EXPORT IMPORT Management

SECOND EDITION

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Preface to the Second Edition

Globalization has affected all countries of the world and global trade is growing at a pace that makes it important for businesses to stay attuned to the changing world economy. Till the early 1990s, most of the countries were closed economies—there were quantitative restrictions on imports and stringent restrictions on foreign investment. The emerging economies along with the developed countries have assumed an important role in the field of international trade.

The understanding of EXIM procedures assumes greater significance in today's global village.

Survival and success in international trade revolve around the EXIM business. In order to manage global businesses, it is essential to understand the procedures, regulations, stipulations, provisions, and opportunities involved in export and import.

About the Book

The second edition of *Export–Import Management* unravels the intricacies of global trade as it details the major challenges faced in EXIM business. The book is specifically designed to cover EXIM management in the 21st century with a focus on the procedures pertaining to the business management aspect of international trade. The book will be useful for students, new entrepreneurs, managers in multinational companies, consultants, and executives in the trade finance departments of banks.

Key Features

- Discusses various aspects of trade operations, logistics, and trade finance
- Includes specimen export documents at appropriate places to exemplify documentation
- Provides case studies dealing with various aspects of EXIM management
- Includes chapter-end questions to test the reader's understanding as also interesting exercises to put learning into practice
- Includes a Test Your Knowledge section as an appendix

New to this Edition

- Two new chapters on Incoterms and the World Trade Organization (WTO)
- New cases related to exporting challenges, exporting dilemma, and export procedures
- Web links of video cases

Coverage and Structure

The book begins by introducing the institutional framework and basics of foreign trade. As regulatory norms are the first hurdle for both Indian and foreign companies operating in the country, the regulatory framework and the documentation related to it are discussed in Chapter 1. A good understanding of rules and regulations and accurate documentation facilitate faster clearances from the regulatory authorities. Chapter 2 discusses the related documentation and step-by-step procedures. Commercial and transport documents are also elucidated.

Chapter 3 discusses the types of letters of credit, their importance, limitations, and the precautions to be taken while dealing with them. Chapter 4 discusses the various strategies and practices adopted in conducting EXIM businesses. Chapter 5 explores the nature and scope of export marketing activities, strategies of companies engaged in international marketing, and understanding how free trade blocs like WTO facilitate export marketing activities.

Chapter 6 discusses pre- and post-shipment finance. Chapter 7 elucidates the various types of business risks and the ways of covering them in the international market. These risks include physical risks to the goods as well as commercial risks to the traders. The cargo has to travel long distances and encounter numerous risks. Mitigation of such risks is an important aspect of EXIM business.

Logistics is an integral part of EXIM business, as the cargo has to reach the right place at the right time. Chapters 8, 9, and 10 discuss everything from customs clearance to Electronic Data Interchange (EDI) in customs that are related to the logistics of movement of goods from the point of origin to the point of destination. New developments in customs clearance procedures are also explained. It is important for companies dealing with overseas customers or suppliers to know about various modes of transportation and their advantages and disadvantages. This helps them to choose the right mode of transportation for their cargo. An important development in maritime trade is containerization of cargo. Ports across the world are expanding their container-handling capacities; also bigger ships are being built that can carry a larger number of containers. Shippers have adopted containerization in a big way to maximize their benefits from multi-modal transport. Shipment of cargo and freight structure and rates are explained in these chapters.

Chapters 11 and 12 discuss ports, types of ships, and the various aspects of containerization. Chapter 13 deals with the procedures and documentation pertaining to export marketing. The entire exercise beginning from the search for an overseas client, to making offers and quotations, and negotiating on export documents is covered in this chapter.

Chapter 14 brings to the forefront the importance of information technology in international business, elaborating the concepts of e-procurement, e-marketing, and e-logistics. Chapter 15 on Incoterms discusses the various Incoterm groups as well as the terms and conditions related to these. Chapter 16 on export incentives discusses various incentive schemes offered by the Indian government that an exporter can avail of, to compete in the global market. A good understanding of the procedures to benefit from the incentives enables exporters to maintain a healthy rotation of their working capital. Chapter 17 on the World Trade Organization discusses the implications of the WTO agreements, the phases of implementation of WTO agreements, and the link between WTO, exports, and imports.

Every region across the world poses new challenges to exporters. Four chapters (18 to 21) of the book are exclusively dedicated to the analyses of markets in the Middle East, Association of South East Asian Nations (ASEAN), Australia and New Zealand, and China and Japan. Along with challenges, each market also offers ample opportunities. An exporter, who has limited resources, has to weigh the pros and cons of entering a new market. An insight into the business, political, economic, and legal environment of the importing country enables a potential exporter to decide whether or not to enter that market. A thorough understanding of the business practices in the target market helps exporters to fine-tune their market-entry strategies.

The book thus attempts to cover a very broad spectrum of issues related to EXIM business. There are ample real-life examples to highlight relevant issues. Questions and other exercises are provided at the end of each chapter to test the reader's understanding of concepts. The book also includes a Test Your Knowledge section, which contains a large number of objective type questions.

There are many free video cases available on the author's home page: https://www.facebook.com/drjustinpaul. These videos can be used as part of classroom discussions while teaching the relevant chapters, to make the concept more comprehensive and clear.

Justin Paul

Rajiv Aserkar

I am sure the new edition of *Export–Import Management* will be very useful to students and executives. The simple and effective communication style will be well accepted by the students!

—Dr Nitin Seth, Indian Institute of Foreign Trade, New Delhi

This textbook aims to explain the nuances of export–import in a simple language thus helping students to immediately grasp the concepts.

—Dejo George, Vice President, Astro Group

Preface to the First Edition

During the last decade world trade has grown phenomenally in terms of volume as well as value. The reasons for this growth include liberalization of economies across the world, formation of the World Trade Organization(WTO), the ever expanding reach of the World Wide Web, digitization of trade documents, and increasing the cargo-carrying capacities of ocean and air carriers.

This spurt in world trade has evoked interest among academic institutions as also the corporate world and has prompted them to learn more about the different dimensions of international trade. In India, slogans like "export or perish" are heard more frequently than ever before. This has been a path breaking phenomenon in the country's corporate history, because in the pre-liberalization days, the focus of the domestic industry was primarily on the home market. This was due to the large gap between the demand of close to a billion consumers at home and the inability of the domestic companies to meet it with adequate supplies. Then it was mainly a seller's market and the only time exports were considered was when the companies had to meet the export obligations, which were imposed as a pre-condition to import of raw material and capital goods.

After economic liberalization in the early 1980s, Indian companies began to feel the pinch of international competition and in order to retain their share in domestic market, they started investing in quality improvement programmes, supply chain management initiatives, etc. The resultant superior products and competitive prices opened the doors of the world market for Indian goods and services. Large retail chains, big automobile manufacturers,multinational pharmaceutical giants and information technology companies are increasingly looking towards the Indian market as a reliable source of a variety of goods and services. The government at the same time has started according importance to infrastructure development which has resulted in the building of better roads, privatization of ports, increasing the number of international airports to support the export-import trade.

In addition, there is a growing interest among investors to invest in Indian manufacturing and services sectors. China still remains a preferred destination for foreign direct investment, but the Indian market of one billion plus consumers is also attracting a large number of foreign investors. India, which was earlier considered an agrarian economy, is now home toforeign automobile manufacturers and other high technology manufacturing companies who have made it their production hub for international markets. This is also a recognition of the skills of Indian workers as well as technical competence of its large pool of engineers, technocrats and knowledge workers.

All this has led to a rapid growth in export and import of products and services. Thus, there is a greater need today to understand export-import management in a globally competitive market.

About the Book

This book recognizes the growing significance of export-import trade and the need of the corporate world to understand the nuances of this business in order to compete successfully in the international market on equal terms with foreign competitors. In the universities across India as well as in the foreign universities, International Trade, which is also termed as Foreign Trade is an important part of the curriculum. In fact, a number of universities are offering post-graduation courses in Foreign Trade and International Business to students who wish to specialize in this area. This book, besides catering to the needs of the students of such specialized courses, is a valuable resource for practitioners.

The book is divided into sequentially defined chapters. Each chapter begins with a statement of learning objectives and introduction of the subject matter in a concise manner. This is followed by a lucid explanation of each topic with the help of flow diagrams, illustrations, data tables, etc. covering the conceptual framework. Each chapter concludes with a summary of key issues and includes case studies and a set of questions to test one's understanding of the topic.

Pedagogical Features

The pedagogical features of the text are:

- Learning objectives before each chapter highlighting major learning insights.
- End-chapter exercises such as review questions to enable the students reflect on various issues.
- Examples provided in the chapters with an Indian context to make the subject matter interesting and relevant.
- Copies of export documents provided at appropriate places to exemplify documentation.
- Large number of tables providing export and import data
- Specific chapters on regional/country markets that provide an insight into the business, political, economic, and legal environment of the host region/country.

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Rajiv Aserkar

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We are indebted to all the individuals who helped us gain knowledge and insight into various aspects of international trade, including EXIM procedures, documentation, marketing, logistics operations, and application of technology in the field of EXIM management. The sources of learning have been one too many and a complete list of individual references would become encyclopedic.

Dr Justin Paul appreciates the support of colleagues in academic institutions, bureaucrats, industry professionals who influenced his work, and 'last but not the least' executive participants of his various training programmes in USA, India, Japan, Mauritius, France, Denmark, UAE, and Oman.

He makes a special mention of Dr Paul Latortue, Dean, University of Puerto Rico, USA; Prof. Douglas Mac, University of Washington; K.T. Chacko, Former Director, Indian Institute of Foreign Trade (IIFT), New Delhi; Dr Rakesh Mohan Joshi, Chairperson, IIFT; Dr Hiroshi Kurimato, President, Nagoya University of Commerce and Business (NUCB), Japan; and Kyoko Hayakawa, Managing Director, NUCB Graduate School, for their encouragement in writing this book.

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Both the authors express gratitude towards their students, interacting with whom, they feel, was a step towards greater awareness.

Your feedback will help us improve the book. Please visit http://drjustinpaul.com/for any comments.

Justin Paul

Rajiv Aserkar

Brief Contents

Detailed Contents

1 Foreign Trade—Institutional Framework and Basics

Learning Objectives

After studying this chapter, you will be able to understand

- the implications of WTO on foreign trade
- how to export strategically as an entrepreneur
- the role of government and semi-government organizations

Understanding the context (WTO), steps, process, and procedures of export and import has become all the more important due to the ever-increasing momentum of globalization. The basics of international trade, role of organizations, and the processes involved are covered in brief in this chapter.

WTO AND TRADE LIBERALIZATION

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. It was formed in 1995 with the General Agreement on Trade and Tariffs (GATT) as its basis. Table 1.1 provides an overview of the road from GATT to WTO.

Ministerial conferences (held at least once in two years) form the primary decision-making body of the WTO. It also has a General Council, which is responsible for overseeing the regulatory operations and for acting as a body for the dispute settlement mechanism.

WTO agreements facilitate producers of goods and services, exporters, and importers to conduct their business in the global market. The WTO essentially aims to remove non-tariff barriers in the short run and reduce tariff rates on imports in the long run. The basis of WTO can be described as:

No prohibitions or restrictions other than duties and taxes whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any contracting country on the importation of any product of any other member country. (GATT 1947)

WTO generally prohibits quantitative restrictions (QRs) on the importation or exportation of products. QRs are the limits set by countries to restrict imports (or exports). They could be in the form of quotas or licensing (special import licence,

Table 1.1 The road from GATT to WTO

Year	Place	No. of Participating Countries
1947	Geneva	23
1949	Annecy	13
1951	Torquay	38
1956	Geneva	26
1960–61	Geneva	62
1960–67	Geneva–Kennedy Round	62
1973–79	Geneva–Tokyo Round	102
1986–94	Punta Del Esta to Geneva (Uruguay Round)	123
2001–	Doha Round	159

restricted list, and canalized list). *Canalizing of imports* refers to the practice of allowing only a few firms to import specific items by the government agency responsible for monitoring the respective sector. QRs are thus measures other than duties taken to restrict imports.

Import tariffs (duties) per se do not prevent the entry of products (Rao 2005). QRs can be more trade restrictive than tariff measures. Therefore, WTO does not permit member countries to impose QRs under normal circumstances, which in turn facilitates international marketing efforts. The customs duty rates have also been brought down by many countries. Needless to say, exports and imports have witnessed a global surge in recent years. Refer Chapter 17 for more on WTO.

EXPORTING AS AN ENTREPRENEUR—STEPS

In order to succeed in the era of globalization, it makes sense for entrepreneurs to plan for export business as part of their business strategy. For this, a first-time exporter should be aware of the steps involved in export business. These steps are listed here.

Step 1: Selecting the Right Name

Words like 'international' or 'overseas' in the name of the firm (e.g., AMES International) convey the message that the firm is engaged in export/import.

Step 2: Registration

The registration of the organization (partnership or sole proprietorship) is another important step. The firm has to be registered under the country's prevalent law, such as the Companies Act.

Step 3: Opening a Bank Account

The firm needs to open an account with a bank dealing in foreign exchange (designated branches). It makes sense to open an account with a branch which directly undertakes export–import documents and foreign currency exchange.

Step 4: Quoting the Permanent Account Number

The permanent account number (PAN) needs to be quoted to apply for the importer–exporter code (IEC) number and to claim tax exemptions and deductions under the IT Act. Details about the IE code number are discussed under Step 6.

Step 5: Registering with the Sales Tax Office

The exporter need not pay sales tax while making purchases for export. To avail this benefit, the firm has to be registered with the Sales Tax Office (Rama Gopal 2006). The exporter needs to give to the seller Form-H, along with a copy of the import letter of credit or the export order.

Step 6: Obtaining the IEC Number

The IEC number is the most important registration requirement for an exporter/importer. No export or import for commercial purposes can be made by any person without an IEC number. An IEC number can be obtained through an application to the relevant authority, e.g., the Director General of Foreign Trade (DGFT) in India. A specimen copy of the form is given in Annexure 1. There is no expiry date for the IEC number. The registered/head office of the applicant can apply for the IEC number to the licensing authority—the regional office of the DGFT—in the prescribed format. The application should be accompanied by relevant documents, which are as follows:

- Application form (in duplicate)
- Company profile (in duplicate)
- True copy of income tax PAN (Parmanent Account Number)
- True copy of sales tax certificate, if any
- Government fees
- Bank certificate as per format
- Full address of branches in India and abroad, if any
- Three passport size photographs duly signed on the reverse
- SSI registration copy, duly certified, if any
- Declarations in duplicate

Validity and Features of IEC Number

An IEC number allotted to an applicant is valid for all its branches/divisions/units/factories as indicated on the IEC number. Some features of the IEC number are listed here.

- The IEC number is the first and foremost requirement for exporters and importers.
- It is a permanent number and has no expiry date.
- It is valid for imports as well as exports.
- It is valid for all products.
- It is a 10-digit number.

Step 7: Registration with Export Promotion Councils

Governments in many countries have set up Export Promotion Councils (EPCs) to provide information and to facilitate exports.

The basic objective of EPCs is to promote and develop the exports of the country. Each Council is responsible for the promotion of a particular group of products, projects, and services. The EPCs keep abreast of the trends and opportunities in international markets for goods and services and assist their members in taking advantage of such opportunities in order to expand and diversify exports.

Functions

The major functions of EPCs are:

- to provide commercially useful information and assistance to members in developing and increasing their exports;
- to offer professional advice to members in areas such as technology upgradation, quality and design improvement, standards and specifications, product development, innovation, and so on;
- to organize overseas delegations of its members in order to explore global market opportunities;
- to organize participation in trade fairs, exhibitions, and buyer–seller meets; and
- to promote interaction between the exporting community and the government, both at the Centre and state levels.

Nature

Export Promotion Councils are non-profit, autonomous, and professional bodies. They are non-profit organizations registered under the Companies Act or the Societies Registration Act.

The Ministry of Commerce and Industry/Ministry of Textiles of the Government of India, as the case may be, would interact with the managing committee of the councils concerned, twice a year, once for approving their annual plans and budget, and again for a mid-year appraisal and review of their performance.

Registration-cum-Membership

An exporter may, on application, register and become a member of an EPC. On being given membership, the applicant shall be granted forthwith Registration-cum-Membership Certificate (RCMC) of the EPC concerned, subject to certain terms and conditions. Prospective/potential exporters may also, on application, register and become associate members of an EPC.

Step 8: Registration with the Export Credit Guarantee Corporation

Exporters should register with the Export Credit Guarantee Corporation (ECGC) to secure payment against political and commercial risks.

Step 9: Central Excise

Goods are subject to exemption from excise duty on the final product meant for export. Where exemption is not availed, the excise duty paid is refunded after actual export. Moreover, the refund of excise duty is made on inputs used in the manufacture of goods meant for export. Form ARE-1 has to be used in India for this excise clearance.

Step 10: Registration with Chambers of Commerce, Productivity Councils, etc.

It is desirable for a firm to become a member of the local chamber of commerce, productivity council, or trade promotion organization recognized by the Ministry of Commerce. This is helpful in many ways, including obtaining a Certificate of Origin.

Step 11: Registration for Business Identification Number

It is important to obtain a PAN, based on the Business Identification Number (BIN), from the DGFT registration office prior to filing for customs clearance of export goods.

Step 12: Export Licence, if required

Many items are free for export, without any licence, if they do not fall in the negative list. The negative list can consist of items that are:

- prohibited (i.e., cannot be exported);
- restricted (through licence); or
- canalized (a licence can be obtained for a short period through a canalizing agency of the government).

An exporter has to procure a licence, if his item is not listed under the freely exportable items by the government.

ROLE OF GOVERNMENT/SEMI-GOVERNMENT AGENCIES IN EXPORT PROMOTION

There are many organizations and offices in the public sector that aim to facilitate international trade, such as the DGFT and EPCs. Their objectives, broadly, are:

- to stimulate and support export efforts in the country;
- to help exporters develop particular products and commodities for export;
- to establish and develop incentives/schemes to enable self-sustenance in the international market;

- to develop guidelines, principles, and policies; and
- to establish laws for the smooth running of international business.

Ministry of Commerce and Industry (Known as Dept of Commerce in USA)

The Union Ministry of Commerce and Industry is an umbrella organization for the foreign trade of the entire country. It is connected with all foreign commercial matters. It formulates policies related to import/export development. It helps develop commercial relations with other countries.

The Ministry of Commerce in many countries comprises different divisions, each headed by a divisional head. These divisions are:

- Trade Policy Division
- Export Products Division
- Export Services Division
- Economics Division
- Administrative and General Division
- Foreign Trade Division
- Export Industries Division
- Finance Division

Director General of Foreign Trade

The Director General of Foreign Trade (DGFT) was earlier known as the Chief Controller of Imports and Exports. It is the regulatory authority on foreign trade. It is responsible for the execution of the import and export policies of the Government of India. Besides promoting exports, it facilitates the removal of control and operates through regional offices spread all over the country.

Commodity Boards

Commodity boards, such as the Rubber Board and the Silk Board, are public sector organizations. They are related to specific products in the country and abroad. They deal with the entire range of problems concerning the production, development, and marketing of concerned products. Commodity boards also undertake promotional activities. For instance, they are involved in participation in international trade fairs and exhibitions and sponsorship of delegations for international trade studies.

The Tea Board, Coffee Board, Coir Board, Central Silk Board, All India Handloom and Handicrafts Board, Tobacco Board, Rubber Board, Spices Board, Jute Mills Association, and Sugar Mills Association are some examples of commodity boards in our country.

Export Promotion Councils

The major functions, nature, and registration policies of EPCs have already been discussed in the previous section. EPCs have been set up for products such as apparels, basic chemicals, pharmaceuticals and cosmetics, chemicals and allied products, carpets, cashew, cotton textiles, electronics, computer software, engineering, gems and jewellery, handicrafts, handloom, leather, overseas construction, plastics and linoleums, shellac, silk, synthetic, and rayon textiles, sports goods, and wools and woollens.

In addition to the functions mentioned in the previous section, they are also responsible for building a database on exports and imports of members and international trade data for members' use. They also keep track of changing trends and opportunities abroad and educate members on country-specific opportunities accordingly.

Exhibit 1.1 provides a list of EPCs in India.

Exhibit 1.1 List of Export Promotion Councils

Sl No.	Name of Export Promotion Council
1.	Agricultural and Processed Food Products Export Development Authority (APEDA)
2.	Apparel Export Promotion Council
3.	Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council
4.	The Cashew Export Promotion Council of India
5.	Carpet Export Promotion Council
6.	Chemicals & Allied Products Export Promotion Council
7.	Coffee Board
8.	Coir Board
9.	The Cotton Textiles Export Promotion Council
10.	Electronic and Computer Software Export Promotion Council (ESC)
11.	Engineering Export Promotion Council
12.	Federation of Indian Export Organisations (FIEO)
13.	The Gem & Jewellery Export Promotion Council
14.	Export Promotion Council for Handicrafts
15.	The Handloom Export Promotion Council
16.	The Indian Silk Export Promotion Council
17.	Council for Leather Exports
18.	The Marine Products Export Development Authority
19.	Overseas Construction Council of India
20.	The Plastics and Linoleums Export Promotion Council
21.	The Rubber Board
22.	Shellac Export Promotion Council
23.	The Sports Goods Export Promotion Council

(*Contd*)

Exhibit 1.1 (Contd)

24.	Spices Board
25.	The Synthetics & Rayon Textiles Export Promotion Council
26.	Tea Board
27.	Tobacco Board
28.	The Powerloom Development and Export Promotion Council (PDEXCIL)
29.	Jute Manufacturers Development Council

Service Institutes

The Ministry of Commerce facilitates foreign trade through service institutes such as the Indian Institute of Foreign Trade (IIFT) and Indian Institute of Packaging (IIP). The IIFT

- acts as a nucleus of human resource development in the field of foreign trade;
- organizes special training programmes on export–import (EXIM) business;
- conducts research into problems related to EXIM business and undertakes commodity studies and foreign market surveys;
- organizes exchange of trade delegates;
- provides consultancy to export organizations; and
- publishes journals on EXIM business.

Export Inspection Council

The Export Inspection Council (EIC) is a statutory body responsible for the enforcement of quality control and compulsory pre-shipment inspection of exportable goods in the country. It establishes laboratories and testing centres all over the country.

Export Credit Guarantee Corporation

The Export Credit Guarantee Corporation (ECGC) is a wholly owned subsidiary of the Government of India under administrative control of the Ministry of Commerce and Industry with export insurance services. The ECGC

- supports and strengthens export drive;
- covers commercial and political risks of exporters;
- arranges insurance against pre- and post-shipment credit finance to commercial bankers;
- provides guarantee to commercial banks against export credits extended;
- issues overseas investment insurance policies;
- covers exchange investment risks through forwards and futures; and
- provides guarantees against projects, term loans, export finance, and export performance.

Directorate General of Commercial Intelligence and Statistics

The Directorate General of Commercial Intelligence and Statistics (DGCI&S) has its head office in Kolkata. The DGCI&S

- collects and compiles complete information and disseminates it to trade organizations;
- publishes journals and informative bulletins; and
- helps Indian businessmen with letters of introduction when they are going abroad.

India Trade Promotion Organisation

India Trade Promotion Organisation (ITPO), earlier known as the Trade Fair Authority of India

- organizes trade fairs and other exhibitions in the country and abroad for products;
- sets up showrooms in the country and abroad for the promotion of export of new items; and
- publishes journals such as the *Journal of Industry and Trade*, *Udhyog Vyapaar Patrika*, and *The Indian Export Services Bulletin*.

Federation of Indian Exporters' Organisations

The Federation of Indian Exporters' Organisations (FIEO) is the apex body of various exporters and export promotion organizations. It provides a common coordinating platform for commodity councils, boards, and service institutions.

Export–Import Bank

The Export–Import (EXIM) Bank is an apex organization that finances, facilitates, and promotes exports. Its major function is to arrange loans/funds for exporters, either directly or through other commercial banks. The bank undertakes financing with regional/global development banks, agencies, and other financial institutes. It also arranges pre- and post-bid finance for export projects.

State Trading Corporation of India Ltd

The State Trading Corporation of India Ltd (STC) has the following subsidiaries that help promote export of various commodities:

- Handicraft and Handloom Export Corporation of India Ltd
- Cashew Corporation of India Ltd
- Central Cottage Industries Corporation of India Ltd
- Tea Trading Corporation of India Ltd
- Project and Equipment Corporation of India Ltd

Government Trade Representatives

Government trade representatives such as embassies, high commissions, commercial counsellors, and commercial secretaries attached to various India houses abroad act as the eyes and ears of the government in sensing trade opportunities. They also help in the settlement of trade disputes.

Freight Investigation Bureau

The Freight Investigation Bureau is based at the Office of the Director General Shipping, Mumbai, and it looks into the problems related to ocean freights. It also gives suggestions and settles disputes related to ocean freight.

Customs and Central Excise Department

The Customs and Central Excise Department operates through customs houses in Mumbai, Kolkata, Chennai, New Delhi, and other industrial areas and export zones. The department handles and implements policies related to drawback imposition and recovery of customs and central excise.

SUMMARY

It is worth noting that international trade is increasing by leaps and bounds in the world because of the forces of globalization, such as the World Trade Organization. Member countries of the WTO have lifted quantitative restrictions (non-tariff barriers) on imports and reduced customs duty rates substantially. The competition to capture more market share has intensified in the world. In such a scenario, companies need to formulate their business strategy based on exporting and importing in a systematic way that increases profit and reduces cost.

This chapter discussed the steps involved in starting an export business. Many government and semi-government agencies are involved in export promotion. The Ministry of Commerce and Industry, the DGFT, and EPCs are examples of some such agencies. The activities of these agencies have also been discussed in the chapter.

KEY TERMS

Commodity Boards These are public sector organizations devoted to the production, development, and marketing of specific products in the country and abroad.

Export Promotion Councils These facilitate international trade and are also responsible for building a database on exports and imports of members and international trade data for members' use.

India Trade Promotion Organisation (ITPO) It organizes trade fairs and other exhibitions in the country and abroad for products.

Export Inspection Council It is a statutory body responsible for the enforcement of quality control and compulsory pre-shipment inspection of exportable goods in the country.

Director General of Foreign Trade It is responsible for the execution of the import and export policies of the Government of India.

CONCEPT REVIEW QUESTIONS

1. Discuss the role of WTO in EXIM business.
2. Discuss the steps involved in export business, if you have to enter into it as an entrepreneur.
3. Discuss the role of public sector organizations in export promotion activities.

OBJECTIVE QUESTIONS

For each of the following statements, choose the most appropriate option.

1. The WTO is criticized for the following reasons:
   (a) It dictates policy.
   (b) It is a tool of powerful lobbies.
   (c) It destroys jobs and worsens poverty.
   (d) Only (a) and (b) together.
   (e) All (a), (b), and (c) together.
2. The main functions of WTO are:
   (a) To handle disputes constructively
   (b) To help promote peace among business community
   (c) To provide rules that make life easier for all people involved in foreign trade
   (d) All of the above
3. GATTs cover all internationally traded services. They are:
   (a) Cross-border supply and consumption abroad
   (b) Commercial presences and presences of natural persons
   (c) None of the above
   (d) Both (a) and (b)
4. The Agreement on Textiles and Clothing (ATC) 1995–2004 was a transitional instrument, covering the following elements:
   (a) Encompasses yarns, fabrics, clothing, textiles products
   (b) Establishment of TMB (Textile Monitoring Body)
   (c) Progressive integration of textiles and clothing products into GATT, 1999 rules
   (d) All of the above

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Case Study 1

THE MARINE PRODUCTS EXPORT DEVELOPMENT AUTHORITY*

Steering the Indian Seafood Industry Ahead

The Marine Products Export Development Authority (MPEDA) was constituted in 1972 under the Marine Products Export Development Authority Act, 1972. The role envisaged for MPEDA under the statute covers fisheries of all kinds, export standards, processing, marketing, and extension and training in various aspects of the industry.

The MPEDA's activities relate mainly to the registration of infrastructure facilities for seafood export trade, collection and dissemination of trade information, projection of Indian marine products in overseas markets by participation in overseas fairs, and organizing international seafood fairs in India.

The other responsibilities of MPEDA include implementing development measures vital to the industry, such as distribution of insulated fish boxes, building fish landing platforms, improving peeling sheds, and providing financial aid for modernizing the industry via upgradation of plate freezers, installation of Individually Quick Frozen (IQF) machinery, generator sets, ice-making machinery, quality control laboratories, etc.

*Source: *Handbook on Shipping and Ports,* 2005, Dhanam Publications, Kochi. Reprinted with permission.

The Authority also promotes brackish water aquaculture for the production of prawns for export, deep-sea fishing projects through test fishing, and joint ventures and equity participation. It provides financial support to set up integrated aquaculture projects, seafood processing units, and deep-sea fishing projects.

MPEDA functions under the Ministry of Commerce and acts as a coordinating agency with different Central and state government outfits engaged in fish production and other allied activities.

The development schemes of the Authority are implemented under various major heads, namely export production, induction of new technology, and modernization of processing facilities and market promotion.

With headquarters at Kochi, the Authority has field centres in all the maritime states of India, a trade promotion office in New Delhi to liaise with Union ministries, and trade promotion offices in New York (USA) and Tokyo (Japan).

The regional offices at Mumbai, Kolkata, Kochi, Chennai, Visakhapatnam, and Veraval, alongwith the sub-regional offices at Kollam, Mangalore, Tuticorin, Goa, and Bhubaneshwar, function to implement the various activities of the Authority.

These offices also promote the export of marine products by providing guidance and assistance to processing units and the export trade.

For more details, visit the Marine Products Export Development Authority website www.mpeda.com.

Question: Discuss the activities of MPEDA.

Case Study 2

PORT-BASED SPECIAL ECONOMIC ZONE AT KOCHI*

A Global Manufacturing Hub in the Making

C. Unnikrishnan†

From the concept of a closeted public sector enclave focusing on export, Special Economic Zones (SEZs) are now turning into large-scale integrated manufacturing complexes managed by public–private partnerships.

Today, at least 120 countries have established SEZs. With 266 zones, USA alone has generated over 400,000 zone-related jobs. China has created 360,000 employment avenues from its zones. The Philippines generates 67% of its exports from SEZs. As much as 37% of Sri Lanka's exports originates from SEZs, while India could generate only less than 5% of its export from them. The impact of the contribution of SEZs to wealth creation, employment generation, and regional development has not yet been felt in India as it has been in other similar economies.

The SEZ in Kerala, the Cochin Export Processing Zone (CEPZ)# at Kakkanad, was established in 1986. Realizing the changing image of Kerala as an investment destination and to

* *Handbook on Shipping and Ports,* 2005, Dhanam Publications, Kochi. Reprinted with permission.

† The writer is Deputy Secretary, Cochin Port Trust.

CEPZ changed to Cochin Special Economic Zone (CSEZ) in 2003.

increase the awareness of its potential, the Ministry of Commerce and Industry recently gave permission to set up India's first Port-Based Special Economic Zone (PBSEZ) in Kochi.

For the Kochi PBSEZ, the opportunities lie in the accelerating trend of outsourced manufacturing. At present, developed countries confine this outsourcing to basic components. This manufacturing sector demands higher skills and derives a higher degree of inbuilt margin. The remaining part of manufacturing outsourcing is assembling, which is a semi-skilled job requiring a higher proportion of low-cost labour, available in plenty in developing countries.

Outsourced manufacturing of the semi-skilled kind can be accommodated at the proposed PBSEZ in Kochi. The PBSEZ will focus upon generating substantial employment. However, through an evolutionary process, the expertise built up in performing semiskilled functions could be enhanced to attempt manufacturing critical components and moved in to higher value markets.

The Kochi Port has earmarked 448 hectares in Vallarpadam and Puthuvypu for developing the PBSEZ. The PBSEZ is proposed to be developed in a public–private partnership format. A major part of the terminal-related activity of the international container terminal will be performed in the SEZ. This aspect will provide a cutting edge to the terminal's performance vis-à-vis competing terminals.

An SEZ in the proximity of the container terminal will have the advantage of imports at the lowest freight rate and minimal transit distance from the port to the manufacturing plants, thereby saving costs.

The international scene is also littered with failures of SEZ projects that are an eye-opener. Causes of failures of SEZ world-wide can be attributed to business strategies based heavily or solely on tax holidays, imposition of rigid eligibility norms, and poor and suppressed labour relations. Instances of initial over-subsidy, poor maintenance of common facilities, and poor locations spelling doom for SEZs are also not rare.

The key positive trend observed in the success and growth of SEZs is the competitive advantage driven by logistics. The developments in the software sector and the prospects of increased flights from the international airport are some of the factors in favour of the PBSEZ.

The investors in PBSEZ can take maximum advantage by capitalizing on logistics. With a series of mutually supportive projects also coming up in the vicinity of Kochi Port, opportunities are aplenty.

Question: Discuss the rationale for a PBSEZ.

ANNEXURE I

FORMAT OF IMPORTER–EXPORTER CODE NUMBER

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
OFFICE OF JT/DY DIRECTOR GENERAL OF FOREIGN TRADE
(Full Address)

CERTIFICATE OF IMPORTER–EXPORTER CODE (IEC) NUMBER

1. Name ______________________________
2. Address ______________________________
____
____

PIN ☐☐☐☐☐☐

3. Address of the Branches/ ______________________________
Division/Units/Factories, ______________________________
if any. ______________________________

PIN ☐☐☐☐☐☐

4. IEC Number ______________________________
5. Date of Issue ______________________________
6. PAN Number ______________________________

(Signature of the Issuing Authority) ____________

Name ______________________________

Designation ______________________________

(Official Stamp) ☐

Place ______________________________

Date ______________________________