EXPORT IMPORT POLICY FRAMEWORK FOR GROWTH IN 21ST CENTURY

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International trade is the exchange of goods and services between countries. India is one of the largest players in the global trade scenario. Here is an overview of India's position in the world trade:

1. India's share in world trade: India's share in world merchandise exports increased from 0.6% in 2001 to 1.7% in 2020. India's share in world commercial services exports was 3.4% in 2020.
2. Major export partners: India's major export partners include the United States, China, the United Arab Emirates, and Hong Kong.
3. Major import partners: India's major import partners include China, the United States, the United Arab Emirates, and Saudi Arabia.
4. Export and import sectors: India's major export sectors include petroleum products, gems and jewelry, pharmaceuticals, and engineering goods. India's major import sectors include crude oil, gold, electronic goods, and pearls and precious stones.
5. Trade agreements: India has signed several trade agreements with other countries and trade blocs, such as the ASEAN, South Korea, Japan, and the European Union.
6. Challenges: India faces several challenges in international trade, including non-tariff barriers, complex regulatory procedures, and lack of infrastructure.
7. Government initiatives: The Indian government has launched several initiatives to boost international trade, such as Make in India, Digital India, and Start-up India.

In conclusion, India is a significant player in the global trade scenario, with a growing share in world exports and services. While there are challenges, the Indian government is taking initiatives to boost international trade and make India a more attractive destination for foreign investment.

The export import policy is a necessary instrument of a government to regulate the exports and imports of the country to ensure the balance of trade. The Government of India announced its major format of export import policy on 31 March 1992 for five years from 1-4-1992 to 31-3-1999 which is still being followed with relevant changes as and when required:

The following were some of the important features of this policy.

1. The replenishment licences for exporters were replaced by Exim Scrips, where were basically import licences issued on the basis of 30 per cent of the fob value of exports irrespective of the nature of the nature of the export products, for most of the exports.

   This was completely abolished on 1-3-92 when the dual exchange rate for the exports proceeds and remittance came into being.
2. A number of items of exports and imports which were being canalised through public sector agencies have been de -canalised.
3. Automatic approval for technical collaboration and foreign equity participation upto 51 per cent in Indian companies in 34 high priorities industries.
4. 51 per cent equity participation in Indian Trading Companies primarily engaged in export activities.
5. Foreign Investment Promotion Board (FIPB) has been constituted to process and give speedy approval for foreign investment proposals.
6. Automatic approvals of foreign technology agreements, if the technology is to be imported for the 34 high priority industries provided, if the fee does not exceed US dollar's 3,85,000 and royalty does not exceed 5 per cent of domestic and 8 per cent of export sales.

7. There is no need for prior approval of the Reserve Bank of India (RBI) to engage foreign technicians by Indian firms/companies if the terms of appointment conform to specific guidelines.
8. Foreign companies can open liaison and branch offices in India if they bring foreign exchange for their activities. The branch offices will be allowed to carry on trading activities.
9. FERA companies are granted general permission by RBI (a) to use over-seas trade money, (b) accept appointment as an agent on technical or management advises of any person or company in India, (c) to borrow money and accept deposits in India.
10. Foreign investment upto 100 per cent equity is permitted for setting up power plants.

The finance minister introduced a new system of partial convertibility, in order to give a "powerful boost" to exports. Under the new system which came into being on 1-3-92 all foreign exchange remittance are converted in the following manner – 40 per cent of the foreign exchange remitted is converted at the official exchange rate, while the remaining 60 per cent is converted at a market determined rate.

The foreign exchange surrendered at official exchange rates is made available to meet the foreign exchange requirements of essential import such as petroleum and oil products, defense and lifesaving drugs. All other imports of raw materials, components and also capital goods will be made freely importable on OGL (Open General License) but the foreign exchange for imports will have to be obtained from market. There is a special "Negative List" of raw materials, components and capital goods which will continue to be importable only against licenses. There is no change in the import policy for consumer goods, it will remain restricted as at present including travel, debt serves payment royalties and other remittance will also have to be obtained at the market rate.

The new system completely replaced the issuance of Exim Scrips for export. Those who earn foreign exchange have also an option to retain 15 per cent of the earnings in a foreign currency account in India foe all permissible uses as were previously available in the blanket permit. Another consequence of this new development was the removal of the blanket permit altogether.

THE NEW EXPORT/IMPORT POLICY

The policy announced on March 31, 1992 in the parliament had the following essential features :

1. The duration of this policy will be 5 years, the 8th plan period.
2. It substantially eliminates licensing, quantitative restrictions and other regulatory and discretionary controls.
3. All goods may be freely imported and exported except for two negative lists. The negative list of imports and exports of certain list of exports place restrictions on the imports and exports of certain goods. The government will prune the list from time to time.
4. Even though canalized goods are normally imported by the designated agencies, the central government may grant licenses to others also, to import or export these canalized goods. The canalization is confined to certain petroleum products, fertilizers, edible oil, cereals and few other items.
5. The scope of Duty Exemption Scheme has been enlarged by introducing Value Based Advance Licensing besides Quantity.

BASED ADVANCED LICENCES

The policy aims at simplification and transparency further, the usual bulky volumes of the policies have been reduced to a concise 85-page policy book.

EXPORT PROMOTION MEASURES

After the recent drastic policy changes, the government has practically removed all export promotion and incentive measures which can be deemed as a subsidy. The following steps were taken in order to develop the exports:

1. **Advanced License Scheme**: An advance license in granted for the duty-free import of raw materials, components intermediaries, consumables, parts, spares including mandatory spares and packing materials.

   Such licenses shall be subject to the fulfilment of a time bound export obligation and value addition as may be specified. Advance licenses may be based on either value or quantity. An exporter may apply for a value based advance license on quantity.

2. **International price reimbursements (IPRs)**: This scheme is introduced with a view to make available to exporters raw materials at international prices. In the case of raw materials, notified the government as coming under the IPRs, the difference between the international price as notified by the government, and the domestic price is reimbursed to the exporters.

3. **Cash Compensatory Support (CCS)**: This scheme was in existence till July 1991. This provided cash payment to exporters at a predetermined percentage of the fob value of exports. When the rupee was devalued in the first week of July 1991, this incentive was removed.

4. **Drawback of duties**: In the manufacture of many export products, there is a substantial element of customs. Duty paid on imported components, as well as, excise duty on the indigenous purchases. These are evaluated on a yearly basis, and the exact quantum of the draw back duties is published by the ministry of finance. Accordingly, they are refunded to the exporters after the completion of the exports.

5. **Marketing Development Fund (MDF)**: This came into being in 1963-64. The nomenclature was changed to Marketing Development Assistance (MDA) in 1975. The fund is administered for providing grants assistance to Export Promotion Councils, other export bodies, also special schemes approved for specific export promotion efforts. The fund is on the decline and sufficient amount has not been set apart in recent years.

6. **Fiscal benefit**: In order to promote export and enable the exporters to plough back into the export trade, their profits for higher exports, government has exempted export projects from tea under 50 HHC provisions of the IT Acts.

   In the case of an exporter, who is engaged in the sale of goods, both in the export and domestic market, the proportion of profit as taken in the same rates of exports turnover to total turnover.

7. **Finance Facilities**: Credit facilities are made available to exporters for purchases, manufacture and packaging prior to shipment, as also post shipment credit facilities. Medium- and long-term credits are also made available for the export of capital equipment. The government helps the banks to keep the interest rate on exports much lower than the domestic interest rates.

8. **Excise Exemption Facilities**: Various goods, either in the finished form or as they are being used in the manufacture of certain products are liable to payment of excise duty under the Excise and Salt Act, 1944.

Goods exported out of the country are, however, given the facility of obtaining a refund of such payments which may be had either after paying the duty as by exporting under bond. Bilateral Agreements: Since independence, India has entered into trade agreements with many countries. These agreements are bilateral in the sense that they are between two parties, but do not necessarily commit each party to export or import specific quantities of commodities is given. This ceiling is based upon the country’s ability to supply and also on the balance of trade between the two countries.

These trade agreements also provide for certain arrangements in respect of mode of payment for imports. In some cases, the mode of payment is in Indian rupees which are called "Rupee Payments Agreement."

The government announced a new export import policy in March 1993 and the following are its chief features:

Under the new policy special attention is being paid to the growth of exports in the agricultural and allied sectors. It has been decided that units engaged in agriculture, aquaculture, animal husbandry, horticulture, floriculture, pisciculture, poultry and agriculture, can avail themselves of the benefits of duty-free imports under the EOU/EPZ scheme even if they export 50 per cent of their production. They can sell the remaining 50 per cent of the domestic market as against the limits 25 per cent permitted for the non-agricultural sector.

The definition of capital goods has also been widened to cover capital goods used in agricultural and allied activities so that units engaged in this sector can avoid themselves for improving their equipment at a concessional rate of duty.

Further, certain inputs and materials required by the agricultural sector, such as prawn, shrimp and poultry, feed, edible oil, wax for waxing fresh fruits and vegetables, grapes, guards' paper, dipping oil for treatment of grapes, wheat, gluten, fresh meal in powered form and stock (poultry) are being removed from the negative list of imports, so that they are freely importable.

In order to tap the potential of the services sector, a new scheme, called the export promotion capital goods scheme for the services sector has been introduced under the scheme capital equipment of a concessional rate of duty of 15 per cent may be imported by those who render professional services such as architects, artists, chartered accountants, consultants, doctors, economists, engineers, journalists, lawyers and scientists. The scheme is also open to other services such as hotels and restaurants, travel agents, tour operators and diagnostic centers. The export obligation be achieved by the will be in the form of foreign exchange earned by them, regardless of whether the services are rendered in India or abroad.

In the case of existing export promotion capital goods (EPCG) scheme applicable on the other sectors, the window of import of capital goods at concessional rate of customs duty of 15 per cent is only being kept open and the other window of imports of 25 per cent duty is being deleted in view of the general lowering of customs duties in the budget of 1993-94. There is a representation from the trade and industry that the advantage of the EPCG scheme has been eroded with the reduction in the normal customs duties on capital goods.

In order to provide certain flexibility in the scheme in the case of capital-intensive products and products involving sophisticated technology alternatives are being worked out and detailed guidelines in this behalf will be announced shortly. Further, the requirements relating to the provisions of bank guarantee by the importers have been liberalized and the procedures simplified in order to induce the cost to the importer in furnishing bank guarantee.

A total of 144 items have been removed from the Negative List of exports. In respect of those items which have been excluded from the Negative List in respect of which it is necessary to attach certain terms and conditions on the exports like a separate public notice is being issued specifying those terms and conditions, but no export license will be required for their exports.

The criteria for recognition of export houses trading houses will henceforth be based on their F.O.B. value of physical exports (instead of net foreign exchange earnings). The quantum of F.O.B. value of exports has been adjusted suitable. As a consequence, the scheme for special import licenses for those houses as well as for the electronic sectors will also be based on the F.O.B. value of physical exports instead of NFE.

Under the EOU/EPZ scheme, the exports obligation to be achieved by the units is subject to the prescribed value addition in order to encourage the use of indigenous inputs by such units. The formula of value addition has been revised so as to exclude the value of indigenous inputs from the computation of value addition. The new formula also provided a special dispensation for capital intensive units.

Under the duty exemption scheme both the quantity based advance license and the value based advanced licenses are being continued. In order to expedite the grant of license under the scheme, standard input output and value addition norms have now been published for over 2,200 items. Efforts would continue to be made during the course of the year to increase substantially the number of items covered by standard input output norms. In the light of thee experience gained in the operation of the value based advance licensing scheme, it has been decided that both the quantity and fob value of exports specified in the license shall have to be achieved by the license holder in order to minimize the possibility of the misuse of such licenses. The mechanism for monitoring the achievements of export obligation for duty free license- holders is also being strengthened. Exporters who have completed their exports and have realized the export proceeds before the introduction of full convertibility are in a disadvantageous position in case they have not completed their imports under the duty free licenses before March 1, 1993. In order to remove this disadvantage, it has been decided that they will be given a cash amount equivalent to 8 per cent of their unutilized import licenses, In the case of exporters, who have completed their exports before March 1, 1992 and who have no exchanged then REP/EXIM Scrips before February 22, 1993, they will be given a further opportunity to surrender the EXIM Scrips and receive the premium of 20 per cent on them. The details in respect of both these measures are being worked out in consultation with RBI In order to involve the state governments in the export effort, a centrally sponsored scheme for assisting them in the establishment of industrial parts, with high standards of infrastructure facilities is being formulated. The Government of India has offered a number of incentive scheme and special facilities to enable the exporters to be competitive in the international markets.

SOME RECENT POLICY LIBERALIZATION

It is clear from the above that in recent years there have been some significant shifts in the emphasis in the export promotion policy of the government in tune with the new trends towards pragmatism seen in the overall industrial licensing policy and procedures. These are important not only because they are likely to have a favorable impact on the export performance, but also because they indicate a willingness to make policy adjustments whenever necessary in order to expand imports. In the first-place following recommendations of the Sodhi Committee on the engineering exports, the principle of automatic increase of production beyond licensed capacity to the extent of 5 per cent per annum and up to 25 per cent during a plan period has been recognized in a large number of export-oriented engineering industries. These have also been assured of improved arrangements for the supply of inputs for export production. Government also accepted the other recommendations of the committee, viz. extension of the period for which cash assistance is to be granted, exemption of import duty on raw material imported under advance license granting the licensing committee, the sole authority to impose export obligations, various changes in export credit arrangements.

In the area of import licensing, a liberalization process started with the 1975-76 import policy under the 1975-76 import policy, the actual users were guaranteed an automatic license for import of raw material equal to the quantity used on the quantity of import license obtained in the previous year, whichever was less. For those who exported more than 20 per cent of their production, the automatic license was available for the greater of the two. Import license equal to the previous year's replenishment licenses were allowed on acceptance of an equivalent export obligation. Replenishment licenses were increased by 10 per cent for a wide range of exporters and by an addition of 10 per cent for those replenishment licenses were less than 50 per cent. Thus, both the transferability of replenishment licenses and the flexibility with which they could be used eased the prevailing restrictions on import of certain inputs, which were domestically produced but not in enough quantity or the quantity necessary for exports. The trend towards liberalization as far as export-oriented industries are concerned has continued.

Another significant change was the delinking of the rupee from the pound sterling in September 1975, and tying it with a basket of currencies. Thus, coupled with India record of inflation control improved the position of the rupee which has also improved export profitability. It appears from the analysis of effective exchange rates that the real return on export now on an average is higher than before and this is a major factor in stepping up India's export performance in recent months.

FUTURE PROSPECTS

For long-term export growth the removal of the known constraints on efficient production must form an important part of the export strategy. Some of the basic point that need emphasis in the overall policy system are – (1) Incentives are required over a longer time horizon given the general penalization of exports implicit in the trade policy system. (2) The incentive systems could be simple and easily understood. (3) The cash incentive system being prone to abuses, incentives through tax reliefs and concessions as an alternative system should be considered. The possibility and comparative analysis of differential ratio of connotation on profit earned on exports should be seriously examined. (4) Exporters must have easy access to whatever imported inputs are required. (5) The creation of exportable surpluses in an environment of rising demands will have to be given some attention. Some of the recent improvements have been partly due to the conscious deprivation of the home market. A balance has to be struck between home consumption and exports. It is necessary to emphasis the need to link exports with specially sponsored export-oriented projects designed to produce exportable surplus. (6) Emphasis should be on the most efficient use of India's own resources on the basis of better utilization of unit value rather than the export of any and all goods manufactured in India. To take one example the present system offers parallel incentives to all export commodities irrespective of their relative competitive ability and economic strength. But we should also consider having a more discriminatory approach, where some commodities may need greater incentives than others. Similarly, since export prices differ according to destination, the destinations aspects must also receive special consideration. (7) Besides export incentives can also be linked to the performance of individual firms or units based on the ratio of exports net sale. The concept of incentives should also have some relationship with the economic use of national resources. (8) India has a natural advantage of proximity in relation to the expanding West Asia and East and South-East Asian markets. A vigorous marketing strategy should enable her to gain their markets and also the market of developing countries for those goods in which she has an export potential. All the more so when a world-wide inflation has made her goods relatively competitive. Traditionally India has relied heavily on the western world for her exports. In 1983-84, 44.2 per cent of her exports went to the industrial countries including Japan.

Eastern Europe and OPEC accounted for 16.3 per cent and 8.9 per cent respectively. Developing countries excluding OPEC from the destination for 15.8 per cent of India's export in 1983-84. Thus, it could be seen that although the percentage of OECD countries as destinations of India's export has come down drastically from the level of almost 70 per cent ten years ago, it is still overwhelmingly the largest. India's share in the imports of the oil-rich West Asian countries is only 1.5 per cent in spite of her geographical closeness, and cultural ties. Nearly all the developed countries and even a developing country like South Korea have made more significant headway in the area. Her share in the fast-expanding imports of South East Asia is only 0.9 per cent. A vigorous concerted export drive in these two regions can have infinite potential.

If these constraints are eliminated and if the trends from 1971 to 1984 are any indication, around 10 per cent growth of exports per annum seems maintainable. The least that India can do is to try to keep pace with the average rate of increase in world exports which had more than trebled between 1970 and 1976 from 283.5 billion dollars to 906 billion dollars giving an annual compound rate of 21.4 per cent. That this is not impossible as shown by the fact that significantly during these years the less developed countries as a group, excluding the oil-rich countries, have also trebled then exports from 36.9 billion dollars in 1970 to 118 billion dollars in 1976. In fact, India's export did grow by 14.1 per cent and 10.8 per cent in 1982-83 and 1983-84 respectively. But a phase of down turn seems to have set in again and the yawning trade gap is causing concern.

In the long run India's export growth will depend both on continued vigil with regard to traditional exports and determined stride-forward in certain non-traditional items like jute, cotton textiles and oil cakes and try to reverse them by taking special steps such as investments in increased production of high potential textile items like denim, canvas etc. and in finding newer uses of jute. On the other hand, continued emphasis is necessary on some non-traditional items like engineering goods, marine products, apparels handicrafts, electronic goods and finished leather and leather goods, all of which have the potential to grow at 15 per cent per annum, a necessary condition for achieving the overall target. Today our non-traditional items account for 56 per cent of our exports as against only 28 per cent a decade ago. The exports of engineering goods rose to Rs.349 crores (80 per cent rise) in 1974-75, Rs. 408 crores in 1975-76 (16.9 per cent rise) and Rs.550 crores in 1976-77 (34.8 per cent rise) and around Rs.1,150 crores in 1984-85. This was due to vigorous efforts among others by the government and the engineering export promotion council, but according to an EEPC study, India's share in the world trade in engineering goods was only 0.15 per cent, and the export of 100 top engineering concerns represented only 9 per cent of their production, and the ratio came down to 1 per cent in respect of another set of 100 leading companies. It should not be difficult to increase the export ratio of leading companies to, say 20 per cent of the production, and that alone should boost up the total export's figures very appreciably. But for achieving that along with governmental help and incentive, simplification of policies and procedure and a re-orientation of export marketing is essential. Marketing has all along been a weak point and with the Indian industry. Indian exporters must diversify in respect of both newer commodities and newer countries in West Asia, Africa and South East Asia which offer vast opportunities. That a big change is under way is seen in the fact that the share of USA, UK and USSR in India's exports dropped to 34 per cent in 1975-76 from 47 per cent a decade ago. They must draw up long range marketing plans based on actual market surveys and implemented them with sincerity, drive and imagination. Other deficiencies which must be remedied are poor and uncertain quality, delayed delivery, absence of after sales service and lack team spirit of consortium. Approach among Indian manufacturers, some of the recent policy changes such as freezing industry from the shackles of licensed capacity constraint on export production, excluding production meant for exports from the turnover of MRTP companies for determining a dominant undertaking under the MRTP Act, the setting up of exports, Import Bank and allowing industrial units exporting 150 per cent of their products all facilities of an export processing zone, selective reduction of custom/import duties on many inputs for export oriented production, the recent amendments in Section 80 HHC of the Income

Tax Act to enlarge the relief in tax on income from exports are steps in the right direction. Indeed, pragmatism should be guiding motive at a time when despite increase. In her export India is facing a yawning adverse trade balance of over six thousand crores of rupees. Her technological capability, larger and diversified industrial base and skill make a high export growth rate possible. It is this context that the policy recommended recently by the Aabid Hussain Committee on trade policies (1985) assume much significance.

The Aabid Hussain Committee also had strongly endorsed the liberalization philosophy and made the following recommendations:

1. Active promotion of exports.
2. Emphasis on growth led exports.
3. Efficient Import Substitution rather than import substitution purse.
4. More liberal access to imports of technology in most sectors of the economy.
5. An integrated view of trade, industrial licensing and fiscal policies in order to attain optimality in the development efforts. It also recommended a number of fiscal reforms covering the scheme of incentives, concession and facilities to exporters, protection of import substitution and streamlining of the administrative delivery system.

The export incentives measures resulted in bring about compositional diversification in exports of India and rapid growth of international trade and various industries.

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