

FOREIGN TRADE PROMOTIONS IN INDIA

Abstract

Promotion of foreign trade represents the government policy to encourage cross border business activities. It may lead to the international flow of funds in to domestic economy. It is essential for all the participating countries to promote foreign trade especially by the developing countries like India. There are different promotional measures taken by Government of India. It is a strategy of the Government to have an increased volume of interaction at the international level with all the trading partners. The study is made to explore the major role played by different Government Organizations in facilitating foreign trade or cross border business activities in India. The study will certainly put light on different issues connected in the procedure of foreign trade promotion. It may provide a better opportunity to these organizations in identifying their strengths and weaknesses and formulate plans accordingly. The primary objective of the study is to evaluate the role of Government Organizations in promoting foreign trade activities in India. It is purely a descriptive study. Data are collected from secondary sources especially from both published and unpublished sources i.e. Internet, Research Papers, Journals, Periodicals, Conference Proceedings and from different books. Concepts are presented in a lucid manner to satisfy the primary objective of the study. In the present study, it is finally concluded that SEZ, EOU, NCTI and ITPO are the leading Government Organizations played the most important role in the country in promoting foreign trade activities in India.

Keywords: Foreign Trade, Foreign Trade Promotion and Government Organizations.

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I. INTRODUCTION

Foreign Trade refers to the process of exchange of goods or services by the merchants of different countries. It is otherwise termed as International Trade or External Trade. This trade includes exchange of goods and services along with technology, human resources, capital and intellectual property rights etc. among the country. It brings the entire world under a single roof. As a result of which, people can get products of international standard within reach. It also helps in revamping the economic conditions of the country by attracting foreign investment.

II. RATIONALE OF THE STUDY

The study is made to explore the major role played by different Government Organizations in facilitating foreign trade or cross border business activities in India. The study will certainly put light on different issues connected in the procedure of foreign trade promotion. It may provide a better opportunity to these organizations in identifying their strengths and weaknesses and formulate plans accordingly.

III. OBJECTIVE OF THE STUDY

The primary objective of the study is to evaluate the role of Government Organizations in promoting foreign trade activities in India.

IV. RESEARCH METHODOLOGY

It is purely a descriptive study. Data are collected from secondary sources especially from both published and unpublished sources i.e. Internet, Research Papers, Journals, Periodicals, Conference Proceedings and from different books. Concepts are presented in a lucid manner to satisfy the primary objective of the study.

V. FOREIGN TRADE PROMOTION – A WAY FORWARD

Promotion of foreign trade represents the government policy to encourage cross border business activities. It may lead to the international flow of funds in to domestic economy. It is essential for all the participating countries to promote foreign trade especially by the developing countries like India. There are different promotional measures taken by Government of India. It is a strategy of the Government to have an increased volume of interaction at the international level with all the trading partners.

- 1. Promotional Roles Played by Some Important Government Organizations:**
Following government organizations are assigned the responsibility of promoting international trade and business for India:
- 2. India Trade Promotion Organisation (ITPO):** The India Trade Promotion Organisation (ITPO) is assigned the primary responsibility to undertake various trade promotion measures. It includes:

- Participation in specialized and commodity specific fairs & exhibitions in the countries of the CIS region.
- Special promotion and publicity in the CIS countries.
- India Promotion in departmental Stores in respect of consumer products.
- Organizing Buyer-Seller Meets
- Promotion by Indian Mission by organizing catalogue/brochure exhibitions.
- To award top export performers to the CIS countries.

3. National Centre for Trade Information (NCTI): This organization is established with the joint collaboration of two eminent organizations i.e. India Trade Promotion Organization (ITPO) and National Informatics Centre (NIC). NCTI deals in assimilation and dissemination of all required information connected with foreign trade.

- NCTI provides contact details of product wise specific buyers through the World Trade Point Federation Network (www.ncti-india.com) initiated under the Trade Efficiency programme of UNCTAD. Currently there are more than 100 Trade Points across the globe two of which are located in Russia and one in Uzbekistan.
- NCTI also has access to the requisite data base and expertise to provide trade data analysis helpful in country & product specific strategy formulation.
- NCTI has signed an MoU with National Centre for Marketing & Price Study, Ministry of Foreign Affairs of the Republic of Belarus for exchange of trade related information.

VI. SPECIAL ECONOMIC ZONES

Special Economic Zone can be recognized as a place selected for the purpose of promoting international business operations. This geographical territory is generally governed as per special economic laws distinct from the common laws prevailing in the country. In simple words, Special Economic Zone may be regarded as a special place or prioritized area allotted by the government of a country for the purpose of fetching foreign investments in to the country and to ensure cross border business dealings. It is essential to frame special act for regulating this prioritized place in a country. At present, it is a very popular concept used by most of the developing and growing countries around the world like China, India, Jordan, Poland, Philippines and Russia.

India was one of the first Asian countries to recognize the value and effectiveness of the Export Processing Zone (EPZ) model in promoting exports. It was clear from establishment of Asia's first EPZ set up in Kandla way back in the year 1965. With the passage of time, it became essential to bring necessary changes to the existing EPZ model. In order to overcome the shortcomings encountered with multiplicity of controls and clearances; standard of infrastructural facilities and an unstable fiscal regime, the Special Economic Zones (SEZs) Policy was announced in April 2000 by Government of India. The primary objective of this policy is to make special economic zone as a mechanism to accelerate economic growth of a country. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes. In order to bring confidence in investors and signal the Government's commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through the

establishment of SEZs, a comprehensive draft SEZ Bill prepared after extensive discussions with the stakeholders. There were a number of meetings held in various parts of the country by the Minister for Commerce and Industry as well as senior official delegates for this said purpose. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which received Presidential assent on the 23rd of June, 2005. The draft SEZ Rules were widely discussed and put on the website of the Department of Commerce offering suggestions/comments. Around 800 suggestions were received on the draft rules. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments.

1. Objectives of Special Economic Zone: The main objectives of the Special Economic Zone are:

- generation of additional economic activity
- promotion of exports of goods and services
- promotion of investment from domestic and foreign sources
- creation of employment opportunities
- development of infrastructure facilities

2. Role of SEZ Act 2005: The SEZ Rules provide for: "Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs;

- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in a Special Economic Zone;
- Single Window clearance on matters relating to Central as well as State Governments;
- Simplified compliance procedures and documentation with an emphasis on self certification Approval mechanism and Administrative set up of SEZs

VII. APPROVAL MECHANISM

The developer submits the proposal for establishment of SEZ to the concerned State Government. The State Government has to forward the proposal with its recommendation within 45 days from the date of receipt of such proposal to the Board of Approval. The applicant also has the option to submit the proposal directly to the Board of Approval. The Board of Approval has been constituted by the Central Government in exercise of the powers conferred under the SEZ Act. All the decisions are taken in the Board of Approval by consensus. The Board of Approval has 19 Members. Its constitution is as follows:

1. Administrative Set Up: The functioning of the SEZs is governed by a three tier administrative set up. The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce. The Approval Committee at the Zone level deals with approval of units in the SEZs and other related issues. Each Zone is headed by a Development Commissioner, who is ex-officio chairperson of the Approval Committee. Once an SEZ has been approved by the Board of Approval and Central Government has notified the area of the SEZ, units are allowed to be set up in the SEZ. All the proposals for setting up of units in the SEZ are approved at the Zone level by the Approval.

Committee consisting of Development Commissioner, Customs Authorities and representatives of State Government. All post approval clearances including grant of importer-exporter code number, change in the name of the company or implementing agency; broad banding diversification, etc. are given at the Zone level by the Development Commissioner. The performances of the SEZ units are periodically monitored by the Approval Committee and units are liable for penal action under the provision of Foreign Trade (Development and Regulation) Act, in case of violation of the conditions of the approval.

2. 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.
- 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.
- Exemption from Dividend Distribution Tax (DDT) under Section 115O of the Income Tax Act.
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

VIII. THE EXPORT ORIENTED UNIT SCHEME

The Export Oriented Unit scheme was introduced in the year 1980 by Government of India. The basic objective of the scheme was basically to encourage exports in the country. It can be made by generating additional production capacity, earn Foreign Exchange to the country, transfer of latest technology, and stimulate direct investment and to generate additional employment. It is regarded as prioritized sector of country's export production schemes. At present, the EOU Scheme has emerged as a dynamic policy initiative facilitating the exporting community in the task of increased exports.

1. Objectives of the Export Oriented Unit: The primary objectives of the EOU scheme is to increase exports, earn foreign exchange to the country, transfer of latest technologies stimulate direct foreign investment and to generate additional employment.

2. Functions of Export Oriented Units (EOU): Following are the major functions performed by EOU:

- Formulation of policy for Export Oriented Units (EOUs).
- Compilation of statistics pertaining to EOUs with the assistance of Special Economic Zones.
- To service Board of Approval (BoA) for proposals relating to EOUs.
- To service BoA for proposals relating to grant of Industrial Licence for EOUs and units in Special Economic Zones.
- Coordinating with other Departments/ Ministries for redressal of grievances of EOUs.
- The work relating to release of funds for reimbursement of Central Sales Tax/ Duty Drawback (CST/DBK), etc.
- Handling Court Cases, RTI applications, Parliament Questions, Audit Paras, MP/VIP/PMO references relating to EoU.

3. Major Sectors in EOUs:

- Granite
- Textiles / garments
- Food processing
- Chemicals
- Computer software
- Coffee
- Pharmaceuticals
- Gem & jewellery
- Engineering goods
- Electrical & electronics
- Aqua & pearl culture

4. EOU Activities: EOUs were mainly concentrated in Textiles and Yarn, Food Processing, Electronics, Chemicals, Plastics, Granites and Minerals/Ores. But now a day, EOU has extended its area of work which includes functions like manufacturing, servicing, development of software, trading, repair, remaking, reconditioning, re-engineering including making of gold/silver/platinum jewellery and articles thereof, agriculture including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and granites.

5. Need for Special License: To set up an EOU for the following sectors, an EOU owner needs a special license.

- Arms and ammunition,
- Explosives and allied items of defense equipment,
- Defense aircraft and warships,

- Atomic substances,
- Narcotics and psychotropic substances and hazardous chemicals,
- Distillation and brewing of alcoholic drinks,
- Cigarettes/cigars and manufactured tobacco substitutes.
- In the above mention cases, EOU owner are required to submit the application form to the Development Commissioner who will then put them up to the Board of Approvals (BOA).

IX. CONCLUSION

Promotion of foreign trade of a country is largely dependent on its plans and policies. There are some organizations established to execute these policies and plans effectively. In the present study, it is finally concluded that SEZ, EOU, NCTI and ITPO are the leading Government Organizations played the most important role in the country in promoting foreign trade activities in India.

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