# NETAJI SUBHAS OPEN UNIVERSITY

## Advanced Diploma in Export-Import Management

## Paper 1: International Trade and Business Environment

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# Unit 101 : Theories of Foreign Trade

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### The Origin of Foreign Trade

The concept of "foreign trade" evolved with the creation of "nations". Prior to the coming into being these "nations", trade did take place over land and by sea, occasionally covering considerable distances. The explorers who heard stories from the sailors and the pirates about distant lands and the riches they held, set out to find them; others to explore new opportunities for wealth, trade and profit. In the context of ancient times, we may term such trades that covered long distances as "foreign trade". For their own reasons, the countries too often explored new territories to conquer and exploit.

Foreign trade covered several periods right up to the present times. These eras may be termed as the ancient era, the Roman era, the middle ages, the early modern and the later modern periods, the post war period up to the modern times. The expressions "Silk route", the exploits of Vasco da Gama or the East India Company are not exactly unknown to us.

### What Is International Trade?

International trade theories are simply different theories to explain international trade. Trade is the concept of exchanging goods and services between two people or entities. *International trade* is then the concept of this exchange between people or entities in two different countries.

People or entities trade because they believe that they benefit from the exchange. They may need or want the goods or services. While at the surface, this many sound very simple, there is a great deal of theory, policy, and business strategy that constitutes international trade.

In this section, you'll learn about the different trade theories that have evolved over the past century and which are most relevant today. Additionally, you'll explore the factors that impact international trade and how businesses and governments use these factors to their respective benefits to promote their interests.

## What Are the Different International Trade Theories?

In more recent centuries, economists have focused on trying to understand and explain these trade patterns.  In the initial period of Globalization nations dominated global expansion and there after multinational companies ascended and pushed global development. Today it is technology drives Globalization.

To better understand how modern global trade has evolved, it's important to understand how countries traded with one another historically. Over time, economists have developed theories to explain the mechanisms of global trade. The main historical theories are called *classical* and are from the perspective of a country, or country-based. By the mid-twentieth century, the theories began to shift to explain trade from a firm, rather than a country, perspective. These theories are referred to as *modern* and are firm-based or company-based. Both of these categories, classical and modern, consist of several international theories.

### Classical or Country-Based Trade Theories

### Mercantilism

Developed in the sixteenth century, mercantilism was one of the earliest efforts to develop an economic theory. This theory stated that a country's wealth was determined by the amount of its gold and silver holdings. In it's simplest sense, mercantilists believed that a country should increase its holdings of gold and silver by promoting exports and discouraging imports. In other words, if people in other countries buy more from you (exports) than they sell to you (imports), then they have to pay you the difference in gold and silver. The objective of each country was to have a trade surplus, or a situation where the value of exports are greater than the value of imports, and to avoid a trade deficit, or a situation where the value of imports is greater than the value of exports.

A closer look at world history from the 1500s to the late 1800s helps explain why mercantilism flourished. The 1500s marked the rise of new nation-states, whose rulers wanted to strengthen their nations by building larger armies and national institutions. By increasing exports and trade, these rulers were able to amass more gold and wealth for their countries. One way that many of these new nations promoted exports was to impose restrictions on imports. This strategy is called protectionism and is still used today.

Nations expanded their wealth by using their colonies around the world in an effort to control more trade and amass more riches. The British colonial empire was one of the more successful examples; it sought to increase its wealth by using raw materials from places ranging from what are now the Americas and India. France, the Netherlands, Portugal, and Spain were also successful in building large colonial empires that generated extensive wealth for their governing nations.

Although mercantilism is one of the oldest trade theories, it remains part of modern thinking. Countries such as Japan, China, Singapore, Taiwan, and even Germany still favor exports and discourage imports through a form of neo-mercantilism in which the countries promote a combination of protectionist policies and restrictions and domestic-industry subsidies. Nearly every country, at one point or another, has implemented some form of protectionist policy to guard key industries in its economy. While export-oriented companies usually support protectionist policies that favor their industries or firms, other companies and consumers are hurt by protectionism. Taxpayers pay for government subsidies of select exports in the form of higher taxes. Import restrictions lead to higher prices for consumers, who pay more for foreign-made goods or services. Free-trade advocates highlight how free trade benefits all members of the global community, while mercantilism's protectionist policies only benefit select industries, at the expense of both consumers and other companies, within and outside of the industry.

## Absolute Advantage

In 1776, Adam Smith questioned the leading mercantile theory of the time in *The Wealth of Nations* and he was the front runner for the modern theories of foreign trade. Recent versions have been edited by scholars and economists. Smith offered a new trade theory called absolute advantage, which focused on the ability of a country to produce a good more efficiently than another nation. Smith reasoned that trade between countries shouldn't be regulated or restricted by government policy or intervention. He stated that trade should flow naturally according to market forces. In a hypothetical two-country world, if Country A could produce a good cheaper or faster (or both) than Country B, then Country A had the advantage and could focus on specializing on producing that good. Similarly, if Country B was better at producing another good, it could focus on specialization as well. By specialization, countries would generate efficiencies, because their labor force would become more skilled by doing the same tasks. Production would also become more efficient, because there would be an incentive to create faster and better production methods to increase the specialization.

Smith's theory reasoned that with increased efficiencies, people in both countries would benefit and trade should be encouraged. His theory stated that a nation's wealth shouldn't be judged by how much gold and silver it had but rather by the living standards of its people.

## Comparative Advantage

The challenge to the absolute advantage theory was that some countries may be better at producing both goods and, therefore, have an advantage in *many* areas. In contrast, another country may not have *any* useful absolute advantages. To answer this challenge, David Ricardo, an English economist, introduced the theory of comparative advantage in 1817. Ricardo reasoned that even if Country A had the absolute advantage in the production of *both* products, specialization and trade could still occur between two countries.

Comparative advantage occurs when a country cannot produce a product more efficiently than the other country; however, it *can* produce that product better and more efficiently than it does other goods. The difference between these two theories is subtle. Comparative advantage focuses on the relative productivity differences, whereas absolute advantage looks at the absolute productivity.

Let's look at a simplified hypothetical example to illustrate the subtle difference between these principles. Miranda is a Wall Street lawyer who charges $500 per hour for her legal services. It turns out that Miranda can also type faster than the administrative assistants in her office, who are paid $40 per hour. Even though Miranda clearly has the absolute advantage in both skill sets, should she do both jobs? No. For every hour Miranda decides to type instead of do legal work, she would be giving up $460 in income. Her productivity and income will be highest if she specializes in the higher-paid legal services and hires the most qualified administrative assistant, who can type fast, although a little slower than Miranda. By having both Miranda and her assistant concentrate on their respective tasks, their overall productivity as a team is higher. This is comparative advantage. A person or a country will specialize in doing what they do *relatively* better. In reality, the world economy is more complex and consists of more than two countries and products. Barriers to trade may exist, and goods must be transported, stored, and distributed. However, this simplistic example demonstrates the basis of the comparative advantage theory.

## Heckscher-Ohlin Theory (Factor Proportions Theory)

The theories of Smith and Ricardo didn't help countries determine which products would give a country an advantage. Both theories assumed that free and open markets would lead countries and producers to determine which goods they could produce more efficiently. In the early 1900s, two Swedish economists, Eli Heckscher and Bertil Ohlin, focused their attention on how a country could gain comparative advantage by producing products that utilized factors that were in abundance in the country. Their theory is based on a country's production factors—land, labor, and capital, which provide the funds for investment in plants and equipment. They determined that the cost of any factor or resource was a function of supply and demand. Factors that were in great supply relative to demand would be cheaper; factors in great demand relative to supply would be more expensive. Their theory, also called the factor proportions theory, stated that countries would produce and export goods that required resources or factors that were in great supply and, therefore, cheaper production factors. In contrast, countries would import goods that required resources that were in short supply, but higher demand.

For example, China and India are home to cheap, large pools of labor. Hence these countries have become the optimal locations for labor-intensive industries like textiles and garments.

## Leontief Paradox

In the early 1950s, Russian-born American economist Wassily W. Leontief studied the US economy closely and noted that the United States was abundant in capital and, therefore, should export more capital-intensive goods. However, his research using actual data showed the opposite: the United States was importing more capital-intensive goods. According to the factor proportions theory, the United States should have been importing labor-intensive goods, but instead it was actually exporting them. His analysis became known as the Leontief Paradox because it was the reverse of what was expected by the factor proportions theory. In subsequent years, economists have noted historically at that point in time, labor in the United States was both available in steady supply and more productive than in many other countries; hence it made sense to export labor-intensive goods. Over the decades, many economists have used theories and data to explain and minimize the impact of the paradox. However, what remains clear is that international trade is complex and is impacted by numerous and often-changing factors. Trade cannot be explained neatly by one single theory, and more importantly, our understanding of international trade theories continues to evolve.

## Modern or Firm-Based Trade Theories

In contrast to classical, country-based trade theories, the category of modern, firm-based theories emerged after World War II and was developed in large part by business school professors, not economists. The firm-based theories evolved with the growth of the multinational company (MNC). The country-based theories couldn't adequately address the expansion of either MNCs or infra-industry trade, which refers to trade between two countries of goods produced in the same industry. For example, Japan exports Toyota vehicles to Germany and imports Mercedes-Benz automobiles from Germany.

Unlike the country-based theories, firm-based theories incorporate other product and service factors, including brand and customer loyalty, technology, and quality, into the understanding of trade flows.

## Country Similarity Theory

Swedish economist Steffan Linder developed the country similarity theory in 1961, as he tried to explain the concept of intra industry trade. Linder's theory proposed that consumers in countries that are in the same or similar stage of development would have similar preferences. In this firm-based theory, Linder suggested that companies first produce for domestic consumption. When they explore exporting, the companies often find that markets that look similar to their domestic one, in terms of customer preferences, offer the most potential for success. Linder's country similarity theory then states that most trade in manufactured goods will be between countries with similar per capita incomes, and intra industry trade will be common. This theory is often most useful in understanding trade in goods where brand names and product reputations are important factors in the buyers' decision-making and purchasing processes.

## Product Life Cycle Theory

Raymond Vernon, a Harvard Business School professor, developed the product life cycle theory in the 1960s. The theory, originating in the field of marketing, stated that a product life cycle has three distinct stages: (1) new product, (2) maturing product, and (3) standardized product. The theory assumed that production of the new product will occur completely in the home country of its innovation. In the 1960s this was a useful theory to explain the manufacturing success of the United States. US manufacturing was the globally dominant producer in many industries after World War II.

It has also been used to describe how the personal computer (PC) went through its product cycle. The PC was a new product in the 1970s and developed into a mature product during the 1980s and 1990s. Today, the PC is in the standardized product stage, and the majority of manufacturing and production process is done in low-cost countries in Asia and Mexico.

The product life cycle theory has been less able to explain current trade patterns where innovation and manufacturing occur around the world. For example, global companies even conduct research and development in developing markets where highly skilled labor and facilities are usually cheaper. Even though research and development is typically associated with the first or new product stage and therefore completed in the home country, these developing or emerging-market countries, such as India and China, offer both highly skilled labor and new research facilities at a substantial cost advantage for global firms.

## Global Strategic Rivalry Theory

Global strategic rivalry theory emerged in the 1980s and was based on the work of economists Paul Krugman and Kelvin Lancaster. Their theory focused on MNCs and their efforts to gain a competitive advantage against other global firms in their industry. Firms will encounter global competition in their industries and in order to prosper, they must develop competitive advantages. The critical ways that firms can obtain a sustainable competitive advantage are called the barriers to entry for that industry. The barriers to entry refer to the obstacles a new firm may face when trying to enter into an industry or new market. The barriers to entry that corporations may seek to optimize include:

- research and development,
- the ownership of intellectual property rights,

- economies of scale,
- unique business processes or methods as well as extensive experience in the industry, and
- the control of resources or favorable access to raw materials.

## Porter's National Competitive Advantage Theory

In the continuing evolution of international trade theories, Michael Porter of Harvard Business School developed a new model to explain national competitive advantage in 1990. Porter's theory stated a nation's competitiveness in an industry depends on the capacity of the industry to innovate and upgrade. His theory focused on explaining why some nations are more competitive in certain industries. To explain his theory, Porter identified four determinants that he linked together. The four determinants are (1) local market resources and capabilities, (2) local market demand conditions, (3) local suppliers and complementary industries, and (4) local firm characteristics.

1. **Local market resources and capabilities (factor conditions).** Porter recognized the value of the factor proportions theory, which considers a nation's resources (e.g., natural resources and available labor) as key factors in determining what products a country will import or export. Porter added to these basic factors a new list of advanced factors, which he defined as skilled labor, investments in education, technology, and infrastructure. He perceived these advanced factors as providing a country with a sustainable competitive advantage.
2. **Local market demand conditions.** Porter believed that a sophisticated home market is critical to ensuring ongoing innovation, thereby creating a sustainable competitive advantage. Companies whose domestic markets are sophisticated, trendsetting, and demanding forces continuous innovation and the development of new products and technologies. Many sources credit the demanding US consumer with forcing US software companies to continuously innovate, thus creating a sustainable competitive advantage in software products and services.

3. **Local suppliers and complementary industries.** To remain competitive, large global firms benefit from having strong, efficient supporting and related industries to provide the inputs required by the industry. Certain industries cluster geographically, which provides efficiencies and productivity.
4. **Local firm characteristics.** Local firm characteristics include firm strategy, industry structure, and industry rivalry. Local strategy affects a firm's competitiveness. A healthy level of rivalry between local firms will spur innovation and competitiveness.

In addition to the four determinants of the diamond, Porter also noted that government and chance play a part in the national competitiveness of industries. Governments can, by their actions and policies, increase the competitiveness of firms and occasionally entire industries.

Porter's theory, along with the other modern, firm-based theories, offers an interesting interpretation of international trade trends. Nevertheless, they remain relatively new and minimally tested theories.

## Which Trade Theory Is Dominant Today?

The theories covered in this chapter are to help students to understand international trade in a better way. It is also helpful for economists, governments, and businesses people to understand international trade in better way and also clearly understand how to promote, regulate, and manage it. Countries don't have absolute advantages in many areas of production or services and, in fact, the factors of production aren't neatly distributed between countries. Some countries have a disproportionate benefit of some factors. The United States has ample arable land that can be used for a wide range of agricultural products. It also has extensive access to capital. While it's labor pool may not be the cheapest, it is among the best educated in the world. These advantages in the factors of production have helped the United States become the largest and richest economy in the world. Nevertheless, the United States also imports a vast amount of goods and services, as US consumers use their wealth to purchase what they need and want—much of which is now manufactured in other countries that have sought to create their own comparative advantages through cheap labor, land, or production costs.

As a result, it’s not clear that any one theory is dominant around the world. This section has sought to highlight the basics of international trade theory to enable you to understand the realities that face global businesses. In practice, governments and companies use a combination of these theories to both interpret trends and develop strategy. Just as these theories have evolved over the past five hundred years, they will continue to change and adapt as new factors impact international trade.

## Conclusion:

1. A country has a comparative advantage in producing a good if the opportunity cost of producing that good is lower in the country than it is other countries. A country with a comparative advantage in producing a good uses its resources most efficiently when it produces that good compared to producing other goods in which it does not have that (comparative) advantage.
2. The Ricardian model focuses only on differences in the productivity of labour across countries, and it explains gains from trade using the concept of comparative advantage.
3. When countries specialize and trade according to the Ricardian model, the relative price of the produced good rises, income for workers rises and imported goods are less expensive for consumers.
4. Trade is predicted to benefit both high productivity and low productivity countries, although trade may change the distribution of income within countries.
5. High productivity or low wages give countries cost advantage that allows them to produce efficiently.
6. Although empirical evidence supports trade based on comparative advantage, transportation costs and other factors prevent complete specialization in production.

## Terms of Trade:

In its simplest form, “terms of trade” may be defined as the ration of the value of total export of a country to the value of its total import. It is actually a single number, the ratio often being quoted in terms of percentages. If the ratio-in absolute or in percentage terms- shows a rising trend, it may be said that the country’s terms of trade has moved in a favourable direction. Further, that its balance of trade shows a positive trend. An improvement in a nation’s terms of trade (increase of the ratio), therefore, is deemed as healthy for that country since it can import more for any given level of exports. “Terms of trade” thus defines the relationship between the prices at which a country sells its exports and the prices it pays for its imports.

Any significant change in a country’s terms of trade (e.g. a drastic fall in the price of a primary product that is a country’s main export) can cause serious balance-of-payments problems for a country that is primarily dependent on the foreign exchange earned from exports to pay for the import of its manufactured goods and capital equipment.

Between two countries, a fovourable ratio for one is exactly the reverse for the other. A typical example in recent times is that of China's export to US vis-à-vis the overall import by it from the US. The direction or movement of this number or ratio is keenly monitored not only by these two countries directly affected, but also by the economies of the rest of the world. The exchange rate of Yuan-US Dollar and the trade balance between these two countries have been The subject of years of negotiation at various levels.

It is said that the terms of trade go against less-developed countries because their exports consist chiefly of primary products, raw material or items of input, while their imports largely comprise manufactured products, value added or finished goods, consequently, a less developed or underdeveloped country earned less for its exports but paid more when it imported the more expensive finished goods from developed countries. More recent studies have also examined the effects that labour inflows (through immigration) and capital inflows (through foreign investment) might have on a country's term of trade.

The terms if trade is influence by the exchange rate. A favourable terms of trade also improves the rate of exchange of a country's domestic currency vis-à-vis other foreign currencies. A rise in the value of a country's currency relative to those of its global trade partners lowers the domestic prices for its imports but does not directly affect the commodities it produces (i.e. its exports). However, when the exchange rate of country's currency strengthens, foreign buyers tend to demand a reduction in the prices quoted in terms of importer's currency.

Outside of the economics of international trade, this expression often refers more broadly to the policies, facilities, and other arrangements that characterize the trade between one country or group of countries and another. (Note that terms of payment is different from terms of trade.)

# Unit-102: Commercial Policy Instrument

## Structure

- Introduction
- Tariffs
- Quotas
- Anti-dumping & countervailing duties
- Technical Standards
- Exchange controls and other non-tariff members

## Introduction

Under unit 101 we had briefly touched on the matter of barriers to trade in services. This unit delves deeper into features used by nations that are termed either as *barriers* to international trade or as *protective* measures - depending on which side of the 'measure' the interested party finds itself.

There are wide ranging measures and innovations that governments use as non-tariff barriers to trade. These include import quotas, special licenses (serving as export quotas), "unreasonable" (the exact definition of this term is, of course, subjective) standards for the quality of goods, bureaucratic delays at customs, export restrictions, limiting the activities of state trading, export subsidies, countervailing duties, technical barriers to trade, sanitary and phyto-sanitary measures, rules of origin and sanctions. Sometimes in this list are included macroeconomic measures affecting trade. The following list may give the reader some idea about what the governments do to protect their interests, irrespective of what the World Trade Organization (WTO) may be attempting to achieve over the years.

**Example of non-tariff barriers to trade**

These are as follows:

1. Specific limitations on trade:
   i) Quotas
   ii) Import licensing
   iii) Proportion restrictions of foreign to domestic goods (local content requirements)
   iv) Minimum import price limits
   v) Embargoes
2. Customs and administrative entry procedures:
   i) Valuation systems
   ii) Anti-dumping practices
   iii) Tariff classifications
   iv) Documentation requirements
   v) Surcharges and special duties.
3. Standards:
   i) Standard disparities
   ii) Packaging conditions, labeling, and marketing

iii) Rules of origin
iv) Quality conditions imposed by the importing country on the exporting countries
v) Sanitary and phyto-sanitary conditions, veterinary and hygiene controls, health and safety measures
vi) Product standards, product testing, conformity checks with marketing standards (e.g. fruit and vegetables).

4. Government intervention in trade:
    i) Government procurement policies
    ii) Export subsidies
    iii) Countervailing duties
    iv) Domestic assistance programs
5. Charges on imports:
    i) Prior import deposit subsidies
    ii) Administrative fees
    iii) Special supplementary duties
    iv) Import credit
    v) Variable levies
6. Others:
    i) "Voluntary" export restraints
    ii) Marketing agreements
    iii) Special agreements between nations for lower duties, special treatment, exclusivity or special treatment in trade (recall "most favoured nation" status or trade blocks). These are generally discriminatory in nature vis-à-vis nations that are not parties to such agreements.

**Pros and cons of barriers**

It can be argued that the imposition of trade restrictions in the long run cause a net loss to society , because the losses from trade restrictions are said to be larger than the gains from trade restrictions. Free trade creates winners and losers, but theory and empirical evidence show that the size of the winnings from free trade is larger than the losses. Yet, in the shorter term, a degree of protection may not only be necessary but essential to help the domestic industry to survive and grow till it is fit enough to face open competition on equal terms from the advance nations. The 19$^{th}$ Century German economist, Friedrich List, had something quite interesting to say on this issue, which could be worth nothing:
"It is a very common clever device that when anyone has attained the submit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing up after him. In this lies the secret of the cosmopolitical doctrine of Adam Smith, and of the cosmopolitical tendencies of his great contemporary William Pitt, and of all his successors in the British Government administrations. Any nation which by means of protective duties and restrictions on navigation has raised her manufacturing power and her navigation to such a degree of development that no other nation can sustain free competition with her, can do nothing wiser than to throw away these ladders of her greatness, to preach to other nations the benefits of free trade, and to declare in penitent tones that she has hitherto wandered in the paths of error, and has now for the first time succeeded in discovering the truth."
Home truths, possibly, from Prof. List! But then, one cannot depend on crutches forever but, someday, learn to stand on one's own feet. The lesson, therefor, is that the industries given protection should seize the window of opportunity offered to them, pull up their socks, mature

and grow in all aspects as quickly as possible so that they develop the capability to fend for themselves, acquire the ability to face competition from the developed nations head on and come out on top when the trade barriers are lowered or finally removed.
A few of the measures restored to by nations and governments as barriers to trade are discussed in the next few pages.

## Tariffs

The term 'tariff' essentially refers to a charge or free. In the context of international trade, tariff may be defined as a charge, duty or text imposed on the movement of goods or services across the border of a country. In the form of what could be termed as 'trade tariff', or more precisely 'customs tariff', it's a form of tax on the export or import trade of a country. Tariff is also a schedule or list of prices for various services.

### Purpose of tariff

Tariffs are imposed by nations to serve various purpose, economical or political. This measure found favour with the mercantilists too. Listed below are some of the reasons for imposing tariffs:

- To generate revenue,
- To regulate the inward or outward flow of goods or services,
- To selectively regulate the flow of a particular item of trade,
- As a political measure.

Imposing tariff is only one of the several measures resorted to by nations to save certain domestic interests. The regulation of the volume or a particular item of trade could be to prevent competition, help or protect (shield) the domestic industry, or to protect the domestic economy from allowing the other countries to have a free run within a nation. Export tariffs are often perceive as being against the interest of the domestic industries (exporters), while import tariffs are perceived as favouring local industries.
From the point of view of the nation that imposes tariffs, the impositions has several effects on societal welfare. Consumers are worse off because consumer surplus gets reduced. Producers are better off because the producer surplus becomes larger. The government gains in terms of additional tax revenue. However, the loss to consumers is greater (because they have lesser choice) than the gains by producers (less competition) and the government (more revenue). Removing the tariff and allowing free trade could, therefore, be a net gain for society.
The picture could be just the opposite from the point of view of a nation that *faces* a tariff barrier. Very clearly, it's a barrier or constraint to free trade in the target country. Therefore, from that country's perspective, tariff imposed by its trading partner leaves its own producers worse off and its domestic consumers (arguably) better off. However the net loss to producers is larger than the benefit to consumers – there is no tax revenue in this case because the tariff does not accrue to it. It's no wonder, therefore, why the US is constantly demanding freer access to the Indian and the Chinese markets.
Some degree of protectionism is nevertheless the norm the throughout the world. Most developed nations maintain controversial agricultural tariffs. From 1820 to 1980, the average

tariffs on manufactures in twelve industrial countries ranged from 11 to 32%. In the developing world, average tariffs on manufactured goods are approximately 34%.

## Quotas

Imposition of quota- either for export or import- is one of the several measures resorted to by governments to restrict the flow of trade across their borders. As would be obvious from the term itself, quota is a limitation in value or in physical terms, imposed on import and exports of certain goods for a certain period of time. This type of barrier is different from the use of tariffs to regulate the flow of international trade and commerce. Quota as barrier to trade is categorized under what is commonly known as 'non-tariff barrier' (NTB). Unlike tariffs, it's a direct administrative form of government regulation, and is a quantitative restriction on imports and exports. Quotes restrictions may include the following:

a) Export quota
b) Tariff rate quota or quota for import
c) Discriminatory quota

An import quota can be unilateral, levied by the country without negotiations with exporting country. It may also be bilateral or multilateral, when it is imposed after negotiataions and agreement with the exporting country. Import quotas may also be imposed to avoid dependence on imports from certain countries in respect of essential items the supply of which may fluctuate adversely for one reason or another, especially in times of need. Quota as a barrier to trade could be more restrictive than tariff barriers.

Export quota is a restriction on the amount of goods that can leave the country. Export quotas are imposed mainly when there is shortage of certain specific goods in the domestic market. Under such circumstances, export quotas are applied on specific items on a case to case basis. For an example, in India we are familiar with export restriction imposed on onion, sugar and other agricultural produce when supply fell short of domestic demand and domestic prices had shot up significantly. Export quotas were imposed in order to provide domestic customers with sufficient stocks of goods at reasonable prices.

Quotas may also be imposed to prevent the depletion of natural resources, to increase export prices by restricting supply to foreign markets or as a bargaining chip in international trade. For example, Japan maintains import quotas on many agricultural products it does not produce, since Japan uses import quotas as leverage when negotiating its own exports. Occasionally, if circumstance so warrant, the importing countries may request exporting countries to impose voluntary export restraints.
Of course quotas or the issue of licenses for import or export, restrict free trade and the ability of corporations to enter foreign markets of their choice or the type of products they can sell to the overseas markets. That's what licensing or quota restrictions are all about. Therefore, licensing and quota systems, in the hands of nations across the globe, remain an important instrument of trade regulation (and also of subjects of never-ending debate and trade negotiations).

## Anti-Dumping & Countervailing Duties

An incident of "dumping" takes place when a particular country or manufacturer pushes through an abnormal quantity of its exports into a target country, or sells its products at prices that appear to be "less than fair value" (below the production cost) of the product. Either may be termed as “predatory pricing”. Thus, if a company exports a product at a price lower than the price it normally changes in its home market, or its export volume cannot be explained by normal market conditions of corporate policies, it is said to be “dumping” the product. It must be remembered, however, that the line dividing ‘fair level of export to a country’ and ‘dumping’ could be thin and subject to interpretation.

Countervailing duties are imposed when an importing country determines that its imports are being subsidized by the exporting country, that the goods are being sold below their cost of production. If it is found that it is indeed so and that, in consequence, there is material injury to the competing domestic industry, the aggrieve country may levy duties of an amount equivalent to the subsidy enjoyed by the goods under import. Although anti-dumping measures and countervailing duties are termed as “non-tariff” barriers, at the end of the day these have effects similar to those of tariffs once they are enacted.

If a manufacturer has very deep pocket, it is easily possible for it to sell below cost or market price till such time as the competition is forced out of the market. Once it gains a monopoly, it has an open field to exploit the market as it please. Such tactics may cause injury to the domestic market of the importing country. Many governments, therefore, take action against dumping to protect their domestic industry.

According to the WTO, anti-dumping measures can only be applied if the dumping is hurting the industry in the importing country. The WTO agreement allows governments to act against dumping where there is genuine (“material”) injury to the competing domestic industry. To do so, the government has to show that dumping is taking place, calculate the extent of dumping (how much lower the export price is compared to the exporter’s home market price), and show that the dumping is causing injury or threatening to cause injury.

Countervailing duties seek to offset injurious subsidisation while anti-dumping duties offset injurious level of import of goods.

## Technical Standards

In the context of international trade, “standards” could be defined as specific stipulations framed by the importing nation for compliance by the exporting nation. Standards occupy a very unique place among the many non-tariff barriers that we usually come across, for they can be varied in nature, quite innovative, sometimes maddening, at times appearing in the grab of domestic requirements peculiar to the importing country. Countries usually impose standards on classification, labelling and testing of products in order to protect industries sensitive to imports, or to sell domestic products, but also to block sales of products of foreign manufacture. These standards are something stipulated under the pretext of protecting the safety and health of local populations or as general domestic standards. For reasons of their own, developed countries often impose their own rigid labour or environmental standards, restrictive certification procedures in order to protect their domestic industries. Such steps in protectionism are sometimes taken under pressure from special interest groups, industry lobbies, campaign contributors or vote banks.

The stipulation of these types of standards follows methods that are (ostensibly) not identified as “barriers”. Or directly aimed at restricting foreign trade. These maybe categorized under ‘administrative requirements’ or bureaucratic procedures. Whatever their description, these actions have the ultimate effect of restricting trade in one way or another. Unique technical standards and norms, sanitary and veterinary standards, special requirements for labeling and packing, food safety requirements, environmental standards, electrical safety etc. are a few such instances of “technical standards” being used as non-tariff barriers, and a new form of protectionism.

## Exchange Control and other Non-Tariff Measures

It is well known that every independent nation strives to have its own currency. It’s an important symbol of freedom. This is one reason why it took so long to do away with the various other currencies to establish the euro zone with a single currency for all member countries, and also the reason why the UK refused to give up its economic independence by joining the euro zone. The question is, why an independence currency is so important to a nation and its government?

The simplest answer to every complex question is that, apart from a national currency’s other functions within the country concerned, its external value is critically important in the context of capital flow, foreign investment, external borrowing and sourcing of foreign funds, competitiveness of its good and services in the world market, inflation management, international trade, trade balance and its regulation, generation foreign exchange reserves to pay for its imports and so on.

Since the exchange rate of currency has a great impact of nation’s economy and fiscal management, countries tend to exercise varying degrees of control over the movement of their exchange rates. (Note that interest rates also have bearing on the exchange rates.) Consequently we have varying methods of exchange rate management termed as fixed exchange rate system, floating exchange rate or free float, managed float, free or managed float on current or capital account, and so on. India, for example, follows a system of managed float, where the exchange rate is virtually (but not completely) free on current account, but far less so on capital account.

An increase in the value of a nation’s currency relative to another makes its exports less competitive; at the same time, the appreciation in its external value makes imports cheaper. When the currency appreciates in terms of other currencies, it becomes relatively more expensive than before, which tends to make investment flows into the capital account less attractive. Conversely a downward movement in the value of the currency makes it more expensive for the country to finance its imports (or service its foreign debts), resulting in a reduction in the volume of import. The reduction in its external value, however, increases the competitiveness of its exports. A government occasionally intervenes in the foreign exchange market to lower the volume of its currency by selling its currency in the foreign exchange market. Doing so raises the cost of imports and lowers the cost of exports, landing to an improvements in its trade balance.
Exchange rate management, therefore, is an important tool in the hands of governments in the regulation and management of a country’s trade balance. Other forms of exchange control, in terms of rules and regulations and other administrative measures (including statutory requirements) are also used by governments to regulate the flow of foreign exchange across its borders – either on capital account or on current account. Earlier, India used foreign exchange regulation Act, xx (FERA) as one of the non-tariff barriers. This was later replaced by the Foreign Exchange Management Act (xx), which is now in forced. Such regulatory requirements act as non-tariff barriers to free across borders by nations.

# Unit 103: Foreign Trade Policy

## Unit Structure

- Introduction.
- Meaning of EXIM POLICY
- Main objectives
- Highlights and Implication of FTP 2015-20
- Negative list of exports.
- Composition and Direction of India's Foreign Trade

## Introduction

After studying this chapter students will be able to –

- Understand the meaning and objectives of EXIM POLICY.
- Know highlights of Foreign Trade Policy 2015-20
- Identify special focus initiatives
- Changes in the composition and direction of India's trade in the last 47 year.

## Meaning of Exim Policy

EXIM policy means the policy relating to exports and imports. In other words, it is the policy relating to foreign trade/international marketing. Policies relating to export promotion are covered within the scope of the EXIM policy. In India policy is formulated and announced by the Ministry of Commerce, Government of India. It contains policy and procedure relating to imports and exports. In India export policy resolution of 1970 is considered as an important land mark in the history of India's EXIM policy. On the basis of export policy resolution of 1970 the export import policy statements were announced regularly by the government since 1985. The policy statement announced by the government contains special schemes incentives and concessions offered to the exporter.

The government of India introduces the EXIM policy, normally for a period of five years. The EXIM policy provides a list of initiatives and procedural guidelines for exports and importers. In 2004, the government of India renamed the EXIM policy as Foreign Trade Policy (FTP).

## Main Objectives of India's Foreign Trade Policy

In general, the principal objectives of India's foreign trade policy are as follows.

1. To strengthen the base for export production for promoting exports.
2. To place special emphasis on exports to generate high foreign exchange earnings.
3. To simplify and streamline import-export procedures.
4. To facilitate technological up gradation of domestic production so as to make Indian goods globally competitive.
5. To reduce import through import substitution, encouragement to indigenous production and thereby to conserve foreign exchange for better purposes and use.
6. To act as an effective instrument of economic growth by giving thrust to employment generation, especially in semi-urban and rural areas.
7. To offer different types of export incentives, concessions and facilities so as to encourage manufacturers and exporters to take more initiative in export promotion. Exports are made attractive/profitable through such export incentives.
8. To import continuity and stability to foreign trade policy.
9. To encourage the attainment of high and internationally accepted standards of quality and then enhance the image of India's products abroad.
10. To establish the framework for globalization of India's foreign trade.

## Highlights of the Revised Foreign Trade Policy 2015-2020,Mid Term Review (December 2017)

### GST Related Reforms

- GST has been launched w.e.f. 1.07.2017. It incorporates zero rating of exports. Taxes will not be exported. On the export of finished goods, there is an option of either obtaining refund of GST paid or getting exemption from payment of GST on submission of Letter of Undertaking/Bond.
- Integration of various taxes in GST implies refund of erstwhile VAT across all States uniformly, which earlier depended on the prevailing dispensation in the States and often involved delays.
- Uniform tax rates and practices across States have led to huge logistics and transaction cost saving for exporters.
- Issue of working capital blockage of the exporters due to upfront payment of GST on inputs has been addressed. Now, under Advance Authorization, Export Promotion of Capital Goods and 100% EOU scheme, exporters have been extended the benefit of sourcing inputs/capital goods from abroad as well as domestic suppliers for exports without upfront payment of GST. Further, an 'E-wallet' will be launched from 1st April 2018 to make these schemes operational from 1% April 2018.
- Merchant exporters have been allowed to pay nominal GST of 0.1% for procuring goods from domestic suppliers for export.

- Issue of Gold availability for exporters resolved by allowing Specified Nominated Agency to import Gold without payment of IGST.

### Repositioning Export Strategy

- ✓ Continued support for multilateral rule based global trade.
- ✓ Continued efforts to integrate with major regions and expand markets in new regions

- ✓ Grow trade through focus on new markets and product lines.

Accordingly, revised FTP focuses on

- Exploring new markets and new products as well as increasing India's share in the traditional markets and products o Leveraging benefits of GST
- Closely monitoring exports performance and taking immediate corrective action through state-of-the-art data analytics o Increasing ease of trading across borders through trade facilitation
- Enhancing participation of Indian industry in global value chains
- Increasing farmers' incomes through a focused policy for agricultural exports
- Promoting exports by MSMEs and labour intensive sectors to increase employment opportunities for the youth.

**Encouraging Exports by MSMEs and Labour Intensive Industries**

- ✓ METIS is a major export promotion scheme which seeks to promote export of notified goods manufactured/produced in India. MEIS incentives are available at 2, 3, 4 and 5% of the FOB value of exports. MEIS incentives for two sub-sectors of Textiles ice. Ready Made Garments and Made Ups increased from 2% to 4% involving an additional annual incentives of Rs. 2743 Crore.

- ✓ Across the board increase of 2% in existing MEIS incentive for exports by MSMEs / labour intensive industries involving additional annual incentive of Rs. 4567 Crore. Major sectors covered are leather, agriculture, carpets, hand- tools, marine products, rubber products, ceramics, sports goods, medical and scientific products and_ electronic and_ telecom components.

- ✓ To provide an impetus to the services trade, the SEIS incentives have been increased by 2% for notified services such as Business, Legal, Accounting, Architectural, Engineering, Educational, Hospital, Hotels and Restaurants. The estimated additional annual incentive for the services sector will be Rs.1140 Crore.
- ✓ The validity period of the Duty Credit Scrips has been increased from 18 months to 24 months to enhance their utility in the GST framework.
- ✓ GST rate for transfer/sale of scrips has been reduced to zero from the earlier rate of 12%.

**New Trust Based Self Ratification Scheme for Duty Free Import of Raw Material**

- **New trust based Self Ratification Scheme** introduced to allow duty free inputs for export production under duty exemption scheme with a self-declaration. Under this scheme, instead of getting a ratification of the Norms Committee for inputs to be used in the manufacture of export products, exporters will self-certify the requirement of duty-free raw materials/ inputs and take an authorization from DGFT.
- The scheme would initially be available to the Authorized Economic Operators (AEOs).
- The scheme will expedite export of new products by decreasing product turn-around time, particularly in sectors such as pharmaceuticals, chemicals, textiles, engineering and high technology which have dynamic raw material requirements.

## Contact@DGFTService for Trade Facilitation

- Contact@DGFT service for Complaint Resolution has been activated on the DGFT website
(www.deft.gov.in) as a single window contact point for exporters and importers for resolving all foreign trade related issues.
- Exporters/Importers can also voice their concerns/suggestions on DGFT portal at Contact@DGFT.
- Exporters/Importers can track the status through the assigned reference number.
- Envisages high level monitoring of disposal of such references

## Ease of Trading Across Borders

- Focus on improving Ease of Trading across Borders for exporters and importers.
- Professional team envisaged to handhold, assist and support exporters with their export related problems, accessing export markets and meeting regulatory requirements
- Envisaged team to examine the procedures and processes related to clearances involved in trading across borders with a view to simplify and rationalize them, and track implementation.
- Systems in place to closely monitor and reduce dwell time at ICDs, ports and airports through coordination amongst Customs and infrastructure Ministries

## Trade Facilitation

- National Trade Facilitation Committee (NTFC) set up under Cabinet Secretary following ratification by India of the Trade Facilitation Agreement (TFA), which broadly covers provisions related to transparency, technology, simplification of procedures, risk based assessment and infrastructure augmentation.
- NTFC supported by Steering Committee, jointly headed by Commerce Secretary and Revenue Secretary, to perform supervisory and monitoring role
- Four Working Groups set up by Steering Committee to focus on (i) Infrastructure, (ii) Legal issues, (iii) Outreach and (iv) Time Release Study
- Further, the National Trade Facilitation Action Plan (NTFAP) drawn out in consultation with the stakeholders, identifying 76 trade facilitation measures with implementation timelines, of which 51 are TFA-plus activities. Under TFA Category 'B' items, efforts are being made to expedite implementation of these measures within 3 years, in advance of the envisaged 5 years
- Facility of deferred payment of customs duty introduced by CBEC. The Importers certified under AEO Programme (Tier-two and Tier- Three) have been notified for availing the benefit.

- Comprehensive IT-based system called Export Data Processing and Monitoring System (EDPMS) for monitoring of export of goods and software and facilitating AD banks to report various returns through a single platform developed by RBI.
- MOU with the Goods and Services Network (GSTN) for sharing foreign exchange realisation and Import Export code data signed by DGFT. This will strengthen processing of export transactions of taxpayers under GST, increase transparency and reduce human interface.

- 24x7 Customs clearance facility has been extended to all Bills of Entry at 19 sea ports and 17 Air Cargo Complexes.
- Routine print-outs of several documents including GAR 7 Forms/TR6 Challans, TP copy, Exchange Control copy of Bill of Entry and Shipping Bills and Export Promotion copy of Shipping Bill done away with by CBEC.

**New Logistics Division**

- New Logistics Division created in the Commerce Department to develop and_ coordinate implementation of an Action Plan for the integrated development of the logistics sector, by way of policy changes, improvement in existing procedures, identification of bottlenecks and gaps and introduction of technology in this sector.
- Logistics division proposes to create an IT backbone and develop a National Logistics Information Portal which will also be an online Logistics marketplace to bring together various stakeholders viz logistics service providers, buyers as well as Central & State Government
- Agencies such as Customs, DGFT, Railways, Ports, airports, inland waterways, coastal shipping etc., on a single platform.
- This will positively impact both domestic movement of goods by bringing down the overall cost and increasing the speed and ease of goods movement and the global competitiveness of Indian goods.
- These steps would improve India's ranking in the Logistics Performance Index (LPI) and promote exports and enhanced growth.

**State-of-The-Art Trade Analytics**

- State-of-the-Art trade analytics division set up in DGFT for data based policy actions.
- The initiative envisages processing trade information from DGCIS and other national and international data bases related to India's key export markets and identify specific actions to address export interests in various markets and products

**Exploring New Export Markets**

- Focus on increasing India's exports in under and un-tapped markets in high potential regions like Africa, to cover not just trade in goods and investment but also in capacity building, technical assistance and services such as healthcare and education. Sectors like agro- processing, manufacturing, mining, textiles, consumer goods, infrastructure development and construction would be focus areas.

- Greater engagement with Latin America and the Caribbean region, including encouragement of project exports through easy access to credit facilities.
- ECGC will be strengthened and substantially expanded to ensure insurance cover to exporters, particularly MSME _ exporters exporting to new and risky markets.

## Exploring New Export Products

- Focus on increasing exports of products which have become important in the world trade of late, in recognition of the fact that70% of India's exports involve products whose share in the total world exports is only 30%.
- Focus on promising product groups like medical devices/ equipment, technical textile, electronic component, project goods, defence and hi-tech products in addition to labor intensive and MSME products like agricultural, marine, carpets, leather, ayush and health, textiles and readymade garments, handloom, handicrafts, coir, jute products, diamond, gold and jewellery.
- Promoting growth of exports from high value addition and employment generating sectors with a strong domestic manufacturing base, to be the lynchpin of India's overall export growth strategy.

## Focus On Agricultural Exports for Increasing Farmers' Income

New Agricultural Exports Policy under formulation to focus on increasing exports of agricultural value added products through elements like:

- A stable and 'open' export policy for the long term
- Effective handling of sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT) issues in domestic and destination markets.
- Creating cold chain and_ transport logistics facilities from the farm to the ports and airports
- Promoting organic exports through appropriate policy interventions
- Setting up credible and _ up-to-date organic export' certification and accreditation programmes.

## Greater Participation in the Global and Regional Value Chains

- Focus on increasing participation in high value segments of RVCs and GVCs to increase India's exports, in recognition of the fact that products manufactured through GVCs account for two-thirds of world trade in manufactured Goods.
- This would be facilitated by a focus on automating port and customs operations, allowing green channel clearances and bench marking the turnaround time of ships with the best global practices.

## Leveraging Services for Increasing Exports

- New Services division set up in DGFT to examine EXIM policies and procedures from the point of view of "Services"
- Efforts underway to improve the availability of data on services.
- An ambitious reform agenda in services being pursued through an inter-ministerial mechanism.
- Efforts for effective market access abroad through comprehensive economic partnership agreements with important markets.
- The very successful Global Exhibition on Services institutionalized as an annual event to showcase India's strengths in the Services sector.

## Export Promotion Schemes

- Scope and incentives as a percentage of exports under Merchandise Exports from _ India Scheme (MEIS) and Service Exports from India Scheme (SEIS) enhanced.
- Duty free procurement of raw materials/inputs used for manufacturing export products under Advanced Authorisation, Export Promotion for Capital Goods (EPCG) Scheme, 100% Export Oriented Units (EoUs) facility continued under GST.
- Duty Drawback scheme administered by Department of Revenue continued with revised rates for drawback of Basic Customs and remnant Central Excise Duties.
- New Trade Infrastructure for Export Scheme (TIES) launched in March 2017 to enhance export competitiveness by bridging gaps in export infrastructure, creating focused export infrastructure, first mile and last mile connectivity for export-oriented projects and addressing quality and certification measures. Envisaged assistance for setting up and up-gradation of infrastructure projects with overwhelming export linkages like the Border Haats, Land customs stations, quality testing and certification labs, cold chains, trade promotion centres, dry ports, export warehousing and packaging, SEZs and_ ports/airports cargo terminuses.
- Market Access Initiatives (MAI) Scheme to act as a catalyst to promote exports on a focus product-focus country approach, so as to evolve specific markets and products through market studies/surveys.
- Would provide assistance to Export Promotion Organizations/ Trade Promotion Organizations/
- National Level Institutions /Research Institutions /Universities/ Laboratories, Exporters, etc., for enhancement of exports by accessing new markets or by increasing share in the existing markets.
- Supplies of goods and services to Special Economic Zones to be treated as zero rated under GST so as to get the benefit of tax refund on the pattern of actual exports. Earlier VAT refund used to depend on the States concerned.

## Simplification of Procedures and Processes

- PAN is now being used as IEC. Procedure for application for IEC being further simplified.
- The procedure for export obligation (EO) period extension, installation of machinery and block- wise extension under EPCG Scheme has been simplified and delegated to regional offices.
- Shifting of capital goods allowed from one unit of the IEC holder to the other.
- Clubbing of EPCG authorizations has been allowed in respect of those authorizations also where EO period has expired.
- For clarity, a negative list of capital goods which are not permitted under EPCG scheme has been notified.
- EOU / EHTP / STP / BTP units may import and/or procure from bonded warehouse in DTA or from international exhibition held in India without payment of Customs Duties and Integrated Tax and GST Compensation Cess.
- The concept of DTA sale from EoU on concessional and full duty has been removed and hence, the limit on entitlement of DTA sale has also been removed. Consequently, restriction on DTA sale of motor cars, alcoholic liquors, books and tea has been removed.

- Inter Unit Transfer from one EOU / EHTP / STP / BTP unit to another unit has been allowed on payment of applicable duties and/ or taxes. Consignment of goods or parts thereof on being exported and found defective/damaged or otherwise returned by the importer shall be allowed clearance by Customs authorities. Second Hand Goods imported for the purpose of repair/ refurbishing/re-conditioning or re- engineering have been made free, thereby facilitating generation of employment in the repair services sector.
- "Export of Replacement Goods" has been eased for issuing export license on replacement items which are Restricted /or in SCOMET list.

**Enhanced Value Limit on the Free Of Cost (FOC) Exports**

- Status holders shall be entitled to export freely exportable items on free of cost basis for export promotion subject to an annual limit of Rupees One Crore or 2% of average annual export realization during preceding three licensing years, whichever is lower.
- For Pharma exports, the annual limit would be 2% of the annual export realisation during preceding three licensing years.
- In case of government supplies and supplies of vaccines and lifesaving drugs to _ health programmes of international agencies such as UN and WHO-PAHO, the annual limit shall be upto 8% of the average annual export realisation during preceding three licensing years.

**Capacity Building**

- Skilling new entrepreneurs for exports is an important priority.
- In the last two years over 50,000 entrepreneurs have been trained under the NiryatBandhu program implemented by DGFT, thus complementing the Start-up India and Skill India initiatives.
- Institutional set up under Department of Commerce like- Indian Institute of Foreign Trade, Indian Institute of Packaging, Indian Institute of Plantation, Export Promotion Councils, Centres of Excellence, Plantation Research Institutes, etc. - would be leveraged for capacity building, export promotion, research & analysis and long term policy formulation.

## 1. Export Promotion Schemes

Foreign Trade Policy 2015-20 and other schemes provide promotional measures to boost India's exports with the objective to offset infrastructural inefficiencies and associated costs involved to provide exporters a level playing field. Brief of these measures are as under:

1.1 Exports from India Scheme

### i. Merchandise Exports from India Scheme (MEIS)

Under this scheme, exports of notified goods/ products to notified markets as listed in Appendix 3B of Handbook of Procedures, are granted freely transferable duty credit scrips on realized FOB value of exports in free foreign exchange at specified rate. Such duty credit scrips can be used for payment of basic custom duties for import of inputs or goods.

Exports of notified goods of FOB value up to Rs 5, 00,000 per consignment, through courier or foreign post office using e-commerce shall be entitled for MEIS benefit. List of eligible category under MEIS if exported through using e-commerce platform is available in Appendix 3C.

**ii. Service Exports from India Scheme (SEIS)**

Service providers of notified services as per Appendix 3D are eligible for freely transferable duty credit scrip @ 5% of net foreign exchange earned.

**2. Duty Exemption & Remission Schemes**

These schemes enable duty free import of inputs for export production with export obligation.

These scheme consists of:-

**2.1 Advance Authorization Scheme**

Under this scheme, duty free import of inputs are allowed, that are physically incorporated in the export product (after making normal allowance for wastage) with minimum 15% value addition. Advance Authorization (AA) is issued for inputs in relation to resultant products as per SION or on the basis of self-declaration, as per procedures of FTP. AA normally have a validity period of 12 months for the purpose of making imports and a period of 18 months for fulfilment of Export Obligation (EO) from the date of issue. AA is issued either to a manufacturer exporter or merchant exporter tied to a supporting manufacturer(s).

**2.2 Advance Authorization for annual requirement**

Exporters having past export performance (in at least preceding two financial years) shall be entitled for Advance Authorization for Annual requirement. This shall only be issued for items having SION.

**2.3 Duty Free Import Authorization (DFIA) Scheme**

DFIA is issued to allow duty free import of inputs, with a minimum value addition requirement of 20%. DFIA shall be exempted only from the payment of basic customs duty. DFIA shall be issued on post export basis for products for which SION has been notified. Separate schemes exist for gems and jewellery sector for which FTP may be referred.

**2.4 Duty Drawback of Customs/Central Excise Duties/Service Tax**

The scheme is administered by Department of Revenue. Under this scheme products made out of duty paid inputs are first exported and thereafter refund of duty is claimed in two ways:

i) All Industry Rates: As per Schedule

ii) Brand Rate : As per application on the basis of data/documents.

**2.5 Interest Equalisation Scheme (IES)**

It provides interest equalization rate of 3% on Pre and Post Shipment Rupee Credit tor all manufacturing exporters and Merchant exporters exporting identified 416 four digit tariff lines and 5% on all merchandise products manufactured and exported by MSMEs.

**3. EPCG Scheme**

**3.1 Zero duty EPCG scheme**

Under this scheme import of capital goods at zero custom duty is allowed for producing quality goods and services to enhance India's export competitiveness. Import under EPCG shall be subject to export obligation equivalent to six times of duty saved in six years. Scheme also allows indigenous sourcing of capital goods with 25% less export obligation.

**3.2 Post Export EPCG Duty Credit Scrip Scheme**

A Post Export EPCG Duty Credit Scrip Scheme shall be available for exporters who intend to import capital goods on full payment of applicable duty in cash.

**4. EOU/EHTP/STP & BTP Schemes**

Units undertaking to export their entire production of goods and services may be set up under this scheme for import/ procurement domestically without payment of duties. For details of the scheme and benefits available therein FTP may be required.

**5. Other Schemes**

**5.1 Towns of Export Excellence (TEE)**

Selected towns producing goods of Rs. 750 crores or more are notified as TEE on potential for growth in exports and provide financial assistance under MAI Scheme to recognized Associations.

**5.2 Market Access Initiative (MAI) Scheme**

Under the Scheme, financial assistance is provided for export promotion activities on focus country, focus product basis to EPCs, Industry & Trade Associations, etc. The activities are like market studies/surveys, setting up showroom/warehouse, participation in international trade fairs, publicity campaigns, brand promotion, reimbursement of registration charges for pharmaceuticals, testing charges for engineering products abroad, etc. Details of the Scheme is available at www.commerce.gov.in

## 5.3 Status Holder Scheme

Upon achieving prescribed export performance, status recognition as one star Export House, two Star Export House, three star export house, four star export house and five star export house is accorded to the eligible applicants as per their export performance. Such Status Holders are eligible for various non-fiscal privileges as prescribed in the Foreign Trade Policy.

In addition to the above schemes, facilities like 24X7 customs clearance, single window in customs, self-assessment of customs duty, prior filing facility of shipping bills etc are available to facilitate exports.

FORMAY

**Negative list of exports contains those export items which are either banned or can not be freely exported. The negative list of exports consists of these parts.**

- Prohibited Items
- Restricted Items
- Canalised Items

### 1. <u>Prohibited Items</u>

The prohibited items are banned from exporting. The list of prohibited items are as follows.

- All forms of wild animals
- Exotic birds
- All items of plants
- Human selection
- Tallow of/and animal's origin
- Fat of any animal's origin
- Oils of any animal's origin
- Chemicals
- Sandal wood items
- Red sanders wood in any form

### 2. <u>Restricted Items</u>

The restricted items are allowed to be exported only with special licencing by the DGFT. s. Some of restricted export items are as follows.

- Beche-de-mer of sizes below 3 inches.
- Cattle
- Camel
- Chemical fertilizer and micronutrient fertilizers
- Fabrics/textile items with imprints of excerpts or verses of the Holy Quran
- DE oiled groundnut cakes

- Fresh and frozen silver pomfrets of weight less than 300 gms.
- Fur of domestic animals, excluding lamb fur skin
- Fodder, including wheat and rice straw
- Hides and skins as mentioned in the policy

**3. Canalised Items**

Certain items are traded through only by state trading agencies are called canalised items.

## Composition and Direction of India's Foreign Trade

Composition of trade means a study of the goods and services of imports and exports of a country. In other words, it tells about the commodities of imports and the commodities of exports of a country. Therefore, it indicates the structure and level of economic development of a country. Developing countries exports raw materials, agricultural products and intermediate goods; developed countries exports finished goods, machines, equipment's and technique/technology.

Direction of trade means a study of the countries to whom the exports are made and from whom the imports are made.

Indian's foreign trade was largely determined by the strategies needed by British colonial powers prior to Indian's Independent before 1947. Like other colonial countries India too was a supplier of raw materials and agricultural commodities to British & to other industrial countries. On the other hand, India used to import the manufactured products from Britain.

After 1947 the trade pattern or the trade composition start changing, exports of non-traditional items were given thrust by free Indian Government, which increases the percentage share of exports of nontraditional items. Similarly, import composition also changes in different directions as per the need of the country.

Till early fifties India's share in World trade was about 2% of the total world trade. But then it was gone down to the level of 0.5% in late eighties. However, after the policy liberalization by the Government of India in early nineties the situation improves at a faster rate.

It was also observed that the composition of India's foreign trade had gone through a structural change on several occasions since 1947, At the beginning it was a major importer of food, fertilizer, Petroliam Oil and manufactured products.

The major export items were agricultural commodities like tea coffee tobacco, jute, marine products and mineral ores like iron ore etc.

Similarly, direction of India's exports in the early period of independence was concentrate mainly to UK and other developed countries of Western Europe and specially the USA. On the other hand, import of oil and oil products are mainly from Oil Producing and Exporting Countries (OPEC) and food products from developed countries.

After policy liberalization by the Government of India in early nineties the composition of exports and imports underwent a massive change. Manufactured goods such as engineering goods, petroleum products, chemicals and pharmaceuticals, electronic goods, gems and jewelry constitute over 80 percent of India's total exports .And major import of India in the last 25 years are capital goods, metals &minerals (gold and raw diamond), fertilizers, crude oil which are required to meet the development of our economy.

Now import of machineries and consumer goods are from China, Korea, Hong Kong and Singapore. Capital goods with advance technology are from USA, EU or from above mentioned country. Petroleum from OPEC country and Gold, diamond and coal from Australia, South Africa, Switzerland and Belgium.

India's total exports & imports for the period 2007-08 to 2018-19 is given in table 1. Product wise exports- imports and region/country wise exports-imports are placed in table 2,3,4 &5 respectively.

**Table 1: India's Trade Data for the period 2007-08 to 2018-19, (Value: US$ Million)**

| Sl No | Year | Export | % growth | Imports | % Growth | Trade Balance |
|---|---|---|---|---|---|---|
| 1 | 2007-08 | 163132 | 29.5 | 251654 | 35.49 | -88522 |
| 2 | 2008-09 | 158295 | 13.59 | 303696 | 20.68 | -118401 |
| 3 | 2009-10 | 178751 | -3.53 | 288373 | -5.05 | -109621 |
| 4 | 2010-11 | 249816 | 39.76 | 369769 | 28.33 | -119954 |
| 5 | 2011-12 | 305964 | 22.48 | 489319 | 32.33 | -183356 |
| 6 | 2012-13 | 300401 | -1.82 | 490737 | 0.29 | -190336 |
| 7 | 2013-14 | 314405 | 4.66 | 450200 | -8.26 | -135794 |
| 8 | 2014-15 | 310338 | -1.29 | 448033 | -0.48 | -137695 |
| 9 | 2015-16 | 262290 | -15.48 | 381007 | -14.96 | -118717 |
| 10 | 2016-17 | 275852 | 5.17 | 384356 | 0.88 | -108504 |
| 11 | 2017-18 | 303526 | 10.03 | 465580 | 21.13 | -162054 |
| 12 | 2018-19 | 330070 | 8.74 | 514034 | 10.40 | -183964 |

**Table 2: India's Export of Principal Products; (Value: US$ Million)**

| Sl no | Products | 2015-16 April-March | 2016-17 April-March | 2016-17 April-October | 2017-18 April-October | % Growth | % Share |
|---|---|---|---|---|---|---|---|
| 1 | Plantation | 1562.6 | 1611.17 | 895.02 | 1045.25 | 16.78 | 0.62 |
| 1a | Tea | 720.03 | 731.26 | 410.7 | 462.56 | 12.63 | 0.27 |
| 1b | Coffee | 783.87 | 842.84 | 481.81 | 572.25 | 18.77 | 0.34 |
| 2 | Agri& Allied Products | 24521.93 | 24549.19 | 13559.89 | 15353.04 | 13.22 | 9.07 |
| 2a | Rice Basmati | 3477.98 | 3208.6 | 1817.08 | 2355.79 | 29.65 | 1.39 |
| 2b | Rice Others than Basmati | 2368.64 | 2525.19 | 1414.15 | 1993.98 | 41 | 1.18 |
| 2c | Spices | 2541.46 | 2851.95 | 1644.38 | 1743.40 | 6.02 | 1.03 |
| 2d | Cashew | 768.55 | 786.93 | 396.61 | 568.96 | 43.46 | 0.34 |
| 3 | Marine Products | 4767.5 | 5903.06 | 3470.04 | 4479.12 | 29.08 | 2.64 |
| 4 | Ores & Minerals | 2014.92 | 3255.61 | 1440.52 | 1681.98 | 16.76 | 0.99 |
| 5 | Leather & Leathers Products | 5554.32 | 5308.3 | 3153.92 | 3178.84 | 0.79 | 1.88 |
| 6 | Gems & Jewellery | 39283.46 | 43412.76 | 26602.43 | 24655.45 | -7.32 | 14.45 |
| 7 | Sports Goods | 227.7 | 224.83 | 144.09 | 145.66 | 1.09 | 0.09 |
| 8 | Chemicals & Related Products | 32169.23 | 32779.3 | 18724.01 | 20377.31 | 8.83 | 12.03 |
| 8a | Organic Chemicals | 4859.52 | 4844.39 | 2648.26 | 3660.78 | 38.23 | 2.16 |
| 8b | Residual Chemicals & | 3505.17 | 3894.92 | 2175.79 | 2437.02 | 12.01 | 1.44 |

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|---|---|---|---|---|---|---|---|
| | Allied Products | | | | | | |
| 9 | Plastic & rubber Articles | 6415.86 | 6438.39 | 3655.37 | 4101.49 | 12.2 | 2.42 |
| 10 | Articles of Stone Plaster, Cement Ashburton Mica Glass &Glassware | 3879.36 | 4087.58 | 2390.53 | 2575.19 | 7.72 | 1.52 |
| 11 | Paper and Related Products | 2347.6 | 2335.17 | 1421.74 | 1452.53 | 2.17 | 0.86 |
| 12 | Base Metal | 18497.79 | 21890.32 | 10777.27 | 15436.23 | 43.23 | 9.12 |
| 12a | Iron & Steel | 5492.75 | 8683.01 | 3882.19 | 6151.88 | 58.46 | 3.63 |
| 12b | Products of Iron & Steel | 6134.95 | 5895.44 | 3320.87 | 3800.23 | 14.43 | 2.24 |
| 12c | Aluminium& Products | 2639.77 | 3244.69 | 1686.45 | 2559.56 | 51.77 | 1.51 |
| 12d | Copper & Products | 2539.74 | 2672.94 | 1294.50 | 1968.44 | 52.06 | 1.16 |
| 13 | Optical Medicinal &surgical Instruments | 1635.07 | 1889.58 | 1069.47 | 1247 | 16.6 | 0.74 |
| 14 | Electronic Items | 5690.23 | 5689.18 | 3283.40 | 3350.08 | 2.03 | 1.98 |
| 15 | Machinery | 18922.31 | 20151.74 | 11582.17 | 13268.78 | 14.56 | 7.84 |
| 16 | Office Equipment’s | 89.49 | 117.92 | 63.77 | 52.67 | -17.41 | 0.03 |
| 17 | Transport Equipment | 21336.08 | 23163.13 | 12789.09 | 13341.62 | 4.32 | 7.88 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 18 | Project Goods | 25.13 | 28.74 | 17.05 | 3.31 | -80.58 | 0 |
| 19 | Textile & Allied Products | 35952.65 | 35766.63 | 19625.18 | 20411.65 | 4.01 | 12.05 |
| 19a | Cotton Fabrics, Made ups | 5266.17 | 5212.53 | 3041.82 | 3113.64 | 2.36 | 1.84 |
| 19b | Manmade Fabric , Made ups | 4621.63 | 4557.08 | 2637.34 | 2756 | 4.5 | 1.63 |
| 19c | RMG Cotton | 9091.55 | 8513.22 | 4837.67 | 4745.32 | -1.91 | 2.8 |
| 19d | RMG Manmade Fabric | 4181.71 | 5035.94 | 2726.61 | 3116.83 | 14.31 | 1.84 |
| 19e | RMG & Other Textile Materials | 3184.54 | 3462.79 | 2042.37 | 1943.56 | -4.84 | 1.15 |
| 20 | Petroliam Crude & Products | 30582.72 | 31545.26 | 17185.66 | 20012.44 | 16.45 | 11.82 |
| 21 | Others | 6814.13 | 5703.27 | 3493.78 | 3179.77 | -8.99 | 1.88 |
| | Total | 262290.1 | 275851.7 | 155344.40 | 169349.39 | 9.02 | 100 |

Source DGCIS, Kolkata

**Table 3: India's Import of Principal Products; (Value in US$ Million)**

| Sl no | Products | 2015-16 April-March | 2016-17 April-March | 2016-17 April-October | 2017-18 April-March | % Growth | % Share |
|---|---|---|---|---|---|---|---|
| 1 | Plantation | 895.75 | 841.22 | 525.91 | 628.28 | 19.46 | 0.24 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2 | Agri& Allied Products | 20673.58 | 23210.67 | 12201.53 | 14047.85 | 15.13 | 5.45 |
| 3 | Marine Products | 97.23 | 94.37 | 56.81 | 55.15 | -2.92 | 0.02 |
| 4 | Ores & Minerals | 20684.17 | 21636.83 | 10845.77 | 16925.31 | 56.05 | 6.57 |
| 4a | Coal & Coke etc | 13667.59 | 15759.93 | 7713.37 | 12261.18 | 58.96 | 4.76 |
| 5 | Leather & Leathers Products | 1031.28 | 992.81 | 594.17 | 612.94 | 3.16 | 0.24 |
| 6 | Gems & Jewellery | 56508.62 | 53738.63 | 26451.21 | 43671.70 | 65.1 | 16.94 |
| 6a | Precious stone /Diamonds Pearl | 20069.95 | 23808.59 | 13662.18 | 19570.83 | 43.25 | 7.59 |
| 6b | Gold | 31770.74 | 27518.03 | 11427.72 | 19925.50 | 74.36 | 7.73 |
| 7 | Sports Goods | 221.01 | 224.19 | 128.81 | 164.41 | 27.64 | 0.06 |
| 8 | Chemicals & Related Products | 36888.21 | 33680.84 | 20369.57 | 22960.92 | 12.72 | 8.91 |
| 8a | Fertiliser Manufacturing | 7057.65 | 4265.75 | 3308.96 | 3075.63 | -7.05 | 1.19 |
| 8b | Organic Chemicals | 9623.24 | 9879.06 | 5562.20 | 6792.05 | 22.11 | 2.63 |
| 9 | Plastic & rubber Articles | 13760.88 | 14019.63 | 8334.77 | 9854.17 | 18.23 | 3.82 |
| 9a | Plastic Raw Material | 8821.51 | 8810 | 5246.30 | 6232.64 | 18.8 | 2.42 |
| 10 | Articles of Stone Plaster, Cement Ashburton | 2438.51 | 2271.48 | 1355.69 | 1575.96 | 16.25 | 0.61 |

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|---|---|---|---|---|---|---|---|
| | Mica Glass &Glassware | | | | | | |
| 11 | Paper and Related Products | 7157.27 | 6993.65 | 4119.39 | 4912.21 | 19.25 | 1.91 |
| 12 | Base Metal | 24703.54 | 21551.87 | 12413.78 | 15483.56 | 24.73 | 6.01 |
| 12a | Iron & Steel | 11251.89 | 8238.88 | 4653.46 | 6207.95 | 33.41 | 2.41 |
| 12b | Copper & Products | 3358.76 | 3449.4 | 1984.80 | 2660.07 | 34.02 | 1.03 |
| 13 | Optical Medicinal &surgical Instruments | 4176.62 | 4398.06 | 2471.41 | 3022.14 | 22.28 | 1.17 |
| 14 | Electronic Items | 40021.93 | 41930.39 | 22806.10 | 29787.41 | 30.61 | 11.55 |
| 14a | Computer Hardware | 7508.87 | 6894.36 | 3996.68 | 4645.45 | 16.23 | 1.8 |
| 14b | Electronic Components | 7115.42 | 8407.68 | 4145.85 | 5674.83 | 36.88 | 2.2 |
| 14c | Consumer Electronics | 4106.49 | 3992.18 | 2420.15 | 2690.12 | 11.15 | 1.04 |
| 14d | Electrical Instruments | 5888.5 | 6064.61 | 3339.26 | 4019.70 | 20.38 | 1.56 |
| 15 | Machinery | 33217.3 | 32768.63 | 18541.30 | 21544.20 | 16.2 | 8.36 |
| 15a | Electrical Machinery & Equipment | 6040.66 | 6315.78 | 3598.83 | 4586.82 | 27.45 | 1.78 |
| 15b | Machine for Diary etc. | 9669.28 | 9375.97 | 5262.12 | 5868.13 | 11.52 | 2.28 |
| 16 | Office Equipment’s | 124.22 | 91.56 | 46.23 | 29.59 | -36 | 0.01 |
| 17 | Transport Equipment | 15394.27 | 19560.2 | 10145.37 | 8133.37 | -19.83 | 3.15 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 17a | Auto Component | 4370.13 | 4063.06 | 2381.60 | 2856.83 | 19.95 | 1.11 |
| 17b | Aircraft, Space Craft | 4983.82 | 8372.38 | 4468.24 | 2627.01 | -41.21 | 1.02 |
| 18 | Project Goods | 2761.07 | 2074.44 | 1132.13 | 1251.53 | 10.55 | 0.49 |
| 19 | Textile & Allied Products | 5332.57 | 5516.64 | 3490.14 | 3873.79 | 10.99 | 1.50 |
| 20 | Petroliam Crude & Products | 82944.47 | 86963.84 | 46788.46 | 55786.90 | 19.23 | 21.64 |
| 20a | Petroliam Crude | 65922.98 | 70705.39 | 37791.57 | 45018.25 | 19.12 | 17.46 |
| 20b | Petroliam Products | 17021.49 | 16258.45 | 8996.89 | 10768.65 | 19.69 | 4.18 |
| 21 | Others | 11974.33 | 11795.59 | 7016.42 | 3478.90 | -50.42 | 1.35 |
| | Total | 381006.62 | 384355.56 | 209834.97 | 257800.38 | 22.86 | 100 |

Source: DGCIS, Kolkata

**Table 4: India's Export to of Principal Regions and Selected Countries; (Value in US$ Million)**

| **Sl no** | **Region/ Country** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **% Growth in 2018-19 over previous years** | **% Share** |
|---|---|---|---|---|---|---|---|
| 1 | Europe | 50343.68 | 53241.06 | 60313.87 | 64343.61 | 6.68 | 19.49 |
| 1a | EU Countries | 44496.26 | 47195.06 | 53597.93 | 57172.26 | 6.67 | 17.32 |
| 1a i | UK | 8858 | 8551.14 | 9691.07 | 9309.29 | -3.94 | 2.82 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1a ii | Germany | 7094.57 | 7183.86 | 8687.80 | 8902.44 | 2.47 | 2.70 |
| 1a iii | Belgium | 5027.65 | 5656.92 | 6206.88 | 6729.93 | 8.43 | 2.04 |
| 1a iv | France | 4633.73 | 5250.27 | 4900.27 | 5232.57 | 6.78 | 1.59 |
| 1a v | Netherlands | 4727.38 | 5071.22 | 6261.14 | 8812.84 | 40.75 | 2.67 |
| 1a vi | Italy | 4218.2 | 4902.7 | 5709.85 | 5593.42 | -2.04 | 1.69 |
| 1a vii | Spain | 3237.46 | 3426.13 | 3995.11 | 4182.49 | 4.69 | 1.27 |
| 1b | European Free Trade Association | 1538.21 | 1240.69 | 1452.52 | 1533.93 | 5.60 | 0.46 |
| 1c | Other European Countries | 4309.21 | 4805.31 | 5263.42 | 5637.42 | 7.11 | 1.70 |
| 1c i | Turkey | 4140.01 | 4626.59 | 5090.70 | 5452.45 | 7.11 | 1.65 |
| 2 | Africa | 25026.78 | 23129.39 | 24903.95 | 28540.35 | 14.60 | 8.65 |
| 2a | South Africa Customs Union | 3804.7 | 3785.71 | 4041.96 | 4377.55 | 8.30 | 1.32 |
| 2a i | South Africa | 3588.75 | 3545.97 | 3825.21 | 4067.20 | 6.33 | 1.23 |
| 2b | Other South African Countries | 1968.37 | 1510.9 | 1593.33 | 1856.45 | 16.51 | 0.56 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2c | West Africa | 6095.39 | 5651.72 | 6718.96 | 7698.24 | 14.57 | 2.33 |
| 2d | Central Africa | 1251.5 | 1044.92 | 1142.83 | 1342.08 | 17.44 | 0.40 |
| 2e | East Africa | 7311.87 | 6728.81 | 6532.53 | 7377.45 | 12.93 | 2.23 |
| 2f | North Africa | 4594.95 | 4407.33 | 4874.34 | 5888.58 | 20.81 | 1.78 |
| 3 | America | 52754.27 | 54912.56 | 62778.95 | 68840.48 | 9.66 | 20.86 |
| 3a | North America | 45223.42 | 47981.59 | 54167.42 | 59099.76 | 9.11 | 17.90 |
| 3a i | USA | 40339.85 | 42216.48 | 47878.48 | 52406.78 | 9.46 | 15.88 |
| 3a ii | Mexico | 2865.16 | 3460.98 | 3782.79 | 3841.57 | 1.55 | 1.16 |
| 3b | Latin America | 7530.85 | 7230.97 | 8611.53 | 9740.72 | 13.11 | 2.95 |
| 3b 1 | Brazil | 2650.34 | 2400.48 | 3063.49 | 3800.49 | 24.06 | 1.15 |
| 4 | Asia | 127846.8 | 137747.6 | 149630.2 2 | 158203.0 6 | 5.73 | 47.93 |
| 4a | East Asian Oceania | 3667.24 | 3369 | 4473.84 | 4024.46 | -10.04 | 1.21 |
| 4a i | Australia | 3263.11 | 2957.79 | 4012.32 | 3520.44 | -12.26 | 1.07 |
| 4b | ASEAN | 25154.71 | 30961.78 | 34203.70 | 37471.14 | 9.55 | 11.35 |
| 4b i | Singapore | 7719.97 | 9564.67 | 10202.82 | 11571.14 | 13.41 | 3.51 |
| 4b ii | Vietnam | 5266.15 | 6786.56 | 7813.08 | 6507.38 | -16.71 | 1.97 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 4b iii | Malaysia | 3706.91 | 5224.88 | 5701.56 | 6435.25 | 12.87 | 1.94 |
| 4b iv | Indonesia | 2819.55 | 3488.16 | 3963.77 | 5275.60 | 33.10 | 1.50 |
| 4b v | Thailand | 2987.86 | 3133.44 | 3653.83 | 4441.40 | 21.55 | 1.35 |
| 4c | West Asia GCC | 41678.97 | 41768.35 | 39390.64 | 42621.58 | 5.66 | 12.60 |
| 4c i | UAE | 30290.01 | 31175.5 | 28146.12 | 30126.34 | 7.04 | 9.12 |
| 4c ii | Saudi Arabia | 6394.48 | 5110.28 | 5410.70 | 5561.72 | 2.79 | 1.68 |
| 4d | Other west Asia | 8773.08 | 7879.16 | 8993.35 | 10761.04 | 19.66 | 3.26 |
| 4d i | Israel | 2821.23 | 3087.18 | 3364.05 | 3717.98 | 10.52 | 1.12 |
| 4d ii | Iran | 2781.52 | 2379.62 | 2652.37 | 3511.01 | 32.37 | 1.06 |
| 4e | North East Asia | 30842.48 | 34547.17 | 39467.59 | 41976.44 | 6.36 | 12.71 |
| 4e i | Hung Kong | 12092.21 | 14047.24 | 14690.27 | 13001.90 | -11.49 | 3.94 |
| 4e ii | China P. Republic | 9013.54 | 10171.64 | 13333.53 | 16749.59 | 25.62 | 5.70 |
| 4e iii | South Korea | 3523.72 | 4242.56 | 4460.98 | 4705.07 | 5.47 | 1.43 |
| 4e iv. | Japan | 4662.91 | 3845.82 | 4734.23 | 4861.73 | 2.69 | 1.47 |
| 4f | South Asia | 18620.32 | 19222.18 | 23100.90 | 25348.40 | 9.73 | 7.67 |
| 4fi | Banglade sh | 6034.95 | 6820.13 | 8614.35 | 9214.22 | 6.95 | 2.79 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 4fi i | Nepal | 3930.09 | 5453.59 | 6612.96 | 7763.60 | 17.40 | 2.35 |
| 4fi ii | Sri Lanka | 5309.53 | 3913.15 | 4476.46 | 4708.50 | 5.18 | 1.43 |
| 5 | CIS &Baltics | 2391.64 | 2793.94 | 3007.35 | 3466.89 | 15.28 | 1.05 |
| 6 | Unspecified Regions | 3926.94 | 4027.12 | 2892.00 | 3675.19 | 27.08 | 1.11 |
| | Total | 262290.1 | 275851.7 | 303526.16 | 330069.60 | 8.74 | 100 |

Source: DGCIS, Kolkata

# Unit 104: Instruments of Export Promotion

## Structure

- Introduction.
- Role of different export promotion organization under Ministry of Commerce.
- Role of different export promotion organization under Ministry of Textiles.
- Role of different export promotion organization under Ministry of Micro Small and Medium Enterprises (MSME).

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## Introduction

The Government of India has established a number of Institutions and Organization for promoting exports from India.

Export Promotion Organizations and Institutes can broadly be classified into the following categories.
Government Departments.
Export Promotion Council/Commodity Board.
Service Institutions.
Export Corporation.
Inspection Agency.

**Ministry of Commerce (MOC)**

The Ministry of Commerce is responsible for the country's external trade and all matters connected with it , such as commercial relations with other countries , state trading , export promotional measures and the promotion , development or regulation of certain export oriented industries and commodities. The Ministry of Commerce is located in Udyog Bhawan , New Delhi. Website: https://www.commerce.gov.in

**Board of Trade**

The Ministry of Commerce has reconstituted the Board of Trade to provide a forum for ensuring continuous dialogue with trade and industry in respect of major developments in the field of international trade.
The Commerce Minister is the Chairman of the Board of Trade and the membership of the Board includes the Governor, Reserve Bank of India, secretaries of the Ministries of Commerce, Industry, Finance and Textiles, Special Secretary, Prime Minister's office, presidents of FICCI, ASSOCHAM, CII, FIEO and FASSI, representatives of Trade and Industry and a few specialists.

Under Ministry of Commerce there are five different categories of organizations functioning for promotion of exports and details are listed below:

(A) Attached and Subordinate Offices
(B) Autonomous Bodies
(C) Public Sector Undertakings
(D) Export Promotion Council
(E) Other Organization.

**A Attached and Subordinate Office.**

### (i) Directorate General of Foreign Trade (DGFT)

*Udyog Bhavan, New Delhi – 110 107)*

Directorate General of Foreign Trade (DGFT) Organization is an attached office of the Ministry of Commerce and Industry and is headed by Director General of Foreign Trade. Right from its inception till 1991, when liberalization in the economic policies of the Government took place, this organization has been essentially involved in the regulation and promotion of foreign trade through regulation. Keeping in line with liberalization and globalization and the overall objective of increasing of exports, DGFT has since been assigned the role of "facilitator". The shift was from prohibition and control of imports/exports to promotion and facilitation of exports/imports, keeping in view the interests of the country.

This Directorate, with headquarters at New Delhi, is headed by the Director General of Foreign Trade. It is responsible for implementing the Foreign Trade Policy with the main objective of promoting India's exports. The DGFT also issues licenses to exporters and monitor their corresponding obligations through a network of **36 Regional Offices** and an **extension counter. Importer-Exporter Code(IEC) number registration is mandatory and it is issued by DGFT offices all over india.**

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**Kolkata Regional Office**

**OFFICE OF THE ZONAL JOINT DIRECTOR GENERAL OF FOREIGN TRADE**
4, Esplanade East,
Kolkata - 700 069.
www.dgft.gov.in

**PBX Contact No.:** 033-22486831/32/33/34, 22545900
**FAX:** 033-22485892
**E-Mail:**jtdgftkol@nic.in

**Website:** http://dgft.gov.in/

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### (ii) Directorate General of Trade Remedies (DGTR)

The Directorate General of Anti-Dumping & Allied Duties was constituted in April, 1998 and is headed by the Designated Authority of the level of Joint Secretary to the Government of India who is assisted by an Adviser (Cost). In addition, there are eleven Investigating and Costing Officers with varied relevant experience to conduct investigations. The Directorate is responsible for carrying out investigations and recommending, where required, under the Customs Tariff Act, the amount of anti-dumping duty/countervailing duty on the identified articles as would be adequate to remove injury to the domestic industry.

DGAD has brought out publications on Anti-dumping Guidelines, Application Proforma, Exporter/Importer Questionnaires and a user-friendly booklet on Frequently Asked Questions concerning anti-dumping and anti-subsidy measures and placed on the website of the Ministry of Commerce and Industry (http://commerce.gov.in).

**DGTR office - Jeevan Tara Building (4th Floor), Parliament Street, New Delhi-110001. Website: www.dgft.gov.in**

### (iii) Directorate General of Commercial Intelligence and Statistics (DGCI&S)

The Directorate General of Commercial Intelligence & Statistics (DGCI&S) is the premier organization of Govt. of India for collection, compilation and dissemination of India's trade statistics and commercial information. This Directorate, with its office located at Kolkata, is headed by the Director General. It is entrusted with the work of collecting, compiling and publishing/disseminating trade statistics and various types of commercial information required by the policy makers, researchers, importers, exporters, traders as well as overseas buyers.

**Data Receipt in DGCI&S**

DGCI&S receives the basic data in the form of DTRs (Daily Trade Returns) from different Customs formations and the Special Economic Zones (SEZs) as a part of the administrative data generated whenever any international merchandise trade takes place. The Customs Authority transmits these DTRs in three different modes, namely, Electronic Data Interchange (EDI), Non-EDI and Manual. The EDI data is transmitted on-line daily through Indian Customs EDI Gateway (ICEGATE). From the remaining Ports the monthly merchandise trade data is transmitted through e-mail or CD or through manually typed/ hand written paper schedules.

DTRs from the SEZs are being received through NSDL on a daily basis. DGCIS processes and compiles the raw data received using state-of-the-art technology.

**DGFT head office is in Kolkata No 1 Council House Street, Kolkata 700001**

**Website: dgciskol.gov.in**

**Special Economic Zones**

### iv)) Offices of Development Commissioner of Special Economic Zones (SEZs)

The main objectives of the SEZ Scheme is generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, creation of employment opportunities along with the development of infrastructure facilities. All laws of India are applicable in SEZs unless specifically exempted as per the SEZ Act/ Rules. Each Zone is headed by a Development Commissioner and is administered as per the SEZ Act, 2005 and SEZ Rules, 2006. Units may be set up in the SEZ for manufacturing, trading or for service activity. The units in the SEZ have to be net foreign exchange earners but they are not subjected to any predetermined value addition except Gems & Jewellery Units or minimum export performance requirements. Sales in the Domestic Tariff Area from the SEZ units are treated as if the goods are being imported and are subject to payment of applicable customs duties.

**Facilities and Incentives**

**The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-**

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. (**Sunset Clause for Units will become effective from 01.04.2020**)
- Exemption from Minimum Alternate Tax (MAT) under section 115JB of the Income Tax Act. ***(withdrawn w.e.f. 1.4.2012)***
- Exemption from Central Sales Tax, Exemption from Service Tax and Exemption from State sales tax. These have now subsumed into GST and supplies to SEZs are zero rated under IGST Act, 2017.
- Other levies as imposed by the respective State Governments.
- Single window clearance for Central and State level approvals.

**The major incentives and facilities available to SEZ developers include:-**

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act. (**Sunset Clause for Developers has become effective from 01.04.2017**)
- Exemption from Minimum Alternate Tax (MAT) under Section 115 JB of the Income Tax Act. ***(withdrawn w.e.f. 1.4.2012)***
- Exemption from Dividend Distribution Tax (DDT) under Section 115O of the Income Tax Act. ***(withdrawn w.e.f. 1.6.2011)***
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

**Kolkata office is at Nizam Palace**

**AJC Bose Road, Kolkata- 700017**

**234/4, AJC Bose Road, Kolkata, West Bengal 700020**

**Phone: 033 2287 2263**

**Website:** http://sezindia.gov.in

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**B Autonomous Body**

i Commodity Boards

There are five statutory Commodity Boards are functioming under the Department of Commerce. Name of these Boards are Tea Board, Coffee Board, Rubber Board, Spices Board and Tobacco Board. **These Boards are responsible for production, development and exports of concern products.**

**Functions of Commodity Board**

The primary functions of all the five Boards are to increase production and extent of cultivation of the crop. It is also help for improving the quality of crop; promoting cooperative efforts among growers and manufacturers ; encouraging scientific, technological and economic research; regulating the sale and export ; increasing the consumption in India and elsewhere, registering and licensing of manufacturers, brokers, dealers and persons engaged in the business ; improving the marketing of commodity in India and elsewhere; securing better working conditions and the provisions and improvement of amenities and incentives for workers; collection and dissemination of statistical information, etc. Specific role for market promotion in India and abroad are given below.

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**(a) Issue of Certificate of Origin** Certain countries demand certificate of origin from the exports. In India EPC, can issue certificate of origin to the exporter certifying the origin of goods.
**(b) Collection of Information** It collect valuable information on overseas import, import regulations, about competitors, market potential and other development in foreign trade. **(c) Supplying of Information** It provides information on latest developments in the field of exports trade. It may relate to various aspects of foreign trade. Such information is vital to the exporters to promote their sale, abroad.
**(d) Organising Seminar** It organizes seminars, workshops, meeting and conferences on various aspects of foreign trade. Exporters are invited to take part in such seminars and workshops.
**(e) Trade Fairs and Exhibitions** It may also assist the concerned authorities in organizing trade fairs and exhibitions in India and abroad, It may also assist the exporters to take part in such trade fairs and exhibitions. It may also arrange buyer-seller meets, so as to promote Indian exports.
**(f) Recommendation to Government** It apprises or advises the government authorities on current export problems and suggest measures for export growth. It also advises the government in framing proper EXIM policies from time-to-time.
**(g) Sending Trade Delegations** To make arrangements for sending trade delegation and study teams to countries for promoting the export of specific products and to circulate the reports of such visits abroad among member exporters. In addition, to invite trade delegations from abroad.

**(h) Professional Advice** It may provide professional advice to exporters in areas such as, technology up gradation, quality and design improvement, standards and specification, product development, innovation etc.

**(i) Exploration of Overseas Markets** It may assist the exporter in exportation of overseas markets and identify items having export potentials.

**(j) Developing Export Consciousness** This organisation makes all the possible efforts to develop export consciousness in out country.

**N.B. Tea board office in Kolkata- 9 Brabon Road, Kolkata 700001, website: www.teaboard.gov.in**

**Spices board regional office in Kolkata No 21 Park Street, near Park Circus, Kolkata 700017**

**Website: indianspices.com**

**Coffee board: www.Indiacoffee.org**

**Rubber Board: www.rubberboard.org.in**

**Tobacco Board: www.tobacooboard.com**

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## ii )Marine Products Export Development Authority

The Marine Products Export Development Authority (MPEDA) was set up under Section (4) of MPEDA Act, 1972 and became functional from 20th April, 1972. It is a statutory body functioning under the Department of Commerce. The MPEDA, a statutory body, is responsible for development of the marine products industry with special reference to exports. It is headed by a Chairman. It has its headquarters at Kochi and has a number of Regional and Sub-Regional Offices. The authority operates two overseas trade promotion offices, one at Tokyo (Japan) and the other at New York (USA).

**Function of Marine Products Export Development Authority (MPEDA)**

The broad functions of the authority involve regulatory functions, promotion and publicity, development and training and advice to the Central Government on maters connected with marine products and their exports

a) The authority encourages Indian export marketing organizations to take active interest in the export of marine product.

(b) The authority directly participates in international fairs and also through ITPO in several other fairs. This gives publicity to wide range sea food available in India for exports.

(c) MPEDA undertakes the mandatory registration of fishing vessels, processing plants, storage premises, conveyances and exporters and the voluntary registration of export under the registered exporters‟ policy.

(d) The authority looks after the catching processing and exporting marine production including dry fish, frozen prawns, lobsters, canned fish, and fish oil and so on. It also takes keen interest in the development of off shore and deep sea fishing and also in the promotion of exports of marine products.

(e) MPEDA gives advice to the central government on marine products and their exports. It also fixes standards and specifications for the purpose of exports of marine products.

(f) MPEDA provides training facilities in marine products and their exports. It also provides useful services to foreign buyers.

(g) The authority promotes sea food exports by liaising with Indian exporters and overseas importers. (h) The authority promotes the image of Indian sea products in overseas markets through publicity campaigns.

Kolkata regional office – Tea board building 5th floor, 9 Brabon Road , Kolkata 700001, website: www.mpeda.gov.in

### iii) Agricultural and Processed Food Products Export Development Authority

The Agricultural and Processed Food Products Export Development Authority (APEDA) was established by the Government of India under the Agricultural and Processed Food Products Export Development Authority Act passed by the Parliament in December, 1985. The Authority, with its headquarters at New Delhi, is headed by a Chairperson. APEDA has been serving the Agri-export community for 27 years. In order to reach out to the exporters in different parts of the Country, APEDA has set up 5 Regional offices at Mumbai, Bangalore, Hyderabad, Kolkata & Guwahati and 13 Virtual Offices in other Indian cities. In addition to this, APEDA has been entrusted with the responsibility to monitor the import of sugar as well.

APEDA has been actively engaged in the development of markets besides upgradation of infrastructure and quality to promote the export of Agri products. In its endeavour to promote Agri exports, APEDA, under its Plan Scheme titled 'Agriculture Export Promotion Scheme of APEDA' provides financial assistance to the registered exporters under sub-components of the Scheme - Market Development, Infrastructure Development, Quality Development and Transport Assistance.

**Kolkata Office – Mayuk Bhavan, Salt Lake City, Kolkata 700091**

Web Site : http://apeda.gov.in

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### iv) Export Inspection Council

The Export Inspection Council (EIC) is the official export –certification body of India which ensures quality and safety of products exported from India. EIC was set up by the Government of India under Section 3 of the Export (Quality Control and Inspection) Act, 1963 to ensure sound development of export trade of India through quality control and inspection and matters connected therewith. The role of EIC is to ensure that products notified under the Export (Quality Control and Inspection) Act 1963 are meeting the requirements of the importing countries in respect of their quality and safety.

The Export Inspection Council is located at Delhi and is headed by a Chairman. The Executive Head of the Council is the Director of Inspection & Quality Control who is responsible for day to day functioning of the Council. The assurance to quality and safety is provided through either a consignment wise inspection or a quality assurance / food safety management-based certification through its field organization. The Export Inspection Agencies (EIAs) located at Mumbai, Kolkata, Kochi, Delhi and Chennai with a network of 30 sub offices backed by the state of art, NABL accredited laboratories at various places. EIC provides mandatory certification for various Food items namely fish & fishery products, dairy product, honey, egg products, meat and meat products, poultry meat products, animal casing, Gelatine, Ossein and crushed bones and feed additive and pre-mixtures while other food and non-food products are certified on voluntary basis. With more than four decade experience in the field of inspection, testing and certification of food items as per importing country's requirements, EIC is the only organization in India having global acceptance.

Head Office Address : 3rd Floor, NDYMCA Cultural Centre Building, 1 Jai Singh Road, NEW DELHI-110001
Telephone : +91 – 11 – 23341263 / 23748189 , 23365540
Fax : 011 - 23748024
Email : eic@eicindia.gov.in

**Kolkata Office : 14/2B, Ezra Steet, Kolkata 700001**
Website : http://eicindia.gov.in/

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## vi) Indian Institute of Packaging

The Indian Institute of Packaging is an autonomous body in the field of packaging technology which was set up on 14th May, 1966 as a society under society registration act, 1860 by the leading packaging and allied industries and the Ministry of Commerce, Govt. of India. The main objective of this Institute is to promote the export market by way of innovative package design and development and also to upgrade the packaging standards at National Level. The head office of the Institute is situated at Mumbai and its branches are located at Delhi, Kolkata, Chennai and Hyderabad. Recently, the Govt. of Karnataka has offered a land of 4 acres to the Institute on free of cost for the setting up a new center at Bangalore.

**Kolkata Region Office: Block CP-10, Sector V, Salt Lake, Kolkata -700091**

Website: www.iip-in.com

Address : E-2, MIDC Area, Post Box No. 9432, Andheri (East), MUMBAI-400096
Telephone : (91)22-8219803, (91)22-8216751.
Fax : (91)22-8375302.
Web Site : http:// www.iip-in.com

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## vii) Indian Institute of Foreign Trade

Indian Institute of Foreign Trade (IIFT) was set up by Government of India on 2nd May, 1963 with a focus on foreign trade related research and training. After 50 years of its existence, the

Institute has broadened the scope and dimensions of its academic activities covering the entire gamut of international business. Today, the Institute is widely recognized for its knowledge and resource base, rich heritage and for strong alumni network both in India and abroad.

**Kolkata Centre: 1583 Chowbagha Road, Ward no 108, Borough XII, Madurdaha, Kolkata 700107, website: tedu.iift.se.in|iift|iiftkolkata.php**

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### viii) Indian Institute of Plantations Management

The Indian Institute of Plantation Management (IIPM) Bangalore is an autonomous institution set up by the Ministry of Commerce, Government of India in 1990 to provide professional management education in the field of plantation sector. Department of Commerce, Govt of India, the four Commodity Boards of India, namely Coffee Board, Tea Board, Rubber Board & Spices Board, leading units from plantation & agri-business industry, and the Plantation Associations viz. Indian Tea Association (ITA) & UPASI are its founding partners. IIPM is registered as a society at Bangalore under Karnataka Societies Registration Act, 1960.

The objective of the Institute is to provide education, research, training, development and consultancy services to the industry and other agencies engaged in economic and social development of the plantation & associated agro-business sector. The Institute conducts professional courses also.
Web Site : http://www.iipmb.edu.in

## C Public Sector Undertakings

### i) State Trading Corporation of India Limited (STC)

STC was set up on 18th May, 1956 primarily with a view to undertake trade with East European countries and to supplement the efforts of private trade and industry in developing exports from the country. Since then, STC has played an important role in country's economy. It has arranged imports of essential items of mass consumption (such as wheat, pulses, sugar, edible oils, etc.) into India and contributed significantly in developing exports of a large number of items from India. The core strength of STC lies in handling exports/ imports of bulk agro commodities. Over the years, STC has also diversified into exports of steel, iron ore, molasses and imports of bullion, hydrocarbons, minerals, metals, fertilizers, petro-chemicals, etc. This has helped STC achieve high level of performance in the recent years. STC is today able to structure and execute trade deals of any magnitude, as per the specific requirement of its customers.

**Kolkata Office: 11 R. N Mukherjee Road, Nit Hat house, Kolkata 700001**

**Website: www.stclimited.co.in**

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## ii) MMTC Limited

The MMTC Limited was created in 1963 as an independent entity on separation from State Trading Corporation of India Ltd. primarily to deal in exports of minerals and ores and imports of non-ferrous metals. In 1970, MMTC took over imports of fertilizer raw material and finished fertilizers. Over the years, import and export of various other items like steel, diamonds, bullion, agro, hydrocarbon, etc. were progressively added to the portfolio of the company.

It is the first Public Sector Enterprise to be accorded the status of "FIVE STAR EXPORT HOUSE" by Government of India for long term contribution to exports. MMTC continues to be a zero long-term debt company.

**Kolkata office: 4 Indian Exchange place Road, Murgihata, BBD Bag, Kolkata 700001**

## iii) PEC Limited

PEC Ltd (formerly – The Project and Equipment Corporation of India Ltd.) was carved out of the STC in 1971-72 to take over the canalized business of STC's (State Trading Corporation of India Ltd.) railway equipment division, to diversify into turn-key projects especially outside India and to aid and assist in promotion of exports of Indian engineering equipment. With effect from 23rd May, 1990, PEC Ltd. became a subsidiary of the then newly formed Holding Company, Bharat Business International Ltd. Thereafter, from 27th March, 1991, PEC Ltd. became an independent company directly owned by Government of India. The main functions of PEC Ltd. includes export of projects, engineering equipment and manufactured goods, defence equipment & stores, import of industrial raw materials, bullion and agro commodities, consolidation of existing lines of business and simultaneously developing new products and new markets; diversification in export of non-engineering items eg. coal and coke, iron ore, edible oils, steel scraps, etc.; and structuring counter trade/ special trading arrangements for further exports.

**Kolkata Office: Chowring Court 4$^{th}$ Floor, Unit 22-25 Chowring Road Kolkata 700071**

e-mail : pec@peclimited.com

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## iv) Export Credit Guarantee Corporation of India Limited

ECGC Ltd. (Formerly known as Export Credit Guarantee Corporation of India Ltd.) wholly owned by Government of India, was set up in 1957 with the objective of promoting exports from he country by providing credit risk insurance and related services for exports. Over the years it has designed different export credit risk insurance products to suit the requirements of Indian exporters. ECGC is essentially an export promotion organization, seeking to improve the competitiveness of the Indian exports by providing them with credit insurance covers.

The Corporation has introduced various export credit insurance schemes to meet the requirements of commercial banks extending export credit. The insurance covers enable the banks to extend timely and adequate export credit facilities to the exporters. ECGC keeps its premium rates at the optimal level.

ECGC provides (i) a range of insurance covers to Indian exporters against the risk of non – realization of export proceeds due to commercial or political risks (ii) different types of credit insurance covers to banks and other financial institutions to enable them to extend credit facilities to exporters and (iii) Export Factoring facility for MSME sector which is a package of financial products consisting of working capital financing, credit risk protection, maintenance of sales ledger and collection of export receivables from the buyer located in overseas country.

Address : Express Tower, 10thFloor, P.B.No. 373, Nariman Point, MUMBAI-400021.
Telephone : (022) 6659 0500, (022) 6659 0510.
Fax : (022)6659 0517/0546

**Kolkata Office:** AC market complex, 9th Floor, Shakespeare Sarani, Kolkata 700071
e-mail : webmaster@ecgc.in
Web Site : https://www.ecgc.in

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v) India Trade Promotion Organisation

India Trade Promotion Organisation (ITPO) is the premier trade promotion agency of India, provides a broad spectrum of services to trade and industry and acts as a catalyst for growth of India’s trade. The main Corporate objectives of ITPO are:

- To promote external and domestic trade of India in cost effective manner by organizing and participating in international trade fairs in India and abroad; organizing buyer-seller meets and contact promotion programmes abroad; conducting overseas market surveys, exchanging and contact promotion programmes abroad; conducting overseas market surveys, exchanging

and coordinating visits of business delegations, and undertake need based research to facilitate trade in specific sectors/markets;

- To support and assist small and medium enterprises to access markets both in India and abroad;
- To disseminate trade information and facilitate E-commerce/trade;
- To develop quality physical infrastructure, services and management so as to enable holding of trade promotion events such as conventions and trade exhibitions of international standard; and
- To enlist the involvement and support of the State Governments, other government trade promotion agencies, trade and industry associations in trade promotion of India's external and domestic trade.

With its Headquarters at Pragati Maidan, New Delhi and regional offices at Bangalore, Chennai, Kolkata and Mumbai; ITPO ensures representative participation of trade and industry from different regions of the country in its events in India and abroad.

Address : Pragati Bhawan, Pragati Maidan, NEW DELHI-110001.
Telephone : 91-11-23371540 (EPABX)
Fax : (91)11-23371492, 23371493

**Kolkata office : International Trade Facilitation Centre 5th Floor,**

1/1 Wood street, Kolkata 7000016
Web Site : www.indiatradefair.com

D Export Promotion Councils

Presently, there are fourteen Export Promotion Councils under the administrative control of the Department of Commerce. Names and addresses of these Councils are given below.

1) EEPC. 2) Export Promotion Council for EOU's and SEZ's. 3) Project Export Promotion Council. 4) Basic Chemicals; Cosmetics' and Dyes Export Promotion Council ( Chemexil). 5) Chemicals and Allied Products Export Promotion Council (CAPEXIL). 6) Council for Leather Exports (CLE). 7) Sports Goods Export Promotion Council. 8)Gem and Jewellery Export Promotion Council.9) Shellac Export Promotion Council. 10) Cashew Export Promotion Council of India.11) The Plastic Export Promotion Council of India. 12) Pharmaceutical Export Promotion Council. 13) Indian Oil Seeds and Produce Export Promotion Council(IOPEPC). 14 Service Export Promotion Council.

**Functions of Export Promotion Council**

These Councils are registered as non-profit organizations under the Companies Act/ Societies Registration Act. The Councils perform both advisory and executive functions. The role and functions of these Councils are guided by the Foreign Trade Policy. These Councils are also the registering authorities for exporters under the Foreign Trade Policy. Exporters of specific products are to be registered with the concerned export promotion council.

**(a) Issue of Certificate of Origin** Certain countries demand certificate of origin from the exports. In India EPC, can issue certificate of origin to the exporter certifying the origin of goods.

**(b) Collection of Information** It collect valuable information on overseas import, import regulations, about competitors, market potential and other development in foreign trade. **(c) Supplying of Information** It provides information on latest developments in the field of exports trade. It may relate to various aspects of foreign trade. Such information is vital to the exporters to promote their sale, abroad.

**(d) Organising Seminar** It organizes seminars, workshops, meeting and conferences on various aspects of foreign trade. Exporters are invited to take part in such seminars and workshops.

**(e) Trade Fairs and Exhibitions** It may also assist the concerned authorities in organizing trade fairs and exhibitions in India and abroad, It may also assist the exporters to take part in such trade fairs and exhibitions. It may also arrange buyer-seller meets, so as to promote Indian exports.

**(f) Recommendation to Government** It apprises or advises the government authorities on current export problems and suggest measures for export growth. It also advises the government in framing proper EXIM policies from time-to-time.

**(g) Sending Trade Delegations** To make arrangements for sending trade delegation and study teams to countries for promoting the export of specific products and to circulate the reports of such visits abroad among member exporters. In addition, to invite trade delegations from abroad.

**(h) Professional Advice** It may provide professional advice to exporters in areas such as, technology up gradation, quality and design improvement, standards and specification, product development, innovation etc.

**(i) Exploration of Overseas Markets** It may assist the exporter in exportation of overseas markets and identify items having export potentials.

**(j) Developing Export Consciousness** This organisation makes all the possible efforts to develop export consciousness in out country.

**E Other Organization.**

**-i)** Federation of Indian Export Organisations

The Federation of Indian Export Organisations (FIEO), set up in 1965 under the aegis of Ministry of Commerce, as an Apex Body of Export Promotion Organisations and institutions in the country is registered under the Societies Registration Act XXI of 1860 with its Headquarters in Delhi and Regional Offices in Delhi, Mumbai, Chennai and Kolkata, and Chapters in Jaipur, Kanpur, Ludhiana, Ahmedabad, Indore, Hyderabad, Kochi, Bangalore, Coimbatore, Bhubaneswar, Ranchi and Guwahati. FIEO has been serving as a platform of interaction between exporters and policy makers, and has been instrumental in promoting the efforts of Indian exporting community. It is an ISO 9001-2008 certified Organization.

The main objective of FIEO is to render an integrated package of services to various organizations connected with export promotion. It functions as a primary servicing agency to provide integrated assistance to its over 20,000 members comprising professional exporting firms holding recognition status granted by the Government, consultancy firms and service providers. Organisations like the Export Promotion Councils, Commodity Boards, Export Development Authorities, Chambers of Commerce, Export Houses, Star Export Houses, Trading Houses, Star Trading Houses, Premier Trading Houses, Consultancy Organisations & Trade Associations etc. constitute the membership of FIEO. FIEO issues RCMC (Registration-cum-Membership-Certificate) to exporters. It also issues Certificate of Origin (Non-Preferential) which is required by many countries as proof of origin of the goods.

In terms of the Foreign Trade Policy, FIEO has been designated as Registering Authority for status holder exporting firms, other exporters dealing in multi-products. The Federation organizes Seminars, Open House Meets, Interactive Sessions, Awareness Programmes, Training Programmes and arranges participation in various exhibitions in India and abroad. Besides, FIEO provides e-platform to buyer/sellers through huge network of members and non-members, and also organizes India Shows, Trade Fairs and Exhibitions across the globe, particularly in untapped countries. FIEO has signed over 75 MOUs with leading chambers across the globe to provide commercial information and marketing support to its members. During the year under review, FIEO has organized various workshops and round table meetings at different places within the country; sponsored business delegations comprising of Multi Product Groups Organisations overseas; arranged exhibitions and catalogue shows abroad. FIEO also organised Open House meetings of their members with Government Authorities in Chennai, Mumbai, Kolkata, Bangalore and New Delhi. FIEO also organized export executive development programmes, short term training programmes for fresh entrepreneurs in the export field and brought out a strategy paper on Banking and export finance, besides, providing opportunity to discuss on line with experts to seek advice and sort out trade related problems. FIEO provide web chat facility to exporters on various days of the week.

FIEO undertakes studies and research work in the field of exports and help States to identify potential products of exports and devise strategy for facilitating exports of such products. FIEO has a monthly bulletin 'FIEO News' & has started a weekly e-bulletin 'INTRADE' which keeps exporters posted with global developments affecting International Trade as well as country's foreign trade related information

**Address :** Niryat Bhawan, Rao Tula Ram Marg, Opp. Army Hospital Research & Referral,NEW DELHI-110 016
**Telephone :** (91)11-26150101-04; 46042222
**Fax :** (91)11-26148194

**Kolkata Office: 42A, Shekespeare Sarani, Kolkata 700017**
**E-Mail :** fieo@nda.vsnl.net.in
**Web Site :** http://www.fieo.org

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## ii) National Centre for Trade Information

The National Centre for Trade Information was incorporated on 31st March, 1995 as a company under Section 25 of Companies Act, 1956. The company started functioning w.e.f. March, 1996. It has a Board of Directors for administration of its affairs, which includes representatives from Ministry of Commerce & Industry, National Informatics Centre (NIC), Indian Institute of Foreign Trade (IIFT), and Directorate General of Commercial Intelligence & Statistics (DGCI&S). Other representatives are from India Trade Promotion Organisation (ITPO) and other Export Promotion Councils/ Apex Bodies.

ITPO and NIC are co-promoters of the company and have contributed a sum of Rs.4.00 crore (Rs.2.00 crore each) as Corpus Fund in the equity contribution of the company.

**Major Activities of NCTI**

- Trade data based research and analysis – 2/4/6/8 digit HS classification – India/ Target Country – 9/10 digit level.
- Focus Market: Focus Product – Export potential studies.
- Drawing/ evaluating wish lists/ offer lists under various PTA/ FTAs of India (existing and prospective).

**Trade Data Analysis support to Department of Commerce**

- India-ASEAN FTA.

- Identification of Tariff lines with high export potential to Eastern and Central European Countries.
- India-Canada FTA – Analysis of trade data and identification of Potential items for India's wish list.

**Support to Trade and Industry**

- Creation and maintenance of websites.
- Website content management.
- Market research/ studies/ surveys.
- Creation of databases – Importers/ Exporters (product category wise).
- Electronic Trading Opportunities (ETOs) or live trade enquiries – all markets all products.
- Uploading 52 issues of E-weekly 'Trade Point-India' annually on its website containing approximately 250 Trade Leads each week.
- Trade Fair/ exhibitions support.

**Web & Database Support Provided to ITPO**

- Development & maintenance of all Fair Specific Websites Corporate, RTI websites of ITPO.
- Creation & maintenance of all fair specific websites updates on the Corporate, RTI websites of ITPO.
- Creation of Sector Specific Database & Participants Feedback Survey for ITPO.
- Collection and compilation of Sector Specific Database and Participants Feedback Survey for various fairs organized by ITPO:

a. Website design and development
b. Database creation
c. Visitor registration
d. Feedback surveys

**Web Site :** ncti.gov.in & ncti-india.com

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### iii) Indian Diamond Institute

The Indian Diamond Institute (IDI) was established as a Society in the year 1978 at Surat, Gujarat with the objective of imparting education in the field of Gem & Jewellery sector including Diamond Manufacturing aspects and thereby enhancing the quality, design and global competitiveness of the Indian Jewellery. The Institute is sponsored by Department of Commerce and is a project of Gems and jewellery Export Promotion Council(GJEPC). IDI has developed itself, gradually over a period of 36 years, as a premier institute for imparting technical skills to Diamond, Gems & Jewellery Industry.

The Institute conducts various diploma a nd other courses related to Diamond, Jewellery & Gem Stone trade and Industry. It also offers the three year diploma course on Jewellery Design & Manufacture. Institute's Diamond Grading laboratory has been recognized world over and its laboratory is also authorised by the DGFT,MOC&I, as per the Forign Trade policy for certification/Grading of diamonds of 0.10 Ct. and above. IDI has been accorded recognition as a Scientific Industrial Research Organisation (SIRO) under Department of Scientific and Industrial Research, Ministry of Science & Technology, Government of India. It has been also recognised as Anchor Institute (Gems & Jewellery) by Industries Commissionerate, Government of Gujarat.

**Address :** Katargam, GIDC, Post Box No. 508, Sumul Dairy Road, SURAT-395008. , Gujrat.

**Telephone :** 91-261-2407847/48
**Fax :** 91-261-2407849, GRAM- INDIANDST

www.diamondinstitute.net
**E-Mail :** info@diamondinstitute.net, admission@diamondinstitute.net

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### iv) Footwear Design And Development Institute (FDDI)

Footwear Design and Development Institute was established in the year 1986 as a Society under the Societies Registration Act, 1860 with an objective to provide skilled manpower to the leather industry. The Institute has pan-India presence with well designed campuses at Noida, Fursatganj, Chennai, Kolkata, Chhindwara, Rohtak, Jodhpur and Guna.

FDDI conducts wide range of professional programmes in the area of Footwear Design & Production Management, Creative Designing CAD/CAM, Fashion Merchandizing & Retail Management, Leather goods & Accessories Design, Fashion Design and Business management etc. thus, providing trained high-class professionals, managers, fashion Designers, technologists to the industry to keep pace with the growing demand.

FDDI has distinct presence not only in higher education, but, also in the spheres of Industrial Consultancy, Research and Development and Training of Active Industry Professionals.

**Address :** A-10 / A, Sector – 24, NOIDA – 201301, Gautam Budh Nagar, Uttar Pradesh, INDIA.

**Telephone** **:** +91-120-4500100
**Fax :** +91(120) 2412556, 2411301,

**Kolkata Campus: Kolkata leather Complex, Gate No. 3, Mouza, JL No 32-35, Gangapur Kolkata 743502**
**E-Mail** **:** contact@fddiindia.com
**Web Site :** http://www.fddiindia.com

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## v) India Brand Equity Foundation

India Brand Equity Foundation (IBEF) is a Trust established by the Department of Commerce, Ministry of Commerce and Industry, Government of India in 2003 with the objective of promoting and creating international awareness of the *Made in India* label in markets overseas and to facilitate dissemination of knowledge of Indian products and services. Towards this objective, IBEF works closely with stakeholders across government and industry.

IBEF endeavours to ensure consistent and effective messaging on the India growth story through brand building initiatives/campaigns undertaken in partnership with various stakeholders ranging from lead industry associations to export promotion councils. IBEF is the branding and communication partner for various trade exhibitions organised under the aegis of the Department of Commerce.

IBEF Trust is headed by the Commerce Secretary and has 14 other members representing the industry, trade, market, academia, media, advertising & publicity, and the government.

As part of brand building, IBEF undertakes activities aimed at promotion of knowledge, communications and exports. IBEF's website www.ibef.org provides extensive, accurate and comprehensive information on the Indian economy and business trends. Business information reports on the website span a range of sectors besides the states, and also the export promotion councils affiliated to the Department of Commerce. The reports on the website are supplemented with daily India News Alert, which can be subscribed through the website. IBEF brings out a bimonthly business magazine, India Now Business and Economy and a range of thought leadership studies on emerging areas such as India's business potential, multinationals, entrepreneurial ecosystem, and contribution to global business. A bouquet of communication resources - posters, films, magazine, e-newsletter(s), industry reports - comprise the IBEF business kit that bring alive the India business story. Digital media and web technologies are integral part of its nation brand campaigns both within India and overseas markets.

IBEF has also successfully transitioned to sectoral branding initiatives in accordance with the priorities of the Department of Commerce. The identified sectors where IBEF will be focussing its brand building campaigns and resources are pharmaceuticals, engineering, services, plantations, leather, textiles and carpets.

**Address** : India Brand Equity Foundation
20th Floor, Jawahar Vyapar Bhawan
Tolstoy Marg
New Delhi - 110001

**Telephone** : +91 11 43845511
**Fax** : +91 11 43845503
**E-Mail** : info.brandindia@ibef.org
**Web Site :** www.ibef.org

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## iv) Price Stabilization Fund Trust

Price Stabilisation Fund Trust (PSFT) was registered in September 2003, initially for a period of ten years. The registration has been further extended for a period of 10 years w.e.f. 11.09.2013. PSFT had been implementing the PSF Scheme and Personal Accident Insurance Scheme for the plantation sector. The Price Stabilization Fund (PSF) Scheme was launched by Government of India in April 2003 against the backdrop of decline in international and domestic prices of tea, coffee, rubber and tobacco causing distress to primary growers. The growers of these commodities were particularly affected due to substantial reduction in unit value realization for these crops, at times falling below their cost of production. The objective of the scheme was to safeguard the interests of the growers of these commodities and provide financial relief when prices fall below a specified level. PSF Scheme period got over on 30.09.2013 and a revised Scheme proposal was under consideration of the Government. As on 31 March 2014, deposits in the PSF Corpus Fund were Rs. 435.55 crore, out of which Rs. 432.88 crore was contributed by GOI and Rs. 2.67 crore by growers by way of entry fee. An amount of Rs 482.63 Crores is the interest accrued on PSF Corpus. The Department of Commerce is in the process of finalizing a Comprehensive Insurance Product for supporting the growers of Tea, Coffee, Rubber, Tobacco and Spices (Cardamom) against price and production risks.

**Address :** R.No. 2003, 20th Floor, Jawahar Vyapar Bhawan, Tolstoy Marg, Connaught Place, NEW DELHI-110001.
**Telephone** : 23701164
**Fax :** 23701165

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**Ministry of Textiles**

The Indian textile industry is one of the largest textile industry in the world with large raw material base and manufacturing strength across the value chain. India is the largest producer of cotton and jute. Second largest producer of silk and one of the leading producers of synthetic fabrics. Textile sector is also huge source of employment and about 5o million people are directly employed in this sector. It constitutes 7% of industry output in value term, 2% of India's GDP and 15% of the country's export earnings.

Organizations under Ministry of Textiles directly or indirectly promoting exports are as below.

**A Attached/Subordinate Offices**

**i)Office of the Development Commissioner(Handlooms)**

The Office is headed by the Development Commissioner for Handlooms. It administers various schemes for the promotion and development of the handlooms sector and supplements the efforts of State Governments, Societies, NGOs, etc. Its subordinate organisations include Weavers' Services Centres (WSCs), the Indian Institutes of Handloom Technology (IIHT) and the enforcement machinery for the implementation of the Handlooms (Reservation of Articles for Production) Act, 1985.

**Address:**

Office of the Development Commissioner(Handlooms)
E-Wing Udyog Bhawan
New Delhi - 110 011

**Kolkata office-Weavers' Service Centre, Flat No. A-101, Ground Floor, Garment Park" Paridhan", 19 Canal South Road, Beliaghata, Kolkata-700015, West Bengal Ph. office / Residence : 033-23232236 (O), 26729946 (R), 23232232(0) Fax / Email : 23232237, wsckolkata@gmail.com**

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**ii)Office of the Development Commissioner (Handicrafts)**

The office is headed by the Development Commissioner for Handicrafts. It administers various schemes and functions to promote the development and export of handicrafts, and supplements the efforts of State Governments by implementing various developmental schemes. It has six regional offices at Mumbai, Kolkata, Lucknow, Chennai, Guwahati, and New Delhi.

**Address:**

Office of Development Commissioner (Handicrafts)

Ministry of Textiles, Government of India
West Block 7, R K Puram, New Delhi - 110066
Website: www.handloom.nic.in

**Kolkata office- Regional Director(ER) Shri Virendar Kumar Office of DC(Handicrafts) CGO Complex, A-Wing Salt Lake City Kolkata – 700064 Ph.No.033-23596744/45 2334-5403 033-23596744 23596745 033-23345601[F], Email:rdhero@rediffmail.com, virendradch@rediffmail.co**

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**iii)Office of the Textile Commissioner**

The Office of the Textile Commissioner (TXC) has its headquarters at Mumbai and eight Regional Offices at Amritsar, Noida, Indore, Kolkata, Bengaluru, Coimbatore, Navi Mumbai and Ahmedabad. The Textile Commissioner acts as the principal technical advisor to the Ministry. The Office of Textiles Commissioner carries out techno-economic surveys and advises the government on the general economic health of the textiles industry. The developmental activities of the Office of the Textiles Commissioner centre on planning for the parallel growth and development of all segments of the textiles & clothing industry. Forty six Power loom Service Centres (PSCs) are functioning throughout the country, of which fifteen are functioning under the administrative control of the Textiles Commissioner.

**Address:**

Office of the Textiles Commissioner
New CGO Building
48-New Marine Lines, Mumbai-400 020
Ph. +91-22-22001050
Fax +91-22-22004693

**Kolkata Office: CGO Compnex, 3rd MSO Building, 4th Floor, DF Block, Salt Lake city Kolkata 700064**

Website: www.ipowertexindia.gov.in

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**iv)Office of the Jute Commissioner**

The function and activities of the office of jute commissioner relate to (i) furnishing technical advice to the Ministry regarding policy matter formulation pertaining to jute industry including machinery development (ii) implementation of developmental activities through jute-related bodies of the Ministry of Textiles like National Jute Board (NJB) particularly for promotion of jute handicraft and jute hand-loom in decentralized sector and entrepreneurial skill in such sector and R&D programmes through Indian Jute Industries' Research Association (IJIRA) and other Textile Research Associations ,(iii) monitoring price behaviour of both raw jute and jute goods and implementing Minimum Support Price (MSP) operation through Jute Corporation of India to ensure MSP prices to jute and Mesta growers and (iv) market promotion, particularly for exploring markets of jute goods both in domestic and export market. Efforts are also being made to encourage/promote jute related activities in jute growing areas where such activities are inadequate and in-non jute growing states, including North East States. In exercise of the power vested under Section 4 of the Jute and Jute Textile Control Order, 2000, the Jute Commissioner issues Production Control Order (PCO) to jute mills for supply of B.Twill bags on DGS&D account. These bags are required for packaging food grains procured under MSP by different State food grain procuring agencies including FCI for distribution through PDS. The Jute Commissioner also keeps the Ministry informed of the problems and status of the jute sector on a regular and timely basis.. .

**Address:**

Office of the Jute Commissioner
CGO Complex
3rd MSO Building
4th Floor, DF Block
Salt Lake City
Kolkata – 700064
Website: www.jutecomm.gov.in

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**B Statutory Bodies**

i)National Jute Board, Kolkata

National Jute Board (NJB) has been constituted, as per National Jute Board Act, 2008 (12 of 2009), effective on and from 1st April, 2010 and erstwhile Jute Manufactures Development Council and National Centre for Jute Diversification got subsumed into National Jute Board (NJB). The NJB is statutorily mandated to undertake measures which include:-

- evolve an integrated approach to jute cultivation in the matters of formulation of schemes, extension work, implementation and evaluation of schemes aimed at increasing the yield of jute and improving the quality thereon;
- promote or undertake arrangements for better marketing and stabilisation of the prices of raw jute;
- Assist and encourage studies and research for improvement of processing, quality, techniques of grading and packaging; of raw jute;
- promote or undertake surveys or studies aimed at collection and formulation of statistics regarding raw jute and jute products;

- promote the development of production of jute manufactures by increasing the efficiency and productivity of the jute industry;
- sponsor, assist, coordinate, encourage or undertake scientific, technological, economic and marketing research pertaining to the jute sector;
- maintain and improve existing markets and to develop new markets within the country and outside for jute manufactures and to devise marketing strategies in consonance with the demand for such manufactures in the domestic and international markets; and

sponsor, assist, coordinate or encourage scientific, technological and economic research in the matters related to materials, equipment, methods of production, product development including discovery and development of new materials, equipment and methods and improvements in those already in use in the jute industry.

Address:
National Jute Board
(Ministry of Textiles, Govt. of India)
3A&B, Park Plaza, 71 Park Street,
Kolkata - 700 016
www.jute.com

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ii)The Central Silk Board (CSB)

Central Silk Board (CSB)is a statutory body, under the administrative control of the Ministry of Textiles, Govt. of India. Established in 1948, by an Act of Parliament, (Act No.LXI of 1948), the CSB has been entrusted with the overall responsibility of developing silk industry covering the full gamut of sericulture activities in the country from development of food plants to silk cocoons for production of silk yarn including formulation of policies governing Import & Export of silk. CSB is basically a Research and Development Organization. One of the important activities of the CSB is, undertaking, assisting and encouraging scientific, technological and economic research in the Silk Sector. The programmes for the development of the sericulture and silk textiles industry are primarily formulated and implemented by the State Sericulture/ Textile Departments. However, the Central Silk Board supplements the efforts of the States by providing necessary support for research and development, extension and training through its countrywide network of centres. Besides, the Central Silk Board organize production and supply of quality silkworm basic and commercial seeds, and also supports States to implement various sericulture projects. Also, Central Silk Board collects and compiles sericulture statistics both at National and Global level.

Address:
Central Silk Board

Central Silk Board Complex
B.T.M.Layout, Madiwa

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**C Export Promotion Councils**

i)Apparel Export Promotion Council

“Incorporated in1978, AEPC is the official body of apparel exporters in India that provides invaluable assistance to Indian exporters as well as importers/international buyers who choose India as their preferred sourcing destination for garments. A quick look at how the Apparel Export Promotion Council (AEPC) has been the moving force behind lot of achievements: From one office in 1978, it has over 12 offices in just a span of 30 years. From just being a quota monitoring entity, AEPC is today a powerful body for the promotion and facilitation of garment manufacturing and their exports. For Indian exporters, AEPC is quite literally a one-stop shop for information advise technical guidance workforce and market intelligence. Members have access to updated trade statistics potential markets information on international fairs and assistance in participating at these fairs. It also plays a large role in identifying new markets and leading trade delegations to various countries.

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**<u>Address:</u>**

A - 223,Okhla Industrial Area
Phase-I.New Delhi-110020
Phone: 011-40501798

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ii)The Cotton Textiles Export Promotion Council

TEXPROCIL - The international face of Indian Cotton Textiles.
Since its inception in 1954, as an autonomous, nonprofit body dedicated to promotion of exports, The, popularly known as TEXPROCIL has been the international face of cotton textiles from India facilitating exports world wide. Texprocil has a membership of around 3,000 companies spread across major textile clusters in India. Its members are well established manufacturers and exporters of cotton textile products like Cotton, Yarns, Fabrics and Home Textiles, showcasing a dazzling array of products across the value chain.
The Council connects international buyers with appropriate suppliers and facilitates interaction that enables them to source their specific needs. It also provides information on India's competitive advantages, its export environment and updated position in the global market place.

Texprocil provides regular updates on international product trends, trade related issues, advances in technology and the latest developments in the industry, as well as existing and emerging markets. It also undertakes regular market research, organises participation in international trade fairs, holds its own Buyer Seller Meets and facilitates international trade missions in India and other countries.
The Council enables better understanding of Indian and International trade policies, emerging trade issues, social and environmental compliances, quality management and sustainable business practice.

**Address:**
The Cotton Textiles Export Promotion Council
Engineering Centre, 5th Floor
9 Mathew Road, Mumbai 400 004

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iii)The Synthetic & Rayon Textiles Export Promotion Council

The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC), set up in 1954, is one of the oldest Export Promotion Councils in India.
The Council has played a transforming role over the years, inculcating export culture and promoting exports of Indian man-made fibre and textiles. Exports of these items, which were negligible in the 1960s, have grown substantially to touch US$6.16 billion during 2013-14. India exports to nearly 140 countries at present.
The Council envisages exports to the tune of Rs. 55,000 crores (US$ 9 billion) by the end of the 12th Five Year Plan (2016-17). The MMF textiles industry contributes 17% of the total Indian textile exports and this share is growing. India is the sixth largest exporter of MMF textiles in the world.
Vibrant Indian MMF textile industry
The Indian MMF industry is modern, vibrant and growing. India is the second leading producer of cellulosic fibre/yarn and the third largest producer of synthetic fibre/yarn in the world. At present India produces 1263 million kgs of man-made fibre, 2655 million kgs of yarn and 27889 million sq mtrs of fabrics annually.
Products under the purview of Council The products under the purview of the Council are MMF and blended textile items including fibre, yarn, fabrics, made-ups, accessories, home textiles, technical textiles etc.
**Address:**
The Synthetic & Rayon Textiles Export Promotion Council
Resham Bhavan,
78, Veer Nariman Road, Mumbai - 400020, India.

### iv)Wool and Woollens Export Promotion Council

Introducing foreign businessmen to local manufacturers/exporters and provide them with the information useful in conducting business.
Inviting leading exporters to visit India and gain first hand information regarding the capability of the Indian Woollen Industry.
• Assisting foreign buyers in their visits to India and chalk out their tour programmes, arrangements etc.
• Working with the organisers of leading International Trade Fairs and Exhibitions, in order to project the quality and variety of Indian Woollen Products abroad.
• Researching foreign markets and and sponsor Study-cum-Sales Team/Delegations abroad.
• Promoting and actively practice overseas public relations.
• Monitoring international fashion forecasts and transmit them to Indian Exporters.
• Helping the Textile Inspection committee of India to ensure that Indian Woollen Products are made as per International Standards.
• Chalking out and implementing programmes for enlarging and improving the production base of the Woollen Industry.
• Maintaining close liason with the International Wool Secretariat and Wools of New Zealand.

**Address:**

Flat No. 614, Indra Prakash Building
21, Barakhamba Road , New Delhi -110001

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### v)Wool Industry Export Promotion Council (WOOLTEXPRO)

WOOLTEXPRO is an autonomous, non-profit Export Promotion Council, sponsored by the Ministry of Textiles and set up by the Ministry of Commerce, Government of India, which has become the international face of Indian woollen textiles successfully facilitating exports.
**Major functions of WOOLTEXPRO**

• Foreign delegation to India and arrange their tour programmes.
• Arranging Buyer-Seller Meets in India and abroad.
• Maintaining close liason with the International Wool Textile Organisation, Woolmark Company, Wools of New Zealand, Australian Wool Innovation, etc.
• Arranging trade fairs and exhibitions in order to project the quality and variety of Indian woollen products. Research foreign markets and arranging delegation/study tour abroad
• Chalking out and implementing programmes for enlarging and improving the production base of the Woollen Industry.

- Exploration of overseas markets.
- Providing your Company profile to overseas buyers and vice a versa.
- Resolving shipping & transport problems
- Advise on export finance, banking and insurance.
- Extensive publicity in India & Abroad.
- Deputation of trade delegations, study teams, sale teams to foreign markets
- Organize buyer/sellers meetings in India & Abroad.
- Market study

**Address:**

Churchgate Chambers,
7th Floor, 5, New Marine Lines
MUMBAI – 400 020

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## vi)Indian Silk Export Promotion Council

The Indian Silk Export Promotion Council (ISEPC) was set up in 1983 as a company not for profit under Companies Act duly sponsored by the Government of India in the Ministry of Textiles. The Council as on date has a membership of 655 regular exporters of Silk goods whereas more than 1800 exporters have registered with the Council. ISEPC works closely with the Government of India on policy formulation concerning silk sector and provides specialized services to the entrepreneurs enlarging global business opportunities for the silk industry in India.

**Main Activities of the Council**

- Explore markets and identifies items offering export potential by conducting market surveys.
- Establish contacts with the presepective buyers to generate their interest in Indian Silk products.
- Sponsor trade delegation, study teams and sales teams to various market abroad.
- Organize Buyer Seller Meets for its member exporters.
- Organize Silk fairs and exhibition in India.
- Participate in trade fairs and exhibitions abroad.
- Resolve trade disputes.
- Launch generic promotion of silk products from India.
- Organize Workshops/Seminars on various trade and policy related issues.

**Address:**

B-1, Extn/A-39,

Mohan Cooperative industrial Estate
Mathura Road, New Delhi- 110044

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## vii)Carpet Export Promotion Council

CEPC was established by exporters under Companies Act in the year 1982 and is a non-profit organization, set up with the objective to promote and develop exports of Handmade Carpets, Rugs and other Floor Coverings. It is an official body of handmade carpet exporters for promotion of exports from country and projected India's “Make in India” image abroad as a reliable supplier of high quality handmade carpet products. CEPC therefore, helps in R & D, quality assurance, timely delivery of finished products across the globe in addition to skill enhancement of weavers / artisans / entrepreneurs, strengthening base in existing markets, identifying potential markets, educating about government policies and its compliances, providing assistance for brand building of Indian hand-made carpets, through publicity, participating in and organizing world renowned trade fairs, expositions and road shows etc around the word in established markets. Also exploring potential and upcoming markets globally for promotion of Indian handmade carpets, rugs, floor coverings etc

**Address:**
Niryat Bhawan, 3rd Floor,
Rao Tula Ram Marg,
Opp: R.R. Army Hospital,
New Delhi – 110 057, INDIA.

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## viii)Export Promotion Council for Handicrafts (EPCH)

Export Promotion Council for Handicrafts (EPCH) was established under Companies Act in the year 1986-87 and is a non-profit organisation, with an object to promote, support, protect, maintain and increase the export of handicrafts. It is an apex body of handicrafts exporters for promotion of exports of Handicrafts from country and projected India's image abroad as a reliable supplier of high quality of handicrafts goods & services and ensured various meausres keeping in view of observance of international standards and specification. The Council has created necessary infrastructure as well as marketing and information facilities, which are availed both by the members exporters and importers. The Council is engaged in promotion of handicrafts from India and project India's image abroad as a reliable supplier of high quality handicrafts

**Address:**

EPCH House, Pocket 6&7, Sector C, Local Shopping Complex Opp DPS, Vasant Kunj, New Delhi, Delhi 110070

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## ix)Powerloom Development & Export Promotion Council

Power loom Development & Export Promotion Council (PDEXCIL) is set up by the Ministry of Textiles, Govt. of India in the year 1995. The Council has been registered under Section 25 of The Companies Act, 1956, having its Registered Head Office at Mumbai, Maharashtra & Regional Office at Erode, Tamil Nadu.

The main objectives of the PDEXCIL is to promote, support, develop, advance and increase Power looms and export of Power loom fabrics and made-ups thereof and to carry out any such activity in such manner as may be necessary or expedient.

PDEXCIL undertakes many activities such as Capacity Building Programs, Seminars, Fairs, Buyer Seller Meets, Reverse Buyer Seller Meets, participation in International fairs, Trade delegation visits etc for development of Power loom industry in India and increasing exports of Power loom fabrics and made-ups.

Our Members can take benefit from the activities of PDEXCIL for improving their facilities, export performance and development. The success of the Power loom industry today in India, is in no small measure, due to the support and assistance offered by the PDEXCIL. Spurred on by the developmental activities initiated by PDEXCIL, Indian power-loom textiles are equipped to meet the challenges posed by the global supermarket.

**Address:**

GC-2, Ground Floor, Gundecha Enclave, Kherani Road, Saki Naka, Andheri (East), Mumbai

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## x)Handloom Export Promotion Council

India's Textile Industry is the country's second largest industry in terms of employment potential. Handloom sector plays a very important role in the country's economy. Handloom industry is the largest cottage industry in the country with 23.77 lakh looms.

The major handloom export centres are Karur, Panipat, Varanasi & Kannur where handloom products like Bed linen, Table linen, Kitchen linen, Toilet linen, Floor coverings, embroidered textile materials, curtains etc. are produced for export markets.

The Handloom industry mainly exports fabrics, bed linen, table linen, toilet and kitchen linen, towels, curtains, cushions and pads, tapestries and upholstery's, carpets, floor coverings, etc. The major importing countries of Handloom products from India are USA, UK, Germany, Italy, France, Japan, Saudi Arabia, Australia, Netherland and UAE. Handloom Export Promotion Council (HEPC) is a nodal agency constituted under "The Ministry of Textiles, Government of India" to promote exports of all handloom products like fabrics, home furnishings, carpets, floor coverings, etc. HEPC was constituted in the year 1965 with 96 members and its present membership is around 1400 spread all over the country. The prime object of HEPC is to provide all support and guidance to the Indian Handloom exporters and International buyers for trade promotion and international marketing. HEPC organizes / participates in International Trade fairs, Buyer Seller Meets in India and abroad & seminars.

**"When the world starts dreaming Our hand starts weaving"**

**Address:**

Handloom Export Promotion Council (Ministry of Textiles, Govt. of India) 34, Cathedral Garden Road, Nungambakkam,
Chennai –600034.

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xi)Jute Products Development & Export Promotion Council

All types of jute, jute blended and jute union products made from jute fibre, yarn, twine and fabric for conventional, technical and new & diversified uses and products. - See more at: http://taxguru.in/dgft/dgft-inclusion-jute-products-development-export-promotion-council-jpdepc-appendix-2-list-export-promotion-councils-commodity-boards-export-development-authorities-handbook-procedures-voli-20092014.html#sthash.Y6glaiz0.dpuf

**Address:**

Chatterjee International, 5th Floor, Flat No, 8, 33A, J.N.Road Kolkata, West Bengal, 700071

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**D Textile Research Associations**

i)Ahmedabad Textile Industry's Research Association (Atira)

ATITRA – An association for Textile Research & Allied Industries in India. Was established on December 13, 1947. The foundation stone for the ATIRA complex was laid by Sardar Vallabhbhai Patel on 1 November 1950 which was inaugurated by the then Prime Minister of India Pandit Jawaharlal Nehru on completion on April 10, 1954. Dr. Vikram Sarabhai served as its first honorary director. ATIRA is situated close to many prominent research and educational institutions like Indian Institute of Management Ahmedabad, Physical Research Laboratory and Gujarat University.

Address:

Ambawadi Vistar, University Area, Ahmedabad, Gujarat 380015

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ii)Bombay Textile Research Association

The Bombay Textile Research Association (BTRA) was registered by members of the Millowners' Association, Bombay, under the Societies Registration Act, XXI of 1860 on 21st April 1954, with nine mill companies contributing to the Memorandum and Articles of Association.

BTRA has grown leaps and bounds over the years since its inception in 1954 to meet the technological needs of the Indian textile industry as well as to achieve S&T objectives set at the national level. BTRA members include not only textile units (from mill sector as well as decentralised sector) but also manufacturers from man-made fibre, machinery, dyes and chemical auxiliaries industies. The BTRA zone largely comprised composite mills and from the beginning, the R & D and services were fine-tuned to satisfy their comprehensive requirements.

Address:

The Bombay Textile Research Association,
Lal Bahadur Shastri Marg,
Ghatkopar(W), Mumbai - 400 0861

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iii)South India Textile Research Association

SITRA, The South India Textile Research Association, and established in the year 1956, is governed by a Council of Administration consisting of member representatives of the Industry, Government and Scientists. SITRA is sponsored by the Industry and is supported by the Ministry of Textiles, Government of India.

Sprawling in a campus of about 13.14 hectares, SITRA is within easy access of a large number of textile mills. With a floor space of about 15,000 sq. m., SITRA houses its well equipped testing, electronics and calibration laboratories, pilot mills, library, etc. SITRA has a full range of sophisticated textile testing instruments and modern machines and is one of the best equipped textile research organisations in the World.

Address:
13/37, Avinashi Road,
Coimbatore Aerodrome Post,
Coimbatore - 641 014

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iv)Northern India Textile Research Association

Northern India Textile Research Association (NITRA), certified with ISO 9001:2008, is one of the prime textile research institutes in the country. The textile industry and Ministry of Textiles, Govt. of India jointly established NITRA in 1974 for conducting applied scientific research and providing support services to Indian textile industry. The organization is situated at NCR Ghaziabad, near national capital New Delhi. It is spread over a huge lush green campus with 50 acre area. Today NITRA's prime activities include research & development, technical consultancy, quality evaluation of materials, manpower training and publishing technical books and papers.

NITRA has been designated as Centre of Excellence for Protective Textiles by the Ministry of Textiles, Government of India. It has expertise and technical capability for quality evaluation, product development and knowledge dissemination in the field of protective textiles. It also has an incubation centre to provide necessary facilities to the entrepreneurs for incubation of new ideas/technologies. The centre was set up with the financial assistance from Ministry of Textiles, Government of India.

NITRA, in 2011-12, has opened its new academic wing, NITRA Technical Campus from the grants received from MoT under ISDS and also grants received from U.P. State Govt. under ASIDE Scheme, for facilitating its various training programs. The new campus offers more than 100 programs under Integrated Skill Development Scheme (ISDS) for skill development and skill up gradation of workers working in textiles and apparel industry. Campus also offers B. Tech programs in Textile Technology, and Computer Science & Engineering, and PGDM on Fashion Retail Management (FRM) for youngsters.

Address:
Sector-23, Raj Nagar, Ghaziabad-201002

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iv)Synthetic & Art Silk Mills' Research Association

The Synthetic & Art Silk Mills' Research Association (SASMIRA) established on 12th January 1950 under Registration No. 2505 of 1949-1950 granted under societies act XXI of 1860 and is a cooperative venture set up by the man-made textile industry of India after independence as a multi-functional institute to serve its scientific and technological needs.

At that period the pioneers of silk and art silk industry, composed of large number of small units with a rare foresight mooted the proposal for creating a co-operative research organisation.

This proposal was supported by the Council of Scientific and Industrial Research (CSIR) and other Government agencies that culminated into establishment of SASMIRA, earlier known as Silk and Art Silk Mills' Research Association.

SASMIRA entered into its golden jubilee in the year 2000 AD, coinciding with the new millennium. The land mark building of SASMIRA at Worli is in the heart of the city of Mumbai, the imposing building covering nearly 12,000 sq.mts. of area was conceived as far back as in 1950, and completed in 1958.

Commencing with the testing of silk and art silk materials, SASMIRA has geared its activities since then to meet the changing needs of the man-made textile industry thereby fulfilling its objectives

Address:
The Synthetic and Art Silk Mills' Research Association
Sasmira, Sasmira Marg, Worli, Mumbai - 400 030.

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v)Man-Made Textile Research Association

To cater to the ever incrasing quality control needs of growing MAN-MADE TEXTILES industry around the city of Surat in South Gujarat, in late nineteen seventies an idea was mooted to set up a full-fledged independent Research Association for the region. MANTRA was to be set up on similar lines as other National Textile Reserch Associations.

This was with a view to carry out reserch and devlopment activities as well as to provide testing and technical service facilities to the man-made fiber textiles industry, in particular, and other allied industries, in general, in South Gujarat.

Address:
Man-Made Textiles Research Association
Near Textile Market, Telephone Exchange,
Ring Road, Surat - 395002,
Gujarat

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vi)Indian Jute Industries' Research Association (IJIRA)

Indian Jute Industries' Research Association [IJIRA] was established in 1937, the first co-operative R & D organisation to render services to the Indian Jute Industry and Government

Agencies who were promoting Indian Jute in domestic market as well as exporting to the other countries. Beginning as IJMARI in 1937, the institute has grown over the years.
Indian Jute Industries' Research Association (IJIRA) has a unique position in the Jute World. It was the first R & D organization of its kind to look after the interests of the Jute industry. For many decades, it has been providing Yeoman's service to the Industry and the Nation. More than 75 years of existence speaks volume of the work done by the Institution. With a new group of Scientists & Technologists aptly supported by a good Administration, IJIRA is now poised to achieve new heights. I wish the Institution all the very best for its current and future endeavors.
IJIRA is having long experience of conducting various training programmes in the past on various topics for industry and public sector organizations. Over the past three decades, IJIRA has imparted training in various jute related courses such as spinning, weaving, chemical processing, quality testing and diversified products to over 50000 trainees.

Address:
Indian Jute Industries' Research Association
17, Taratala Road,
Kolkata - 700088, W.B., India

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vii)Wool Research Association
Wool Research Association was established in 1963, the only national institute in the field of Wool Technology, is located in a green belt about 35kms from Bombay (Mumbai). WRA is a centre of business activity of the country. It is well connected by two Highways. The concept of Research & Development in the field of wool technology was initiated by foresighted woolen industrialist and WRA was set up at the well-known Textile Training Institution in the premises of the V.J.T.I., Mumbai. During infancy it had a small laboratory and some educational facilities leading to Diploma in Textiles (Wool). WRA is also recognised for carrying out Applied Research leading to M.Sc and Ph.D. Degrees of Mumbai University.

Impressed with the performance most of the industrialist came forward and decided to have a full-fledged institution dealing with all aspects of wool procured a land site in 1980 of 75,000 sq. yards for the purpose. Subsequently, in 1983 the main building was constructed. In 1993 a Pilot Plant comes into being. In 1996 the ultra modern National Ecological Testing Laboratory was established to create a required infrastructure for undertaking micro analysis of dyes and chemicals, with a view to help exports, check environment & textile pollution, food and drug analysis.

Address:

Wool Research Association, Akbar Camp Road, P.O. Sandoz Baug Kolshet Road, Thane - 400 607

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**Ministry of Micro Small and Medium Enterprises (MSME)**
**Attached Organisation**

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises. Export contribution of MSME sector is quite large and important bodies promoting growth of enterprise and exports are explain below.

i)**Office of Development Commissioner (MSME)**

Development Commissionerate implements the policies and various programmes/schemes for providing infrastructure and support services to MSMEs. The Office of the Development Commissioner [O/o DC (MSME)] is an attached office of the Ministry, headed by the Additional Secretary & Development Commissioner (AS & DC), MSME. It functions through a network of MSME-Development Institutes (DI), Regional Testing Centres, Footwear Training Institutes, Production Centres, Field Testing Stations and specialized institutes. It renders services such as:

- Advising the Government in Policy formulation for the promotion and development of MSMEs.
- Providing techno-economic and managerial consultancy, common facilities and extension services to MSME units.
- Providing facilities for technology upgradation, modernization, quality improvement and infrastructure.
- Developing Human Resources through training and skill upgradation.
- Providing economic information services.

ii)**Khadi Village Industries Commission (KVIC)**

Khadi & Village Industries Commission (KVIC) established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956), is a statutory organization under the aegis of the Ministry of MSME.

**Objectives**: The main objectives of KVIC include:-

- The social objective of providing employment in rural areas;
- The economic objective of producing saleable articles; and
- The wider objective of creating self-reliance amongst people and building up a strong rural community spirit.

**Functions**: The functions of KVIC as prescribed under the KVIC Act, 1956 (61 of 1956) and Rules made there under, include:

- i. to plan and organize training of persons employed or desirous of seeking employment in khadi and village industries;
- ii. to build up directly or through specified agencies reserves of raw materials and implements and supply them or arrange supply of raw materials and implements to persons engaged or likely to be engaged in production of handspun yarn or khadi or village industries at such rates as the Commission may decide;
- iii. to encourage and assist in the creation of common service facilities for the processing of raw materials or semi-finished goods and otherwise facilitate production and marketing of khadi or products of village industries;
- iv. to promote the sale and marketing of khadi or products of village industries or handicrafts and for this purpose forge links with established marketing agencies wherever necessary and feasible;
- v. to encourage and promote research in the technology used in khadi and village industries, including the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing their competitive capacity and to arrange for dissemination of salient results obtained from such research;
- vi. to undertake directly or through other agencies, studies of the problems of khadi or village industries;
- vii. to provide financial assistance directly or through specified agencies to institutions or persons engaged in the development and operation of khadi or village industries and guide them through supply of designs, prototypes and other technical information, for the purpose of producing goods and services for which there is effective demand in the opinion of the Commission;
- viii. to undertake directly or through specified agencies, experiments or pilot projects which in the opinion of the Commission, are necessary for the development of khadi and village industries;

- ix. to establish and maintain separate organizations for the purpose of carrying out any or all of the above matters.

iii)**Coir Board**

The Coir Board is a statutory body established under the Coir Industry Act, 1953 for promoting the overall development of the coir industry and improvement of the living conditions of the workers engaged in this traditional industry.

**Objective**

India is the largest coir producer in the world accounting for more than 80 per cent of the total world production of coir fibre. The coir sector in India is very diverse and involves households, co-operatives, NGOs, manufacturers and exporters. This is the best example of producing beautiful artefacts, handicrafts and utility products from coconut husks which is otherwise a waste. The coir industry employs more than 7.00 lakh persons of whom a majority are from rural areas belonging to the economically weaker sections of society. Nearly 80% of the coir workers in the fibre extraction and spinning sectors are women. The Coir Board is tasked with promoting the overall development of the coir industry and improvement of the living conditions of the workers engaged in this traditional industry.

**Functions**

The functions of the Coir Board for the development of coir industry, inter-alia, include:

- Promoting exports of coir yarn and coir products and carrying on propaganda for that purpose.
- Regulating under the supervision of the Central Government the production of husks, coir yarn and coir products by registering coir spindles and looms for manufacturing coir products as also manufacturers of coir products.
- Undertaking, assisting or encouraging scientific, technological and economic research and maintaining and assisting in the maintenance of one or more research institutes;
- Collecting statistics from manufacturers of and dealers in coir products and from other persons as may be prescribed, on any matter relating to the coir industry and the publication of statistics so collected.
- Fixing grade standards are arranged when necessary for inspection of fibre, coir yarn and coir products.
- Improving the marketing of coconut husk, coir fibre, coir yarn and coir products in India and elsewhere and preventing unfair competitions;

- Setting up or assisting in the setup of factories for the producers of coir products with the aid of power.
- Promoting co-operative organization among producers of husks, coir fibre and coir yarn and manufactures of coir products.
- Ensuring remunerative return to producers of husks coir fibre and coir yarn and manufacturers of coir products;
- Advising on all matters relating to the development of the coir industry

iv)**National Small Industries Corporation Limited (NSIC)**

National Small Industries Corporation (NSIC) is an ISO 9001-2008 certified Government of India Enterprise under Ministry of Micro, Small and Medium Enterprises (MSME). NSIC has been working to promote aid and foster the growth of micro, small and medium enterprises in the country. NSIC is a profitmaking, dividend paying company.

**Objective**

The mission of NSIC is *"To promote and support Micro, Small and Medium Enterprises by providing integrated support services encompassing, Marketing, Finance, Technology and other Services."*.

The vision of NSIC is *"To be premier organization fostering the growth of Micro, Small and Medium Enterprises in the country."*

**Functions**

NSIC performs three distinct categories of activities in order to fulfill its mission.

It runs a number of schemes, and is also an implementing partner for a number of schemes of the Ministry of MSME. These schemes/ activities include:

- Marketing Assistance
- Bank Credit Facilitation
- Performance & Credit Ratings
- Raw Material Assistance
- Single Point Registration
- Infomediary Services
- NSIC Consortia and Tender Marketing Scheme
- Marketing Intelligence
- Bill Discounting
- Infrastructure
- National Schedule Caste and Schedule Tribe Hub

NSIC provides technical support to MSMEs through 'NSIC Technical Services Centres' (NTSCs) and a number of TICs & LBIs spread across the country. The range of technical services provided through these centres includes skill development in Hi-Tech as well as conventional trades, material and product testing.

One of the programmes being implemented by NSIC is to create self-employment opportunities by imparting training in entrepreneurship building to the unemployed people who want to set up new small business enterprises in any of the manufacturing/ services sectors or seek employment opportunities. For this purpose, NSIC has started a new initiative by entering into franchisee arrangements with private partners interested for setting up of Trainingcum-Incubation Centres (NSIC-TIC) at various locations across the country under Public-Private Partnership (PPP) mode.

v)**National Institute for micro, Small and Medium Enterprises (NIMSME)**

NIMSME was originally set up as Central Industrial Extension Training Institute (CIETI) in New Delhi in 1960 under the then Ministry of Industry and Commerce, Government of India. The Institute was shifted to Hyderabad in 1962 as a registered society in the name of Small Industry Extension Training Institute (SIET). After the enactment of MSMED Act, 2006, the Institute expanded focus of its objectives and re-designed its organization structure. In line with the new Act, the Institute was rechristened as National Institute for Micro, Small and Medium Enterprises (NIMSME). It is currently an organization under the aegis of the Ministry of Micro, Small and Medium Enterprises (formerly Ministry of SSI & ARI), Government of India.

**Objectives:**

The primary objective of NIMSME was to be the trainer of trainers. Today, with the technological development and ever-changing market scenario, the organisation's involvement has undergone changes too. From being merely trainers, NIMSME has widened its scope of activities to consultancy, research, extension and information services.

In line with the national objective of economic development through industrialization, and based on the expertise that is available, the Institute has identified thrust areas that need emphasis and exploration. These are: Entrepreneurship Development, Technology Up-gradation & Transfer, Policy Issues, NGO Networking, Environment Concerns, Cluster Development, Management Consultancy, Quality Management Services, Financial Services, and Information Services.

NIMSME's long-term mission is to excel at the following:

- Turning new corners in Information Technology.
- Spotlighting of topical issues through conferences, seminars, etc.
- Greater attention to need based programmes.

- Shift towards client driven approach and innovative interventions.
- Programme evaluation.
- Emphasis on research publications.

**Functions**

Enterprise promotion and entrepreneurship development being the central focus of NIMSME's functions, the Institute's competencies converge on the following aspects:-

- Enabling enterprise creation;
- Capacity building for enterprise growth and sustainability;
- Creation, development and dissemination of enterprise knowledge;
- Diagnostic and development studies for policy formulation; and
- Empowering the under-privileged through enterprise creation.

Note: Please refer website India Trade Portal www.indiatradeportal.in for direct link to all Export Promotion council under Minister of Com

**Table 5: India's Imports from Principal Regions and Selected Countries; (Value: US$ Million)**

| Sl No | Region/ Country | 2015-16 | 2016-17 | 2017-18 | 2018-19 | % Growth in 2018-19 over previous years | % Share |
|---|---|---|---|---|---|---|---|
| 1 | Europe | 64632.91 | 61446.85 | 69898.08 | 79339.66 | 13.51 | 15.43 |
| 1a | EU Countries | 43898.1 | 42359.23 | 47873.41 | 58425.24 | 22.04 | 11.36 |
| 1a i | Germany | 12088.37 | 11583.67 | 13295.71 | 15161.08 | 14.03 | 2.95 |
| 1a ii | Belgium | 8256.06 | 6624.63 | 5993.41 | 10469.22 | 74.68 | 2.04 |
| 1a iii | France | 3730.31 | 5707.77 | 6524.16 | 6665.86 | 2.17 | 1.30 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1a iv | Italy | 4072.22 | 3895.01 | 4706.89 | 5292.16 | 12.43 | 1.03 |
| 1a v | UK | 5192.54 | 3664.96 | 4806.75 | 7562.13 | 57.32 | 1.47 |
| 1b | European Free Trade Association | 19890.28 | 17821.01 | 19774.13 | 18455.43 | -6.67 | 3.59 |
| 1b i | Switzerland | 19299.49 | 17248.68 | 18923.05 | 18076.69 | -4.47 | 3.52 |
| 1c | Other European Countries | 844.53 | 1266.62 | 2250.54 | 2458.99 | 9.26 | 0.47 |
| 2 | Africa | 31667.23 | 28844.72 | 37789.22 | 41114.73 | 8.80 | 8.00 |
| 2a | South Africa Custom Union | 6546.83 | 7255.61 | 8633.67 | 7554.96 | -12.49 | 1.46 |
| 2a 1 | South Africa | 5948.42 | 5833.75 | 6834.70 | 6517.33 | -4.64 | 1.27 |
| 2b | Other South African Countries | 3629.51 | 3947.14 | 6412.79 | 5643.22 | -12 | 1.09 |
| 2c | West Africa | 16740.61 | 13024.96 | 16833.18 | 20083.90 | 19.31 | 3.90 |
| 2c i | Nigeria | 9949.17 | 7659.48 | 9501.33 | 10884.71 | 14.56 | 2.12 |
| 2d | Central Africa | 530.75 | 368.7 | 479.31 | 554.26 | 15.64 | 0.10 |
| 2f | East Africa | 1326.79 | 1319.11 | 1403.77 | 1550.26 | 10.44 | 0.30 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2g | North Africa | 2892.76 | 2929.21 | 4026.50 | 5728.13 | 42.26 | 1.11 |
| 3 | America | 45990.4 | 46674.11 | 55993.29 | 65189.00 | 16.42 | 12.68 |
| 3a | North America | 28298.61 | 29383.48 | 35269.81 | 44641.89 | 26.57 | 8.68 |
| 3a i | USA | 21781.39 | 22307.44 | 26611.03 | 35549.45 | 33.59 | 6.92 |
| 3a ii | Canada | 4234.03 | 4131.52 | 4728.51 | 3515.41 | -25.66 | 0.68 |
| 3b | Latin America | 17691.79 | 17290.63 | 20723.48 | 20547.11 | -0.85 | 3.99 |
| 3b 1 | Venezuela | 5701.81 | 5512.06 | 5866.37 | 7258.95 | 23.74 | 1.41 |
| 3b ii | Brazil | 4040.09 | 4114.69 | 5498.22 | 4406.43 | -19.86 | 0.85 |
| 4 | Asia | 222627.92 | 230569.05 | 279866.92 | 318722.48 | 13.88 | 62.00 |
| 4a | East Asia & oceana | 9702.58 | 11828.22 | 14902.23 | 13913.64 | -6.63 | 2.70 |
| 4a i | Australia | 8898.78 | 11154.48 | 13993.75 | 13131.21 | -6.16 | 2.55 |

# Unit 105: International Business Environment

## Unit Structure

- World Economic and Trading situation
- International Institutions and agreements
- Trade Barriers
- World Trade Organization
- Uruguay Round
- Objectives of WTO
- Functions of WTO
- Implications of WTO Agreements

## World Economic and Trading situation

The global outlook of trade and investment as on today is not at all bright considering the performance in the recent past. Trade conflict is proliferating while structural challenges have deepened. Business sentiment is on the decline. The tariff has returned as a tool for managing trade relations and triggered tit-for-tat retaliation. The World Trade Organization (WTO) could be at risk.

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World trade is slowing. While the US triggered trade war with China is part of the explanation, the real driver is a loss of momentum in the world economy. World trade is in deceleration mode. After having recovered smartly from 2.3 and 1.6 per cent in 2015 and 2016 to 4.6 per cent in 2017, the growth in the volume of world merchandise trade slowed to 3.0 per cent in 2018, WTO estimates show.

The deceleration has been greater in recent quarters. Quarter-on-quarter growth rates, as estimated by the Netherlands Central Plan bureau (CPB) indicate that trade growth fell from 1.1 per cent in the third quarter of 2018 to -0.6 per cent in the fourth quarter and -0.3 per cent in the first quarter of 2019 (Chart 2). The prognosis is not positive either. The WTO's World Trade Outlook Indicator (WTOI) released in May 2019, for example, stood well below its baseline value of 100 at 96.3, which is its weakest level since 2010. That signals that world trade growth has fallen in the first half of 2019. Moreover, according to the WTO: "The outlook for trade can worsen further if heightened trade tensions are not resolved or if macroeconomic policy fails to adjust to changing circumstances."

### US-China trade war

Given the intensification of the trade and tech war against China unleashed by the US, with several rounds of tit-for-tat imposition or escalation of tariffs and leading into a US effort to paralyse the Chinese telecommunications giant Huawei, this trade slowdown is often attributed to the disruption caused by this stand-off.

While the role of US economic aggression cannot be denied, there is reason to believe that that cannot be the whole story. The effects of the trade war work in multiple ways, making the magnitude of the net negative effect on the volume of world trade uncertain. The signs of a medium-term loss in the momentum of trade growth perhaps signal one more step down the path to a global recession.

China has been the main loser in the trade war. US imports of Chinese goods have fallen from $52.2 billion in October 2018 to $31.2 billion in March 2019, compared to $38.3 billion a year earlier. The effect on the US has been smaller in absolute terms, with US exports to China having fallen from a lower $12.4 billion in March 2018 to $10.4 billion in March 2019.

This is partly because China has been circumspect in responding to the provocative measures adopted by the Trump administration, given its own persisting dependence on exports, even as it seeks to rebalance growth away from exports and in favour of the domestic market.
This is, of course, the direct effect of the US attempt to browbeat China on grounds varying from unfair trade policies and practices and coercive appropriation of intellectual property from US firms to adoption of measures that threaten US national security.

That triggers in turn second-order effects, which result partly from adoption of similar measures relative to other countries (true especially of the US with respect to Europe for example), and partly from the fall-out of the growth declaration and consequent fall in imports resulting from the US-China showdown, which would be more significant in China.

## Global impact

China, because of its rapid growth and growing demand for raw material and intermediates, and because it has served as a final-stage export platform for global production chains, has been a major source of import demand in the world economy. ***So any slowdown in China resulting from the US actions is bound to affect world trade adversely.***

However, the trade war triggered by US actions also has positive effects on growth both within and outside China. To start with, it would result in a diversion of the export trade to the US and China, away from Chinese and American exporters to suppliers from third countries. To the extent that there is such trade diversion, the total volume of world trade is unaffected.

Further, to the extent that Chinese and US producers, restrained by import competition in the past, benefit from the new protectionism, the growth-reducing effects of the protectionist actions would be neutralised. Taking these factors into consideration, and noting that the effects of the trade war are still working themselves through, the recent slowdown in world trade must be explained by a more generalised slowdown in world demand. The slowdown in import growth is visible in all locations except the US and Japan, with the deceleration being significant in the Euro area, Other advanced economies, Eastern Europe/CIS and Latin America, and import volumes stagnating in Africa and the Middle East. Growth of imports in value terms showed up a better picture, largely because the prices of fuels which had fallen by 14.6 per cent in 2016, registered positive increases of 22.2 per cent in 2017 and 27.2 per cent in 2018.

## Emerging economies hit

What is noteworthy is that the deceleration in import volume growth has been particularly marked in the emerging economies of Asia and Latin America, pointing to a loss of momentum in the countries that were expected to be new growth poles in the immediate aftermath of the

2007 crisis. Leading the decelerating trend was China, with imports into China falling 4.8 per cent in the first quarter of 2019, when compared with a year earlier.
What this points to is a more generalised depression of global demand, resulting in a loss of growth momentum. This is not captured adequately in the first quarter GDP numbers that have transformed the pessimism reflected in the April 2019 edition of the IMF's World Economic Outlook into the optimism seen in some of the subsequent assessments of global growth prospects.
World leading merchandise exporters, importers and services exporters, importers are placed below in table 1 to table 4. Rank, value and percentage share are placed in different column of the table

**Tables 1**: Leading merchandise exporters and importers, 2018 $bn and %

| Rank | Exporters | Value | Share | Annual % change | Rank | Importers | Value | Share | Annual % change |
|---|---|---|---|---|---|---|---|---|---|
| 1 | China | 2487 | 12.8 | 10 | 1 | United States of America | 2614 | 13.2 | 9 |
| 2 | United States of America | 1664 | 8.5 | 8 | 2 | China | 2136 | 10.8 | 16 |
| 3 | Germany | 1561 | 8.0 | 8 | 3 | Germany | 1286 | 6.5 | 11 |
| 4 | Japan | 738 | 3.8 | 6 | 4 | Japan | 749 | 3.8 | 11 |
| 5 | Netherlands | 723 | 3.7 | 11 | 5 | United Kingdom | 674 | 3.4 | 5 |
| 6 | Korea, Republic of | 605 | 3.1 | 5 | 6 | France | 673 | 3.4 | 9 |
| 7 | France | 582 | 3.0 | 9 | 7 | Netherlands | 646 | 3.3 | 12 |
| 8 | Hong Kong, China | 569 | 2.9 | 3 | 8 | Hong Kong, China | 628 | 3.2 | 6 |
| | Domestic exports | 13 | 0.1 | -30 | | Retained imports [1] | 155 | 0.8 | 12 |
| | Re-exports | 556 | 2.9 | 5 | | | | | |
| 9 | Italy | 547 | 2.8 | 8 | 9 | Korea, Republic of | 535 | 2.7 | 12 |
| 10 | United Kingdom | 486 | 2.5 | 10 | 10 | India | 511 | 2.6 | 14 |
| 11 | Belgium | 467 | 2.4 | 8 | 11 | Italy | 501 | 2.5 | 11 |
| 12 | Mexico | 451 | 2.3 | 10 | 12 | Mexico | 477 | 2.4 | 10 |
| 13 | Canada | 450 | 2.3 | 7 | 13 | Canada [1] | 469 | 2.4 | 6 |
| 14 | Russian Federation | 444 | 2.3 | 26 | 14 | Belgium | 450 | 2.3 | 10 |
| 15 | Singapore | 413 | 2.1 | 11 | 15 | Spain | 388 | 2.0 | 10 |
| | Domestic exports | 209 | 1.1 | 11 | | | | | |
| | Re-exports | 203 | 1.0 | 10 | | | | | |
| 16 | United Arab Emirates [1] | 346 | 1.8 | 10 | 16 | Singapore | 371 | 1.9 | 13 |
| | | | | | | Retained imports [1] | 167 | 0.8 | 17 |
| 17 | Spain | 345 | 1.8 | 8 | 17 | Chinese Taipei | 286 | 1.4 | 10 |
| 18 | Chinese Taipei | 336 | 1.7 | 6 | 18 | Switzerland | 279 | 1.4 | 4 |
| 19 | India | 326 | 1.7 | 9 | 19 | Poland | 267 | 1.3 | 14 |
| 20 | Switzerland | 311 | 1.6 | 4 | 20 | United Arab Emirates [1] | 253 | 1.3 | -6 |
| 21 | Saudi Arabia, Kingdom of [1] | 299 | 1.5 | 35 | 21 | Thailand | 250 | 1.3 | 13 |
| 22 | Poland | 261 | 1.3 | 11 | 22 | Russian Federation [2] | 249 | 1.3 | 5 |
| 23 | Australia | 257 | 1.3 | 11 | 23 | Viet Nam [1] | 244 | 1.2 | 15 |
| 24 | Thailand | 252 | 1.3 | 7 | 24 | Australia [1] | 236 | 1.2 | 3 |
| 25 | Malaysia | 247 | 1.3 | 14 | 25 | Turkey | 223 | 1.1 | -5 |
| 26 | Viet Nam [1] | 246 | 1.3 | 15 | 26 | Malaysia | 217 | 1.1 | 12 |
| 27 | Brazil | 240 | 1.2 | 10 | 27 | Austria | 193 | 1.0 | 10 |
| 28 | Czech Republic | 202 | 1.0 | 11 | 28 | Brazil [1] | 189 | 0.9 | 20 |
| 29 | Austria | 185 | 0.9 | 10 | 29 | Indonesia | 189 | 0.9 | 20 |
| 30 | Indonesia | 180 | 0.9 | 7 | 30 | Czech Republic | 184 | 0.9 | 13 |
| | **Total of above [3]** | **16217** | **83.3** | **-** | | **Total of above [3]** | **16364** | **82.4** | **-** |
| | **World [3]** | **19475** | **100.0** | **10** | | **World [3]** | **19867** | **100.0** | **10** |

Source: WTO and UNCTAD

**Table 2:** Leading merchandise exporters and importers excluding intra-EU (28), 2018 $bn and %

| Rank | Exporters | Value | Share | Annual % change | Rank | Importers | Value | Share | Annual % change |
|---|---|---|---|---|---|---|---|---|---|
| 1 | China | 2487 | 16.2 | 10 | 1 | United States of America | 2614 | 16.6 | 9 |
| 2 | Extra-EU (28) Exports | 2309 | 15.1 | 9 | 2 | Extra-EU (28) Imports | 2337 | 14.9 | 11 |
| 3 | United States of America | 1664 | 10.9 | 8 | 3 | China | 2136 | 13.6 | 16 |
| 4 | Japan | 738 | 4.8 | 6 | 4 | Japan | 749 | 4.8 | 11 |
| 5 | Korea, Republic of | 605 | 3.9 | 5 | 5 | Hong Kong, China | 628 | 4.0 | 6 |
| | | | | | | Retained imports [1] | 155 | 1.0 | 12 |
| 6 | Hong Kong, China | 569 | 3.7 | 3 | 6 | Korea, Republic of | 535 | 3.4 | 12 |
| | Domestic exports | 13 | 0.1 | -30 | | | | | |
| | Re-exports | 556 | 3.6 | 5 | | | | | |
| 7 | Mexico | 451 | 2.9 | 10 | 7 | India | 511 | 3.3 | 14 |
| 8 | Canada | 450 | 2.9 | 7 | 8 | Mexico | 477 | 3.0 | 10 |
| 9 | Russian Federation | 444 | 2.9 | 26 | 9 | Canada [1] | 469 | 3.0 | 6 |
| 10 | Singapore | 413 | 2.7 | 11 | 10 | Singapore | 371 | 2.4 | 13 |
| | Domestic exports | 209 | 1.4 | 11 | | Retained imports [1] | 167 | 1.1 | 17 |
| | Re-exports | 203 | 1.3 | 10 | | | | | |
| 11 | United Arab Emirates [1] | 346 | 2.3 | 10 | 11 | Chinese Taipei | 286 | 1.8 | 10 |
| 12 | Chinese Taipei | 336 | 2.2 | 6 | 12 | Switzerland | 279 | 1.8 | 4 |
| 13 | India | 326 | 2.1 | 9 | 13 | United Arab Emirates [1] | 253 | 1.6 | -6 |
| 14 | Switzerland | 311 | 2.0 | 4 | 14 | Thailand | 250 | 1.6 | 13 |
| 15 | Saudi Arabia, Kingdom of [1] | 299 | 2.0 | 35 | 15 | Russian Federation [2] | 249 | 1.6 | 5 |
| 16 | Australia | 257 | 1.7 | 11 | 16 | Viet Nam [1] | 244 | 1.6 | 15 |
| 17 | Thailand | 252 | 1.6 | 7 | 17 | Australia [1] | 236 | 1.5 | 3 |
| 18 | Malaysia | 247 | 1.6 | 14 | 18 | Turkey | 223 | 1.4 | -5 |
| 19 | Viet Nam [1] | 246 | 1.6 | 15 | 19 | Malaysia | 217 | 1.4 | 12 |
| 20 | Brazil | 240 | 1.6 | 10 | 20 | Brazil [1] | 189 | 1.2 | 20 |
| 21 | Indonesia | 180 | 1.2 | 7 | 21 | Indonesia | 189 | 1.2 | 20 |
| 22 | Turkey | 168 | 1.1 | 7 | 22 | Saudi Arabia, Kingdom of [1] | 135 | 0.9 | 0 |
| 23 | Norway | 123 | 0.8 | 18 | 23 | Philippines | 115 | 0.7 | 13 |
| 24 | Iran [1] | 108 | 0.7 | 16 | 24 | South Africa [1] | 114 | 0.7 | 12 |
| 25 | South Africa | 94 | 0.6 | 6 | 25 | Israel [1] | 88 | 0.6 | 22 |
| 26 | Iraq [1] | 89 | 0.6 | 41 | 26 | Norway | 88 | 0.6 | 6 |
| 27 | Qatar [1] | 86 | 0.6 | 28 | 27 | Chile | 74 | 0.5 | 14 |
| 28 | Chile | 75 | 0.5 | 9 | 28 | Egypt | 72 | 0.5 | 17 |
| 29 | Kuwait, the State of [1] | 72 | 0.5 | 30 | 29 | Argentina | 65 | 0.4 | -2 |
| 30 | Philippines | 67 | 0.4 | -2 | 30 | Bangladesh (1) | 62 | 0.4 | 16 |
| | **Total of above [3]** | **14051** | **91.7** | - | | **Total of above [3]** | **14253** | **90.7** | - |
| | **World (excl. intra-EU (28)) [3]** | **15319** | **100.0** | **10** | | **World (excl. intra-EU (28)) [3]** | **15710** | **100.0** | **10** |

Source: WTO and UNCTAD.

**Table 3:** Leading exporters and importers of commercial services, 2018
$bn and %

| Rank | Exporters | Value | Share | Annual % change | Rank | Importers | Value | Share | Annual % change |
|---|---|---|---|---|---|---|---|---|---|
| 1 | United States of America | 808 | 13.9 | 4 | 1 | United States of America | 536 | 9.7 | 3 |
| 2 | United Kingdom | 381 | 6.6 | 7 | 2 | China | 521 | 9.4 | 12 |
| 3 | Germany | 337 | 5.8 | 7 | 3 | Germany | 364 | 6.6 | 6 |
| 4 | France | 287 | 5.0 | 5 | 4 | France | 255 | 4.6 | 4 |
| 5 | China | 265 | 4.6 | 17 | 5 | Netherlands | 230 | 4.2 | 11 |
| 6 | Netherlands | 241 | 4.2 | 11 | 6 | United Kingdom | 228 | 4.1 | 10 |
| 7 | Ireland | 206 | 3.6 | 14 | 7 | Ireland | 219 | 4.0 | 9 |
| 8 | India | 206 | 3.5 | 11 | 8 | Japan | 198 | 3.6 | 4 |
| 9 | Japan | 187 | 3.2 | 3 | 9 | Singapore | 187 | 3.4 | 3 |
| 10 | Singapore | 184 | 3.2 | 7 | 10 | India [1] | 175 | 3.2 | 14 |
| 11 | Spain | 149 | 2.6 | 8 | 11 | Korea, Republic of | 127 | 2.3 | 2 |
| 12 | Switzerland | 122 | 2.1 | 1 | 12 | Belgium | 127 | 2.3 | 10 |
| 13 | Belgium | 121 | 2.1 | 3 | 13 | Italy | 121 | 2.2 | 6 |
| 14 | Italy | 120 | 2.1 | 8 | 14 | Canada | 112 | 2.0 | 5 |
| 15 | Hong Kong, China | 114 | 2.0 | 9 | 15 | Switzerland | 103 | 1.9 | 0 |
| 16 | Luxembourg | 113 | 1.9 | 10 | 16 | Russian Federation | 94 | 1.7 | 7 |
| 17 | Korea, Republic of | 98 | 1.7 | 10 | 17 | Spain | 88 | 1.6 | 16 |
| 18 | Canada | 92 | 1.6 | 6 | 18 | Luxembourg | 86 | 1.6 | 10 |
| 19 | Thailand | 84 | 1.4 | 11 | 19 | Hong Kong, China | 81 | 1.5 | 5 |
| 20 | Austria | 75 | 1.3 | 14 | 20 | Australia | 72 | 1.3 | 6 |
| 21 | Sweden | 73 | 1.3 | -1 | 21 | United Arab Emirates [2] | 71 | 1.3 | 1 |
| 22 | United Arab Emirates [2] | 71 | 1.2 | 2 | 22 | Denmark | 68 | 1.2 | 10 |
| 23 | Denmark | 70 | 1.2 | 4 | 23 | Sweden | 68 | 1.2 | 1 |
| 24 | Australia | 69 | 1.2 | 7 | 24 | Brazil | 66 | 1.2 | -1 |
| 25 | Poland | 69 | 1.2 | 17 | 25 | Austria | 62 | 1.1 | 13 |
| 26 | Russian Federation | 64 | 1.1 | 12 | 26 | Chinese Taipei | 57 | 1.0 | 6 |
| 27 | Chinese Taipei | 50 | 0.9 | 12 | 27 | Thailand | 55 | 1.0 | 19 |
| 28 | Israel | 50 | 0.9 | 12 | 28 | Norway | 52 | 0.9 | 5 |
| 29 | Turkey | 47 | 0.8 | 9 | 29 | Saudi Arabia, Kingdom of | 51 | 0.9 | -6 |
| 30 | Macao, China [3] | 44 | 0.8 | 12 | 30 | Malaysia | 44 | 0.8 | 5 |
| | **Total of above** | **4797** | **83.0** | - | | **Total of above** | **4518** | **81.8** | - |
| | **World** | **5800** | **100.0** | **8** | | **World** | **5510** | **100.0** | **7** |

Source: WTO, UNCTAD and ITC.

**Table 4:** Leading exporters and importers of commercial services excluding intra-EU (28) trade, 2018 **$bn and %**

| Rank | Exporters | Value | Share | Annual % change | Rank | Importers | Value | Share | Annual % change |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Extra-EU (28) exports | 1059 | 24.1 | 7 | 1 | Extra-EU (28) imports | 828 | 19.5 | 6 |
| 2 | United States of America | 808 | 18.4 | 4 | 2 | United States of America | 536 | 12.6 | 3 |
| 3 | China | 265 | 6.0 | 17 | 3 | China | 521 | 12.3 | 12 |
| 4 | India | 206 | 4.7 | 11 | 4 | Japan | 198 | 4.7 | 4 |
| 5 | Japan | 187 | 4.3 | 3 | 5 | Singapore | 187 | 4.4 | 3 |
| 6 | Singapore | 184 | 4.2 | 7 | 6 | India [1] | 175 | 4.1 | 14 |
| 7 | Switzerland | 122 | 2.8 | 1 | 7 | Korea, Republic of | 127 | 3.0 | 2 |
| 8 | Hong Kong, China | 114 | 2.6 | 9 | 8 | Canada | 112 | 2.6 | 5 |
| 9 | Korea, Republic of | 98 | 2.2 | 10 | 9 | Switzerland | 103 | 2.4 | 0 |
| 10 | Canada | 92 | 2.1 | 6 | 10 | Russian Federation | 94 | 2.2 | 7 |
| 11 | Thailand | 84 | 1.9 | 11 | 11 | Hong Kong, China | 81 | 1.9 | 5 |
| 12 | United Arab Emirates [2] | 71 | 1.6 | 2 | 12 | Australia | 72 | 1.7 | 6 |
| 13 | Australia | 69 | 1.6 | 7 | 13 | United Arab Emirates [2] | 71 | 1.7 | 1 |
| 14 | Russian Federation | 64 | 1.5 | 12 | 14 | Brazil | 66 | 1.6 | -1 |
| 15 | Chinese Taipei | 50 | 1.1 | 12 | 15 | Chinese Taipei | 57 | 1.3 | 6 |
| 16 | Israel | 50 | 1.1 | 12 | 16 | Thailand | 55 | 1.3 | 19 |
| 17 | Turkey | 47 | 1.1 | 9 | 17 | Norway | 52 | 1.2 | 5 |
| 18 | Macao, China [2] | 44 | 1.0 | 12 | 18 | Saudi Arabia, Kingdom of | 51 | 1.2 | -6 |
| 19 | Norway | 43 | 1.0 | 5 | 19 | Malaysia | 44 | 1.0 | 5 |
| 20 | Malaysia | 40 | 0.9 | 7 | 20 | Mexico | 38 | 0.9 | 1 |
| 21 | Philippines | 38 | 0.9 | 6 | 21 | Indonesia | 35 | 0.8 | 7 |
| 22 | Brazil | 33 | 0.8 | -1 | 22 | Kuwait, the State of | 33 | 0.8 | 23 |
| 23 | Mexico | 29 | 0.7 | 6 | 23 | Qatar | 31 | 0.7 | 3 |
| 24 | Indonesia | 27 | 0.6 | 10 | 24 | Nigeria | 30 | 0.7 | 70 |
| 25 | Egypt | 23 | 0.5 | 26 | 25 | Israel | 30 | 0.7 | 6 |
| 26 | Morocco | 18 | 0.4 | 10 | 26 | Philippines | 27 | 0.6 | 2 |
| 27 | Qatar | 18 | 0.4 | 2 | 27 | Argentina | 25 | 0.6 | 1 |
| 28 | New Zealand | 17 | 0.4 | 5 | 28 | Turkey | 22 | 0.5 | -4 |
| 29 | Saudi Arabia, Kingdom of | 17 | 0.4 | -2 | 29 | Iran | 19 | 0.4 | ... |
| 30 | South Africa | 16 | 0.4 | 1 | 30 | Viet Nam | 18 | 0.4 | 8 |
| | **Total of above** | **3933** | **89.7** | **-** | | **Total of above** | **3738** | **87.8** | **-** |
| | **World (excl. intra-EU (28))** | **4385** | **100.0** | **8** | | **World (excl. intra-EU (28))** | **4245** | **100.0** | **7** |

Source: WTO, UNCTAD and ITC.

## International Institutions and Agreement.

The world economic order took a dramatic turn after the two world wars were fought when the captains of the globe sat and decided the future course of action. Falling world GDP and trade prompted the countries to form few important institutions and sign an Agreement that would help the world recover from its problems. The World Bank and the International Monetary Fund (IMF) were formed to look after long-term structural adjustment and short-term stabilization measures respectively.

### World Bank

Founded in 1944, the International Bank for Reconstruction and Development—soon called the World Bank—has expanded to a closely associated group of five development institutions. Originally, its loans helped rebuild countries devastated by World War II. In time, the focus shifted from reconstruction to development, with a heavy emphasis on infrastructures such as dams, electrical grids, irrigation systems, and roads. With the founding of the International Finance Corporation in 1956, the institution became able to lend to private companies and financial institutions in developing countries. And the founding of the

International Development Association in 1960 put greater emphasis on the poorest countries, part of a steady shift toward the eradication of poverty becoming the Bank Group's primary goal. The subsequent launch of the International Centre for Settlement of Investment Disputes and the Multilateral Investment Guarantee Agency further rounded out the Bank Group's ability to connect global financial resources to the needs of developing countries

**International Monetary Fund:**

IMF, established in 1945, consists of 187 member countries. It works to secure financial stability, develop global monetary cooperation, facilitate international trade, and reduce poverty and maintain sustainable economic growth around the world. Its headquarter is in Washington, D.C., United States.

**The objectives of IMF are as follows:**

a. Helping in increasing employment and real income of people
b. Solving the international monetary problems that distort the economic development of different nations
c. Maintaining stability in the international exchange rates
d. Strengthening the economic integrity of the nations
e. Providing funds to the member nations as and when required
f. Monitoring the financial and economic policies of member nations
g. Assisting low developed countries in effectively managing their economies

WTO and IMF have total 150 common members. Thus, they both work together where the central focus of WTO is on the international trade and of IMF is on the international monetary and financial system. These organizations together ensure a sound system of global trade and financial stability in the world.

The General Agreement on Trade and Tariffs (GATTs) was signed by 23 country including India to oversee tariff reductions across countries. The process of globalization to a great extent was started by formations of these institutions.

**United Nations Conference on Trade and Development:**

UNCTAD, established in 1964, is the principal organ of United Nations General Assembly. It provides a forum where the developing countries can discuss the problems related to economic development. UNCTAD is headquartered in Geneva, Switzerland and has 193 member countries.

The conference of these member countries is held after every four years. UNCTAD was created because the existing institutions, such as GATT, IMF, and World Bank were not concerned with the problem of developing countries. UNCTAD's main objective is to formulate the policies related to areas of development, such as trade, finance, transport, and technology.

**The main objectives of UNCTAD are as follows:**

a. Eliminating trade barriers that act as constraints for developing countries

b. Promoting international trade for speeding up the economic development

c. Formulating principles and policies related to international trade

d. Negotiating the multinational trade agreements

e. Providing technical assistance to developing countries specially low developed countries

It is important to note that UNCTAD is a strategic partner of WTO. Both the organizations ensure that international trade helps the low developed and developing countries in accelerating their pace of growth. On 16th April, 2003, WTO and UNCTAD also signed a Memorandum of Understanding (MoU), which identifies the fields for cooperation to facilitate the joint activities between them.

**Regional Economic Integration:**

Economic institutions, such as WTO, IMF, and UNCTAD aim at promoting economic cooperation worldwide. A similar effort is made regionally through regional economic integration that is an agreement between the countries to expand trade with mutual benefits. Regional economic integration involves removing trade barriers and coordinating the trade policies of the countries.

**It occurs because of various reasons, which are mentioned as follows:**

**(a) Shared culture:**

Involves similarity in language, religion, norms, and traditions of the countries that prompt them to trade with each other. This commonality facilitates the smooth flow of communication among countries. Same language of the countries helps the organizations to understand the complexities of the targeted markets.

**(b) History of political and economic dominance:**

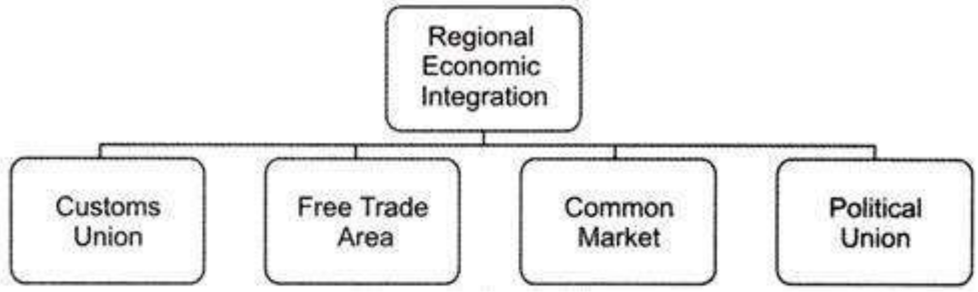
Affects the integration among the countries. For instance, the rule of Britishers has introduced the English language in India that later became a widely used language. Thus, former colonial power facilitates the shared culture and language. It is easy for organizations to target the markets, if culture and language is similar.

**(c) Regional closeness:**

Helps in maintaining strong economic relationships among the countries. The countries with same border have access to effective and direct transportation that increases the probability of trade between them.

Regional economic integration is done through various agreements.

**These agreements are called as trade blocs, which are shown in Figure below**




**The discussion of these agreements is given as follows:**

**(a) Customs Union:**

Allows the trade of goods and services among the member countries without any custom duties and tariffs. In customs union, a group of countries forms common trade policies that decide the common tariff for trading goods and services from rest of the world and ensures no tariff for participating countries.

In customs union, the import duties and regulations are same for all the member countries. It can be said that customs union is a free trade zone with a common tariff for rest of the world.

**(b) Common Market:**

Refers to an agreement where countries join together to eliminate the trade barriers. The unique feature of common markets is that they allow free movement of goods, labor, and capital among the countries. Common markets are formed to eliminate the physical and fiscal barriers, where physical barriers include borders and fiscal barriers include taxes. These barriers hamper the freedom of movement of the labor and capital within the nations.

The formation of common markets helps in increasing employment opportunities and gross domestic product of the participating nations. In a common market, the organizations benefit from economies of scale, lower costs, and high profitability; whereas, consumers benefit from increased choice of products and low prices.

**The aims and objectives of the common market are as follows:**

i. Attaining sustainable development of the participating nations

ii. Promoting mutual development in all fields of economic activities

iii. Adopting policies and programs for raising the standard of living of the residents and fostering closer relations among participating nations

iv. Facilitating cooperation among participating nations to maintain peace, security, and stability

v. Strengthening the relations between the countries and the rest of the world

## TRADE BARRIERS

Free and fair international trade is an ideal situation as free trade is beneficial to all participating countries. However, various types of barriers/restrictions are imposed by different countries on international marketing activities. Such imposed or artificial restrictions on import and exports are called Trade barriers which are unfair and harmful to the growth of free trade among the nations. The trade barriers can be broadly divided into two broad groups.

- Tariff Barriers.
- Non-Tariff barriers

### TARIFF BARRIERS

Tariffs refer to a customs duty or a tax on products that move across borders. The most important tariff barrier is the customs duty imposed by the importing country. A tax may also be imposed by the exporting country on its export. However, governments rarely impose tariff on export, because countries want to sell as much as possible to other countries. The main important tariff barriers are as follows:

1. **Specific duty**
Specific duty is based on the physical characteristics of goods. When a fixed sum of money, keeping in view the weight of measurement of a commodity, is levied as tariff it is known as specific duty.

For example, Rs. 5.00 par meter of cloth or Rs. 5.00 on each T.V. set or Washing machine imported, such duty is collected at the time of entry of goods.

2. **Ad-valorem duty**
Ad-valorem duties are imposed at a fixed percentage on the value of a commodity imported. Here, value of the commodity imported is taken as a base for the calculation of duty. Invoice is used as a base for this purpose. This duty is imposed on the goods whose value cannot be easily determined e.g. work of art, rare manuscript, antiques, etc.

3. **Compound duty**
It is a combination of the specific duty and Ad-valorem duty on single product. For example, there can be a combined duty when 10% of value (ad-valorem) and Rs. 1/- on every meter of cloth charged as duty. Thus, in this case, both duties are charged together.

4. **Sliding scale duty/Seasonal duties**
The import duties which vary with the prices of commodities are called sliding scale duties. Historically, these duties are confined to agricultural products, as their prices frequently vary, mostly due to natural factors. These are also called as seasonal duties.

5. **Countervailing duty**
It is imposed on certain imports where products are subsidized by exporting governments. As a result of government subsidy, imports become cheaper than domestic goods. To nullify the effect of subsidy this duty is imposed in addition to normal duties.

6. **Revenue tariff**
A tariff which is designed to provide revenue to the home government is called revenue tariff. Generally, a tariff is imposed with a view of earning revenue by imposing duty on consumer goods, particularly, on luxury goods which demanded from the rich is inelastic.

7. **Anti-dumping duty**
At times, exporters attempt to capture foreign markets by selling goods at rock-bottom prices, such practice is called dumping. As a result of dumping, domestic industries find it difficult to compete with imported goods. To offset anti-dumping effects, duties are levied in addition to normal duties.

8. **Protective tariff**
In order to protect domestic industries from stiff competition of imported goods, protective tariff is levied on imports. Normally, a very high duty is imposed, so as to either discourage imports or to make the imports more expensive as that of domestic products.

9. **Single column tariff**
Under single column tariff system, the tariff rates are fixed for various commodities and the same rates are made applicable to imports from all countries. These rates are uniform for all counties as discrimination is not made as regards the rates of duty.

10. **Double column tariff**
Under double column tariff system, two rates of duty on all or on some commodities are fixed. The lower rate in made applicable to a friendly country or to a country with bilateral trade agreement. The higher rate is made applicable to all other countries with which trade agreements are not made.

11. **Triple column tariff**
Under triple column tariff, three different rates of duty are fixed. These are-
(a) General rate
(b) International rate and
(c) Preferential rate. The first two rates are similar to lower and higher rates while the preferential rate is substantially lower than the general rates and is applicable to friendly countries.

**NON-FRAFIFF BARRIERS**

A non-tariff barrier is any barrier other than a tariff that raises an obstacle to free flow of goods in overseas markets. Non-tariff barriers, do not affect the price of the imported goods but only the quantity of imports.

Some of the important non-tariff barriers are as follows-

**1. Quota System**
Under this system, a country may fix in advance, the limit of import quantity of a commodity that would be permitted for import from various countries during a given period. The quota system can be divided into the following categories.

**(a) Tariff/Customs Quota:** A tariff quota combines the features of the tariff as well as the quota. Here, the imports of a commodity up to a specifically volume are allowed duty free or at a special low rate duty. Imports in excess of this limit are subject to a higher rate of duty.

**(b) Unilateral Quota:** The total import quantity is fixed without prior consultations with the exporting countries.

**(c) Bilateral Quota:** In this case, quotas are fixed after negotiations between the quota fixing importing country and the exporting country.

**(d) Mixing Quota:** Under the mixing quota, the producers are obliged to utilized domestic raw materials up to a certain proportion in the manufacturing of a finished product.

**2. Prior Import Deposits**
Some countries insist that importers should deposit even up to 100% of their imports value in advance with a specified authority, normally their central bank. Only after such deposits, the importers are given a green signal to import the goods.

**3. Foreign Exchange Regulations**
The importer has to ensure that adequate foreign exchange is available for import of goods by obtaining a clearance from Exchange Control Authorities prior to the concluding of contract with the supplier.

**4. Consular Formalities**
Some countries impose strict rules regarding consular documents necessary for importing goods. They include import certificates, Certificate of origin and certified consular invoice. Penalties are provided for non-compliance of such documentation formalities.

**5. State Trading**
State trading is useful for restricting imports from abroad as final decision about import are always taken by the government. State trading acts are one non-tariff barrier. 6. Export Obligation Countries, like India, impose compulsory export obligation on certain importers. This is done to restrict imports. Those companies, who do not fulfill export obligation (to compensate for imports) have to pay a fine or penalty.

**7. Preferential Arrangements**

Some nations form trading groups are preferential arrangements in respect of trade amongst themselves. Imports from member countries are given preferences, whereas, those from other countries are subject to various tariffs and other regulations.

**8. Other Non-tariff Barriers**
There are a number of other non-tariff barriers such as health and safety regulations, technical formalities, environmental regulations, embargoes etc.

## WORLD TRADE ORGANISATION (WTO)

The **World Trade Organization** (**WTO**) is an intergovernmental organization that is concerned with the regulation of international trade between nations. The WTO officially commenced on 1 January 1995 under the Marrakesh Agreement, signed by 123 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. It is the largest international economic organization in the world.

World Trade Organization (WTO) is the only international organization dealing with the global rules of trade. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

WTO has larger membership than GATT. India is one of the founder members of WTO.
From GATT to WTO

1947- 23 countries including India signed GATT agreement. GATT was created to regulate and liberalise world trade by reducing tariff barriers.

1948 – GATT came into force to liberalise world trade.
1949 – Second Round was held at Annecy in France. Discussions were held to reduce tariff on number of goods. About 5000 tariff concessions on various products were agreed upon.

1950 –Third Round was held at Torquay (England). About 8700 Tariff concessions were agreed.

1956 – Fourth Round was held at Geneva. Tariff reduction at this round was worth 2.5 US $ Billion.

1960 – The Fifth Round called Dillion Round was held at Geneva. It was held in two phase. Phase I- to create a single schedule of concessions for the EC based on its common external tariffs. Phase II- for general round of tariff negotiations.

1964 – The Sixth Round, called Kennedy Round was held at Geneva. Tariff reductions and anti-dumping measures were discussed. The round took 3 years to complete.

1973 – The Seventh Round, called the Tokyo Round was launched at Tokyo and concluded at Geneva. It took six years to conclude. Negotiations were held to reduce tariffs as well as non-tariff barriers on goods.

1987 –The Eighth Round, called the Uruguay Round was Launched at Uruguay and concluded at Geneva after 8 years. Negotiations took place on various matters: -

1. Tariff and non-tariff measures.
2. Trade in services.
3. Trips agreement.
4. Trims agreement.
5. Trade in textiles.
6. Trade in agriculture.
7. Creation of WTO, etc.

The WTO came into existence, which is more of a permanent institution with its headquarters at Geneva.

The following table provides a summary of GATT rounds

| Year | Place | Matters Covered | Countries Participated |
|---|---|---|---|
| 1947 | Geneva | Tariff Reduction | 23 |
| 1949 | Annecy | Tariff Reduction | 13 |
| 1950 | Torguay | Tariff Reduction | 38 |
| 1956 | Geneva | Tariff Reduction | 26 |
| 1960 | Geneva | Tariff Reduction | 26 |
| 1964 | Geneva | Tariff and Anti-dumping | 62 |
| 1973 | Tokyo/Geneva | Tariff and Non-tariff | 102 |
| 1986 | Uruguay/ Geneva | Tariff, Non-tariff, TRIPS, TRIMs | 123 |

## URUGUAY ROUND

The Uruguay round was launched at Uruguay in 1986. It was the last round as far as GATT was concerned because at the end of this round, it was decided by the participating countries to replace GATT by WTO from 1st January 1995.

The main highlight of Uruguay Round are-

**1. Trade in services-**
For the first time in the history of GATT, trade in services like banking, insurance, travel etc. has been brought under multilateral agreement. The inclusion of services in the agreement reflects the growing importance of services in the world economy. The GATTs agreement introduces a number of general obligations in the services.

**2. Anti-dumping measures-**
The developed countries have increasingly resorted to antidumping measures. The Uruguay round seeks to introduce new rules relating to dumping, which would benefit the developing nations.

**3. TRIPs-**

At the Uruguay round, the TRIPs agreement was signed. The TRIPs agreement provides protection of intellectual property rights including patents, trademarks, copyrights, etc. This agreement is expected to boost research and development and investment in property rights.

**4. Agreement on Agriculture-**

The agreement on agriculture was signed. The main objectives to increase market access to agriculture items in member nations. The member nations have to change or remove their non-tariff barriers like quotas on agriculture items.

**5. TRIMs-**

At the Uruguay round, the TRIMs agreement was signed. The TRIMs agreement introduces a number of measures by member countries to treat foreign investments on par with domestic investments and also removal of QRs on imports. Certain measures that discriminate against foreign investments were to be withdrawn by member nations, such as dividend balancing requirements.

**6. Agreement on Textiles and Clothing**-

The MFA (Multi-Fiber agreement) was in force since 1973. Under MFA the developed countries (France, USA, Canada, Japan England etc.) that were importing textiles and clothing from developing nations were imposing quotas. At the Uruguay round, it was decided to withdraw MFA within a period of 10 years (by 0101-2005). MFA has been withdrawn, which would benefit the textile exporting counties including India.

## OBJECTIVES OF WTO

WTO desires to achieve the objectives as decided by GATT. These are as follows-

1. Free trade i.e. trade without discrimination
2. Growth of less developed countries.
3. Protection and preservation of environment.
4. Optimum utilization of available world's resources.
5. Raising living standard of citizens of member counties.
6. Settlement of trade disputes among member countries through consultation and dispute settlement procedures.
7. Generating employment opportunities at global.
8. Enlargement of production and trade.

## FUNCTIONS OF WTO

**1. Administration of agreement-**

It looks after the administration of the 29 agreements (signed at the conclusion of Uruguay round in 1994), plus a number of other agreements, entered into after the Uruguay round.

**2. Implementation of reduction of trade barriers-**

It checks the implementation of the tariff cuts and reduction of non-tariff measures agreed upon by the member nations at the conclusion of the Uruguay round.

**3. Examination of Members' Trade Policies-**

It regularly examines the foreign trade policies of the member nations, to see that such policies are in line with WTO guidelines.

**4. Collection of foreign trade information-**
It collects information in respect of export-import trade, various trade measures and other trade statistics of member nations.

**5. Settlement of disputes-**
It provides conciliation mechanism for arriving at and amicable solution to trade conflicts among member nations. The WTO dispute settlement body adjudicates the trade disputes that cannot be solved through bilateral talks between member nations.

**6. Consultancy services-**
It keeps a watch on the development in the world economy and it provides consultancy services to its member nations.

**7. Forum for negotiation-**
WTO is a forum where member nations continuously negotiate the exchange of trade concessions. The member nations also discuss trade restrictions in areas of goods, services, intellectual property etc.

**8. Assistance of IMF and IBRD-**
It assists IMF and IBRD for establishing coherence in universal economic policy administration.

## IMPLICATIONS OF WTO AGREEMENTS

Participation in WTO has implications on foreign trade and development of developed as well as developing nations. Although the ultimate goal of WTO is to free world trade in the interest of all nations of the world. Yet in reality the WTO agreements have benefited the developed nations more as compared to developing ones. This is because; the developed countries of Europe and America have powerful influence on the WTO agreements. The impact of WTO on developing countries is explained as follows-

**Negative Impact-**

**1. Impact of TRIPS-**
The TRIPS agreement of WTO favours the developed countries as compared to the developing countries. Under the TRIPs agreement protection is given to intellectual property rights such as patents, trademarks, layout designs, etc. The TRIPs agreement favours the developed nations as they hold a large number of patents.

The agreement on TRIPS extends to agriculture through the patenting of plant varieties. This may have serious implications for developing countries agriculture including India. Patenting of plant varieties may transfer all gains in the hands of MNCs which will be in a position to develop almost all new varieties with the help of their huge financial resources and expertise.

The agreement on TRIPs also extends to micro-organisms as well. Research in micro-organisms is closely linked with the development of agriculture, pharmaceuticals and industrial biotechnology. Patenting of micro-organisms will again benefit large MNCs as they already have patents in several areas and will acquire more at a much faster rate.

**2. Impact of TRIMS-**

Agreement on TRIMs requires the treatment of foreign investment on par with domestic investment. Due to TRIMs agreement, developing countries including India have withdrawn a number of measures that restricts foreign investment. This agreement also favours the developed nations. Due to huge financial and technological resources at their disposal, the MNCs from developed countries would play a dominant role in developing countries. Besides foreign firms are free to remit profits, dividends, and royalties to the parent company, thereby causing foreign exchange drain on developing nations.

**3. Impact of GATS-**

The Uruguay round included trade in services under WTO. Under the GATs agreement, the member nations have to open up the services sector for foreign companies. The developing countries including India have opened up the services sector in respect of banking, insurance, communication, telecom, transport, etc. to foreign firms. The domestic firms of developing countries may find it difficult to compete with giant foreign firms due to lack of resources and professional skills.

**4. Impact of reduction of tariffs-**

As per the WTO agreement, the developing countries have to reduce the tariff barriers. As on result of this, the developing countries have resorted to reduce tariff years in a phased manner. For example, India has reduced the peak customs duty on non-agricultural goods to 10%. As the protection to domestic industry gradually disappears, the firms in developing nations have to face increasing competition from foreign goods.

**5. Impact on small sector-**

WTO does not discriminate industries on the basis of size. Small sector has to compete with large sector. Therefore, as per WTO agreement, India has agreed to withdraw reservation of items of small scale sector in a phased manner since 2000. By February 2008, India has withdrawn reservation for small sector of over 700 items. Only 35 items are reserved for small scale sector as on 5th Feb., 2008.

Due to de-reservation, the small units have to compete with large industries and also from cheaper imports. As a result, several small firms have become weak or sick during the past couple of years.

**6. Impact on agriculture-**

The developing countries India and China are among the largest producers of agricultural items like vegetables, fruits, food grains, etc. However, the agricultural productivity is low as compared to other countries. Due to low productivity, the farmers from developing counties stand to lose in the world markets. The WTO agreement on agriculture has only in theory favoured the developing countries, but in practice, its implication have seriously affected agricultural exports to world markets, as the developed countries provide lot of subsidies to their farmers.

**Positive Implications:-**

The positive impact of WTO on developing countries can be viewed from the following aspects.

**1. Growth in merchandise exports-**
The exports of developing countries like India, China, Brazil, etc. have increased since the setting up of WTO. The increase in exports of developing countries is due to reduction in trade barriers – Tariff and Non-Tariff. For example, India's merchandise exports have increased by 4 times since 1995 as shown below.

India's merchandise exports in 1995 35 US $ billion and 2006-07 it is 126 US $ billion.

**2. Growth in services exports-**
The WTO has also introduced an agreement on services called GATS. Under this agreement, the member nations have to liberalise the services sector. Certain developing countries like India would benefit from such an agreement. For example India's services exports have increased from about 5 billion US $ in 1995 to 76 billion US $ in 2006-07. The software services accounted for about 40% of the services exports of India.

**3. Foreign Investment-**
As per the TRIMs agreement, restrictions on foreign investment have been withdrawn by member nations of WTO including developing countries. Therefore, the developing countries like Brazil, India, China etc., have been benefited by way of foreign direct investment as well as by euro equities and portfolio investment. In 2006-07 foreign investment in India was 15.5 US $ billion, out of which FDI was 8.5 US $ billion.

**4. Textiles and clothing-**
It is estimated that the textiles sector would be one of the major beneficiaries of the impact of Uruguay Round. At the Uruguay Round, it was agreed upon by member countries to phase out most favourable area. Under most favourable area, the developed countries used to import quotas on textile exporting countries. Now it would benefit the developing countries including India by way of increase in export of textiles and clothing.

Therefore, it can be concluded that the WTO has created both a positive and negative impact on developing countries. It is expected that the developing countries like Brazil, India China, South-Korea, would greatly benefit from WTO agreements in the coming years, provided they make efforts to improve efficiency and international competitiveness.