b) Supply of goods to Export Oriented Units (EOUs) / Software Technology Park (STP) units / Electronic Hardware Technology Park (EHTP) units / Bio Technology Park (BTP) units

(c) Supply of capital goods to Export Promotion Capital Goods (EPCG) Authorisation holders

(d) Supply of goods to projects financed by multilateral or bilateral Agencies/Funds as notified by the Department of Economic Affairs, Ministry of Finance under International Competitive Bidding (ICB) in accordance with the procedures of those Agencies/Funds, where the legal agreements provide for tender evaluation without including customs duty.

(e) Supply of capital goods, including in unassembled/disassembled condition as well as plants, machinery, accessories, tools, dies and such goods which are used for installation purposes till the stage of commercial production, and spares to the extent of 10% of the FOR value to fertilizer plants

(f) Supply of goods to any project or purpose in respect of which the Ministry of Finance, by a notification, permits the import of such goods at zero customs duty

(g) Supply of goods to the power projects and refineries not covered in

(h) Supply of marine freight containers by 100% EOU (Domestic freight containers - manufacturers) provided the said containers are exported out of India within 6 months or such further period as permitted by the customs;

(i) Supply to projects funded by UN agencies

(j) Supply of goods to nuclear power projects through competitive bidding as opposed to ICB.

Benefits for Deemed Exports:
Deemed exports shall be eligible for any/all of the following benefits in respect of manufacture and supply of goods qualifying as deemed exports subject to the terms and conditions as given in the Chapter-8 of Handbook of Procedures (Vol.I), 2009-2014 of the Department of Commerce, Ministry of Commerce & Industry: (a) Advance Authorisation/Advance Authorisation for annual requirement/DFIA (b) Deemed Export Drawback. (c) Exemption from terminal excise duty where supplies are made against ICB. In other cases, refund of terminal excise duty will be given.

7.8 Isolated Sales Transaction
Isolated transaction means a transaction or event in which tangible personal property or a taxable service is sold, transferred, offered for sale or delivered by the owner thereof or by his representative. In order to qualify as an isolated transaction, the seller may not be in the business of selling the type of tangible personal property or rendering the service which is the subject of the transaction. The isolated transaction may be in the form of a single transaction, or a series of individual transactions which would be an event. An example of a single transaction would be the sale of a boat. An example of a series of transactions comprising an event would be a yard sale. An event may not be longer than forty- eight (48) hours in duration. A person qualifying for the exemption shall have the isolated transaction exemption available for up to a total of four (4) "isolated transactions" (whether they be "transactions" or "events," as herein described,) in any twelve (12) month period. The fifth (5th) transaction or event and any transaction or event thereafter in any such twelve (12) month period is taxable. Any purported "event" having a duration longer than forty-eight (48) hours shall be treated as two (2) or more successive "events." If the number of total aggregate events is greater than four (4) for any twelve (12) month period, any purported event beyond four (4) is a taxable activity.

Levels Isolated Transactions:
Transaction isolation levels are a measure of the extent to which transaction isolation succeeds. In particular, transaction isolation levels are defined by the presence or absence of the following phenomena:
Dirty Reads A dirty read occurs when a transaction reads data that has not yet been committed. For example, suppose transaction 1 updates a row. Transaction 2 reads the updated row before transaction 1 commits the update. If transaction 1 rolls back the change, transaction 2 will have read data that is considered never to have existed.
Nonrepeatable Reads A nonrepeatable read *occurs* when a transaction reads the same row twice but gets different data each time. For example, suppose transaction 1 reads a row. Transaction 2 updates or deletes that row and commits the update or delete. If transaction 1 rereads the row, it retrieves different row values or discovers that the row has been deleted.
Phantoms A phantom is a row that matches the search criteria but is not initially seen. For example, suppose transaction 1 reads a set of rows that satisfy some search criteria. Transaction 2 generates a new row (through either an update or an insert) that matches the search criteria for transaction 1. If transaction 1 re-executes the statement that reads the rows, it gets a different set of rows.
The four transaction isolation levels (as defined by SQL-92) are defined in terms of these phenomena. In the following table, an "X" marks each phenomenon that can occur.

7.9 Summary:

Corporate marketing strategies are systematic plans aimed at promoting and enhancing the value of a brand or product in the marketplace. These strategies encompass understanding the market through extensive research, identifying specific market segments to target, and positioning the brand uniquely against competitors. Effective branding and multi-channel marketing are crucial, utilizing both digital and traditional platforms to reach the audience. Additionally, strategies incorporate customer relationship management to foster loyalty and utilize performance metrics to measure success and adjust tactics as necessary.

Export-Oriented Units (EOUs) and Free Trade Zones (FTZs) are designated areas within countries that facilitate trade by allowing goods to be manufactured and re-exported without direct customs interference, providing significant tax and duty benefits. Deemed exports describe transactions where goods are considered exported for benefits purposes even though they do not leave the country. Isolated sales transactions in EOUs and FTZs usually refer to non-regular business activities, such as occasional domestic sales, which might require permissions and the payment of usual duties, thus differing from typical export activities.

7.91 Key Words:

Positioning: Creating a distinct image of a product or brand in the consumer's mind.

Multi-Channel Marketing: Using multiple channels, both online and offline, to reach the target audience.

Export-Oriented Units (EOUs): Special economic zones aimed at promoting export-oriented production.

Free Trade Zones (FTZs): Designated areas where goods can be imported, manufactured, and re-exported with reduced customs regulations.

Deemed Exports: Transactions considered as exports for the benefits of duties and taxes, although the goods do not leave the country.

7.92 Self-Assessment Questions

1.How can pricing strategies be tailored for export marketing success?

2.What are the essentials of an effective online marketing plan for exports?

6.How can cultural nuances be integrated into export marketing strategies?

7.What benefits do traditional marketing methods offer for export businesses?

5.What steps are involved in crafting a successful export marketing action plan?

6.What are the eligibility criteria and incentives of the Export Oriented Units (EOU) scheme in India?

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Dr. N. Prasanna

LESSON – 8
EXPORT PACKAGING

Objectives:

1. To understand the integrated communication network for banks.
2. To discuss the various types of communication networks used in banking industry
3. To describe abut Network Convergence
4. To elucidate the advantages and disadvantages of integrated network in banking
5. To discuss about various integrated networks like WAP,VPN and Multimedia Systems in bank

STRUCTURE:

8.1 Introduction
8.2 Export packaging's and its layers
8.3 Types of export Packaging
8.4 Factors influencing packaging decisions
8.5 Handling instructions
8.6 Factors effecting export packaging
8.7 Preparation of pre shipment Documents
8.8 Pre shipment Process
8.9 Post shipment process
8.10 Shipping Documents
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8.16 Reference

8.1 Introduction:

An important stage after manufacturing of goods or their procurement is their preparation for shipment which involves packaging and labelling of goods to be exported. Proper packaging and labelling not only makes the final product look attractive but also save a huge amount of money by saving the product from wrong handling the export process.

Packaging

The primary role of packaging is to contain, protect and preserve a product as well as aid in its handling and final presentation. Packaging also refers to the process of design, evaluation, and production of packages. The packaging can be done within the export company or the job can be assigned to an outside packaging company. Packaging provides following benefits to the goods to be exported:

- Physical Protection – Packaging provides protection against shock, vibration, temperature, moisture and dust.
- Containment or agglomeration – Packaging provides agglomeration of small objects into one package for reason of efficiency and cost factor. For example, it is better to put 1000 pencils in one box rather than putting each pencil in separate 1000 boxes.
- Marketing: Proper and attractive packaging play an important role in encouraging a potential buyer.
  • Convenience - Packages can have features which add convenience in distribution, handling, display.

- y, sale, opening, use, and reuse.
- Security - Packaging can play an important role in reducing the security risks of shipment. It also provides authentication seals to indicate that the package and contents are not counterfeit. Packages also can include anti-theft devices, such as dye-packs, RFID tags, or electronic article surveillance tags, that can be activated or detected by devices at exit points and require specialized tools to deactivate. Using packaging in this way is a means of loss prevention.

Labelling

Like packaging, labelling should also be done with extra care. It is also important for an exporter to be familiar with all kinds of sign and symbols and should also maintain all the nationally and internationally standers while using these symbols. Labelling should be in English, and words indicating country of origin should be as large and as prominent as any other English wording on the package or label.

Labelling on product provides the following important information:

- Shipper's mark
- Country of origin
- Weight marking (in pounds and in kilograms)
- Number of packages and size of cases (in inches and centimetres)
- Handling marks (international pictorial symbols)
- Cautionary markings, such as "This Side Up."
- Port of entry
- Labels for hazardous materials

Labelling of a product also provides information like how to use, transport, recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and chemical products, some types of information are required by governments.

It is better to choose a fast dye for labelling purpose. Only fast dyes should be used for labelling. Essential data should be in black and subsidiary data in a less conspicuous colour; red and orange and so on. For food packed in sacks, only harmless dyes should be employed, and the dye should not come through the packing in such a way as to affect the goods.

8.2. Export packaging:

Export packaging enables your goods arrive intact and undamaged with your overseas buyer. Export packaging is also often referred to as transport packaging.

The three layers of export packaging

Export packaging is actually one of three different layers of packaging that are likely to be needed when exporting your goods.

1. Sales packaging is the immediate layer of packaging around your goods. This is the packaging that remains when the goods reach their end-user, eg the bottles in which beverages are contained, or the boxes many electronics items are sold in. Sales packaging often also serves a marketing purpose by containing prominent **branding images and information**.
2. Outer packaging is a middle layer of packaging, usually containing multiple sales packages. It often also serves a retail or promotion purpose, eg a box containing sales units that doubles as **a retail display fixture** and can be placed directly on a shop shelf.
3. Transport or export packaging is the outermost layer of packaging and is designed to protect your goods during transit. Examples of export packaging include wooden crates or boxes, metal drums and plastic shrink-wrapping.

These three layers of packaging work like a Russian doll - each type of packaging is complete on its own terms, but is contained within a further layer of packaging.

8.3 Types of export packaging

The main types of export packaging include:

- Loose or unpacked - a common option for large items such as heavy vehicles. Making sure they're stowed securely is more important than adding a layer of protective packaging.
- Boxes or crates - one of the most prevalent options. They are often stacked on pallets and shrink-wrapped for stability. Less durability is required if goods are also containerised.
- Containers Many exporters prefer to use containers for their practicality and how easy it is to pack and move items. Containers can be made from standardized metal and provide all-around protection for high-value items like specialized equipment and expensive cars.
- **Skids:**
  Are a cost-effective alternative to pallets which are often used on larger pieces of freight. The basic design consists of long timber/steel planks which run the length of the item being shipped. These are held together with heavy duty screws/bolts and normally attached directly to the bottom of the item being shipped.
- **Desiccant:**
  Is used for long journeys for freight which is susceptible to damage from moisture. These take the form of bags filled with material (typically silica gel) that will absorb the moisture and reduced the risk of condensation and metals going rusty.
- **Foilpackaging:**
  Also used to prevent the risk of corrosion during shipping. These can be provided as a bespoke solution for many types of freight. Equipment foil-wrapped, with desiccant added before the final seal. Air is extracted, lowering the ambient moisture, and reducing the size of the bulk.
- Drums, usually made of metal or plastic - commonly used for transporting liquids and powders or goods that need to be kept dry.
- Wrapping - often used with goods stacked on pallets, wrapping - such as shrink-wrap or foil - both adds to stability and protects goods.
- Pallets - allow smaller packing units such as boxes and cartons to be grouped together. They allow easy mechanical transporting (eg forklift trucks), which eases the process of loading, unloading and warehousing.

These options are not mutually exclusive, so you may want or need to use more than one.

Containers and break-bulk

For logistical efficiency, containers are used to transport most export consignments. Containers are standardised metal boxes, often measuring 6 metres long and 2.4 metres deep/wide. The goods inside might still need packaging, but the container offers added protection, and increased security from theft.

The term 'break-bulk' refers to goods carried as general cargo, rather than in containers. This increases the risk of damage during transit, so make sure adequate dunnage is used. Dunnage is protective material placed around the goods to prevent damage from movement, moisture or other causes.

Checklist of export packaging considerations:

A good place to start is by asking people with experience in packaging, such as business contacts, your packaging supplier or trade association, or a freight forwarder if you're using one.

8.4 Factors that will influence packaging decisions are explained in this checklist:

- **Protection** - Avoiding damage to your goods is the main purpose of export packaging. One of the reasons that containers and pallets have become so standard is that they combine efficiency with excellent cargo protection.
- **Security -** You need to take steps to prevent goods being stolen or tampered with. 'Containerisation' helps with this, and using container seals makes tampering even less likely. Shrink-wrapping and secure straps also act as deterrents. Export packaging should be kept as plain as possible - providing details of the contents, eg brand names, encourages theft.
- **Mode of transport -** This may influence your packaging. For example, bulk ocean shipments of liquids, grain and ores don't need any packaging. And goods transported by air generally need less protective packaging than those sent by ship
- **Cost -** It's a false economy to try to cut costs by using sub-standard packaging. The standard options (eg cartons grouped on pallets and then loaded into containers) have become the standard because they're reliable. Unless your goods require special care, you're unlikely to gain much by opting for above-standard packaging. You can buy, lease, or hire most types of packaging (eg shrink-wrap, pallets or containers), so it makes sense to shop around. You can also commission custom-made packaging, and hire a packing firm per consignment to make sure your goods are packaged correctly, which may work out less expensive.
- **Waste legislation -** Many markets abroad have waste regulations that favour packaging which can be easily recycled or has a minimal impact on the environment when disposed of. In many export markets, there are stricter rules on packaging waste and collection, eg the 'green dot system' in Germany.
- **Wood packaging requirements -** International regulations and wood packaging standards exist to control the spread of forest pests and timber diseases. You may also need an import licence from your destination country to import packaging that is made of, or contains wood. You may find it cost-effective to consider alternative packaging.
- **Dangerous goods -** Regulations for moving dangerous goods are very specific on acceptable inner and outer packaging.

What to mark on your package for export:

Required information can be marked directly on packages or you can use adhesive labels, which are often more legible. Ensure markings or labels are durable and water-resistant.

Identification marks

Every package in your consignment should be clearly identifiable. Ensure the following details are provided:

- the country of origin - if necessary, also on the goods themselves
- destination - the port or other place of destination is sufficient, rather than a full address - check for places with the same name elsewhere in the world and make it clear where goods are destined for
- seller's name and order number
- sequential number of each package and the total packages in the consignment, eg 'Package 7 of 20'
- the size of the case if there are multiple boxes or containers
- weight and volume
- special handling instructions
- hazardous goods

Make sure your markings are clearly visible. Packages may have goods stacked around them so include handling instructions or labels on multiple faces. Packages containing hazardous goods must be clearly marked.

8.5 Handling instructions:

A set of internationally recognised symbols is used to indicate how cargo handlers should handle packages, for example:

- a picture of a wine glass indicates fragile goods
- sets of cross-hairs on two sides indicate centre of gravity

These symbols are contained in the standard ISO 780. **Find examples of handling symbols on the Transport Information Service website**. Note that certain markings have to be correctly positioned to be of use, for example the crosshairs used to indicate centre of gravity must be placed on sides at a right angle to each other.

Other packaging information

Labels should provide details of package weight and dimensions. It's usually necessary to mark your packages' country of origin. Check regulations in the destination country. Different export markets can require the country of origin to be marked in different ways.

Packages should appear as anonymous as possible - don't mark them with brand names or any indication that there might be valuable goods inside. This will only increase the likelihood of tampering or theft during transportation.

Where to buy export packaging and labels:

There are many suppliers you can use to purchase your export packaging and labels from. As with all supplier-selection processes, the best guarantee of quality is a recommendation from a trusted source.

The best source of help will be from people with experience of the area. These include:

- Your trade association, which is likely to deal with many exporting businesses in your sector and have a good knowledge of the kinds of trade-related service providers your business will need
- Other exporters - talk to any of your contacts in your sector with experience of exporting, as they will have knowledge about how to find packaging suppliers.
- Freight forwarders, shipping agents and transport operators.
- Packaging industry trade associations, such as the Packaging Federation and IoP: The Packaging Society.

If you're using a freight forwarder to manage the shipping process, they often offer packaging services.

The cost of your packaging will depend on a range of factors, including size and durability - every exporter's requirement will differ. Prices will increase if you need more sophisticated packaging for your goods, such as temperature-controlled containers.

8.6 Most Important Factors of Export Packaging

Export packaging refers to the process of preparing products for shipping outside of the country. When done right, it also ensures that your shipments arrive intact and undamaged.

If you’re preparing your products for international shipping, keep these seven factors in mind.

1. Your Components & Products

The biggest factor that affects export packaging is what you are actually transporting. This is especially true if what you’re shipping is explosive, corrosive, or flammable. These items are usually classified into one of three groups: 1) High Danger, 2) Medium Danger, or 3) Low Danger.

Within these three groups, there are also specific classes, including:

- Class 1 – Explosives
- Class 2 – Gasses
- Class 3 – Flammable Liquids
- Class 4 – Flammable Solids
- Class 5 – Oxidizing Agents or Organic Peroxides
- Class 6 – Toxins or Infectious Substances/Pathogens
- Class 7 – Radioactive Material
- Class 8 – Corrosives
- Class 9 – Miscellaneous

The group and specific class will dictate how you package and prepare your products for shipment, as well as what markings/stamps you need to include on the outside of your crates, pallets, or boxes.

2. Transportation Conditions

Consider how your packages will be transported. Air freight and ocean freight require different types of packaging. The International Air Transport Association (IATA) defines the standards for shipping air freight, while the Federal Maritime Commission (FTC) handles ocean freight transport requirements.

The Shipping Act of 1984 also outlines many of these requirements. The conditions of transportation will also play a role in how items should be packaged. For example, ocean freight must be properly protected from moisture, while air freight needs to be as lightweight as possible.

3. Size & Shape of Items

The size and shape of the items of your items also affect several aspects of packaging. The shape of a shipped item can determine what type of protective packaging is needed both inside a container and out so it is adequately protected. Likewise, the size and weight can even affect whether products should be shipped via boat or plane.

4. Compliance Requirements

Compliance requirements outline how you must handle and package exported freight. They also affect everything from the packaging used to the labels required on the package. Regulating bodies dictate which labels you must use on crates and packages.

For example, certain wooden crates must meet ISPM-15 requirements before they're shipped outside of the United States. Additionally, companies shipping military parts and products must also follow a wide array of codes ranging from MIL-STD 1186 for cushioning and waterproofing to ASTM D3951 for hazardous materials.

Failing to comply with any requirements set forth by any entity could result in shipping delays and fines.

5. Your Budget

Transporting freight to an international buyer naturally comes along with many unique expenses, which can vary depending on the method of transport and where the freight is going.

It helps to have a full understanding of what your company can allocate toward these costs. Before shipping your goods, create a realistic budget. Know which packaging materials are necessary and how much they will cost.

Avoid trying to reduce costs by opting for lower-quality packaging. Inadequate packaging leads to more expenses down the road due to components or products being damaged during transport.

6. Your Packaging Design

As previously mentioned, the purpose of export packaging is to protect your items during shipment. That's why you need a good packaging design. There are two parts of packaging: exterior/outer and interior/inner.

Exterior packaging would be wooden crates, containers, boxes., etc. while inner packaging could be anything from loose fills to cushioning. The type of outer and inner packaging that you need will vary depending on what you are shipping, how you're shipping it, and any federal requirements/restrictions.

Your exterior packaging should protect your items against moisture and other contaminants, while your inner packaging provides an extra layer of protection against vibrational and elemental damage. With inner packaging, you don't want to have extra space in your container that would cause your items to rattle around, but you also don't want to add extra bulk to your crate or box because extra weight means more money.

One way to potentially save money is by kitting and/or palletizing certain items together. That way, you're shipping these items as a single unit rather than individually. Kitting and palletizing can also help you avoid item loss. If you're not sure which type of items qualify for kitting or palletizing, it's important that you work with an experienced export packaging company.

7. Sustainability

Finally, because there are so many factors to consider when exporting goods, it's easy to overlook the importance of sustainability. Manufacturers who are looking to keep their carbon footprints low can opt for sustainable or reusable packaging. Even better—sustainable packaging can still meet certain compliance requirements.

8.7 Preparation of Pre-Shipment documentation:

The export cycle is the process of moving goods from one country to another for sale. It can be a complex process, with many different steps involved.

The pre-shipment process begins with the receipt of an order from a foreign buyer. The seller then needs to:

Obtain an export license: This is a government document that allows the seller to export the goods.

Prepare the goods for shipment: This may involve packaging, labeling, and palletizing the goods.

Arrange for transportation: The seller needs to choose a shipping method and carrier, and book the shipment.

Obtain export insurance: This will protect the seller from financial loss if the goods are damaged or lost in transit.

Prepare export documentation: This includes the commercial invoice, bill of lading, packing list, and any other required documents.

After the compilation of Pre-shipment process & once the goods have been shipped, the seller needs to:

Monitor the shipment: The seller should track the shipment to ensure that it arrives at its destination on time and in good condition.

Clear customs: The seller or their agent will need to clear the goods through customs in the destination country. This may involve paying customs duties and taxes.

Collect payment: The seller will need to collect payment from the buyer. This can be done through a letter of credit, wire transfer, or other method.

8.8 Pre-Shipment Process:

1. **Market Research and Product Development:**Identify potential markets and customers for your product or service.Research the target market's regulations, standards, and customs requirements.Adapt your product or service to meet the needs of the target market.

2. **Order Processing and Contract Negotiation:**Receive and confirm export orders.Negotiate contracts with buyers, including price, payment terms, delivery times, and inspection procedures.Obtain necessary licenses and permits.
3. **Production and Packaging:**Produce the goods according to the buyer's specifications.Package the goods for export, ensuring they are protected from damage during shipping.
4. **Customs Clearance and Documentation:**Prepare export documentation, such as commercial invoices, bills of lading, and certificates of origin.Obtain customs clearance for the goods.
5. **Transportation and Insurance:**Arrange for transportation of the goods to the buyer's destination.Obtain export insurance to protect against loss or damage during shipping.

8.9 Post-Shipment Process:

1. **Payment and Collections:**Collect payment from the buyer according to the agreed terms.Address any payment disputes or discrepancies.
2. **Customer Service and After-Sales:**Provide customer service and support to the buyer.Handle any warranty claims or product returns.
3. **Export Documentation Review and Analysis:**Review export documentation for accuracy and completeness.Analyse the export process to identify areas for improvement.
4. **Market Research and Development:**Conduct ongoing market research to identify new opportunities.Develop new products or services for export.

The export cycle can be complex and time-consuming, but it is an essential process for businesses that want to expand their reach and increase their profits. By understanding the pre-shipment and post-shipment stages, businesses can ensure that their exports are successful.

8.10 Shipping documents:

Shipping documents, as the name suggests, are the documents necessary to transport an item from one location to another. They're made up of applicable records, forms, and certificates that provide information about the item being shipped. This may include details such as the item description and specification, quantity, price, ship date, delivery address, and shipping method.

The exact documents required may vary depending on factors such as the shipping method, delivery destination, and type of goods. However, most packages will require waybills, commercial invoices, packing lists, and certificates of origin.

As these documents provide information about the goods being shipped, they help ensure that packages are delivered on time and to the right addresses. They help courier services determine how to route the package and deliver them in the most efficient manner.

Pre-shipment documents – Exports order, proforma invoice, LC, packing lists, Form SDF, certificate of origin, inspection certificates, and insurance documents

Post-shipment documents – Bank and commercial invoices, bills of exchange, bank certificates, shipment advice, etc.

Moreover, these documents are also necessary in international shipments to ensure that the package is in compliance with the import regulations of the countries through which it is routed. Ensuring all the necessary documents are included with the correct information will streamline the customs clearance process and allow for speedy international deliveries.

8.10 Essential international shipping documents

With international shipping, laws and regulations in different countries may vary. As such, the documents needed for import or export may also vary. In most cases, you'd need the following documents for international shipping.

1. Proforma invoice

A proforma invoice is a type of estimated invoice or a preliminary bill that is sent to international prospects. Basically, it's like a quote that you send before the actual purchase. It enables them to arrange the necessary finances and documentation such as import licenses.

The following details must be included in a proforma invoice:

- Information on the buyer and seller
- A detailed description of the items
- Item value
- Harmonized System (HS) codes for the items
- Payment & invoice payment terms
- Delivery details
- Currency used
- Date and expiration date

2. Commercial invoice

The commercial invoice, often generated using an invoice maker, is the proof of sale that must accompany all international shipments. It can be similar to your proforma invoice but may contain additional details such as the order number and PO number.

Commercial invoices are very similar to standard invoices but must include other details that will help with customs clearance. This includes details such as:

- Detailed information on the buyer and seller
- Information on the freight forwarder
- Banking and payment information
- Shipping line
- Item description
- Quantity
- Country of origin
- HS code
- Item value
- Total weight
- Shipment terms

3**. Export packing list**

An export packing list contains an itemized list of all the goods included in a shipment along with important details about each item. This document may be used for issuing other important documents such as a bill of lading and a letter of credit. In international shipments, the packing list is essential for the shipment to clear customs. It can also be used if any dispute arises between the shipper and the carrier.

The export packing list will include key information such as:

- Order date, shipping address, and contact info
- Itemized list of shipped items
- Itemized list of items that were out-of-stock
- Quantity of each item
- SKU or UPC numbers
- PO number or slip number
- Dimensions and weight
- Packaging type
- Safety measure

4. **Certificates of origin**

Most international shipments require a certificate of origin to declare where the items originated from. They must be provided in accordance with the rules and regulations of the importing country and certified by the export country's consulate office or the chamber of commerce.

Certificates of origin must include the following details:

- Name and address of the shipper
- Name and address of the buyer
- Exporting carrier
- Country of manufacture
- Number of packages
- Date of export
- Item description
- Quantity/unit of measure
- Weight
- Signature from the authorized personnel

5. Certificate of free sale

Also called a certificate of export, this document serves as evidence that the item being shipped is sold or distributed legally in the open market and that there are no restrictions on them in the country of origin. A certificate of free sale indicates that the item has been approved by relevant regulatory authorities and is eligible for export.

This document is typically needed for certain types of products such as cosmetics, food items, medical devices, and biologics.

6. Shipper's letter of instruction

This document contains specific instructions to successfully transport international shipments. Usually provided to freight forwarders, this document will include details like:

- Name and contact information of the shipper/exporter
- Name and contact information of the freight forwarder
- Details about the items being shipped
- Item weight and dimensions
- Type of packaging
- Special handling requirements
- Exporting restrictions (if any)
- Type of freight
- Insurance information
- Documents included in the shipment
- Special instructions to carrier or freight forwarder

7. Inland bill of lading

The inland bill of lading is a contract of carriage that's consigned to the shipping carrier rather than the buyer for the transportation of goods via road, railway, or inland water. It states where the goods are being transported and serves as evidence that the goods have been picked up. The inland bill of lading may include details such as:

- Item description
- Item value
- Origin country
- Destination
- Transportation terms

8. Ocean bill of lading

As the name suggests, this document is required for shipments made across international waters. It serves as a contract between the exporter or seller and the shipping carrier, ensuring

that the buyer receives the product, and the seller gets paid. The ocean bill of lading may include details such as:

- Item description
- Item quantity
- Shipment commercial value
- Destination
- Routing instructions
- Type of packaging

9. Air waybill

This is a contract of carriage for goods shipped by plane, indicating an agreement between the seller and the carrier. It's non-negotiable and serves as a receipt of goods for the airline carrier once the goods arrive at the destination airport.

An air waybill typically includes the following information:

- Name, address, and account number of the shipper
- Name, address, and account number of the consignee
- Air waybill number
- Airport of departure
- Airport of destination
- Flight date
- Declared value
- Item details
- Charges due to agent/carrier

10. Letter of credit

This is a popular means of payment for international transactions. It's formal and binding, making it irrevocable by default. It's a promise of payment to the seller by the bank on behalf of the importer or seller.

Common domestic shipping documents:

Domestic shipping is a little less complicated than international shipping. You'll typically require the following three shipping documents.

1. Bill of lading

Bill of lading ,or BOL, is a transportation contract between the transportation company or carrier and the business that's sending out the package. It helps to confirm the receipt of goods that need to be shipped and it needs to be signed by an authorized representative from the carrier's end.

Typically, a BOL must include the following details:

- Where it's shipped from
- Destination
- BOL number
- Details of the carrier/transportation company
- Transportation mode
- Description of goods being shipped
- Shipment terms

2. Packing list

A packing list or a packing slip contains an itemized list of all the goods included in a shipment. This helps to ensure that everything's included in the shipment, confirm that all the items were received, and identify any damaged items.

It includes details such as:

- Order date, shipping address, and contact info
- Itemized list of shipped items
- Itemized list of items that were out-of-stock

- Quantity of each item
- SKU or UPC numbers
- PO number or slip number

3. Commercial invoice

A commercial invoice serves as a proof of purchase and includes all the details of the sales transaction between the seller and the customer. It will include details such as:

- Invoice number
- Customer name, address, and contact info
- Seller name, address, and contact info
- Item description and quantity
- Item value
- Item weight
- Shipment terms

Crucial shipping documents for heavy or hazardous materials:

Shipping heavy or hazardous materials is a whole other game. As such, you'd need to include additional shipping documents in addition to the above.

1. Dangerous goods form

This is a declaration indicating that the seller has packed, labeled, and declared the consignment in accordance with the applicable regulations. It will include details like:

- Name and address of the shipper
- Air waybill number
- Shipper's reference number
- Page of pages
- Consignee details
- Departure airport
- Destination airport
- Shipment type
- Nature and quantity of dangerous goods including proper shipping name, class or division, quantity and type of packaging, authorization
- Additional handling information

2. Emergency response information

This document specifies what action must be taken in case of an emergency pertaining to the hazardous materials being shipped. It should include the following details:

- Basic description and technical name of the material
- Immediate health hazards
- Risks of fire or explosion
- Immediate precautions in the event of an incident or accident
- Immediate procedure to handle fires
- Procedure for handling spills and leaks
- Recommendations for preliminary first aid measures

8.11 .Methods of Transportation:

The four primary modes of transportation in logistics are shipments by truck, ship, train and plane — also known as road, maritime, rail and air shipments. While each of these modes of transportation has unique benefits, knowing which method is right for your business requires careful consideration.

How to Choose the Best Type of Transportation Method:

In a world where fast shipping is not just a luxury, but an expectation, choosing the right type of logistics transportation for your company is crucial for the success of your business, the safety of your product and the happiness of your customers. Before you choose a

logistics transportation method, consider the following factors and use the information to guide your decision making:

The Product

First, analyze the shipment you are transporting. Is your product hazardous, perishable or challenging to handle? What are the dimensions of the shipping container? This information is critical for choosing a shipping method that can accommodate your products within budget.

Location

Next, consider two locations — where the shipment is leaving and its final destination:

- **Shipping origin:** Where are you shipping from? Where you or your products are located is important, as it's the starting point for your mileage tracking. Do you have access to maritime ports, railroads or airports?
- **Borders:**Are you shipping across country borders and require special clearance? What natural borders will your shipment cross? While one method of transportation might be the most suitable option for your product, it may be more expensive and time-consuming than other means if you are not located within easy access to these options.
- **Shipping destination:** Where are you shipping to? The shipping destination is one of the most significant factors to consider. Calculate the total shipping distance, factoring in all stops and checkpoints.
- **The consumer:** Are you shipping to an individual or a business? This might indicate which speed or method is preferable.

Special Considerations:

Finally, take into account the cost and difficulty of any special considerations your shipment requires:

- **Time:** The time of year you're moving your product — during the holiday season, for instance — might impact overall shipment times.
- **Urgency:** How urgent is your shipment? Can you afford a delay — both financially and in the eyes of your consumers?
- **Budget:** What is your transportation budget? Convenience is great, but staying within your budget is crucial for longterm operations.
- **Existing relationships:** Examine the resources to which you already have access. What shipping and logistics companies do you have a relationship with already? What services do they offer

8.12. Types of Logistics Transportation:

No matter how you ship, there are advantages and downsides to each method. The secret to finding the best transportation option for your business is understanding these differences. Here is a breakdown of each transportation method and its pros and cons:

1. Truck Freight — Road Transportation

Road transportation has come a long way since the days of horse and wagon shipments. Truck freight alone accounts for more than 54% of all northern border freight between Canada and the United States. Truck transportation is ideal for industries that require quick, small shipments directly to a business, warehouse or consumer's door and is equipped to handle possible delays.

The top three commodities in trans-border truck shipping are computers and computer parts, electrical machinery and vehicles and motor parts. Other industries that rely on truck freight include grocery and retail, eCommerce, construction and agriculture.

The top benefits of truck freight include:

- **Implements fewer restrictions:** Compared to other modes of transportation — especially air transport — there are far fewer restrictions for truck freight, including heavy or hazardous materials. Trucks are also easier to track than other modes of transportation, due to built-in navigational systems and real-time tracking abilities, so you always know exactly where your shipment is located.
- **Costs less than air and ship transportation:** Truck freight is very economical compared to air and ship transportation because associated expenses, such as fuel and truck maintenance, are far less costly.
- **Allows for more accessibility:** Road transportation is highly accessible. Most companies have easy access to a major highway system, while not every company has access to railroads, airports or ships for other forms of transportation.
- **Offers more options:** With truck freight, you have limitless options available to you. There are many different specialized trucking companies that can accommodate perishable, hazardous or oversized goods. Depending on the shipping company, you can also choose from things like parcel, full truck and less than truckload shipping. When you only need to ship a small number of packages, parcel shipments are an excellent option. Similar to parcel shipping is less than truckload (LTL) shipping. LTL freight services are ideal when your shipment is less than a truckload but too large or oddly shaped for parcel shipments. When compared to full truckload shipments, parcel and LTL provide an enticing level of flexibility that other transportation methods cannot.
- **Allows for door-to-door shipment:** Perhaps the most significant benefit associated with truck freight is the ability to ship a product directly to the consumer's front door. Although last-mile delivery is not always available due to the type and size of the product or final destination, the possibility of door-to-door shipment is why many companies opt for truck freight over other methods.

Despite these numerous benefits, there are a few important factors to consider before selecting truck freight, such as:

- **Time:** Truck freight can take longer and is more susceptible to shipment delays than other methods. The average truck travels roughly 50 to 60 miles per hour on major roadways. Other factors, such as road closures, bad weather or heavy traffic, can also have unpredictable impacts on delivery times.
- **Control** Due to how truck freight works, you do not have as much control over how your products are handled. Road travel can be rough on some shipments, and some companies may mishandle your product — that's why it's crucial to work with a trusted logistics company backed by awards and client testimonials

2. Ship — Marine Transportation

Ocean transport accounts for more than 90% of the world's trade economy. The United States alone relies on water transportation for almost 70% of all international merchandise trade. Whenever your business requires transport for heavy, cumbersome loads — or country to country shipping — ship transportation is usually the way to go.

Compared to air transportation, ships are capable of carrying immensely heavier loads for a fraction of the cost. It is the preferred transportation for large items shipped in bulk, such as metals, agriculture products, building supplies and others that cannot be reasonably accommodated by plane.

The benefits of maritime transportation include:

- **Accommodates more space and weight:** Cargo ships range in length, and can carry thousands of tons of weight. For this reason, ships are often the best — and only — option for oversized products or bulk quantities that must move at the same time.

- **Costs less than air transportation:** Marine transportation is often a more economical choice than air transport due to the lower cost of fuel. Cargo ships operate on a set schedule, so there is also less opportunity for costly shipping delays.
- **Enhances the safety of the shipment:** Because ships operate on a set route and planned schedule, your shipment will go through minimal handling. Most of the time, it will be securely stored in a slow-moving vessel, which is preferable for easily damaged goods.

Sea transportation may not always be the most economical or accessible choice, depending on the location of your warehouse. However, the most significant factor to consider about maritime transit is how long it takes to move a shipment:

- **Speed:** Although ships are capable of carrying much bigger loads than other transportation methods, maritime shipping takes much longer. It is not usually the preferred shipping method for businesses that rely on speedy delivery.

3. Train — Rail Transportation

Since the invention of the railway, trains have played an important part in trade and logistics around the world. As of January 2020, rail freight accounted for roughly 15% of northern border freight between the United States and Canada, with the top three commodities being motor vehicles and parts, mineral fuels and plastics. Rail transport is ideal for companies who require fast, scheduled ground freight.

Some benefits of trail transport are:

- **Offers more carrying capacity:** Trains can transport heavy, bulk cargo — such as coal — over long distances. They can handle more weight than truck transportation.
- **Reduces the chances of delays:** Trains operate on a fixed schedule, making them a predictable and reliable form of transportation. Because railroads operate independently, train shipments are often less prone to delays that plague truck freight, like traffic jams or inclement weather.
- **Minimizes its environmental impact:** Although the environmental impact of a shipment depends on a combination of several different factors, trains tend to be less impactful than trucks, planes and ships because they require less fuel to operate.

The two main factors to consider with rail transport are:

- **Transit time:** Rail transport is slower than truck and air freight, and they often require multiple transfers throughout the shipment process.
- **Accessibility:** Not every area has access to railroad tracks, so rail transport almost always requires other forms of transportation to move products. Rail transportation is often combined with truck freight for efficient delivery.

4. Plane — Air Transportation

Air transport is the newest shipping method, but it is often the best choice if you want fast, uncompromising delivery. Air transport is accessible across most of the world and is ideal for shipments that need to be moved quickly across long distances, including overseas. Air transportation also has a vast scope compared to rail and ship freight, as it is an ever-expanding industry with several thousand airports and landing strips in operation across the globe.

Significant benefits of air transport are:

- **Allows for speedy deliveries:** Despite the possibility of occasional flight delays, air transport is significantly faster than ship, truck or plane delivery under most circumstances. Additionally, airplanes operate on a fixed schedule. This reliability is an asset when arranging shipment, particularly for perishable goods that require prompt — often overnight — delivery.

- **Offers enhanced security:** Planes offer this speed with little to no compromise to the quality of the product, providing optimal protection and safe handling due to rigorous flight checkpoints and little interference during flight.

Disadvantages to consider about air transport are:

- **Cost:** Air transport is more expensive than truck transport due to the higher cost of fuel and additional expenses like tickets, maintenance, checkpoints, special handling fees for certain materials, shipping containers and more. When ground logistics are an option, and guaranteed quick delivery is not required, trucks are often the more economical decision. For companies who can afford the cost and rely on fast shipments, air transport is ideal.
- **Limitations:** Due to the nature of air transport, there are certain limitations in place that some companies may find difficult to navigate, including size, weight and product restrictions. Airplanes have a set weight capacity that they cannot exceed, and many materials are too hazardous to transport via flight.

Intermodal Transportation:

Intermodal transportation is when a shipment requires two or more types of transportation to reach its final destination. This is typically used with rail and ship transport, which often require trucks to carry shipments from the railway or port. Intermodal transportation is ideal for shipments that are not of immediate value that have to travel a long distance.

In most cases, products remain inside the same shipping container throughout the entire process. In other cases, however, your products might be transferred from one shipping container to another. Always discuss this with your transportation and logistics provider to make sure you are packaging your products accordingly. You should also keep in mind the different restrictions and requirements across all modes of transportation. For example, just because your shipment fits within rail transportation guidelines, does not mean it will qualify for air travel.

8.13Summary:

To make certain that items remain intact while being transported through countries, export packaging must be done. This can be achieved by use of various means such as wooden crates, cardboard boxes or shrink wraps which act as a shield against damages and external agents like wetness and degrees. Also taken into consideration are international norms especially those concerning wood packing.

One can opt to use different modes of transport depending on the price, duration it takes to reach the destination and type of goods being ferried. A lot of money is saved when shipping large quantities using sea freight though it is time-consuming than other methods. Airfreight is quicker but costly hence appropriate for perishable or high-cost items. Road transport offers convenience since it allows for movement between continents or within an intermodal framework where different models are combined together while rail is suitable for weather independent land delivery involving bulky consignments.

The right mix between these means with packaging needs selection forms part of success in this sector. It calls for balancing expenses incurred; risk control and compliance with global rules governing shipment across borders. Good strategies hereabouts enhance cargo credibility throughout its journey thereby improving efficiency during transit as a whole.

8.14 Key Words:

Documentation: in export involves preparing and managing necessary legal documents like customs declarations and bills of lading to ensure compliance and smooth shipping.

Origin Marking: Indicates the country where a product was manufactured, required for customs and consumer information, often influencing tariff rates and import eligibility.

Multimodal Transportation: Combining two or more modes of transport to optimize efficiency and costs, such as using sea and road transport to complete a delivery.
Air Freight: Shipping goods via air, ideal for time-sensitive, perishable, or high-value items, offering faster delivery times at a higher cost.

8.15 Self-Assessment Questions:

1. What is the primary role of export packaging?
2. Describe the three layers of export packaging and provide an example of each.
3. List at least four factors that influence packaging decisions for exports and explain why each is important.
4. What is the difference between pre-shipment and post-shipment documents? Give examples of each.
5. Identify and describe the purpose of three key shipping documents required for international trade.
6. What are the primary considerations when choosing a mode of transportation for exporting goods?
7. What is intermodal transportation, and when might it be used in exports?
8. Why is compliance with international shipping regulations crucial in export packaging?
9. Discuss the importance of using sustainable materials in export packaging and its potential benefits to the business and environment.
10. Evaluate the key factors that must be considered when designing export packaging for fragile items.
11. How does the choice of packaging material impact the safety and integrity of exported goods?

8.16 Reference:

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LESSON - 9
INSPECTION OF EXPORT CONSIGNMENT

Objectives:

1. To understand the Inspectio0n process of export consignment
2. To discuss about duty, draw backs and export incentives
3. To describe the various types of Export Incentives offered in India
4. To elucidate the export by post, export by air and export by export by sea
5. To discuss about Important Steps in a Pre-Shipment Inspection Procedure

Structure:

9.1 Introduction to Inspection of export consignment
9.2 type of export consignment inspection
9.3 Steps in pre-shipment inspection procedure
9.4 Types of Shipment inspection
9.5 Export benefits and Duty draw backs
9.6 Export by Post, Procedure foe export by post
9.6.1 legal provisions of export by post
9.7 Export by air
9.7.1 Shipping by Air
9.7.2 Types of Export by Air
9.8 Export by Sea
9.8.1 Steps in volved in Export by Sea
9.9 Summary
9.9.1 key words
9.9.2self- Assessment questions
9.9.3 Reference

9.1. Introduction:

Each consignment is subjected to detailed inspection. The following procedure is applicable to all the notified products by the Export inspection Council, other than those for which the in-process quality control system and Self-Certification is applicable.

(A) Application to EIA: The exporter has to apply in the prescribed 'Intimation for Inspection', well in advance, to the date of shipment to avoid delays, along with the following documents:

• Copy of export contract;
• Copy of letter of credit;
• Details of packing specifications;
• Commercial invoice giving evidence of FOB value of export consignment;
• Crossed cheque/DD in favour of EIA towards inspection fees and
• Declaration regarding importer's technical specifications.

(B) Deputation of Inspector: After getting the 'Intimation for Inspection', EIA deputes an inspector to conduct an inspection of the consignment, in packed conditions, at the factory/warehouse of exporter. The exporter should keep the consignment, in packed condition for export, ready for inspection at the appointed place and time.

(C) Inspection and Testing: The inspector conducts inspection on a random basis. He will conduct inspection with reference to the agreed specifications, which should not be inferior to the notified specifications. Samples may be drawn and sent to the laboratory, if required. Where testing facilities are not available at the exporter's place, sample may be sent to the

private independent laboratories. Inspector submits the field report based on his inspection and test results obtained.

(D) Packing and Sealing of Goods: If the inspector is satisfied with the quality of goods, he issues order for packing of goods in his presence. After packing, the consignment is marked and sealed with the official seal of Export Inspection Agency.

(E) Submission of Report to EIA and issue of Inspection certificate: based on the field inspection report, the Deputy Director, export inspection Agency issues the Inspection Certificate to the exporter, in triplicate, which will be disposed as under:

- The original copy is to be submitted to the customs
- The duplicate copy is dispatched to the importer.
- The triplicate copy is retained by the exporter for his record.

(F) Issue of Rejection Note: If the inspection report is not favourable, the Deputy Director of EIA issues Rejection Note.

(G) Appeal against Rejection Note: Exporter can file an appeal against the order of the Deputy Director, EIA. The appeal is to be made within 10 days scan the date of receipt of Rejection Note. On receipt of the appeal, ETC arranges to convene a meeting of the Appellate Panel. The appellate panel reviews the inspection report and examines the consignment again, if necessary. The decision of the appellate Panel is final and binding on both the parties i.e. Exporter and Export Inspection Agency.

9.2 Types of Export Consignment inspection:

1. Consignment-Wise inspection

Under this system, each consignment, in packed condition, is subjected to detailed inspection by the Export Inspection Agencies. They conduct the inspection on the basis of statistical sampling plan. If the goods conform to the stipulated quality, they issue the inspection certificate. The certificate also carries a validity period before which the export consignment must be shipped. In case of consignment-wise inspection, actual export consignment, in packed condition, is taken for inspection.

No consignment of any notified commodity is allowed to be exported without the certificate issued by the recognised inspection agency. This system is applicable to all commodities other than those that undergo in-process quality control. Generally, Small-scale manufacturers who cannot afford to have their own facilities and personnel adopt consignment-wise inspection certificate procedure.

2. In-process Quality Control

Certain commodities like paints and allied products, linoleum, ceramics, printing ink, sanitary wares etc. come under the purview of In-process quality control.

In case of continuous process industries, an option is given to them to become approved "export-worthy" unit, as they possess the requisite infrastructure for manufacturing/processing products of standard quality. This status enables them to conduct inspection and give declaration and based on their declaration, they get inspection certificate.

3. Self-Certification

With the experience gained in operating the compulsory Quality Control and Pre-Shipment Inspection Scheme in India, there has been a qualitative change in the inspection system also. Recently, a self-certification system has been introduced. This is based on the concept that the manufacturing unit which has in-built responsibility for quality control should have the freedom to certify its own product for export.

Pre-Shipment Inspection

A pre-shipment inspection is a step taken by trade operators (buyers, suppliers, agencies) to inspect newly manufactured products before they are shipped for export/import.

The purposes of a pre-shipment inspection are to:

- Check the quantity and quality of the merchandise
- Check products for any defects
- Ensure products meet the safety requirements of the destination market
- Issue report for import and billing

Pre-shipment inspections were officially introduced in 1994 as an agreement to improve international trade standards under the General Agreement on Tariffs and Trade (GATT), which was later replaced by the World Trade Organisation (WTO). A number of obligations were included in the "Agreement on Pre-Shipment Inspection," stating that pre-shipment investigations should be applied according to the following principles:

- Non-discrimination
- Transparency
- Protection of confidential business information
- Avoidance of delays
- Price verification based on the price of identical or similar goods in the country of exportation, in which the exporter has the opportunity to explain the price charged
- Inspection agencies establish appeals procedures, the findings of which are made available to other exporters

Accredited inspection agencies perform pre-shipment inspections when production is at least 80% complete. This is your final opportunity to take corrective action before your production is shipped, making it an effective tool to safeguard your product against costly import risks.The pre-shipment inspection typically covers: functionality, performance, durability, overall appearance, and dimensions.

- A pre-shipment inspection (PSI) is a random assessment comprising a detailed review of finished goods before shipment. It generally takes place in the manufacturer's premises on samples randomly selected according to the defined statistical sampling procedure ISO 2859-1 and AQL (Acceptance Quality Limits) or otherwise agreed with the customer. The inspection criteria may cover type identification, product conformity, safety, function, marking and safety hints, quality (consistent workmanship), quantity, packaging, unit completeness, and compliance with the agreed specification.
- Before newly manufactured goods are shipped for export or import, trade operators (buyers, suppliers, and agencies) conduct a pre-shipment inspection. A pre-shipment inspection ensures that your products meet your quality standards. An independent inspection agency will issue a pre-shipment inspection certificate as a trade document. The certificate is included with factory shipments to attest that the products meet the requirements outlined in the sales contract and letter of credit pre-shipment.

9.3. Important Steps in a Pre-Shipment Inspection Procedure:

Step 1. Inspection Visit

Pre-shipment inspections are carried out on-site at the factory or production house. If the inspectors suspect that the products could contain restricted chemicals, they may advise further off-site lab testing of those products. An example would be products suspected of containing toxic chemicals such as lead and toxins derived from azo dyes, which are tightly regulated by Europe's REACH directives and the Federal Trade Commission in the US.

Step 2. Quantity Verification

The inspectors count the shipping cartons to verify the correct quantity. In addition, this step ensures that the correct number of products and boxes will be sent to the correct destination; therefore, the pre-shipment inspection can be agreed upon between a buyer, a supplier, and a bank to initiate payment for a letter of credit.

The packaging is also checked to verify that the correct packing materials are being used to ensure safe transportation, and that correct packaging labels are applied.

Step 3. Random Selection

Professional pre-shipment inspection services use the internationally recognized statistical sampling procedure ANSI/ASQC Z8.4 (ISO 2859-1).

The acceptable number of defects in a batch before it's rejected is defined with an Acceptance Quality Limit (AQL). The AQL varies depending on the type of product being evaluated, but the objective is to provide a balanced, unbiased view.

Step 4. Cosmetic and Workmanship Check

The first thing an inspector looks at from the random selection is the overall workmanship of the finished products, to check for any immediately visible defects.

Defects are typically classified as minor, major, or critical based on predetermined acceptable tolerance levels, which are usually agreed upon between the manufacturer and supplier during product development.

Step 5. Conformity Verification

Quality control inspectors check product dimensions, material and construction, weight, color, marking, and labeling. If the pre-shipment inspection is for garments, the inspector checks whether correct sizes have been assigned to the shipment and that the sizes correspond with production dimensions and the labels.

For other products, dimensions may be much more important, so this is when the dimensions of the finished product can be measured and compared with your original specifications.

Step 6. Function and Safety Test

Function Testing for Garments

For garment, apparel and footwear inspections, the inspectors perform physical tests on the products to determine the strength of buttons, zippers, and other accessories with pull tests, fatigue tests, and stretch tests.Fabric density and composition tests determine the density or thickness of fabrics used in garment production. Special tools are used to measure fabric density. The quality control inspectors can also physically count the number of stitches per inch.A fabric that's too thin or not dense enough could mean your manufacturer has used an inferior fabric or textile that won't stand up to normal wearing and washing.

Mechanical Safety Tests

Mechanical safety tests are required for products with moving parts such as bicycles and pushchairs that could potentially cause injuries if they are defective.

The inspection involves testing the product's shape and design to see whether there are any sharp edges or parts that could pinch or entrap fingers, toes, and other appendages.

Mechanical safety testing includes checking the safety of critical components such as screws and hinges used in a completed product.

Electrical Safety Testing

Electrical and electronic products must be tested to ensure they comply with a wide range of safety regulations before they can be certified and labeled. Evaluating a product for electrical safety is often performed under laboratory conditions rather than on-site at the factory. It includes the following tests:

- **High voltage test (dielectric withstand test) -** Measures the ability of an electrical product to withstand a high voltage applied between a product's electrical circuit and the ground.
- **Leakage current test -** Evaluates whether current that flows between an AC source and the ground exceeds a specified limit.
- **Insulation resistance test -** Calibrates the quality of the electrical insulation used.

- **Ground continuity test -** Ensures that a clear path is available between all exposed metal surfaces and the power system ground.

Country-Specific Labels & Markings for Electrical Products

What are the country-specific labels and markings for electronic products? The type of electrical safety testing required depends on the type of product as well as the destination market.

- **UL Certification Mark -** Underwriters' Electrical Bureau for the U.S. federal agency Occupational Safety and Health Administration (OSHA).
- **CE Marking -** The CE mark is recognized worldwide and indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA).
- **VDE e.V. (Germany) -** The VDE Association for Electrical, Electronic & Information Technologies (Verband der Elektrotechnik, Elektronik und Informationstechnik) is a standard widely recognized in Germany and internationally for electrical engineering, developing recognized technical regulations as national and international standards as well as testing and certifying electrical and electronic devices and systems.
- **CSA (Canada) -** The Canadian Standards Association (CSA) registered mark shows that a product has been independently tested and certified to meet recognized standards for safety or performance required for Canada.
- **BSI (UK) -** The British Standards Institution (BSI) is the national standards body of the United Kingdom. BSI produces technical standards on a wide range of products and services, and also supplies certification and standards-related services to businesses.
- **CCC Mark (China) -** The China Compulsory Certificate mark (CCC) is a compulsory safety mark for many products imported, sold, or used in the Chinese market.

Step 7. Inspection Report

Once the pre-shipment inspection is completed, a report is compiled with a pass/fail result, an overview of key findings, and a detailed account of the inspection results. Some pre-shipment reports include clear images showing all inspection points, so you can see exactly what was discovered.

9.4. Types of Pre-Shipment Inspection

- **In-line Inspection:** Focuses on controlling the quality of products by inspecting the production line/raw materials to identify potential problems that may result in defective end products. It is based on a ‘bottom-up’ or deductive approach.
- **Initial Production Inspection (IPI):** Conducted at the beginning of the production cycle, when up to 20% of goods are produced. It is based on a ‘top-down’ or inductive approach, which first inspects the end products and then traces back any problems to the production line and raw materials.
- **During Production Inspection (DUPRO):** Also based on a ‘top-down’ approach, occurs when the product cycle is about 20- 40% complete and product packing has started.
- **Final Random Inspection (FRI):** When the total consignment is completed and packed; a detailed inspection of randomly selected samples is carried out to check the quality, quantity and packaging conformity as per samples and specifications.
- **Construction Check:** TÜV SÜD performs a safety check on your products in the run up to production to help you avoid time consuming delays in delivery or costly rework. Within the scope of this examination, we check whether the correct

components are being used in order to ensure long-term quality. The design check also provides important information for pre-shipment inspections.

- **Loading Supervisions:** TÜV SÜD monitors loading of goods on your behalf. We also inspect the condition of containers and verify the identity and quantity of goods. This enables us to initiate optimization measures on the spot, if necessary.

9.5 Export Benefits and Duty Drawbacks:

Introduction:

Duty Drawback incentives rebates Customs and Central Excise duties chargeable on any imported materials or excisable materials used in the manufacture of goods exported. The Indian Government is empowered to grant duty drawbacks under section 74 and 75 of the Customs Act, 1962. Under section 74 -to the extent of 98 percent of the duty paid on imported goods can be claimed for re-export. Section 75- empowers drawback on export of manufactured articles. There are some pre-
requisites to be fulfilled in order to avail drawback incentives such as the goods must be previously imported and Import duty must have been paid. The goods should be entered for export within two years, goods identified as imported goods and the goods must actually be re-exported to any place outside India.

9.5.1 Categories and Rates of Duty Drawback

Drawback incentives are divided into two categories, Drawback allowable on re-export of duty-paid goods and Drawback on imported materials used in the manufacture of goods which are exported.

Rate types for duty drawback include the following

All Industry Rates: All Industry Rate (AIR) are fixed after extensive discussions with all stake holders viz. Export Promotion Councils, Trade Associations, and individual exporters to solicit relevant data, which includes the data on procurement prices of inputs, indigenous as well as imported, applicable duty rates, consumption ratios and FOB values of export products.

Brand Rate: This rate pertains only to special products. Under this scheme, the exporters are compensated by paying the amount of Customs, Central Excise duties and Service Tax incidence actually incurred by the export product. For this purpose, the exporter has to produce documents/proof about the actual quantity of inputs / services utilized in the manufacture of export product along with evidence of payment of duties there upon.

Special Brand Rate: A company or Exporter can apply for this rate if the actual duty that is paid on the input goods is higher than the All Industry Rate that is fixed for the product.

Duty Drawback enables exporting companies to obtain a refund and helps neutralizing the tax element in export products; this is an internationally accepted methodology to encourage exports. . It helps to encourage the export and to make the foreign exchange though export. The main worry of exporters now is the delay in getting duty drawback, since there is a lot of documentation involved. The exporter has to keep a track of not only the Pre-Shipment documents of his exports but also track documents used in the Import of raw materials of partial goods for this scheme.

This would be a very laborious and timeconsuming process .Expedite is a Exports Documentation Management application which is adept in handling all Export documents making your exports process a hassle free experience and help you realize your Export incentives without any delays or hurdles. Get in touch with our Executives to know more about our Export Document management software and other export solutions.

Export Incentives

Export incentives are regulatory, legal, monetary, or tax programs that are designed to encourage businesses to export certain types of goods or services. Exports are goods or services that are produced in one country and then transported to another country for sale or trade.

Exports are an important part of the exporting country's economy, adding to that nation's gross output. Exports can boost sales and profits for a company if the goods create new markets or expand ones that already exist, and may also offer an opportunity to capture global market share. Exports also aid in the creation of jobs as companies expand and grow their workforces.

KEY TAKEAWAYS

- An export is a good or service made by one nation that is then shipped to another nation to be sold or traded.
- Exports help boost the exporting country's gross output and help corporations increase sales, create jobs, and expand into new markets.
- Export incentives are programs that governments create to help encourage businesses to export goods and services.

Understanding Export Incentives

Export incentives are a form of economic assistance that governments provide to firms or industries within the national economy in order to help them secure foreign markets. A government providing export incentives often does so in order to keep domestic products competitive in the global sphere.

Types of export incentives include export subsidies, direct payments, low-cost loans, tax exemption on profits made from exports, and government-financed international advertising. While less concerning than import protections such as tariffs, export incentives are still discouraged by economists who claim that they artificially create barriers to free trade and thus can lead to market instability.

9.5.2 How Export Incentives Work

Export incentives make domestic exports competitive by providing a sort of kickback to the exporter. For instance, a government might give an exporter a tax break to help deflate the price of its exported goods. This in turn increases the competitiveness of the product in the global market and ensures that such exports have a wider reach. Generally, this means that domestic consumers might pay more than foreign consumers for the same product.

Export incentives work in India

Export incentives in India are economic assistance given to exporters like low-cost loans, tax exemptions, subsidies and government-financed advertisements, among others, it helps them reduce the overall export cost, thus helping them set competitive prices in the global market. All government incentives by countries must be in compliance with the World Trade Organization (WTO), which keeps a check on legal and ethical world trade practices.

9.5.3 Top export incentives for exporters

Below are a few export incentives schemes in India that helps MSMEs and sellers avail benefits:

1. SEIS (Service Exports from India Scheme)

SEIS was introduced to encourage sellers who export notified services. Under this export scheme, an incentive of 3-7% of the net foreign exchange earnings is provided to service exporters. The requirement from an exporter is to have an active IEC with minimum net

foreign exchange earnings worth US$ 15,000 (INR 11L approx) to be eligible for a claim under the scheme[2].

2. RoDTEP (Rebate of Duties & Taxes on Exported Products scheme)

Replacing the old MEIS (Merchandise Exports from India Scheme) in a phased manner from December 2020, the RoDTEP is the new export incentive scheme that offers refund on all hidden and other taxes that were not refunded any other export incentive scheme. This can be central and state taxes on transportation fuel used on export products, duties on electricity used for product manufacturing, toll tax, stamp duties on import-export legal paperwork, etc[3].

3. EPCG (Export Promotion Capital Goods Scheme)

Under this scheme, capital goods (goods that are used to manufacture other products like leather used to make leather bags, etc) used in the pre-production, production, and in post-production of final export products can be imported at 0% customs duty, also called Zero duty EPCG. This scheme also helps reduce the service exporter's capital costs[4].

4. RoSCTL (Rebate on State & Central Taxes and Levies scheme)

The The new export incentive scheme — RoSCTL, introduced in 2019, is applicable on all readymade apparel and textiles like bedsheets, clothing, garments, carpets, rugs, etc. This scheme grants refund on taxes such as VAT on transportation fuel, captive power, 'mandi' tax and electricity duty[5].

5. AAS (Advance Authorization Scheme)

Advance Authorization Scheme (AAS) allows duty-free imports of raw materials, which are required to produce and manufacture final export products. The provision covers fuel, packaging material, and some wastage during the production of the final product. It allows exporters to import raw materials at 0% import duty if those raw materials will be used to manufacture export products[6].

6. NIRVIK Scheme

Providing high insurance cover, reduced premium for small exporters and a simplified claim settlement process, the NIRVIK scheme was introduced by the ECGC (Export Credit Guarantee Corporation of India). It is primarily an insurance cover guarantee scheme that provides a cover of up to 90% of the principal and interest, as against the current credit guarantee of only up to 60% loss[7].

7. EOU Scheme (Export Oriented Units)

The EOU scheme was introduced in 1980 with the aim to encourage exports by creating additional production capacity, earn foreign exchange to the country and to generatinge additional employment. 2 It provides a few waivers and concessions in compliance and taxes to the exporters. The companies that are set to export their 100% production of goods are allowed to set up an Export Oriented Unit (EOU)·

8. GST refund for exporters

GST (Goods & Services Tax) Act offers a few schemes to exporters in India: LUT Bond Scheme – Exporters can export goods without paying any GST by obtaining a 'Letter of Undertaking' (LUT) bond.IGST Refund – Exporters can pay Integrated GST on exports, and later claim the refund of that amount from the customs department.1% GST benefit for merchant exporters – Merchant exporters can get export goods from local suppliers at a 0.1% concessional GST rate·

9. Duty Free Import Authorisation (DFIA Scheme)

The purpose of the Duty Free Import Authorization (DFIA) scheme is to allow the duty-free imports of raw materials. This export incentive scheme enables duty-free imports of fuel, oil, inputs, energy resources, and the catalyst consumed/ utilized in the process of production of export products. Imports under this scheme shall be exempted only from the payment of Basic Customs Duty (BCD)[10].

10. Duty Drawback Scheme (DBK Scheme)

This scheme is a special rebate under Section 75 of the Indian Customs Act on exported products or materials. It allows exporters to get concessions or compensation on applicable products used in the processing of goods that are manufactured in India and then exported to foreign countries[18.]

11. Duty Entitlement Passbook (DEPB) Scheme

The DEPB scheme consists of two parts — post-export DEPB and pre-export DEPB (eliminated with effect from April 1, 2000). Exporters can avail this scheme after the export at predetermined credit on the FOB (Free On Board) value of products. The DEPB rates depend on the FOB value or value cap, whichever is lower. The key benefit of this scheme is that it can be availed on all import goods except restricted products such as gold, gold pens, gold watches, nibs, etc[12].

12. Interest Equalisation Scheme (IES)

This export incentive scheme provides pre- and post-shipment export credit to exporters. It is implemented as well as governed by the Reserve Bank of India (RBI) and respective banks. The scheme provides 5% of interest to all manufacturers in the MSME sector and 3 % financial support to all exporters in 416 tariff lines[13].

13. Market Access Initiative (MAI) Scheme

The MAI scheme provides financial assistance in export promotion activities to export promotion organizations, trade promotion organizations, national-level institutions, research institutions, exporters, laboratories, etc.

14. Transport and Marketing Assistance Scheme (TMA Scheme)

The TMA scheme provides financial support to transport and marketing of agricultural products. It is extended to all exporters of eligible agricultural products who are registered with the concerned Export Promotion Council as per the Foreign Trade Policy. The scheme remained in operation for exports up to 38.03.2028.

9.6. Export by Post:

The goods that are not prohibited or restricted for export as per FTP can be exported by post through specified Foreign Post Offices or Sub-Foreign Post Offices, or Export Extention Counters. The goods under the Drawback claim can also be shipped through posts but not under export promotion schemes like **DEPB**, Advance License, DFRC, EPCG, etc. Commercial samples, goods prototypes, and gifts can also be exported via post. In this article, we look at the procedure and regulations for the export of goods through the post.

9.6.1 Legal Provisions and Exemptions for Postal Exports

- The rate of duty and tariff value that applies to any goods exported by post shall be at the speed and valuation in force on the date the exporter delivers the goods to the Postal Authorities for exportation.
- Bona fide commercial samples and prototypes of goods that are supplied free of charge of a value not more than Rs. 50,000, if subjected to any prohibition or restriction for export under FTP and that does not involve the transfer of foreign exchange, can be exported through posts.
- Bona fide gifts of articles for the personal use of a value that are not more than Rs. 25,000 and are not subject to any prohibition or restriction on their export under FTP and that do not involve the transfer of foreign exchange can be exported through posts.
- Exports are made by post of Indian and Foreign currency, bank drafts, cheques, National Saving Certificates, and other negotiable instruments that are not allowed unless the goods carry a valid permit issued by an authorized dealer in foreign exchange in India.

- The Government of Nepal bans Indian currency notes of Rs. 500 and Rs. 1,000 denominations. Hence, the Indian currency notes of Rs. 500 and Rs. 1,000 denominations are not permitted for exportation to Nepal.
- Restrictions/ prohibitions under the FTP and the **Customs Act 1962** is applicable for exporting various articles by post. These articles include arms and ammunition, explosives, flammable material, intoxicants, obscene literature, certain crude and dangerous drugs, antiquities, narcotic drugs, etc.
- Export of purchases that foreign tourists make is allowed through posts if there is proof that the payment has been made in foreign exchange.

9.6.1 Procedure for Postal Exports

- Articles that are exported by posts have to be covered by a declaration in the prescribed form.
- If exports made by posts are more than Rs. 50, and if the payment has to be received, then the articles have to be mentioned on the exchange control form, which is the P.P. Form.
- Suppose the postal article is covered by a certificate issued by the RBI or by an authorized dealer in foreign exchange that the export does not evolve any transaction in foreign exchange up to Rs. 500. In that case, the declaration in a P.P. Form is not required.
- The letters and parcels produced by the postal authorities to Customs Officer in the Foreign Post Office. After the preliminary survey of the letters and declarations, the concerned officer ensures that prohibited goods, like narcotic drugs, foreign exchange, currency, etc., are not sent through the parcel. The suspected parcels would be detained, and other letters and properties would be handed over to the postal authorities for shipping to their destination.
- Customs Officer will open the detained parcels in the presence of the postal authorities. Suppose the same does not contain prohibited or restricted goods, and there is no misdeclaration of value or Drawback. In that case, the parcels are repacked and handed to the postal authorities for export.
- Suppose the detained parcels hold restricted or prohibited goods or mis-declared goods to avail inadmissible export benefits. In that case, the case will be investigated, and adjudication proceedings will be initiated.

Procedure to Claim Drawback on Export Through Post

The procedure to claim Drawback through posts is mentioned in Rule 11 of Customs and Central Excise Duties Drawback Rule, 1995. The outer packing of the consignment will be labeled ‘Drawback Export,’ and the exporter delivers to the postal authorities a claim in Annexure I to the given rules in quadruplicate. The date of receipt of the said claim to the concerned officer of CUstoms is relevant to the date for filing of claiming purpose as per Section 75A of the Customs Act, 1962.

If the claim is incomplete, a deficiency memo will be issued within 15 days, and if the exporter complies with the deficiencies within 30 days, an acknowledgment will be given. The date of issue of exposure would be considered as the date of filing the claim for Section 75A of the Customs Act, 1962. The Foreign Post Office sanctions the Drawback for exports through posts.

9.6.2 Drawbacks of Goods Re-Exported Through Post

The goods imported on payment of duty can be re-exported through posts, and the applicable Drawback rates under Section 74 of the Customs Act, 1962 are claimed. The Drawback of

the duty has to be paid when the import is permitted abiding by the conditions of Section 74 of the Customs Act, 1962, and Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995. The concerned Customs Officer at the Foreign Post Office shall be satisfied with the identity of the goods re-exported, and if it cannot be established, no drawback is payable. The procedure for claiming Drawbacks on goods re-exported through posts is given below.

- Rule 3 of Re-export of Imported Goods Rules 1995 (Drawback of Customs Duties) needs an outer packing of the parcel to carry the words 'Drawback Export,' and the exporter gives a claim according to Annexure I of the Rules in quadruplicate to the Postal authorities. The date of receipt of the given Annexure I by Customs from Postal charges would be the date of receipt of the claim for Section 74 of the Customs Act, 1962, and the exporter would be informed.
- A deficiency memo will be issued in 15 days if the claim is incomplete. If the exporter files the claim again after agreeing with the deficiencies within 30 days, the receipt will be acknowledged. This date would be the date of filing the claim for purposes of Section 74 of the Customs Act, 1962.
- The Drawback under Section 74 of the Customs Act, 1962 would be paid by the Customs Officer in Foreign Post Office.

Re-export of Partial Consignment

1. If the addressee takes the delivery of parcels on payment of duty and then wishes to return them to the sender, they can do it under the claim for Drawback after following the prescribed procedure.
2. They are allowing an addressee to open a parcel and to take the delivery of part contents on payment of duty and repack the balance of the contents for re-export without the payment of duty thereon that is not authorized and irregular.

9.6.3 Exports by Post (Amendment) Regulations, 2022

The Central Board of Indirect Taxes and Customs (CBIC), on December 09, 2022, issued a notification to further amend the Exports by Post Regulations, 2018. This shall come into force on December 09, 2022.

The following has been amended :

- In regulation 3, which states "Definitions" in sub-regulation (1), for the words "international credit and debit cards and as specified," the words "various electronic means and by the guidelines issued" shall be substituted.
- Various forms shall be substituted with the forms attached to the document.

The official notification about Exports by Post (Amendment) Regulations, 2022 is attached here for reference:

Exports to neighbouring countries by road, rail or river

The following procedure should be adopted by exporters for filing original copies of EDF where exports are made to neighbouring countries by road, rail or river transport:

(i) In case of exports by barges/country craft/road transport, the form should be presented by exporter or his agent at the Customs station at the border through which the vessel or vehicle has to pass before crossing over to the foreign territory. For this purpose, exporter may arrange either to give the form to the person in charge of the vessel or vehicle or forward it to his agent at the border for submission to Customs.

(ii) As regards exports by rail, Customs staff has been posted at certain designated railway stations for attending to Customs formalities. They will collect the EDF for goods loaded at these stations so that the goods may move straight on to the foreign country without further formalities at the border. The list of designated railway stations can be obtained from the Railways. For goods loaded at stations other than the designated stations, exporters must

arrange to present EDF to the Customs Officer at the Border Land Customs Station where Customs formalities are completed.

1. Register with HMRC for both a GB and XI EORI number (Required for shipments to/from Northern Ireland)
2. Determine the Commodity Code(s) for your goods
3. Check product descriptions are accurate and compliant
4. Determine the Reasons for Export
5. Determine the Country of Origin for your goods
6. Agree the Terms of Trade / Incoterms with your customers
7. Ensure customer contact details are accurate
8. Provide licences and certificates (where appropriate) and make sure your wood packaging meets requirements
10. Know who is carrying out customs formalities
18. A record of all exports must be kept for HMRC
12. Decide how you will produce a commercial invoice
13. Consider your new workflow

9.7. Export by Air:

In international trade, 90% of cargo by volume is transported by sea and only 0.5% by air. But this minuscule volume of air cargo translates to 35% of world trade by value or $6 trillion, according to the International Air Transport Association (IATA). Given that air carriers pride themselves on swift delivery and short transit time, the general rule in shipping is to move urgent, time-sensitive cargo by air.

9.7.1 Shipping by Air

Shipping by air is more complicated than it sounds. First off, you can send your shipment in two ways – as air cargo or as air courier. For air cargo, you can choose from a range of services:

- **Express:** This is the fastest and most expensive way to ship air cargo. Carriers guarantee expedited service, such as overnight delivery, for a premium price. India's express air cargo segment makes up just 2% of the global market but it is one of the fastest growing, according to the National Air Cargo Policy released in 2019.
- **Standard:** This is the most common service. The shipment might make a stop at one or two airports, where it might be transferred to another aircraft or where another shipment might be loaded or off-loaded.
- **Deferred:** This service allows shippers to defer shipments that are not high priority till space becomes available on an aircraft. It provides the best cost savings because of a longer transit time and, probably, multiple stops.
- **Charter:** If you need to move a substantial quantity of cargo urgently, you can charter a plane. This is a quick but expensive way to ship by air.

Then, there is the option of using the services of an air courier:

- **Air Courier:** Think DHL, UPS, FedEx – couriers that pick up your package from your doorstep, ship it by air and deliver it at its final destination. If your shipment is relatively small – less than one cubic meter and 45 kg – it might be best shipped by courier. Air courier is more expensive than air cargo. Because of its swift delivery, air courier service is also called express air service.

9.7. 2 Different types of exports by Air:

1. All-cargo carriers: Exclusive cargo planes or freighters, they come with embedded floor rollers to help slide cargo into place and hook locks to secure the cargo. Some have winches to lift or lower cargo. Freighters come in different sizes:

- **Wide-body freighter:** It has a main deck and lower deck, both of which can accommodate containerised and palletised cargo. It requires a long runway. The bulk of air cargo is transported in widebodies, which in 2015 accounted for 1,100 of 1,700 cargo aircraft in service, according to this report. Examples: Boeing 747-8F, Airbus A330-200F, Antonov An-225 Mriya (the world's largest cargo plane, which can carry 80 vehicles, military tanks and even a train at a time).

The Ukrainian-made Antonov An-225 Mriya is the world's largest cargo plane. Image credit: Kārlis Dambrāns / Wikimedia Commons CC BY 2.0

- **Narrow-body freighter:** It can carry containerised and palletised cargo only on its main (upper) deck. It also requires a long runway. Examples: Boeing 737-800.
- **Feeder aircraft:** These are smaller turboprop or piston aircraft that take off and land on short runways. They are primarily used to ferry cargo to and from cargo hubs.

2. Passenger planes: Most carry cargo in their belly holds. Unlike freighters, they have weight and space limitations but are popular because of their high flight frequency. It's no wonder passenger planes account for 45%-50% of all air cargo.

3. Combination carriers: These are for both passengers and cargo. Emirates and Lufthansa are examples of popular combination carriers.

Advantages of shipping by air

- **Speed:** If you need to **move cargo fast**, ship by air. A rough estimate of transit time is 1-3 days by express air service or air courier, 5-10 days by any other air service, and 20-45 days by container ship. Customs clearance and cargo examination at airports also take a shorter time than at sea ports.
- **Reliability:** Airlines operate on strict schedules, which means **cargo arrival and departure times** are highly reliable.
- **Security:** Airlines and airports exercise **strict control over cargo**, significantly lowering the **risk of theft and damage**.
- **Coverage:** Airlines provide **wide coverage** with flights to and from most destinations in the world. Additionally, air cargo might be the only available option for **shipments to and from landlocked countries**.

Disadvantages of shipping by air

- **Cost:** Shipping by air costs more than transporting by sea or road. According to a World Bank study, air freight costs 12-16 times more than ocean freight. Also, air freight is charged on the basis of cargo volume and weight. It is not cost-effective for heavy shipments.
- **Environment:** Air cargo has a significantly larger carbon footprint than ocean cargo. A UK government study says a container ship carrying 2 tonnes of cargo across 5,000 km creates 150 kg of CO2e (a measure of relative global warming potential) while the same cargo if shipped by air for the same distance creates 6,605 kg of CO2e. Emissions caused by take-off, landing and during flight add to air pollution and global warming. Air cargo also contributes to noise pollution and congestion in and around airports.

9.8 Exporting goods by sea:

In order to work in the import/export industry, you must have an extensive knowledge of how the processes work. Exporting goods by sea involves many steps and can be a daunting process if you don't know where to start.

9.8.1 Steps involved in export by Sea:

Step 1

Negotiate a contract. This step is arguably the most important stage of exporting goods by sea. This stage can determine your company profits and can also set the legal boundaries for the agreement. The contract will also lay out the ground rules. It will also determine who pays for what, as every stage has a cost associated and different people pay for different things. Negotiating a contract can also help to prevent delays in your shipment.

Step 2

You will need to check if you require an export license if your goods fall into the relevant category. It’s vital that you are aware of what your responsibilities are and it’s also vital that you understand who the relevant authorities are that will be involved in the exporting process. Some of the categories of goods that may require you to seek an export license include military items, dual-use items, associated technology and software, radioactive sources. Goods that may need an export license also include goods that are designed for civilian use, but can be used by the military, such as computers. You should always double check if you need an export license if you’re unsure if you need an export license.

Step 3

Book the freight. Once the required documentation is in order, the export shipment must be booked by the supplier. It is crucial that this shipment be booked in due time, in order to avoid disappointment. This is especially important in the current climate as there are delays in the freight industry all over the globe. Wait times are currently around 2 weeks, and all shipments should be booked bearing this in mind.

Step 4

Prepare the goods for export. It is essential that the goods are prepared properly and are properly declared. This is an incredibly important step in exporting goods, especially if any goods are considered dangerous. This can be any goods that are considered to be harmful to wildlife or human life. You will also need to make sure that the goods you are exporting matches the quantity promised and that all promises are going to be fulfilled. You can pack goods at the warehouse or at the port. There are different levels of paperwork needed for packing processes, so you will need to check which paperwork you will need.

Step 5

Buy shipment insurance. You will need to contact the insurance company in order to purchase insurance for your shipment. The insurance that you purchase will depend entirely on what the contents of your goods is and what the value is. For ordinary goods, the insurance purchase price will be 2% of the total value of the goods. However, no insurance is required when the shipment is exported under FOB or CNF conditions

Step 6

Follow customs procedures. Following customs procedures is a very important part of the exports process. Customs are a legal and very necessary step to ensure that all documentation is checked by government agencies. Typically, the supplier will be asked to complete an Export Declaration. If the export is then cleared, the goods will be placed in international transit. This is where a bill of lading may be issued.

Step 7

After all clearance for the shipment is complete, bill details must be provided for shipping lines for the bill of lading. This step must be actioned before the actual export. Delivery to the ship will be ended when the bill of lading has been received, whether that’s the original bill or surrendered bill.

Step 8
This is the step where payment for the goods will be issued. The import/export procedures must complete the set of payment documents. This will include the commercial invoice, packing list, sea waybill, certificate of origin, and certificate of fumigation.

9.9 Summary:
The inspection of export consignments ensures that goods meet the quality and regulatory standards required by the destination country. Before shipment, authorized inspectors or agencies examine the products and issue certifications that confirm their compliance. This process is critical to avoid complications at the destination and to ensure customer satisfaction.
Exports can be facilitated through different modes of transportation: road, air, or sea. Road transport is preferred for its flexibility and cost-efficiency for short distances, especially to neighbouring countries. Air transport, although more expensive, is ideal for urgent, high-value, or perishable items, offering speed and efficiency. Sea transport is favoured for its cost-effectiveness in shipping large and bulk shipments over long distances, despite being slower compared to other options.Export benefits such as tax rebates, subsidies, and access to special economic zones are provided to encourage exporting activities.

9.9.1 Key Words:
Inspection of Export Consignments - Ensuring that export goods meet the specified quality and regulatory requirements through official assessment.
Export Benefits - Incentives provided by governments, such as tax rebates or subsidies, to encourage and support exporters.
Duty Drawbacks - Refunds of duties paid on materials that are imported and then exported as part of finished products, to promote manufacturing and exporting activities.
Compliance Certificates - Documents issued by authorized bodies confirming that exported goods meet all required standards and regulations of the destination country.

9.9.2 Self-Assessment Questions:
1. What are the key documents required when applying for an inspection by the Export Inspection Agency (EIA)?
2. Describe the role of the inspector during the inspection of an export consignment.
3. Differentiate between consignment-wise inspection, in-process quality control, and self-certification.
4. List and describe the steps involved in a pre-shipment inspection.
5. What is a duty drawback, and how does it benefit exporters?
6. Discuss different types of duty drawbacks and export incentives available to Indian exporters.
7. What legal provisions must be considered when exporting goods by post in India?
8. What are the main types of air cargo services, and how do they differ from each other?
9. What are some of the challenges and considerations when booking freight for sea transport?
10. How do export incentives impact the competitiveness of products in the global market?

What are the environmental impacts of different modes of transport used for exporting goods**.**

9.9.3 Reference:
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LESSON 10
ACTS FOR EXPORTS/IMPORTS

Learning Objectives:
1. To make the students to know the basic concepts of Export and Imports
2. To make the students to understand Different Acts related to Exports/Imports
3. To make the students to understand customs formalities and export documentation
4. To make the students to understand customs formalities and import documentation

Course Outcomes:

Structure of the lesson

10.1 Acts for Exports/Imports
10.2 Foreign Trade (Development and Regulation) Act, 1992
10.3 Customs Act 1962
10.4 Statutory Provisions of Customs Act 1962
10.5 General Provisions Regarding Export/Import
10.6 Customs Formalities or Clearance
10.7 Documents Required for Import Customs Clearance Process
10.8 Customs Clearance Charges
10.9 Custom Clearance of Exported Goods
10.10 Export Customs Clearance Procedure
10.11 Export Custom Clearance duties/cost in India
10.12 Export Documentation
10.13 Export Procedure and Documentation
10.14 Documents Required for Exporting
10.15 Formalities of Registration and Export Documentation
10.16 Foreign Exchange Formalities
10.17 Export of Services
10.18 Categories of Exported Services
10.19 Key Challenges in export of services
10.20 Export of Excisable Goods
10.21 Procedures for Exporting Excisable Goods
10.22. Export Documentation
10.23 Summary
10.24 Key Words
10.25 Self-Assessment Questions
10.26 Suggested Readings

10.1 Acts for Exports/Imports: India has a comprehensive legal framework governing exports and imports to ensure smooth international trade. Here are some key acts and regulations:

Acts for export/import –commencement:Acts related to export and import govern the regulations, procedures, and policies surrounding the movement of goods across international borders. These acts typically aim to facilitate trade while ensuring compliance with legal and regulatory standards. Here are some common acts related to export and import:

1. Customs Act: This act outlines the legal framework for customs procedures, including the assessment and collection of duties and taxes, import and export controls, and the prevention of smuggling and fraud

2. Export Control Act: This act regulates the export of specific goods and technologies, often including military equipment, dual-use items with both civilian and military applications, and goods subject to sanctions or embargoes.
3. Import and Export Regulations: These regulations are often issued under the authority of the customs or trade ministry and provide detailed guidance on the importation and exportation of specific goods, including documentation requirements, licensing procedures, and trade restrictions.
4. Trade Facilitation and Trade Agreements: Tariff Act :This act establishes the tariff schedule, which outlines the rates of duty applicable to imported goods. It may also include provisions for trade remedies such as anti-dumping duties and countervailing duties.
5. Export Administration Act (EAA): In some countries, this act provides the legal basis for regulating exports of commercial and dual-use items, including goods, technology, and software
6. Foreign Trade Policy: Many countries formulate a Foreign Trade Policy that outlines the government's strategy for promoting exports, attracting foreign investment, and regulating imports. This policy often includes incentives for exporters, export promotion schemes, and measures to address trade imbalances.

These acts and regulations play a crucial role in shaping the regulatory environment for international trade, ensuring compliance with legal requirements, and promoting economic development through trade

10.2 1) Foreign Trade (Development and Regulation) Act, 1992: This is the primary legislation that governs foreign trade in India. It empowers the government to make provisions for the development and regulation of foreign trade by facilitating imports and augmenting exports. (2) Sections 11 to 14 shall come into force at once and the remaining provisions of this Act shall be deemed to have come into force on the 19th day of June, 1992. It also gives the government the authority to prohibit, restrict, and regulate the import and export of goods.

The basic idea of this exercise would be to acquaint ourselves with all aspects of foreign trade so that we are able to know how the foreign trade is regulated in the country and how one can maximize the benefits being given by the Government to the exporters/ importers under its various schemes executed by different departments. Main Government departments which deal with the foreign trade in India are the Ministry of Commerce and Industry, Office of Directorate General of Foreign Trade, Ministry of Finance, Draw Back Directorate, Export Inspection Council etc. and all these departments have very well developed websites from where information about the functions which these departments perform and various schemes run by these departments can be easily obtained. It is recommended that once we are sensitized about the basis of foreign trade, it is advised that they must visit various websites of these Government Departments dealing with Foreign Trade so as to continuously update our knowledge about various policies being executed by these departments.

Salient Features of this Act:

- This Act replaced the earlier Act which used to be called as Import and Export (Control) Act 1947.
- The basic objective of FTDR 1992 is to provide a frame work for development and regulation of foreign trade by facilitating imports into the country, as well as, taking measures to increase exports from India and any other related matters.
- The Act empowers the Central Government to make any provision in order to fulfill these objectives.

- ❖ In terms of these powers contained in FTDR Act 1992, the government makes provisions to fulfill the objectives by way of formulation of the Export and Import Policy.
- ❖ Earlier this policy used to be called as Export and Import Policy i.e. Exim Policy, however, of late the Policy is being termed as Foreign Trade Policy (FTP) of the country as it covers areas beyond export and import in the country. This Policy, in terms of the Act is formulated by the office of the Directorate General of Foreign Trade (DGFT), an attached office of the Ministry of Commerce & Industry, Government of India.
- ❖ The Act lays down that no person can enter into import or export business in India unless he is issued an Importer Exporter Code No. (IEC No.) by the office of the DGFT.
- ❖ In case any exporter or importer in the country violates any provision of the Foreign Trade Policy or for that matter any other law inforce, like Central Excise or Customs or Foreign Exchange, his IEC number can be cancelled by the office of DGFT and thereupon that exporter or importer would not be able to transact any business in export or import.
- ❖ The Act also provides for issuance of a permission called licence or authorization for import or export, wherever it is required in terms of the policy. Similarly, powers to suspend and cancel the licence for import or export are also provided for in the Act.
- ❖ The powers related to search and seizure etc. of the premises, where any violation of Export Import Policy has taken place or is expected to take place are also provided for in the Act.
- ❖ What constitutes a violation of the provision of this Act is also contained in the Act itself. Violations would cover situations when import or export has been made by unauthorized persons who are not legally allowed to carry out import or export or when any person carries out or admits to carry out any import or export in contravention of the basic Export Import Policy.
- ❖ The penalties which can be imposed by the authorities, competent to do so, in case of any contravention or violation of the Foreign Trade Policy are also described in the Act.
- ❖ As is the norm in any Act of the Government, in order to fulfill the basic dictum of natural justice, detailed provisions for appeal and revision of orders are also provided for in the Act. In terms of these provisions, any person who is aggrieved by any decision taken by an authority under the Act can make an appeal to the superior Authority for appeal and revision of the orders issued by the subordinate Authority.
- ❖ In terms of the Act an order has also been issued which lists down the categories which are exempted from the application of provisions of the Foreign Trade Policy. This order is called Foreign Trade (Exemption from Application of Rules in Certain Cases) Order, 1993. This order separately lists the institutions and entities for export, as well as, imports on which the rules framed under FTDR Act, 1992 are not applicable.
- ❖ To operationalize the provisions of any Act, Rules are required. For the FTDR Act, the rules framed and issued by the Government are called Foreign Trade (Regulation) Rules, 1993 which lay down the various operational provisions such as fee requirements for issuance of licenses, conditions of licenses, refusal, suspension and cancellation of licenses etc.

1) **Foreign Trade Policy:** Legal basis to the FTP is provided in Section 5 of the FTDR Act, 1992 which empowers the Central Government to formulate and notify the Export Import Policy of the country. Foreign Trade Policy gives powers to the office of the DGFT to

specify the procedures which need to be followed by an exporter or an importer for transacting import-export business.

Basic Objectives of the FTP:

The present policy which is inforce in the country is called 2004-2009 Foreign Trade Policy. It is a five-year policy covering the period from 2004 to 2009. The Policy has been last updated as on 19th April 2007. The Preamble of the FTP 2004-2009 contains its basic objectives namely that trade is not an end in itself but it is a means to achieve economic growth and national development. Therefore, the primary objective of trade is not earning more foreign exchange but to generate greater economic activity for an all-around development of the country. Based on this belief, FTP has laid down two major objectives i.e.:

(i) To double India's percentage share of global merchandise trade within the next five years.

(ii) To act as an effective instrument of economic growth by giving a thrust to employment generation. Some of the areas under specific thrust of the present FTP are agriculture, handicrafts, gems and jewellery, handloom, leather and marine sector.

Strategy to Achieve Objectives of FTP: After the basic objectives of FTP have been specified, there would definitely be a need to develop a strategy as to how to achieve these objectives. Some of the means prescribed in this regard can be mentioned as follows:

(i) Various control measures in trade need to be unshackled with the purpose of creating an environment of trust and transparency so that our manufacturers, industrialists and traders are encouraged to work with renewed vigor in export and import business for an overall development of the economy of the country.

(ii) Various procedures related to imports and exports need to be simplified further so as to bring down the transaction cost for the exporters. Simplification of procedures would definitely make respective export products more competitive.

(iii) All levies and duties imposed on the inputs which are used in the export products must be neutralized because the fundamental principle in export is that duties and levies should not be exported.

(iv) To take measures so that India can be developed as a global hub for manufacturing, trading and services.

(v) Strategy also involves providing special emphasis on focus areas, upgrading our infrastructural network and activating Board of Trade in the country and also our embassies so that all these important players can act in tandem to increase exports of the country.

1.3 2) Customs Act 1962:

This act regulates the import and export of goods into and out of India. It lays down the procedures for import, export, penalties for illegal trade and the imposition of duties. It also establishes the framework for the valuation of goods, determination of duty and provides guidelines for the clearance of goods Customs Act, 1962 just like any other tax law is primarily for the levy and collection of duties but at the same time it has the other and equally important purposes such as:

(i) regulation of imports and exports;

(ii) protection of domestic industry;

(iii) prevention of smuggling;

(iv) conservation and augmentation of foreign exchange and so on. Section 12 of the Custom Act provides that duties of customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 or other applicable Acts on goods imported into or exported from India.

10.4 STATUTORY PROVISIONS OF CUSTOMS ACT 1962

Customs Act, 1962 came into force from 1-2-1963. It extends to whole of India. The whole Act is divided into XVII chapters comprising of 161 sections.

Chapter No. and Title	Section	Contents
I. Preliminary	Section 1 to 2	Short title, extent and commencement and Definitions
II. Officers of Customs	Section 3 to 6	Appointment and powers of officers of customs
III. Appointment of Customs Ports, Airports, Warehousing station etc.	Section 7 to 10	Appointments of Customs Ports, Airports, Warehousing Stations etc.
IV. Prohibitions on importation and exportation of goods	Section 11	Powers to prohibit import and export of goods
IVA. Detection of illegally imported goods and prevention	Sections 11A to 11G	Provisions for illegal importation of notified goods and prevention of the disposal thereof
IVB. Prevention or Detection of Illegal Export of Goods	Sections 11H to 11M	Provisions for illegal export of specified goods
IVC. Power to exempt from the provisions of Chapters IVA and IVB	Section 11N	Power to exempt
V. Levy of, and Exemption from, Customs Duties	Sections 12 to 28BA	Chargeable section, valuation of goods, Recovery and refund of duty
VA. Indicating amount of duty in the price of goods, etc., for purpose of refund	Section 28C to 28D	Price of goods and incidence of duty passed on to the buyer
VB. Advance Rulings	Section 28E to 28M	Provisions for advance ruling such as authority, application, procedure and powers of authority
VI. Provisions relating to conveyances carrying imported or exported goods	Sections 29 to 43	Arrival or departure of goods, delivery of export manifest or export report
VII. Clearance of imported goods and export goods	Sections 44 to 51	Clearance of import and export goods other than by way of baggage and postal articles
VIII. Goods in Transit	Sections 52 to 56	Transit and transhipment of goods
IX. Warehousing	Section 57 to 73	Provision relating to public and private warehouse
X. Drawback	Sections 74 to 76	Duty drawback on re-export of duty paid goods or material used in the manufacture of goods
XA. Special Provisions relating to Special Economic Zone	Sections 76A to 76N	Omitted in view of the introduction of a special Act, namely, Special Economic Zones Act, 2005
XI. Special provisions regarding baggage, goods imported or exported by post,	Section 77 to 90	Special provisions regarding baggage, goods imported or exported by post, and stores

and stores		
XII. Provisions relating to coastal goods and vessels carrying coastal goods	Section 91 to 99	Provisions relating to coastal goods and vessels carrying coastal goods other than baggage and stores
XIII. Searches, seizure and arrest	Section 100 to 110A	Power to search, inspect, examine persons and seizure of goods, documents and things
XIV. Confiscation of goods and conveyances and imposition of penalties	Section 111 to 127	Adjudication proceedings and confiscation of goods.
XIVA. Settlement of cases	Sections 127A to 127N	Provisions relating to Settlement Commission
XV. Appeals and Revision	Sections 128 to 131C	Procedure and time limits for appeals and revisions
XVI. Offences and Prosecutions	Section 132 to 140A	Offences and cognizance of offences
XVII. Miscellaneous	Section 141 to 161	Conveyances, duty deferment, licencing of Customs house agent, appearance by authorised representative, delegation of power etc

2) **Export Import (EXIM) Policy**: The EXIM Policy, also known as the Foreign Trade Policy, is a set of guidelines and instructions formulated by the government. It is revised periodically (usually every five years). The policy outlines various schemes for promoting exports, including duty exemption and remission schemes, export promotion schemes, and provisions for special economic zones (SEZs).
3) **Goods and Services Tax (GST) Act, 2017:** The GST regime has significantly impacted the import-export sector by replacing multiple indirect taxes with a single tax. For exports, GST is zero-rated, meaning exporters can claim a refund of the input taxes paid. Imports, however, attract GST and customs duty.
4) **Customs Tariff Act, 1975:** This act provides the framework for the imposition of customs duties on goods imported into or exported from India. It specifies the rates of duties applicable and the classification of goods.
5) **Special Economic Zones Act, 2005:** This act aims to promote export-oriented production and provide an internationally competitive environment. It offers various incentives and facilities to units operating in SEZs, including tax exemptions and simplified procedures.
6) **Foreign Exchange Management Act (FEMA) 1999:** EMA regulates the external trade payments and foreign exchange market in India. It facilitates external trade and payments and promotes orderly development and maintenance of the foreign exchange market.

10.5 GENERAL PROVISIONS REGARDING EXPORT/IMPORT

After having explained legal mandate of the policy, its objectives and overall strategy to achieve these objectives, let us understand broadly the general provisions contained in the Foreign Trade Policy (FTP) which every exporter or importer or prospective importer and exporter of the country need to be aware of. These are:

(v) In general, all export and import is free without any control of Government except for the areas where there is a specific restriction mentioned in the FTP. The FTP released by office of DGFT normally is contained in three important publications: (a) Foreign Trade Policy. (b) Handbook of Procedures. (c) ITC (HS) classification. Foreign Trade Policy is the basic documents, which contains the policy, whereas Handbook of Procedures contain the detailed procedures and appendices, etc., which are required in order to

implement the policy. Item wise Import or Export Policy is given in ITC (HS) Classification of Export and Import Items, a voluminous book which is compiled and issued by the office of DGFT in terms of Section 5 of FTDR Act, 1992. All items which are traded in the international arena are given an 8-digit level Classification and its import policy, i.e. whether it is free or restricted or prohibited is given along side each such item in the ITC (HS) book. Items which do not require any license or permission from any authority under the FTP are described as 'free' whereas for the items whose import is permitted only against a license or a permission, the policy is described as 'restricted'. In case the item is not allowed for import at all, the policy is described as 'prohibited' for that item. Then there are certain items for which import or export can be made only through State Trading Enterprises. In such cases, the policy in the ITC (HS) classification book would be described as 'State Trading Enterprises' (STE). Similarly, for items of exports also, the policy is described as prohibited, restricted, STE, free and conditional. Any prospective exporter or importer in the country, before he plans for export or import of a particular item, must refer to the ITC (HS) Classification book so as to know the exact policy for its import or export. In case the policy indicated is free, he is required to simply place the order and import the goods without any license or permission from the office of DGFT. In case the item is restricted, the prospective importer or exporter is required to take permission/license for its import or export.

(vi) Generally exports/imports are allowed to/from any country. However, there are certain exceptions contained in FTP, e.g., import/export of arms and related materials from/to Iraq are not allowed at all i.e. these items have been placed under prohibited category. Similarly certain items are not allowed to be traded with Democratic Peoples Republic of Korea (DPRK) and Iran. As far as these prohibited goods are concerned, their trade can be allowed only with the specific approval of the Central Government.

10.6 CUSTOMS FORMALITIES OR CLEARANCE

Customs clearance is an arduous process in India and could be time-consuming. Most of the customs clearance services documents are alike, though some depend on the nature of imported goods. A customs clearance services procedure includes obtaining, preparing, and submitting the documentation required to facilitate export procedures and imports into the country, informing the client about the customs examination, evaluation, and payment of duty, and bringing the cargo into the country after it has been cleared with documentation.

The objectives of customs control are:

(i) To ensure nothing goes out of the country against the laws of the land and customs authorities duly enforce stipulated prohibitions and restrictions regarding outward cargo;

(ii) To ensure authenticity of value of outward cargo according to the customs valuation rules to check over and under invoicing;

(iii) To assess and realise export duty/cess/charge according to the customs Tariff Act and any other fiscal legislation;

(iv) To check that all the regulatory provisions of Export (Control) Order, Export (Quality Control and Inspection) Act and Foreign Exchange Regulations Act are duly complied with and

(v) To provide export data through the customs returns. While complying with the objectives, before granting permission, customs ensure that the goods exported are of the same type, sort and value as have been declared by the exporter and the duty or cess thereon is properly determined and paid by the exporter.

Customs clearance process is required in the following cases:

- Wherever the goods are loaded for exports.
- Sea and Airports

- International courier services in Airports
- Wherever the goods are unloaded for the imports
- Coastal ports
- Land and Sea customs stations
- Those places which have inland import of the goods

Import Customs Clearance Process

All investors, manufacturers, and businesses must undergo the import customs clearance process at the time of Import from India. Certain guidelines must be obeyed to import their goods. Let's take a look at major steps to follow:

- **Calling of vessels**

If the goods reach a country, the person who was there in carrying the vessels shall ensure that the calling of ships is done at the customs port. So, if the goods are being imported via vessel, the pilot is responsible for the call of the vessels at the sea port. There is no requirement for the importer to get involved in this process.

- **IGM (Filing Import General Manifest)**

The procedures to file IGM (Import General Manifest) are done by the carrier of goods or his agent and can be done electronically before the goods arrive/reach. This file contains all the details of the goods imported by the vessel.

- **Operations on post verification**

On review of the IGM(Import General Manifest) and the post verification of the documents, the customs authorities will grant the goods for entry and will assign an IGM number to the manifest and permit the master to bring the vessel to this land and unload the cargo.

As the vessel arrives, the goods will further remain in the custody of the Custodian until it clears the entire customs procedure. A custodian can be a person that has been approved by the Principal Commissioner or by the Commissioner of Customs for this whole procedure. Imported goods can be unloaded if they fulfill certain conditions.

- **Bill of Entry**

1. The importer should comply with the import customs clearance formalities as the goods arrive at the customs station. For the other goods that are offloaded, importers can clear the goods for home consumption after payment of duties.
2. Hence, every importer must file in Section 46 an entry (Bill of entry) for home consumption or warehousing.
3. If the clearance of the goods is from the EDI system, then there will be no formal Bill of Entry filed that will be generated in the computer system, but it is mandatory for the importer to file a cargo declaration having prescribed particulars that are required for the customs clearance processing.
4. The Bill of entry, wherever filed, is to be given in a certain set, as different copies are meant for the different meanings and also come in different color schemes. On the body, generally, the purpose for which it will be used is clearly mentioned in the case of a non-EDI declaration.
5. The importer who wants to clear the goods for consumption has to file a Bill of entry in 4 copies, in which the original and the duplicate are for customs, the 3rd copy for the importer, and the 4th copy is for the bank for making remittances.
6. There are documents required for the non-EDI system like the Signed invoice, Bill of Lading or Delivery Order/Airway Bill, License wherever necessary, Letter of Credit/Draft/wherever it is necessary, Insurance related document, Industrial License, if required, Test report in case of chemicals, Adhoc exemption order, DEEC Book/DEPB in original, Certificate of Origin, etc.

When you are filing the Bill of entry and giving your information, you have to keep in mind the correctness of the particulars, and it has to be also certified by the importer in the form of a declaration that can be done at the foot of the Bill of entry.
But in case of, any misdeclaration or incorrect declaration by the importer may lead to legal consequences. So all the precautions should be taken care of by the importer while signing/mentioning all the information and the declarations.
Under the Electronic Data Interchange system, the importer shall not submit documents as such for assessment but has to submit its declarations in electronic format as it contains all the necessary information.
A checklist is then developed for the verification process of the data given by the importer. After the verification procedure, the data is further submitted to the SCO(Service Center Operator) system. Then the system generates a B/E Number. This number is endorsed on the printed checklist and then returned to the importer. In this stage, no such original documents are taken/required. Original documents are only taken during the time of examination. On the final document, the importer shall also sign after the import customs clearance.

- **Assessment,**

The value appraising officer of customs then has to verify that the goods that will be imported are the same which the importer reported in submitted documents. If required, an assessing officer of customs can also give his order to inspect a hundred percent of the imported goods. In these cases, all the pieces and packets of the goods are sent to the customs bonded area, and then a thorough inspection of imported goods is arranged. After checking, a report on such a hundred percent inspection is to be delivered to the assessing officer of customs by the deputed inspection team of customs.
After the completion of the above formalities on assessment, the appraising officer of customs specifies the rate of duty on imported goods, in case it is applicable. Once the classification of imported goods is derived, the rate of import duty is reflected electronically on the basis of the software system of Customs Tariffs.

- **EDI Assessment**

In EDI Assessment of a bill of entry, the declaration of cargo is transferred to the assessing officer and will be assessed by him. Further, the EDI system provides the information regarding the calculation of duty, if required, and it will automatically apply to the relevant rate of exchange while calculating.
After the assessment is over, a copy of the assessed Bill of entry and all the other supporting documents are inspected at the time of examination of goods. The importer has to pay the duty calculated by the system.

- **Examination of goods**

All the imported goods are examined to verify the correctness of the description given in the Bill of entry. However, the part of the consignment is therefore selected and randomly looked. Also, the goods will be inspected prior to assessment in case the importer does not have complete info. At the time of Import or even if the Customs Appraiser or Assistant Commissioner requires the goods are to be examined before assessment. The appraiser examines the goods as per the examination order and then records his approval.

- **Green Channel facility**

Green channel clearance facilities have been given to some major importers. It simply means that the procedure of clearance of goods is done without the routine examination of the goods. A declaration is made in the declaration form during the time of filing of the Bill of entry. The appraisement is usually done as per normal procedure, but there would be no such physical examination of the goods. In such cases, only marks and numbers are to be checked. There are a few rare cases. When some specific doubts regarding the description or quantity

of the goods arise, the senior officers/investigation wing-like SIIB may order for the physical examination.

- **Payment of duty**

The duty can be easily paid either in the designated banks or via TR-6 challans. Different Custom Houses have authorized certain banks for payment of duty. It is important to check the name of the bank and its branch before you deposit the duty. Bank approves the payment particulars in the challan, which is then submitted to the Customs.
If there are no such discrepancies at the time of examination of goods “Out of Charge” order is given, the goods can be cleared.

10.7 Documents Required for Import Customs Clearance Process

The below-mentioned documents are necessary for the Customs Clearance:

- Bill Of Entry
- Airway Bill/ Bill of Lading (If the Import of Goods is through Ship)
- Commercial Invoice
- License related to Import
- Insurance certificate
- Purchase order/ Letter of Credit
- Technical write-up, literature for some specific goods like machinery, etc.
- Information on the Goods or test report of goods (If Required)
- Central Excise Duty document (If Any)
- Industrial License (If Any)
- Import Export and Registration cum Membership Certificate
- DEEC(Duty Exemption Entitlement Certificate)/DEPB /ECGC or any other documents for duty benefits
- DGFT/GATT Declaration

10.8 Customs Clearance Charges

In addition to the import duties, India charges a 1% customs handling fee on all the imports. This cost is charged on the entire/total value of the goods+the freight costs and Insurance.
Here is a simple example to understand the calculation of the import duty.

Serial No.	Duty Type	Rate	Calculation	Value
A	Assessable value of the goods		CIF+ 1%(customs fee)	INR 600
B	Basic customs duty	30%		INR 180
C	Social Welfare Surcharge	10%	BX10/100	INR 18
D	IGST	18%	(A+B+C)X18/100	INR 143.64
E	Total duty applicable		B+C+D	INR 341.64
	Total Amount		**A+E**	**INR 941.64**

10.9 Custom Clearance of Exported Goods

So, you need to grasp a proper amount of information for the clearance of the export goods.
We will spotlight a few things through this blog:

- The procedure of the export Custom Clearance in India
- **Documents required for the Export Custom Clearance**
- Measures that have been taken for smooth customs clearance during COVID-19
- Export Custom Clearance cost in India

Those who are seeking exports customs clearance in India has to follow certain formalities and procedure:

10.10 Export Customs Clearance Procedure

- Registration of the Exporter
- Processing of Shipping Bill for Non-EDI and EDI
- Quota Allocation label
- Arrival Inspection of Goods at Docks
- System Appraisal of Shipping Bills
- Customs Examination of Export Cargo
- Stuffing / Loading of Goods in Containers
- Drawal of Samples
- Amendments or corrections
- Export of Goods under Claim for Drawback
- Shipping Bills

10.11 Export Custom Clearance duties/cost in India

1. Under the scheme of export from India, exports of the notified goods/ items to the notified markets as per listed in "Appendix 3B" of Handbook of Procedures are thereby given free transferable duty credit scrips on the realized FOB value of exports at a specified rate.
2. Exports of notified goods of FOB value that are up to Rs 5,00,000 per consignment via courier or foreign post office using e-commerce may be entitled to the MEIS benefit. The list of items that are eligible comes under MEIS using an e-commerce platform is available in Appendix 3C.
3. Goods that are imported under free trade agreements can be cleared easily without even producing the original certificate of origin.
4. But MEIS has been withdrawn w.e.f. 1st January 2021. A new Scheme named "Remission of Duties and Taxes on Exported Products (RoDTEP)" has been introduced that shall refund the embedded duties which have been suffered in export goods.

According to the Service Exports from India Scheme (SEIS), the service providers of notified services as per Appendix 3D are thereby eligible for freely transferable duty credit scrip at the rate of 5% of net foreign exchange earned.

By following this above-mentioned information, you can maintain all your documents according to the given procedure. I hope this blog solves all your queries regarding the Export Customs Clearance in India and you are ready for the clearance of your goods.

10.12 EXPORT DOCUMENTATION

Introduction: Although the sales agreement is by far the most important single document in an export sales transaction, there are numerous other documents with which the exporter must be familiar and it is very important for the exporter to understand what documents the freight forwarder is preparing and for the exporter to review and be totally comfortable with the contents of such documents. Furthermore, the documents prepared by the freight forwarder are usually prepared based on information supplied by the exporter. If the exporter does not understand the documents or the information that is being requested and a mistake occurs, the freight forwarder will claim that the mistake was due to improper information provided by the exporter.

Exporters should seriously consider having the freight forwarder handle the formidable amount of documentation that exporting requires; freight forwarders are specialists in this process. The following documents are commonly used in exporting; which of them are

actually used in each case depends on the requirements of both our government and the government of the importing country.

The following Documents are required for any exports

- Commercial invoice
- Bill of lading
- Consular invoice
- Certificate of origin
- Inspection of certification
- Dock receipt and warehouse receipt
- Destination control statement
- Insurance certificate
- Export License
- Export packing list

Export Procedure

In general, an export procedure initiates with the willingness to send the goods and services to other foreign nations at some price, these procedures of export are stated below:

- **Step 1: Receipt Order**
  The Indian exporter will receive the order either directly from the importer or through the indent houses.
- **Step 2: Obtaining License and Quota**
  After receiving the order from the importer, the Indian exporter is required to obtain an export license from the Government of India, for this the exporter needs to apply to the Export Trade Control Authority and get a valid license for this.
- **Step 3: Letter of Credit**
  The exporter then asks the importer for the letter of credit, if the importer does not send the letter of credit along with the order.
- **Step 4: Fixing the Exchange Rate**
  The rate at which the home currency can be exchanged with the foreign currency is then fixed. The foreign exchange rate fluctuates from time to time so they need to fix the rate of exchange.
- **Step 5: Foreign Exchange Formalities**
  As per the Foreign Exchange Regulation Act of India (FERA), every exporter of the goods is required to furnish a declaration in the form prescribed in a manner in the Act.
- **Step 6: Preparation for Executing the Order**
  The exporter should make the required arrangements to execute the order:
- **Step 7: Formalities by a Forwarding Agent**
  Then the formalities are to be performed by the agent which includes obtaining a permit from the customs department, preparing the shipping bill, paying the dues after disclosing the required details of the product being exported.
- **Step 8: Bill of Lading**
  The Indian exporter of the goods presents the receipt copy to the shipping company and issues the Bill of Lading.
- **Step 9: Shipment Advice to the Importer**
  The Indian exporter sends shipment advice to the importer of the goods to inform him about the shipment of the goods.
- **Step 10: Presentation of Documents to the Bank**
  The Indian exporter needs to confirm that he possesses all the necessary shipping documents.

- **Step 11: The Realization of Export Proceeds**
  The exporter of the goods needs to comply with banking formalities after submission of the bill of exchange.

10.13 Export Procedure and Documentation

In the previous section, we have learned about the export procedure formalities here we will know about the documentation necessary -

- **Step 1: Receive an Inquiry**
  The first step in the shipping documentation process is when someone urges them to buy products.
- **Step 2: Screen the Potential Buyer and Country**
  After you receive the inquiry from the buyer, the process is to check their business potentiality to do business with them.
- **Step 3: Provide a Proforma Invoice**
  After screening the buyer, we need to provide the proforma invoice for the transaction.
- **Step 4: Finalize the Sale**
  The buyer will either reject or accept your proposal thus finalizing the sale.
- **Step 5: Prepare the Goods and the Shipping Documents**
  Commercial Invoice, Packing List, Certificate of Origin, Shipper's Letter of Instruction, Bills of Lading all need to be prepared
- **Step 6: Run a Restricted Party Screening**
  Again, the process needs to be run, before the goods ship for export.
- **Step 7: Miscellaneous Forms and Ship Your Goods**
  There may be other documents that need to be prepared before exporting the goods.

10.14 Documents Required for Exporting

When deciding which documents are necessary for an export procedure, the best place to start is with your overseas customer/importer or a freight forwarder. You may help your customer in clearing items with customs in the target market by gathering precise information. Commonly used expert documents are:

- **Pro Forma Invoice-** The document provides a description of the products, such as Price, quantity, weight, kind, and so on, and is a statement by the seller to provide the customer with the products and services at the given date and price.
- **Commercial Invoice-** The commercial invoice is a legal document that is exchanged between the seller and the buyer that clearly outlines the items being sold as well as the price the customer is to pay.
- **Packing List-** This list includes the invoice number, seller, buyer, shipper, carrier, date of shipping, mode of transport, itemized quantity, description, package type, package quantity, total net, and gross weight (in kilograms), packaging markings, and measurements.
- **Air Waybill-** An air waybill is a document that accompanies goods carried by an international air carrier. The paperwork contains complete information about the package and enables tracking.
- **Export Licenses-** A government document that allows the transfer of specified commodities in precise quantities to a specific destination for a defined end-use is known as an export license.

10.15 Formalities of Registration and Export Documentation

Export is a very wide concept with a lot of preparations which is required by an exporter before starting the export business.

1. Establishing an Organization
2. Opening a Bank Account
3. Obtaining Permanent Account Number (PAN)
4. Obtaining Importer-Exporter Code (IEC) Number
5. Registration cum membership certificate (RCMC)
6. Selection of product
7. Selection of Markets
8. Finding Buyers
9. Sampling
10. Pricing/Costing
11. Negotiation with Buyers
12. Covering Risks through ECGC

Preparation for Executing an Order

The exporter must make the following arrangements in order to carry out the order:

- Marking and packaging of products to be exported in accordance with the importer's standards.
- Obtaining an inspection certificate from the Export Inspection Agency after scheduling a pre-shipment inspection.
- Getting an insurance policy from the Export Credit Guarantee Corporation (ECGC) to safeguard against credit risks.
- Obtaining the necessary marine insurance coverage.
- Appoint a forwarding agent, often known as a custom house agent, to handle customs and other related issues.

Formalities by a Forwarding Agent

The agent must complete the following formalities:

- The forwarding agency must first get permission from the customs authority before exporting the items.
- To the shipping business, agents must provide all needed data about the products to be shipped, such as kind, amount, and weight.
- A shipment bill/order must be prepared by the forwarding agent.
- The forwarding agency is responsible for duplicating the port challans and paying the fees.
- The loading of the products on the ship is the responsibility of the ship's captain. The loading must be done in the presence of customs authorities and on the basis of the shipping order.
- When the cargo is loaded into the ship, the ship’s master provides a receipt for them.

10.16 Foreign Exchange Formalities

Under exchange control laws, an Indian exporter must comply with specific foreign exchange procedures. Every exporter of products is obliged under the Foreign Exchange Regulation Act of India (FERA) to provide a declaration in the form provided in a way. According to the declaration:

- The foreign exchange gained by the exporter on exports must be disposed of in the manner and within the timeframe stipulated by the RBI.
- Authorized foreign exchange dealers are needed to handle shipping documentation and discussions.
- Only permitted methods will be used to collect payment for the products shipped.

- Surrender the foreign exchange to approved dealers through the exchange control authority.

10.17 EXPORT OF SERVICES

Export of services: Exports of services are an important source of demand for the Indian economy and account for a larger share of output than in most major economies. The importance of India's services exports mirrors that of the broader services sector in India, which is large compared with other countries at a similar stage of development.

Since the Indian balance of payments crisis in the early 1990s, India's services sector has increased substantially as a share of total output. This marked growth can be attributed to a series of reforms introduced by the Indian Government throughout the 1990s and early 2000s related to the services sector, including financial market deregulation and increased competition in a wide range of service industries. This growth coincided with strong productivity growth in the services sector. In contrast, the manufacturing sector remains more heavily regulated, although the extent of this regulation has been reduced gradually over the past 20 years or so. To encourage investment in the services sector, the government introduced tax concessions and established special business zones. Furthermore, growth in some service industries was supported by foreign investment, particularly in the telecommunication and information technology & software (ITS) sectors. This was facilitated by the relaxation of regulations on foreign ownership in these sectors. As a result of these developments, India's services sector has expanded rapidly and now accounts for over 55 per cent of output – a much larger share than in other countries with similar levels of per capita income.

10.18 Categories of Exported Services:

1. **Professional Services**: Includes legal, accounting, consulting, and engineering services.
2. **Information Technology (IT) Services**: Encompasses software development, IT consulting, and support services.
3. **Tourism and Travel**: Services provided to non-residents who visit a country for leisure or business.
4. **Transportation Services**: Includes international shipping, logistics, and passenger transport.
5. **Financial Services**: Banking, insurance, investment, and other financial activities provided internationally.
6. **Education Services**: Educational programs, online courses, and training offered to foreign students or institutions.
7. **Telecommunications**: Includes mobile services, internet provision, and related infrastructure support.
8. **Cultural and Recreational Services**: Film, music, broadcasting, sports, and other entertainment services.

10.19 Key Challenges in export of services: The following are the challenges in export of services.

- ❖ **Regulatory Barriers**: Different countries have varying regulations that can restrict market access (e.g., licensing, standards).
- ❖ **Intellectual Property Protection**: Ensuring that exported intellectual property is protected in the destination country.
- ❖ **Cultural and Language Differences**: Adapting services to fit local preferences and practices.

- ❖ **Competition**: Facing global competitors, including from countries with lower costs or more favourable trade agreements.
- ❖ **Technological Infrastructure**: Reliance on robust digital infrastructure to deliver services, which may be lacking in some regions.

Key Trends

- **Digital Transformation**: Increasing reliance on digital platforms for delivering services, especially post-pandemic.
- **Outsourcing and Offshoring**: Growing trends in outsourcing services like customer support and back-office operations to countries with lower labor costs.
- **Freelancing and Gig Economy**: Rise of freelance platforms enabling individuals to export services globally.
- **Sustainability**: Incorporating sustainable practices in service delivery to meet the growing demand for eco-friendly solutions.

10.20 Export of Excisable Goods:Exporting excisable goods from India involves navigating several legal and procedural requirements. Excisable goods are those on which excise duty is levied under the Central Excise Act, 1944. Here's a detailed overview of the process:

Key Legislation and Authorities

1. **Central Excise Act, 1944**: Governs the levy of excise duty on goods manufactured in India.
2. **Central Excise Tariff Act, 1985:** specifies the rates of exercise duty applicable to different goods.
3. **Goods and Services Tax (GST) Act, 2017:** While GST has subsumed most indirect taxes, certain goods still attract excise duty (e.g., tobacco, petroleum products).
4. **Customs Act, 1962**: Governs the procedures and documentation required for the export of goods.

10.21 Procedures for Exporting Excisable Goods

Registration: The manufacturer/exporter must be registered with the Central Excise Department.

Bond or Letter of Undertaking (LUT): Exporters need to furnish a bond or an LUT to the Central Excise Department, committing to export the goods and follow necessary compliance without payment of excise duty. An LUT is typically preferred as it avoids the need for furnishing a bond.

Documentation:

- **ARE-1 Form**: This is the application for removal of excisable goods for export without payment of duty. The form must be submitted in quintuplicate.
- **Invoice**: Commercial invoice detailing the goods.
- **Shipping Bill/Bill of Export**: Essential customs document for clearance.
- **Packing List**: Lists details of the packed items.
- **Bill of Lading/Airway Bill**: Document issued by the carrier.
- **Certificate of Origin**: Specifies the country where the goods are manufactured.

Clearance from Central Excise:

- The exporter must submit the ARE-1 form to the jurisdictional Superintendent of Central Excise. The Superintendent will verify and seal the consignment.
- After clearance, the goods can be transported to the port of export.

Customs Clearance:

- Upon reaching the port, the exporter must submit the shipping bill/bill of export along with other documents to the customs authorities for clearance.

- Customs will inspect and clear the goods for export.

Export General Manifest (EGM):

- After the goods are shipped, the carrier must file an EGM with the customs authorities. This document confirms the actual export of goods.

Proof of Export:

- To claim the excise duty rebate or refund, the exporter must submit proof of export. This includes the copy of the ARE-1 form certified by the customs, the bill of lading/airway bill, and the shipping bill.

10.22 EXPORT DOCUMENTATION

Import Documentation: A very important role is played by the Import and Customs authorities in all countries of the world when it comes to the entry of goods into the country. The era of globalization ushered in more and more interactions between different countries of the world, leading to an increase in the masses of imports and exports. In order to effectively manage all this, having a trained body of officials and rules is very important. Import procedures and documentation are required for any good that crosses the international borders and enters the country. This can range from mere gifts to big shipments.

Import of Goods

The below following documents are for the Import of Goods.

- Bill of Entry
- Commercial invoice
- Packing List
- Bill of Lading
- Foreign Exchange Control Form (Form A-1)
- Terminal Handling Receipt
- Certified Engineer’s Report
- Cargo Release Order
- Product Manual
- Inspection report

Steps for the Process of Import Procedure

The following steps can adequately explain the process of import procedure and documentation:

1. First and foremost, before anything can enter the country, a comprehensive list of what item is being imported and for what purpose needs to be updated and registered. Data like this can be obtained from trade associations and trade organisations.
2. The EXIM Policy is then consulted by the Importer to make sure that all rules and regulations are followed and standards are met.
3. Then the request of the instalment of foreign cash takes place which includes the trading of Indian Currency into foreign notes. In this matter, The Exchange Control Department of the Reserve Bank of India (RBI) manages foreign trade exchange in India.
4. The importer then puts in an import request with the exporter for the supply of merchandise.
5. Once the payments are settled between the importer and the seller, a letter of credit is issued to the importer.
6. The importer arranges for the payment of the advance money on arrival of the goods at the port. This saves the importer from the high penalties.

7. The overseas supplier after in-loading the merchandise on the ship dispatches the "Shipment Advice" to the importer to give information with respect to the shipment of goods.
8. Dock charges are also paid out by the importer once the goods are received and all inspections are completed.

In India, the procedure of imports usually follows this outline, unless the goods are otherwise specified as hazardous or are specially requested by the government of the country. A number of documents are required to make sure that this process takes place seamlessly, which is important for the importer to have quick access to.

These Documentations Include

- All invoices, packing lists, certificates specifying the origins of the product and its description, GATT declaration, IET documents and any other document that the government specifies.
- Catalogue, Technical Write ups – required for import of machinery and equipment.
- Chemical Composition, Test bond required by the respective customs – all are needed in case of Chemical Import.
- Phytosanitary Certificate with Fumigation, Certificate of Origin – required for un-processed food, plant products, wood imprints, fruits and seeds import.
- Test Report and Composition – for processed food product import.
- Azo Dye Inspection Certificate – in Import of Fabric.
- PLAT T essential for valuation – In case of import of Plastic Granules.
- Registered EPCG License, Panelised Undertaking by Importer, Bond com BG Bank Covering Letter, Signature Attestation from Bank, Copy of Board of Regulation, Particles of Memorandum, and Detail of Previous License – Import under EPCG license.
- Form necessary from Supplier for customs duty advantage – Import of Ceramic Tiles.
- Test Certificate – Import of Wine and Whiskey.

Explain Import Procedure

Import procedure means all the steps involved in purchase of goods from any foreign country. The procedural steps involved in import trade differ from country to country in respect of their import policy, statutory requirements. In majority of the countries import trade is being controlled by the government. The objective of empowering the government in the import trade is to keep a strict restriction policy in regards of foreign exchange, protection of Indigenous industries etc. For importing goods, a specified and regulated procedure is to be followed. The procedure is summed into quick steps as below:

1. Trade Enquiry
2. Procurement of Import License and Quota
3. Obtaining Foreign Exchange
4. Placing the Order
5. Dispatching a letter of Credit
6. Obtaining Necessary Documents
7. Customs Formalities and Clearing of Goods
8. Making the Payment
9. Closing the transactions

10.23 Summary: The era of globalization ushered in more and more interactions between different countries of the world, leading to an increase in the masses of imports and exports.

In order to effectively manage all this, having a trained body of officials and rules is very important. Import procedures and documentation are required for any good that crosses the international borders and enters the country. This can range from mere gifts to big shipments.

10.24 Key Words:

Export/Import, Customs formalities, Export of services, Import Documentation

10.25 Self-Assessment Questions

- Explain different Acts Related to Exports in India
- Customs formalities in exports/imports – Discuss
- Define imports? explain its imports procedure
- Explain the Key Challenges in export of services in India

10.26 Suggested Readings

- Export and import management by Justin Paul and Rajiv Aserkar, Oxford Publication
- Just For Starters: How To Start Your Own Export Business, by NIIR Board
- Export/Import Procedures and Documentation, Thomas E. Johnson and Donna L. Bade.
- Export Policy–Procedures and Documentation Mahajan, M. I., 2006,, Snow White, New Delhi

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LESSON - 11
100% EXPORTED ORIENTED UNITS (EOUs)

Learning Objectives:
1. To make the students to know the basics of exports and imports
2. To make the students to understand100 per cent exported oriented units
3. To make the students to understand role of customs house agents in international trade
4. To make the students to understand import/export incentives

Course Outcomes:
1. At the end of this lesson student will be able to understand 100 per cent exported units in international trade
2. Students will be able to understand import /export incentives and export licenses
3. Students will be able to know import of different products

Structure of the lesson

11.1 Exported Oriented Units
11.2 Objectives of EOU Scheme
11.3 Customs Rules for EOU
11.4 Special Facilities for EOU
11.5 Customs House Agents
11.6 Need for Customs House Agent
11.7 Services Rendered By the CHA
11.8 Import of Different Products
11.9 Top Countries India Import From
11.10 Top Products Imported By India from Other Countries
11.11 Import/Export Incentives
11.12 Other Types of Incentives
11.13 Import Licenses
11.14 Summary
11.15 Key Words
11.16 Self-assessment Questions
11.17 Suggested for further Readings

11.1 Exported Oriented Units: Export Oriented Unit Scheme or EOU scheme is one of the export promotion schemes of the Government of India and is in existence since 1980. Sector Specific EOU scheme are also known as Software Technology Park (STP) scheme for export of software; or Electronic Hardware Technology (EHTP) Park Scheme for export of electronic Hardware; or Bio-technology Park (BTP) Scheme for export of Bio Technology Products. Under EOU Scheme, manufacturing or service sector units are allowed to be set up with the objective of exporting entire production of goods manufactured or services except limited sale in Domestic Tariff Area (DTA) as provided under the Foreign Trade Policy (FTP).

The EOU scheme is formulated by Government of India in the Ministry of Commerce & Industry. The provisions of EOU scheme are contained in Chapter 6 of the Foreign Trade Policy (FTP); Chapter 6 of Handbook of Procedures (HOP), Vol. I and Public Notices /Circulars issued by the Department of Commerce. Establishment of units and their performance is monitored by the jurisdictional Development Commissioner (DC)in

accordance with the FTP provisions. Since Customs bonding is mandatory for EOUs, the Scheme envisages important role for Customs & Central Excise Department. Corresponding notifications enabling duty exemption have been issued by the CBEC under Customs Act, 1962 and Central Excise Act, 1944. Similarly other agencies like Reserve Bank of India (RBI), Central Board of Direct Taxes (CBDT), Directorate General of Foreign Trade (DGFT) etc. have issued notifications /Circulars for proper implementation of the scheme including laying down procedures thereof.

11.2 Objectives of EOU Scheme: The main objectives of EOU Scheme are as under:-

- Boosting exports;
- Earning foreign exchange;
- Attracting foreign investment;
- Generating employment;
- Backward and forward linkage by way of sourcing of raw material from and supply of finished goods to DTA;
- Attracting latest technology into the country;
- Upgrading the skill and creating source of skilled man-power;
- Development of backward area.

Incentives/facilities available to EOUs:- Various incentives/facilities available to EOUs, in brief, are as under:-

1. Duty free imports or procurement from Bonded Warehouse /International Exhibitions of inputs, consumables, office or other capital goods (including second-hand Capital goods) etc. [vide notification No. 52/2003-Customs, dated 31.03.2003].
2. Procurement of goods from Domestic Tariff Area without payment of Central Excise duty [vide notification No. 22/2003-Central Excise, dated 31.03.2003].
3. Supplies by DTA manufacturer are eligible for deemed export benefits under Chapter 8 of FTP, which include drawback, refund of Terminal Excise Duty and Issuance of Advance Authorisation enabling duty free import to the DTA supplier.
4. Full reimbursement of Central Sales Tax on goods purchased from DTA against C-Form for manufacture of goods for export.
5. Export Income exempted from payment of Income Tax (upto 31.3.11).
6. DTA Sale (including advance DTA sale) upto 50% of F.O.B value of exports (i.e. Physical Exports) permitted on payment of Concessional rate of Central Excise duty[vide notification No. 23/2003-Central Excise, dated 31.03.2003].
7. Only positive net foreign exchange earnings (NFE) to be achieved over a period of five years.
8. Duty free goods (except Capital Goods) to be utilized over a period of 3 years.
9. Export proceeds to be realized within a period of 12 months. Retention allowed upto 100% of export earnings in EEFC Account.
10. Supplies made in DTA under Paragraph 6.9 of FTP & Supplies to other exporting units/Bonded Warehouse are counted for the purpose of fulfillment of positive NFE.
11. Goods allowed to be supplied duty free in DTA against Advance Authorization/ DFIA issued by DGFT.
12. Job-work/sub-contracting for or from DTA permitted subject to fulfillment of certain conditions.
13. Import/export of goods including precious goods permitted through personal carriage & Foreign Post Office.
14. FDI upto 100% permitted as per the guidelines of Department of Industrial Policy and Promotion.

15. Exemption from Industrial Licensing for manufacture of items reserved for SSI sector. (xv) Software Units allowed touse computer systems for training purposes (including commercial training).
16. EOUs allowed to install one fax machine and two computers outside the bonded area of the unit. (xvii) Depreciation upto 100% permissible on capital goods. On debonding, the duty to be paid on the depreciated value of the capital goods.

11.3 Customs Rules for EOU: As per Notification No. 52/2003- Customs dated 31.03.2003, 100% EOUs are exempted from payment of Basic Customs Duty as per the First Schedule of the Customs Tariff Act, 1975, as well as Additional Customs Duty as per Section 3. But, this notification was later substituted by Notification No. 59/2017- Customs dated 30.06.2017. As per this notification, the exemption on payment of Basic Customs Duty will not apply to inputs used to manufacture finished goods sold to DTA by payment of GST. But, the exemption will continue to apply for additional duty, if any, payable under Section 3 of the Customs Tariff Act.

11.4 Special facilities for EOU: An EOU enjoys the below benefits:

1. An EOU can purchase raw material or capital goods duty-free either through imports or domestic sources.
2. It is also eligible for domestic reimbursement of GST on raw materials or capital goods.
3. It can claim reimbursement of duty paid on fuels obtained from domestic oil companies.
4. It is eligible to claim Input Tax Credit (ITC) on goods and services used to manufacture goods used for export.
5. It can avail exemption from industrial licensing for items reserved for Small Scale Industries.

How to get EOU status?: For obtaining EOU status, an entity shall make an application to the Board of Approval. They will provide a Letter of Permission for setting up an EOU. This letter holds initial validity of 2 years within which a unit can install its plant and machinery. The applicant can obtain an extension of one year. After starting operations, the EOU must achieve positive net foreign exchange earning cumulatively in 5 years.

How to exit from EOU status? An EOU can opt out of the scheme after getting approval from the Deputy Commissioner (DC) of Customs. But, such exit is subject to payment of applicable taxes of Excise and Customs, IGST, SGST, CGST and compensation cess, if any, as per the industrial policy in force. Also, if the unit could not meet its obligations, it shall be subject to penalty at the time of exit.

If the entity ceasing its operations is in the manufacture of gems and jewellery, then all the gold and other precious metals available for its manufacture are given to an agency as specified by DC at a price determined by such agency.

11.5 CUSTOMS HOUSE AGENTS:a **customs house agent** (CHA) is licensed to act as an agent for transaction of any business relating to the entry or departure of conveyances or the import or export of goods at a customs station. CHAs maintain detailed, itemized and up-to-date accounts. A CHA license may be temporary or permanent. It have some qualifications to acts as an agent, temporary license or permanent license is needed, internal and external work of shipping bill will be done. Export-import procedures are very difficult and instant unbearable. Therefore, every exporter should benefit the services of clearing and forwarding agents who are expert and well versed with the custom and consignment procedures. The

custom house agent is expected to have certain educational qualifications and experience in logistics industry.

The resources managed in logistics can include physical items such as food, materials, animals, equipment, and liquids; as well as insubstantial items, such as time and information. The logistics of physical items usually involves the amalgamation of information flow, materials handling, production, packaging, inventory, transportation, warehousing, and often security. import is a good bring into a authority, particularly transversely a national border, from an external source. The party bringing in the good is called an importer An import in the receiving country is an export from the sending country. The term export in international trade means the sending of goods or services formed in one country to another country. The seller of such goods and services is referred to as an exporter; Export of goods often requires attachment of customs authorities. An export's reverse matching part is an import. Export-import procedures are very difficult and instant unbearable. Therefore, every exporter should benefit the services of clearing and forwarding agents who are expert and well versed with the custom and consignment procedures. For smooth and timely consignment of goods, the exporter must appoint an agent. Custom house agent is a person who has a license to act as agent for any business associated transaction for exit of goods or entry of transportations or the import or export of goods at any custom location. Cha licence can issues under sub section (2) of section 146 of the custom act 1962, as per customs house agent licensing regulations which may be short term or long term.

Custom House Agent (CHA) functions as a legal advisor, who puts forth the precise classifications of goods. Whensoever custom officers raise the query, that's exactly when **CHA** comes in picture to resolve the same. In short, the A-to-Z customs clearance process is done by CHA.

Custom House Agent (CHA) course is the master's program in the realm of **International Trade**. Individuals after the competition of **CHA course** would then have all the required knowledge of the matter. To put it in simple words, the entire customs clearance process becomes hassle-free with the help of **custom house agent** in trading. **CHA** isn't allowed to charge more than the standard rates accepted by the commissioner though their charges are negotiable. That's quite a benefit for all the exporters who take on board **CHA** for their export work. It is not compulsory to hire a **CHA** but it all is based upon the company or businessman.

In **International Trade**, hiring **CHA** does not mean that exporters can ill use them for their personal gain and CHA is also ought to stick to the boundaries of rules and regulations. CHA must give proper suggestions to the client and impart precise, appropriate information for the clearance of cargo or baggage.

Qualification: The custom house agent is expected to have certain educational qualifications and experience in logistics industry. The CHA should be a graduate holder. The CHA should have a minimum experience in customs clearance work. The CHA should be enclosing bank-certified assets of Rs.5 lakhs. An eligible CHA needs to have a pass in Form G for only one year with written approval from the Commissioner.

11.6 Need for Customs House Agent:

- **Expertise in customs regulations**: Customs house agent have in-depth knowledge and understanding of customs regulations, including tariff classifications, duty rates, valuation methods, and documentation requirements. Their expertise ensures that importers and exporters are aware of the changing customs laws and comply with them.
- **Streamlined customs clearance processes**: Customs clearance agents are well-versed in these processes and have established relationships with customs officials.

They navigate paperwork efficiently, ensuring that all necessary documents are accurate, complete, and submitted on time.

- **Minimized risks**: Customs house agent ensures that all import and export activities are as per applicable laws and regulations, reducing errors that may lead to penalties.
- **Cost optimization and time efficiency**: Customs brokers have a deep understanding of customs procedures, allowing them to optimize duty and tax calculations. By leveraging their knowledge of trade agreements, exemptions, and preferential rates, they can help importers and exporters save on customs duties and taxes.
- **Industry knowledge and networks**: Customs brokers leverage their networks and connections to provide valuable insights and guidance to businesses engaged in international trade, helping them make informed decisions**.**
- **Destination delivery**: When containers reach the destination terminal, they are unloaded and transferred to the designated location. The cargo is then delivered to the recipient or stored in a warehouse, ready for distribution or further transportation.
- **Conflicts of interest**: If the CHA is a former officer of a department, he cannot represent any matter before a customs officer which he had considered as an officer. He cannot use facts which came to his knowledge as an officer.
- **Financial accountability**: The CHA must promptly pay the government all monies received from the client for duties and taxes. Any money received from the client or from the government should be promptly and fully accounted to the client.
- **Correct advice**: The CHA must advise the client to comply with the provisions of the Act and the regulations, diligently ensuring the imparting of correct, relevant information to the client for clearance of cargo or baggage. If there is non-compliance by a client, the CHA must bring it to the attention of the deputy or assistant commissioner. This regulation requires the CHA to provide information to the department.

11.7 Services rendered by the CHA: the following services are rendered by the customs house agents/

- Traditional services like product classification , export and import compliance , trade documentation, landed cost calculations, record keeping on clients behalf, etc;
- Logistics services like warehouse management and distribution , arranging international transportation and managing reverse logistics;
- Consulting services that include trade consulting, free zone consulting, legal services, etc;
- Intermediary services like intermediary in financial products, intermediary in insurance products and services on behalf of other CHAs;
- Inspection services like product valuation services and physical inspection services and Other services like trade automation services and managing supply chain security
- CHA endows with logistic support (warehouse management and distribution etc.) to the concerned clients, making sure there is a hassle-free transference of goods or conveyances.
- CHA needs to examine the goods or conveyances physically prior to permitting them to leave or enter the country.
- CHA acts as a counsellor to their clients. Regulation-14(d) entails CHA to deliver the clients with precise legal information and counsel them to abide by all the provisions mentioned in the Regulations as well as the Customs Act, 1962.
- They make proper bills of entry and shipping bills that are crucial for clearance of proper goods or conveyances.

11.8 IMPORT OF DIFFERENT PRODUCTS

What is an import: The word **import** can refer to either an action or an item. Considering what importing is, as something that is done, helps one understand what an import is, as something that can be purchased. The definition of import as an action is **the act of receiving** an item or service **into one's own country**, that originates from another country. So, what is an import as a product? In this context, we define imports as meaning any services, goods, or resources created *outside* of one's country and brought *into* one's country.

Key Features of an Import

- Imports can be **manufactured products**. These are typically finished products, ready to be sold to consumers. Consumers are people who purchase a product for personal use.
- Imports can also be **resources** and raw materials. These capital goods are used to create finished products or are processed in some way before consumers may access them.
- Lastly, imports can be **services** that are provided from international sources.

A country can receive manufactured goods, raw materials, and services into its borders in the following ways:

- Trains
- Trucks
- Airplanes
- Ships
- Pipeline
- Internet

The method of importation used by a country depends on the type of goods being transported and the location of the countries in relation to each other. For example, if two trading countries are located on the same continent, then trains and trucks can be used. When trade occurs between countries located on different continents, airplanes and ships may be employed to transport products. However, more than one method of transportation may also be needed. For instance, once a shipment arrives in a country via airplane or boat, it often needs to be delivered by truck.

An essential part of India’s economy is imports. They help numerous sectors and customer needs by making it easier to get products and services that might not be easily accessible locally. India imports a vast variety of things, including machinery to finish goods and consumer items, machinery, crude oil, electronics, and many more.

India’s main import partners include the United States, China, the United Arab Emirates, and others. These nations contribute significantly to India’s imports, increasing the variety of goods accessible on the Indian market.

Leading importing nations to India

India imported goods worth **$613 billion i**n 2021–2022 and **$714 billion** in 2022–2023, respectively. The import of services was **$147 billion** in 2021–2022 and rose to **$178 billion** in 2022–2023. The total import for the years 2021–2022 was $ **760 us billion** and **$ 892 us billion**, respectively.

11.9 Top Countries India Import from

India imports by Country	Value in INR Cr	Year
USA	403,494.87	2022- 23
China	790,931.82	2022- 23
UAE	427,406.56	2022- 23
Saudi Arabia	337,571.87	2022- 23
Russia	374,003.31	2022- 23

11.10 Top products imported by India from other countries

These are some of the most important products that India imports from other countries and in huge amounts.

No	Hs code 2/4 digit	Top Import Products	Top Import Countries	Approx Value (INR Cr)
1	Agri products 07 Vegetables Import 08 Fruits Import	Apples, avocados, Blueberries, Cherries	Myanmar, Australia, Canada	16,119 cr
2	0813 Dry fruits Import	Dry fruits Almonds, Cashew, Saffron, Dates, Pistachio,	Afghanistan, Turkey, USA	
3	15 Edible oil Import	Palm Oil, Sunflower Oil, Food Products	Indonesia, Malaysia, Argentina	169,548 cr
4	6305 Cotton products Import	Raw Cotton, Jute,	Nepal, Bangladesh	8,232 cr
5	38 Chemical products Import	Polycarboxylic Acids, Nucleic Acids, their Salts	China, USA, Indonesia	65,762 cr
6	8542 Electronic products Import	Transistors, similar Semiconductor devices, TVS	China, Hong kong,	543,740 cr
7	8481 Engineering products Import	Manufactured parts, pumps & compressors Taps, Cocks, Valves and similar appliances for Pipes, Boiler shells Agriequipments& machinery	China, Germany, USA	437,140 cr
8	71 Gems and Jewellery Import	Stones, Diamonds Natural or cultured Pearls, Precious or Semi precious stones	USA, UAE, Thailand	592,526 cr
9	4202 Leather products Import	Purses, Wallets, Jackets, Footwear, Belts Trunks, Suit-cases, Vanity-cases, Executive-cases, Brief-cases	China, Bangladesh, Singapore	3,873 cr
10	0304 Marine products Import	Frozen shrimps, Fish, Cuttlefish, Squids Fish Fillets and other Fish meat	Vietnam, USA,	1,528 cr
11	3006 Pharmaceutical goods Import	Paracetamol, Metformin, Ranitidine,	China, Germany, USA	21,022 cr

		Amoxicillin		
12	59 Textile products Import	Readymade Jeans, Shirts, Shoes	China, Vietnam, Indonesia	6,900 cr

Top 10 Largest India Imports in 2024: India is one of the countries in southern Asia with a vast history and culture that imports and exports a lot of goods. Trade dynamics in the nation are still modifying, which affects its economy and international relations. However, in the year 2022, India received goods worth $436.3 which came out lower than in the year 2018 having a total worth of $509.3. Similar to any other southern Asia country, India's top partner in China imports goods worth $195 billion in the year 2022. Most of India's contributors are from southern Asian countries taking up at least 60% of the total importers of India.

1. Electrical machinery, equipment: Electricity is crucial in the everyday use of Indians, resulting in their country being the 3rd largest consumer of electricity in the whole world. India's biggest partner, China was the top – source of affordable electrical equipment and is accompanied by Japan, the United States, and Europe. In the year 2022, a total worth of $69.68 Billion of electrical machinery, equipment imports

2. Mineral fuels including oil: Mineral fuels and oils are majorly involved in export and import in India. Minerals such as coal and solid fuels which are made from coal are some of the products that are imported from various countries which has a total value of $30.1 billion recorded in the year 2021.

For these goods, Iraq is the largest importer of India in the year 2021 having a total of $23.4 billion worth of mineral fuels. However, in the year 2023, Iraq was marked down to the 7th importer of India, and China was labelled as the largest importer of India having a total worth of $743.96 billion of Mineral fuels and oils.

3. Machinery including computer: In India, machinery is a critical aspect of the development and productivity of the country as it includes computers, turbo-jets, air or vacuum pumps, miscellaneous machinery, and many more. China has imported a total worth of $6.34 billion in the year 2022 followed by Hong Kong having a total of $1.24 billion worth of computers in the same year.

4. Gems, precious metals:Precious metals and gems are one of the top and oldest sectors that affect the economy of India. Multiple types of Gems and precious metals such as Gold, Diamonds, Platinum, Precious stone dust, Silver, and others differ on the country's demand. For instance, in the year 2022 a total of $22.6 billion worth of Gold was imported to India however, it has reduced compared to the year 2021.

5. Organic chemicals: Countries such as Saudi Arabia, China, the United States, Singapore, and South Korea are India's main importers of organic compounds. India's imports of organic chemicals are significantly impacted by the country's growing need for specialized chemicals. In the year 2021, China imported a worth $11.7 billion goods, while the United States had $2 billion

As years passed India's import of Organic a total worth of $29.81 billion was recorded in the years of 2022 according to the United Nations Comtrade.

6. Animal/vegetable fats, oils, waxes: Countries particularly Malaysia, Indonesia, Ukraine, Argentina, Nepal, and many more have all all imported animal/vegetable fats and oils worth $18.3 billion in the year 2021. These goods are vital to the reason that the Indian population was growing resulting in more demands Aside from using these oils in cooking, this is also used in some cosmetics and biofuels.Year per year the imports of India increased and a total of $21.64 worth of Animal/vegetable fats oils were imported into India

7. Plastics, plastic articles: India has over 60 countries where they import plastics and this industry has been growing since 1957. India specifically imports a type of plastic called polyvinyl chloride wherein China is their continuous supplier. Additionally, in the year 2022, India has imported a total of $22.72 billion worth of plastics. Aside from China, India is

importing plastics from other countries like Germany, Japan, France, the United Kingdom, and the United States.

8. Iron and steel: India's demand for Iron and steel accelerates yearly as it reaches 120 million demand in the year 2024. This country mainly imports these goods from countries such as South Korea with a total worth of $2.41 billion, China being the second having a total of $1.22 billion, Next is Indonesia($983 million) followed by Japan ($961 Million), Lastly is United Arab Emirates that is worth $778M in the year 2021. Likewise, in the year 2022, India imported a total of $16.74 billion worth of Iron and Steel

9. Optical, technical, and medical apparatus: The Indian market faces both possibilities and problems as the need for medical devices keeps rising. The necessity of strong trade ties and technological developments in the scientific and medical domains is highlighted by India's dependence on these imports

10. Aircraft, spacecraft: US$3.58 Billion worth of Aircraft and Spacecraft was imported to India in 2022. While India has a decent tech market and tech professionals, the country lacks the tech expertise when it comes to spacecraft or aircraft building, thus the need to import. Majorly importing from the United States, India also imports from China and France.

Benefits of importing

The economic fabric of India is enhanced by imports in a number of ways:

- **Economic growth**: imports boost economic growth by supplying necessary machinery and raw materials to home industries.
- **Consumer access**: imported goods expand consumer options by bringing diversity, quality, and innovation to Indian markets.
- **Trade relations**: imports promote international cooperation by building stronger diplomatic and commercial ties with partner nations.
- **Industrial upgrade**: imports of high-tech products help progress technology across a range of industries, enhancing productivity and competitiveness.

Conclusion

India's import surpasses its exports, which is why it has a negative trade balance. However, this is an advantage for many countries who want to explore business opportunities in the country. If you're looking for ideas on how to import to India, Pangea has an extensive network of freight forwarders who can assist you, from loading to delivering your goods at the port of destination.

11.11 IMPORT/EXPORT INCENTIVES

Import/Export Incentives: Export business is instrumental in the economic development of the country. In order to boost the export business Government of India have provided various export assistance and facilities both for production and marketing activities. In this unit you will learn various assistance provided to Indian exporters to promote the export business.

NEED AND IMPORTANCE OF EXPORT INCENTIVES

Export promotion was accorded a very low priority during the initial programme of economic development in India. During the 1950s and almost up to mid-1960s export-promotion was not at all considered as an essential element in India's economic development process. Easy and adequate availability of external assistance from World Bank and other international agencies as well as developed countries has provided India with more than adequate amount of foreign exchange for financing development as well as essential imports. Hence, the urgency of earning foreign exchange through expanding exports was not there. In addition, because of the large size of the domestic market in India, 'import-substitution' rather than the, 'export-promotion' was considered as a more useful strategy for India's economic development process. Similarly during the period of the First Three Five year Plans over 1950-5 1 to 1965-66. Indian economy was in a formative stage. Consequently India's capacity

to export manufactures or industrial products was extremely limited. Hence on this account as well, India could not Look at international markets especially because of her extremely limited capacity to offer supplies of industrial products.

Exports are given priority in India and enjoy lot of incentives. However, the major problem lies in the process of realising them. Unfortunately, exporters have to approach multiple organisations for seeking sanction. Each organisation prescribes its own exclusive method of documentation as well as procedure from the stage of submission of claim till sanction. The documentation and procedures are diverse with each incentive provided. This is not the end of their problems. Incentives are available at post-shipment stage but they are connected with the documents generated at the time of shipment. If exporter does not pay adequate care and attention at the time and stage of export shipment in providing complete and adequate information in the documents in a proper way, their claims for export incentives are adversely affected. It is essential to the exporters to plan carefully in respect of incentives, even at the time of shipment, though their benefits are available only after completion of the shipment. In the absence of adequate planning, it will upset their fund flow and equally the total realisation may not be remunerative for effecting exports. Exporters have to draw a suitable plan of action for claiming incentives in a timely manner to avoid delays and cuts in realisation. Exporters have to understand the different procedural formalities, connected with multiple and diverse agencies. This would ensure proper compliance for availing of full benefit of incentives. In this area, Government has to rationalise the incentives by opening a single window approach for sanction of multiple claims.

Different types of export incentives: India's Foreign Trade Policy (FTP) 2015-20 advocates export incentives offered by the Government through the Directorate General of Foreign Trade (DGFT). Key incentives provided by the Government to achieve its goal are as follows:

1. Rebate of Duties & Taxes on Exported Products (RoDTEP Scheme): The Rebate of Duties & Taxes on Exported Products (RoDTEP) scheme is one of the various export incentive schemes available to exporters in India. This scheme, which came into effect on April 1, 2020, aims to reimburse all duties and taxes manufacturers paid during the export production process. It focuses on helping manufacturers reduce costs associated with exporting goods and services, thus boosting India's exports. Under this scheme, exporters can claim a rebate of duties and taxes on their exported products. The amount is calculated based on the value-added content in the product and not on its cost or sale price. This makes it easier for exporters to understand their eligibility for duty refunds as they don't need to take into account fluctuations in prices or exchange rates.
2. **Service Export Incentive Scheme (SEIS):** The Service Exports from India Scheme (SEIS) is an export incentive scheme meant to promote service exports from India. It is a flagship program of the Indian Government to increase the country's foreign exchange earnings and create employment opportunities for its citizens. The scheme offers duty credit scrips which are redeemable against payment of customs duties on imports, as well as income tax exemption and duty drawback benefits. Under SEIS, services such as travel, transport, construction and repair, computer-related services, and so on qualify for the scheme; however, certain specified services are not eligible. The incentive is provided in the form of a Foreign Exchange Incentive or Service Export Incentive Credit (SEIS).This allows exporters to avail reimbursement of up to 15% of their net foreign exchange earnings in each financial year.
3. **MEIS Export Incentive:** This scheme is designed to provide rewards to exporters to offset infrastructural inefficiencies and associated prices. In addition, this scheme

provides incentives to exporters by allowing them to receive credit toward future customs duties through duty credit scrips. The MEIS rewards scheme provides incentives for exporters on the export of goods through courier or international post on consignments valued up to Rs. 5 lakh.

4. **Duty Exemption and Remission Schemes**: The Ministry of Commerce and Industry has launched two schemes to allow duty-free importation of inputs required for exporting goods. One is a duty exemption scheme, which allows for duty-free importation of inputs used in export products; the other is a duty remission scheme, under which post-export replenishment of duties on imported inputs is provided when used in export products.
5. **Duty-Free Import Authorisation Scheme**: The Duty-Free Import Authorization (DFIA) Scheme is one of the most popular export incentives for duties. This scheme enables Indian exporters to import inputs and capital goods without payment of basic customs duty, Additional Customs Duty, or Countervailing Duty. Such benefits allow business owners to save significantly on production costs and increase their competitiveness in the international market. Under this scheme, a licensee can import specified inputs required for the production or manufacture of export items. These imported inputs can then be used directly, stored, or even resold in the domestic market after being incorporated into exported products. This helps reduce dependence on local suppliers and gives exporters more control over their supply chain. The DFIA Scheme also offers other advantages, such as access to new technologies, increased sales volume, improved product quality, and higher profits in the long term.
6. **Duty Remission Schemes consist of**: Duty Entitlement Passbook (DEPB) Scheme. The Indian Government implemented the Duty Entitlement Passbook Scheme (DEPB) on 01.04.1997 to refund duties paid as credit by exporters. DEPB scheme consists of two parts: post-export of DEPB and pre-export of DEPB. However, pre-export was eliminated in April 2000. Post-export is issued after the exports, where exporters receive a duty entitlement passbook at a predetermined credit on the FOB value. The DEPB scheme permits the import of any commodity except those that are prohibited from importing, such as gold nibs, gold pens, gold watches, etc. though covered under the generic description of writing instruments components of writing instruments or watches that are still not eligible to benefit under the DEPB scheme.
7. **Duty Drawback (DBK) Scheme**: The Duty Drawback Scheme (DBK) is an important export incentive scheme utilized in India to promote exports. This scheme allows exporters to claim a refund of duties paid on inputs used in manufacturing and/or processing goods exported from India. The Duty Drawback Scheme is available for all export products except rice and wheat and can be applied to duties levied by the Central Government and State Governments. It helps exporters by providing some relief from taxes, making it more competitive for them to succeed in foreign markets. The Duty Drawback Scheme can be particularly beneficial for companies operating in sectors with high taxation levels, such as textiles, engineering products, chemicals, gems &jewelry, leather products, etc., which are important contributors to India’s exports.
8. **The Rebate on State & Central Taxes and Levies Scheme (RoSCTL)**: The Rebate on State & Central Taxes and Levies Scheme (RoSCTL) is an export incentive scheme offered by the Indian Government to encourage exports. The RoSCTL Scheme offers reimbursements of state and central taxes and levies imposed on goods exported from India. This includes excise duties, education cess, countervailing excise duty, service tax, etc. The rebate amount depends on the type of product being exported and its value addition in India. Under this scheme, exporters can receive

rebates for a wide range of products, including manufactured items such as textiles, chemicals, and machinery parts; raw materials such as iron ore; agricultural produce such as rice; seafood products; dairy products; handicrafts and other items falling under different chapters of the Export Tariff Act. The Rebate on State & Central Taxes and Levies (RoSCTL) is an export incentive scheme offered by the Indian Government to promote exports. It gives exporters a rebate of all taxes and levies paid when making their exports. This helps reduce production costs, allowing companies to compete more effectively in international markets. The scheme also encourages modern technology and better-quality products, contributing to economic development. This scheme applies to domestic and foreign customers across all sectors, including manufacturing, services, and agriculture. In addition, exporters are eligible for RoSCTL if they have met all other requirements prescribed by the Government, such as filing returns within specified timelines or registering with Export Promotion Councils (EPCs).

9. **Export Oriented Units (EOUs)**: Export Oriented Units (EOUs) are an important part of India’s export incentive schemes. These units are set up to provide a platform for increased exports and economic growth. They facilitate the sale of products in international markets at competitive prices while also enjoying certain tax benefits from the Government. EOUs have been established to reduce India’s import dependence while creating jobs and contributing to foreign exchange earnings. They can be either 100% export-oriented or semi-export-oriented, depending upon the requirements of the particular unit. In addition, the EOU must meet certain criteria to qualify for incentives such as duty-free import of inputs and capital goods, exemption from Central Excise Duty, income tax holiday, etc., as specified by Government policies.

11.12 OTHER TYPES OF INCENTIVES: Government of India has been endeavouring to develop exports through various financial and non-financial assistance and fiscal incentives to the exporters. They are divided in two categories. They are

1. Incentive Linked to Export Performance
   - Duty Drawback (DBK)
   - Excise Duty—Refund/Exemption
   - Duty Free Replenishment Certificate
   - Duty Entitlement Pass Book Scheme
2. Duty Exemption Scheme: Advance Licence
3. Fiscal Incentives
   - Sales Tax Exemption
   - Income Tax Exemption
4. Claim for Rail Freight Rebate
5. Claim for Air Freight Assistance

DOCUMENTATION AND PROCEDURE FOR CLAIMING INCENTIVES: The procedure for claiming these incentives is different for different incentives.

Duty Drawback (DBK) The duty drawback refers to the to the refund in respect of Central Excise and Customs Duties paid in respect of raw materials and other inputs used in the manufacture of the product, prior to export.

Whom to Apply: The customs house in whose jurisdiction the exporter’s factory or warehouse is situated.

When to Apply: An exporter is entitled to claim the duty drawback as soon as the export of goods is completed. Delivery of goods at the port of destination is not essential. ‘Export’ for the purpose of claiming duty drawback is evidenced by “Let Export Order”. Claim

application is to be submitted with in a period of three months from the date of "Let Export Order", issued by the Customs Officer. The exporter can seek extension of period for submission of claim. The Assistant Commissioner can grant extension for a period of three months, if he is satisfied that the exporter is prevented from submitting the application.

When Samples are Drawn: In case, any sample has been drawn from the shipment of goods to determine the contents of the basic materials for fixation of drawback, the sample report is to be given to the exporter within a period of one month from the date of taking the sample. This report is to be submitted along with other relevant documents for submitting the claim. Delay in giving the report will be added to the period allowed for submission i.e. three months period. For example, if the sample report is given after one month and twenty-five days, the exporter can submit the claim within three months and twenty-five days, in addition to the discretionary extension period of three months.

Drawback Rates: The Government of India announces the rates of duty drawback every year on 31st May, product wise in the drawback schedule. Generally, the rates are expressed as a percentage of the FOB value of the goods exported. All such rates are called All Industry Rates. The rates are made effective from 1st June of every year. In case, duty drawback rate is not announced for a particular product, the manufacturer/exporter can submit an application, in the prescribed format, for determination of duty drawback for that particular product. The rates fixed on the individual request of the manufacturer/exporter is known as Brand Rate. In case, the rate of duty drawback is less than 80% of the duties paid, the exporter can submit an application for suitable upward revision. This is known as Special Brand Rate. The application is to be submitted to Directorate of Duty Drawback, Ministry of Finance.

When Duty Drawback not Admissible: Duty drawback is admissible for the export of all the notified products. However, in the following cases, it is not admissible:

- No excise/customs duty is paid for the manufacture of the export product
- Amount of drawback is less than 1% of the FOB value of the goods. However, if the amount of drawback is more than Rs. 500, it can be claimed
- If the export proceeds are not realised within six months
- If the amount of foreign exchange spent on the inputs used for the export is more than the foreign exchange value of the exports. In other words, value addition is negative
- Cenvat Credit is availed of

How to File Claim: The procedure for claiming duty drawback depends upon whether the processing of shipping documents has been computerised or not. The exporter is not required to file any separate application for claiming duty drawback, if the processing of documents has been computerised at the jurisdiction customs station. Where processing has not been computerised, separate application is to be submitted for claiming duty drawback. Triplicate copy of the shipping bill becomes the application for claiming duty drawback. The customs station processes the application only after the Export General Manifest is filed.

Documents to be submitted: The following documents are to be submitted to the Directorate of Duty Drawback:

- Triplicate copy of the Shipping Bill
- Copy of bank attested invoice
- Copy of Packing List
- Copy of Bill of Lading/Airway Bill
- Copy of ARE-1 form, where applicable
- Insurance Certificate, where necessary
- Copy of the Test Report, where required

- Copy of communication regarding Special Brand Rate fixation
- Copy of the export contract or letter of credit as the case may be
- Pre-receipt for drawback claim

Conclusion: India offers many export-related benefits, including the opportunity to start your own export business through some mandatory registrations, such as Import Export Code Registration. Furthermore, most export incentives are designed to ensure that the exporter receives subsidies, penalties, and other benefits as quickly as possible.

11.13 IMPORT LICENSES: In this day and age of cutthroat competition, everyone wants to expand their business beyond the confines of the domestic market. However, doing business on a global scale is not for everyone. Before going global, you must follow several procedures and laws in place, as well as obtain various registration and licenses. When considering importing or exporting from India, one of the prerequisites is an IEC (Import Export Code) license. It is also referred to as the Importer-Exporter Code.

Anyone looking to start an import/export business in the country must obtain an IEC (Import Export Code). The DGFT is in charge of issuing it (Director General of Foreign Trade). IEC is a 10-digit code that is valid for a lifetime. Generally, importers cannot import goods without the Import Export Code, and exporters cannot benefit from the DGFT for the export scheme, etc. without the IEC.

Advantage of IEC Registration

The DGFT, Export Promotion Council, Customs, and others could provide incentives for the companies' imports and exports based on their IEC registration. There are a few additional advantages listed below.

- IEC can help you take your services or products to a global market and grow your business.
- On the basis of their IEC registration, the companies could receive several benefits for their imports/exports from the DGFT, Export Promotion Council, Customs, and so on.
- It is relatively simple to obtain an IEC code from the DGFT within 10 to 15 days of submitting an application. There is no requirement to provide proof of any export or import in order to obtain an IEC code.
- IEC code is valid for the life of an entity and does not need to be renewed. After obtaining it, an entity could apply it to all export and import transactions.

11.14 Summary: Exports are given priority in India and enjoy lot of incentives. However, the major problem lies in the process of realising them. Unfortunately, exporters have to approach multiple organisations for seeking sanction. Each organisation prescribes its own exclusive method of documentation as well as procedure from the stage of submission of claim till sanction. The documentation and procedures are diverse with each incentive provided. This is not the end of their problems. Incentives are available at post-shipment stage but they are connected with the documents generated at the time of shipment. If exporter does not pay adequate care and attention at the time and stage of export shipment in providing complete and adequate information in the documents in a proper way, their claims for export incentives are adversely affected. It is essential to the exporters to plan carefully in respect of incentives, even at the time of shipment, though their benefits are available only after completion of the shipment. In the absence of adequate planning, it will upset their fund flow and equally the total realisation may not be remunerative for effecting exports. Exporters have to draw a suitable plan of action for claiming incentives in a timely manner to avoid delays and cuts in realisation. Exporters have to understand the different procedural formalities, connected with multiple and diverse agencies.

11.15 Key Words: EOU, Customs House Agent, Import License

11.16 Self-assessment Questions

- Explain 100 per cent exported oriented units with examples
- Explain the role of Customs House Agents in International Trade
- Why export incentives are important in international trade Discuss

11.17 Suggested for further Readings

i) Export and import management by Justin Paul and Rajiv Aserkar, Oxford Publication

ii) Just For Starters: How To Start Your Own Export Business, by NIIR Board

iii) Export/Import Procedures and Documentation, Thomas E. Johnson and Donna L. Bade.

iv) Export Policy–Procedures and Documentation Mahajan, M. I., 2006,, Snow White, New Delhi

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