**B.Com IV Sem**

**Paper ExportImport Procedure and Documentation**

**ExportsPlanning**

An export plan is a business plan for selling internationally. It should detail the decisions you've made based on your market research, your objectives and how you plan to achieve them.

Your export plan is a great tool to show banks, investors or partners that you're serious and have realistic and achievable goals.

**Why do you need one?**

A well structured plan will help you:

- Maximise your product's export potential
- Identify risks and minimise them
- Set out a pricing strategy
- Present clear evidence for funding and finance
- Make choices and set targets using data from sources like the World Bank

Export Incentives Indian economy being one of the fastest growing economies in the world has witnessed tremendous increase in its foreign trade in past few years. This increase has taken pace after the results of economic reforms of 1991 have started producing visible results. As a part of economic reforms, the government has formulated many economic policies which have led to the country's gradual economic development. Subsequently, there has been an initiative to improve the condition of exports sector in the country. The primary objective of these benefits is to simplify the whole export process and make it more flexible to accelerate the pace of export promotion schemes and programmes launched time to time by the government. Moreover, export development being an important element for economic development has occupied an important place in the economic policy of the government. When the domestic market isn't large enough, foreign market provides opportunities to achieve economies of scale and growth. Secondly, the supply of many commodities, as in the case of a number of agricultural products in India, is more than the domestic demand. Thirdly, exports enable certain countries to attain the exportled growth. Fourthly, export markets may help in mitigating the impacts of domestic recession. Fifthly, a country may need to boost it exports to earn enough foreign exchange to finance its imports and service its foreign debt. Further, many countries are suffering from trade deficit and foreign debt. Lastly, even for the countries witnessing trade surplus, export promotion is likely to be required in a view to maintain its position against the international competition and the level of domestic economic activity as well. The primary objectives of providing the different type of export incentives are as follows:

- For compensating the exporters for the high domestic cost of production. ·
- For providing necessary assistance to the new and infant exporters to develop the export business. ·
- For increasing the relative profitability of the export business visàvis the domestic business.

**Topic Export Incentives**

Indian economy being one of the fastest growing economies in the world has witnessed tremendous increase in its foreign trade in past few years. This increase has taken pace after the results of economic reforms of 1991 have started producing visible results. As a part of economic reforms, the government has formulated many economic policies which have led to the country's gradual economic development. Subsequently, there has been an initiative to improve the condition of exports sector in the country. The primary objective of these benefits is to simplify the whole export process and make it more flexible to accelerate the pace of export promotion schemes and programmes launched time to time by the government.

Moreover, export development being an important element for economic development has occupied an important place in the economic policy of the government. When the domestic market isn't large enough, foreign market provides opportunities to achieve economies of scale and growth. Secondly, the supply of many commodities, as in the case of a number of agricultural products in India, is more than the domestic demand. Thirdly, exports enable certain countries to attain the exportled growth. Fourthly, export markets may help in mitigating the impacts of domestic recession. Fifthly, a country may need to boost it exports to earn enough foreign exchange to finance its imports and service its foreign debt.

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**Major Export Incentives of Government**

1. **Advance Authorization Scheme**

Under the Advance Authorization Scheme, the inputs which are imported in the country will be allowed to be made dutyfree (after making normal allowance for wastage) if they are actually utilized in the production of such a product which is going to be exported out of the country.

The inputs which are imported are exempt from duties like Basic Customs Duty, Additional Customs Duty, Education Cess, Antidumping duty, Safeguard Duty and Transition Product Specific Safeguard duty, Integrated tax, and Compensation Cess, wherever applicable, provided certain terms and conditions are fulfilled. The Advance Authorization Scheme is at hand to either a manufacturer exporter directly or a merchant exporter tied with a supporting manufacturer.

Moreover, the following items can be imported without payment of duty under this scheme:

- Inputs that are used in the product production to be exported after making normal allowance for wastage
- Fuel, oil, catalysts which are consumed or utilized to get the export product.
- Mandatory spares that are required to be exported along with the resultant export product are allowed only up to 10% of the CIF value of Authorization
- Specific spices would be allowed to be imported dutyfree only for activities including crushing, grinding, sterilization, manufacture of oil or oleoresin and not for simpler activities like cleaning, grading, repacking, etc.

Further, Advance Authorization can be issued for inputs used in the product that is to be exported on the basis of Standard Input Output Norms (SION) as notified by the DGFT on the recommendation of the Norms Committee; on the basis of selfdeclaration; on the basis of the application filed prior to fixation of the norm by the Norms Committee; and on the basis of self ratification scheme to those exporters who hold the Authorized Economic Operator (AEO) Certificate under Common Accreditation Programme of CBEC.

2. **Advance Authorization for Annual Requirement**

Under the Advance Authorization for Annual Requirement scheme, advance authorization can also be issued for annual requirement of the concerned exporters. The Status Certificate Holder exporters and also other categories of exporters having requisite export performance in the last two years are entitled for Advance Authorization for annual requirement. Further, the entitlement in terms of CIF value of imports shall be up to 300% of the FOB value of physical export and/or FOR value of deemed export in preceding licensing year or Rs 1 crore, whichever is more.

3. **MEIS (Merchandise Exports from India Scheme)**

Merchandise Exports from India Scheme (MEIS) under Foreign Trade Policy of 201520 is one of the important schemes introduced in Foreign Trade Policy of India 201520, as a part of Exports from India Scheme. The scheme has replaced the five other similar schemes operationalized in the Foreign Trade Policy of 200914 which were as follows:

- Focus Product Scheme (FPS)
- Focus Market Scheme (FMS)
- Market Linked Focus Product Scheme (MLFPS)
- Agri. Infrastructure incentive scheme
- Vishesh Krishi Gramin Upaj Yojna (VKGUY)

According to the FTP 201520, the MEIS scheme does not focus to only replace these five schemes but also aims to rationalize the incentives and enlarges their scopes by eliminating various restrictions. Additionally, in order to offset the infrastructural inefficiencies and the associated costs of exporting products produced in India, the government is giving special emphasis on those which are of India’s export interest and have the capability to create employment opportunities and enhance India’s competitiveness in the world market.

The incentives under this scheme are given at a defined rate on the basis of FOB value;

the realized FOB value of exports or the FOB value of exports as given in the shipping bill in freely convertible currency, whichever is lesser. Moreover, the provisions and benefits under the scheme are different from product to product and from country to country.

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

The Service Exports from India Scheme (SEIS) was launched under the Foreign Trade Policy of India (FTP 201520), replacing the scheme named 'Served from India Scheme' under Foreign Trade Policy of India (FTP 200914). Under this scheme, the services providers of notified services are incentivized in the form of Duty Credit Scrips at some defined rate on their net forex earnings which are transferrable and may be used for payment of a number of Central duties/taxes including the basic customs duty as well.

Moreover, in order to avail the benefits under SEIS, following conditions must be fulfilled:

- The service providers should have minimum net free foreign exchange earnings of US $15,000 in the year of rendering the services, and in case of Individual Service Providers and sole proprietorship, such minimum net free foreign exchange earnings criteria would be US$ 10,000 in the year of rendering the services.
- The service providers shall have to have an active Import Export Code (IE Code) at the time of rendering such services for which rewards are claimed.

5. **Duty Free Import Authorization Scheme**

Under the Duty Free Import Authorization (DFIA) scheme, the duty free import of inputs, fuel, oil, energy sources is permitted which are actually used as the catalyst required for the production of export goods. There are certain conditions need to be fulfilled to meet the eligibility criteria under this scheme which are as follows:

- The authorization under the scheme shall be issued on post export basis only for those products for which Standard Input Output Norms (SION) has been fixed by the DGFT on the recommendations of Norms Committee.
- For merchant exporters, it is mandatorily required to mention the name and address of supporting manufacturer of the export goods on the export

documents like ARE1, ARE3, Shipping Bill, Airway Bill, Bill of Export etc. Further, the minimum value addition of 20% is mandatorily needed to be achieved to avail the benefits of DFIA scheme. However, Appendix 4C of the Advance Authorization contained the items requiring higher value addition then prescribed limits and for them, such higher value addition shall be applicable for while filing the application.

6. **Export Promotion Capital Goods Scheme**

With an aim to facilitate the import of capital goods for producing quality goods and services and enhance India’s manufacturing competitiveness, the government has been implementing the Export Promotion Capital Goods Scheme for the manufacturer exporters with or without supporting manufacturer(s), merchant exporters tied to supporting manufacturer(s) as well as service providers.

Under the Scheme, EPCG Authorizations are issued with actual user condition and import validity of 24 months to import capital goods for preproduction, production and post production at zero customs duty. These authorizations skip the items listed in the negative list. Further, these authorizations are subject to fulfillment of specific Export Obligation equivalent to six times of duties, taxes and cess saved on capital goods which are to be in six years from date of issue of Authorization. Moreover, the Authorization holder is required to fulfill the Average Export Obligation achieved by him in the preceding three licensing years for the same and similar products. However, if the minimum 75% of specific Export Obligation and 100% of Average Export Obligation is met within half of the original export obligation period. In addition to this, for indigenous sourcing of capital goods and for exports of Green Technology products, specific Export Obligation is 75%, while the units located in NorthEast Region and Jammu & Kashmir, the specific Export Obligation is only 25%.

7. **Market Access Initiative (MAI)**

Market Access Initiative (MAI) Scheme was launched by the government of India to encourage the India's exports on a sustained basis. This scheme is designed on focus productfocus country approach to find a specific strategy for specific market and specific product through market studies and surveys. The assistance, under the scheme, would be provide to Export Promotion Organizations, Trade Promotion Organizations, Exporters etc. for increasing the country's exports through accessing new markets or through increasing the share in the existing markets. Further, the level of assistance for each eligible activity has been predetermined under the framework of the scheme.

Moreover, the activities included for the purpose of financial assistance under the scheme include;

- Identifying the research priorities relevant to the Department of Commerce and sponsoring research studies consistent with the priorities.
- Supporting the export promotion councils in undertaking market studies and surveys for evolving proper strategies.
- Supporting marketing projects abroad based on focus productfocus country approach, like, opening of showrooms, warehouses, undertaking publicity & brand promotion campaigns, advertising through departmental stores, research product & development, etc.
- Supporting recognized associations in industrial clusters for marketing abroad.

Furthermore, the criteria for availing the benefits under the Market Access Initiative (MAI) Scheme is based on focus countryproduct approach and those who satisfy the eligibility requirements should formulate a comprehensive project for market access on the basis of the aforementioned approach. The project should be for a particular product for a particular market for a minimum defined period so as to get the desired outcomes. The proposal should be original in nature and the assistance will not be provided for the project for which assistance under MDA has already been sanctioned. Moreover, the funding for the project will be on cost sharing basis.

**8. Market Development Assistance (MDA)**

An important export promotion initiative as taken by the Government is institution of the Market Development Assistance (MDA). Assistance under this scheme is available for market and commodity researchers; trade delegations and study teams; participation in trade fairs and exhibitions; establishment of offices and branches in foreign countries; and grantsinaid to EPCs and other approved organizations for export promotion on Export Credit by commercial banks and approved cooperative banks enjoyed a subsidy out of the MDA. Most of the MDA expenditure in the past was absorbed by the Cash Compensatory Support. The Cash Compensatory Support helped the exporters to increase the price competitiveness of the Indian products in foreign markets. Furthermore, the scheme is implemented by the Department of Commerce to support the following activities:

- To help the exporters for export promotion activities abroad.
- To help the Export Promotion Councils (EPCs) to undertake export promotion activities for their product(s) and commodities.
- To help recognized organizations and trade clusters in undertaking exclusive nonrecurring innovative activities connected with export promotion efforts.
- To help the Focus Export Promotion Programme in specific regions of the world.

**9. Duty Free License**

Duty Free License includes Advances License, Advance Intermediate License and Special Imprest License. The import of inputs like raw materials, intermediates, components, consumables, parts, accessories, mandatory spares (not exceeding 5% of the CIF value of a duty free license) and packing materials may be permitted against a duty free license.

**10. Duty Entitlement Pass Book**

Under the DEPB scheme, an exporter is eligible to claim credit as specified percentage of FOB value of exports made in freely convertible currency. Any item, expect those in the negative list, is allowed to import without payment of customs duties against the credit under a DEPB. Further, the third party exports are also admissible for grant of DEPB

## UNIT I

**Exports planning: Adaption, Standardisation and Packaging. Getting ready for Exports. Procurement and processing of an export order and Export Contract. Export Costing & Pricing, Export Documentation: Concept & Types. Steps in Export Procedure.**

### 1. Adaptation

**Definition:** Adaptation involves modifying products to meet the unique needs, tastes, and preferences of different international markets.

**Reasons for Adaptation:**

a. **Cultural Differences:** For instance, adapting flavors to suit local tastes. Indian food products may need less spiciness for Western markets.
b. **Legal and Regulatory Requirements:** Different countries have different regulations for product safety and health. For example, cosmetics exported to the EU must comply with REACH regulations.
c. **Climatic Conditions:** Packaging materials may need to be adapted to withstand different weather conditions. For example, moisture proof packaging for tropical climates.
d. **Consumer Preference:** Adapting the size, color, or functionality of a product to match consumer preferences in the target market.

Examples in Indian Context:

**a.** **Food Products:** Indian companies exporting snacks might adjust the recipe to reduce spiciness.
**b.** **Pharmaceuticals:** Ensuring formulations comply with the stringent regulations of the US FDA or the European Medicines Agency.

### 2. STANDARDISATION:

**Definition:** Standardisation involves keeping the product uniform across various markets with minimal changes.

**Benefits:**

- **Economies of Scale:** Reducing costs by producing a larger quantity of a single version of a product.
- **Consistent Brand Image:** Maintaining the same product enhances brand recognition and trust.

- **Simplified Quality Control:** Easier to manage quality with a single product standard.

**Challenges:**

- **Market Acceptance:** Products may not meet specific needs of some markets, reducing their competitiveness.
- **Regulatory Compliance:** Different countries may have different regulatory standards, making standardisation difficult.

Examples in Indian Context:

**Tech Products:** Companies like Tata Motors maintaining similar models across different markets but with minor modifications.

**3. PACKAGING:**

**Importance:**

- **Protection:** Ensuring the product remains intact and undamaged during transport.
- **Compliance:** Meeting international packaging standards and regulations, such as the ISPM15 for wood packaging.
- **Marketing:** Attracting consumers through visually appealing and informative packaging.

**Considerations for Indian Exporters:**

- **Ecofriendly Packaging:** Increasing global focus on sustainability requires using recyclable and biodegradable materials.
- **Localization:** Including multilingual labels and instructions to cater to nonEnglish speaking markets.

Examples:

- **Textile Exports:** Using vacuumsealed packaging to reduce space and cost.
- **Spices:** Utilizing moistureproof packaging to preserve freshness.

**GETTING READY FOR EXPORTS**

**1. Market Research:**

- Conduct thorough research to identify potential markets using resources like trade data, market studies, and international trade fairs.
- Analyze factors such as demand, competition, entry barriers, and local regulations.

**2. Legal and Regulatory Compliance:**

- Understand the export regulations of both the home country (India) and the target market.
- Obtain necessary export licenses from the Directorate General of Foreign Trade (DGFT) and other relevant bodies.
- Ensure compliance with international standards like ISO, CE marking, or FDA approval.

**3. Product Readiness:**

- Adapt or standardize the product based on the target market's requirements.
- Implement stringent quality assurance measures to meet international standards.
- Develop product documentation, including user manuals and compliance certificates.

**4. Financial Preparation:**

- Explore export financing options such as preshipment and postshipment credit from banks and financial institutions.
- Understand foreign exchange management and strategies to mitigate currency risk, such as hedging.

**PROCUREMENT AND PROCESSING OF AN EXPORT ORDER AND EXPORT CONTRACT**

**1. Procurement:**

- Identify reliable suppliers who can deliver raw materials or finished goods of consistent quality.
- Negotiate terms that ensure timely delivery and compliance with quality standards.
- Implement a procurement process that includes supplier audits and quality checks.

**2. Processing an Export Order:**

- **Order Confirmation:** Review and confirm order details with the buyer, including product specifications, quantities, and delivery timelines.
- **Production Planning:** Schedule production to align with the delivery schedule, considering lead times and production capacity.
- **Quality Control:** Conduct quality checks at various stages of production to ensure

the final product meets the required standards.

**3. Export Contract:**

**Essential Elements:**

- **Product Specifications:** Detailed description of the product, including technical specifications and quality standards.
- Quantity and Price: Agreed quantity and price, often specified in the buyer's currency.
- Delivery Terms: Use of Incoterms (e.g., FOB, CIF) to clarify responsibilities for shipping, insurance, and customs duties.
- Payment Terms: Terms of payment (e.g., advance payment, letter of credit, open account) and the timeline for payments.
- Inspection and Quality Standards: Agreement on the standards and methods of quality inspection before shipment.

**Legal Considerations:**

- Arbitration Clauses: Agreement on dispute resolution mechanisms, often through arbitration.
- Governing Law: Specification of the legal framework that governs the contract.
- Termination Conditions: Conditions under which the contract can be terminated.

**Export Costing & Pricing**

**1. Export Costing:**

**Components:**

- **Manufacturing Costs:** Direct costs related to production, including raw materials and labor.
- **Packaging and Labeling:** Costs for packaging materials and labeling requirements for the destination market.
- **Transportation and Logistics:** Freight charges, handling fees, and inland transportation.
- **Insurance and Duties:** Costs of insurance coverage and any export duties or taxes.
- **Administrative and Marketing Costs:** Costs related to documentation, marketing, and compliance with international standards.

**2. Export Pricing:**

**Strategies:**

- **Costplus Pricing:** Adding a markup to the total cost to ensure profitability.
- **Competitive Pricing:** Setting prices based on the pricing strategies of competitors in the target market.
- **Valuebased Pricing:** Pricing based on the perceived value of the product to the target customers.

**Factors Influencing Export Pricing:**

- **Market Demand and Competition:** Assessing the demand and competitive landscape in the target market.
- **Exchange Rates:** Fluctuations in currency exchange rates that can impact pricing and profitability.
- **Government Policies and Tariffs:** Import tariffs, duties, and trade agreements that affect pricing.

## EXPORT DOCUMENTATION: CONCEPT & TYPES

**1. Concept:** Export documentation is crucial for complying with export regulations, ensuring smooth customs clearance, and facilitating international trade transactions.

**2. Types of Export Documentation:**

- **Commercial Invoice:** Detailed bill of sale specifying the goods sold, their value, and the terms of sale.
- **Bill of Lading:** A receipt issued by the carrier to the shipper, confirming that goods have been received for shipment.
- **Certificate of Origin:** Document declaring the country in which the goods were manufactured, required by customs authorities.
- **Export License:** Official authorization to export certain products, issued by the DGFT in India.
- **Insurance Certificate:** Document providing details of insurance coverage for the goods in transit.
- **Packing List:** Detailed list of the contents of each package, often used by customs for inspection purposes.

## STEPS IN EXPORT PROCEDURE

**1. Receipt of Enquiry:**

Respond promptly to international inquiries with detailed product information, pricing, and terms.

**2. Order Confirmation:**

Send a proforma invoice to the buyer, confirming the order details, including price, quantity, and delivery terms.

**3. Manufacturing or Procurement:**

Begin production or procurement of goods as per the confirmed order specifications.

**4. Quality Control:**

Implement quality control measures and obtain any necessary inspection certificates.

**5. Packaging and Labeling:**

Pack goods in compliance with international standards and label them according to destination country requirements.

**6. Documentation:**

Prepare all necessary export documents, including commercial invoices, bills of lading, and certificates of origin.

**7. Customs Clearance:**

Submit the required documents to customs authorities to obtain clearance for export.

**8. Shipping:**

Arrange for transportation and dispatch goods to the buyer's destination using reliable freight services.

**9. Payment Collection:**

Ensure payment is collected as per agreed terms, whether through advance payment, letter of credit, or open account.

**10. PostShipment Documentation:**

Send all necessary postshipment documents to the importer or the bank for processing payment.

By thoroughly understanding these aspects, Indian exporters can effectively plan and execute their export strategies, ensuring compliance with international standards and maximizing their global market potential.

# UNIT 2

**Methods/Terms of payments for Exports, Export Financing: Pre Shipment and Post Shipment Financing. Export Credit Guarantee Corporation of India (ECGC of India).Quality control and inspection in Exports. Type of risks, Cargo insurance: Contract, procedures and documentation for cargo loss claims, INCO Terms.**

## METHODS/TERMS OF PAYMENTS FOR EXPORTS

### 1.Advance Payment:

The importer pays the exporter before the shipment of goods. This method is beneficial for the exporter as it eliminates the risk of nonpayment. Commonly used when there is a high level of trust or the importer is new and has no established credit history.

### 2.Letter of Credit (LC):

A commitment by a bank on behalf of the importer that payment will be made to the exporter, provided that the terms and conditions stated in the LC are met. It provides a guarantee to the exporter that they will receive payment once they present the required documents.

**Types of LCs:**

- Revocable and Irrevocable LCs
- Confirmed and Unconfirmed LCs
- Sight and Usance LCs

### 3.Documents Against Payment (D/P):

The exporter ships the goods and sends the shipping documents to the importer's bank. The importer pays to collect the documents required to take possession of the goods. Payment is made upon presentation of the documents.

### 4.Documents Against Acceptance (D/A):

The exporter allows the importer to collect the shipping documents upon acceptance of a bill of exchange, promising to pay at a future date. This method involves more risk for the exporter as the importer may default on payment.

### 5.Open Account:

The exporter ships the goods and sends the shipping documents directly to the importer, who agrees to pay at a later date. This method is riskier for the exporter but can be useful in competitive markets or for longterm business relationships.

## EXPORT FINANCING: PRESHIPMENT AND POSTSHIPMENT FINANCING

**1.PreShipment Financing:**

Provided to exporters for the purchase of raw materials, processing, manufacturing, and packing of goods before shipment.

**Types:**

- Packing Credit: Shortterm loan provided to exporters to finance the procurement, processing, and packing of goods for export.
- Advance against Export Incentives: Loans provided against export incentives receivable from the government.

**2.PostShipment Financing:**

Financing provided to exporters after the shipment of goods until the realization of export proceeds.

**Types:**

- **Export Bills Purchase/Discounting:** Banks purchase or discount export bills to provide immediate funds to exporters.
- **Export Bills Negotiation:** Banks negotiate export bills under a Letter of Credit.
- **Advance against Export Bills sent on Collection Basis:** Banks advance funds against export bills sent for collection.

## EXPORT CREDIT GUARANTEE CORPORATION OF INDIA (ECGC OF INDIA)

**Role and Function:**

- ECGC provides credit risk insurance and related services to exporters to protect them against losses due to nonpayment by foreign buyers.
- Offers insurance covers to banks and financial institutions to enable them to provide export finance.
- Provides a range of insurance products to support both shortterm and longterm export transactions.

**Key Services:**

- Standard Policy: Covers comprehensive risks including commercial and political risks.
- Specific Shipment Policy: Covers shipments made to specific buyers.
- Export Turnover Policy: Tailored for regular exporters, covering the entire turnover.

- Export Credit Insurance for Banks (ECIB): Covers preshipment and postshipment credit extended by banks.

**QUALITY CONTROL AND INSPECTION IN EXPORTS**

**Importance:**

- Ensures that products meet international standards and specifications.
- Builds trust and credibility with international buyers.
- Minimizes the risk of rejection and return of goods.

**Methods:**

- InHouse Quality Control: Manufacturers maintain internal quality checks at various stages of production.
- ThirdParty Inspection: Engaging independent agencies to verify the quality of goods before shipment

**Agencies Involved:**

- Export Inspection Council (EIC) of India: Oversees the quality control and inspection of exports, ensuring compliance with international standards.
- Bureau of Indian Standards (BIS): Provides standards and certification for products.

**Types of Risks in Exporting**

**1.Commercial Risks:**

- Buyer Insolvency: The buyer may go bankrupt or be unable to pay.
- Protracted Default: The buyer delays payment beyond the agreed terms.

**2.Political Risks:**

- Expropriation or Nationalization: The foreign government takes over the business.
- War and Civil Disturbances: Conflict in the buyer's country disrupts trade.
- Currency Inconvertibility: Restrictions on currency exchange prevent payment in the agreed currency.

**3.Credit Risks:**

The risk that the buyer will default on payment obligations.

**4.Exchange Rate Risks:**

Fluctuations in currency exchange rates affecting the value of export proceeds.

**5.Transport Risks:**

Loss or damage to goods during transit.

**CARGO INSURANCE: CONTRACT, PROCEDURES, AND DOCUMENTATION FOR CARGO LOSS CLAIMS**

**1.Contract:**

**Types of Policies:**

- Specific Voyage Policy: Covers a single shipment.
- Open Policy: Covers multiple shipments over a period.
- Annual Policy: Covers all shipments within a year.

**1. Coverage Types:**

- All Risks: Comprehensive coverage against most risks.
- Named Perils: Coverage only for risks specifically mentioned in the policy.

**2.Procedures for Claims:**

- Immediate Action: Notify the insurance company and carrier immediately after discovering the loss or damage.
- Documentation: Gather all necessary documents to support the claim.

**3.Documentation:**

- Insurance Policy or Certificate: Proof of coverage.
- Commercial Invoice: Details of the shipment.
- Bill of Lading: Proof of shipment and ownership.
- Packing List: Detailed list of contents.
- Survey Report: Assessment of damage or loss by an independent surveyor.
- Claim Form: Completed form provided by the insurance company.
- Correspondence: Any communication with the carrier and insurance company.

**INCOTERMS (INTERNATIONAL COMMERCIAL TERMS)**

**Overview:**

Incoterms are standardized international terms defining the responsibilities of buyers and sellers in international trade, published by the International Chamber of Commerce (ICC).

**Key Incoterms:**

**1.EXW (Ex Works):**

Seller makes goods available at their premises. Buyer is responsible for all transportation costs and risks from that point.

**2.FCA (Free Carrier):**

Seller delivers goods to the carrier chosen by the buyer at the seller's premises or another named place. Risk transfers to the buyer at this point.

**3.CPT (Carriage Paid To):**

Seller pays for carriage to the named destination. Risk transfers to the buyer once goods are handed over to the first carrier.

**4.CIP (Carriage and Insurance Paid To):**

Seller pays for carriage and insurance to the named destination. Risk transfers to the buyer once goods are handed over to the first carrier.

**5.DAP (Delivered at Place):**

Seller delivers goods to the named place in the buyer's country. Seller bears all risks and costs until goods are delivered.

**6.DPU (Delivered at Place Unloaded):**

Seller is responsible for delivering and unloading the goods at the named place. Risk transfers upon unloading.

**7.DDP (Delivered Duty Paid):**

Seller bears all costs and risks, including import duties and taxes, until the goods are delivered to the buyer's premises.

**8.FAS (Free Alongside Ship):**

Seller delivers goods alongside the vessel at the port of shipment. Risk transfers to the buyer once goods are alongside the ship.

**9.FOB (Free on Board):**

Seller delivers goods on board the vessel at the port of shipment. Risk transfers to the buyer once goods are on board.

**10.CFR (Cost and Freight):**

Seller pays for cost and freight to the port of destination. Risk transfers to the buyer once goods are on board the vessel.

**11.CIF (Cost, Insurance, and Freight):**

Seller pays for cost, freight, and insurance to the port of destination. Risk transfers to the buyer once goods are on board the vessel.

By understanding these concepts, Indian exporters can effectively manage their export operations, ensuring compliance, minimizing risks, and optimizing their international trade transactions.

## UNIT III:

**Central Excise and custom clearance regulations Procedures and Documentation. Export / trading / star trading / superstar trading houses; Objective criteria and benefits, procedures and documentation; Policy for EOU / FTZ/ EPZ units, Objectives, criteria and benefits.**

### Central Excise and Custom Clearance Regulations

### 1. Central Excise Clearance:

Central excise duty is a tax on the manufacture of goods within India. Goods intended for export are generally exempt from excise duty.

**Procedures:**

- **Registration:** Manufacturers must register with the Central Excise Department.
- **Export without Payment of Duty:**
- **Bond or Letter of Undertaking (LUT):** Exporters can execute a bond or LUT to export goods without paying excise duty.
- **ARE1 Form:** Exporters must file an ARE1 form, which serves as a declaration that the goods are intended for export and are exempt from excise duty.
- **Export under Rebate:** If excise duty is paid on exported goods, exporters can claim a rebate by submitting relevant documents.

**Documentation:**

- ARE1 Form
- Commercial Invoice
- Packing List
- Bill of Lading or Airway Bill
- Export Order

### 2. Custom Clearance Regulations:

Customs clearance is a mandatory procedure for exporting goods out of India.

**Procedures:**

- **Import Export Code (IEC):** Exporters must obtain an IEC from the Directorate General of Foreign Trade (DGFT).

- **Shipping Bill:** The primary document for customs clearance. It can be filed electronically through the Indian Customs Electronic Data Interchange (EDI) system.
- **Goods Examination:** Customs officials may examine the goods to verify their nature, quantity, and value.
- Duty Payment: If applicable, exporters must pay any customs duties.
- **Let Export Order (LEO):** Issued by customs, allowing the goods to be shipped.

**Documentation:**

- Shipping Bill
- Commercial Invoice
- Packing List
- Bill of Lading or Airway Bill
- Certificate of Origin
- Export Order

**EXPORT/TRADING/STAR TRADING/SUPER STAR TRADING HOUSES**

**Objective Criteria and Benefits:**

**1. Objective:**

To promote and enhance exports by recognizing and rewarding established exporters based on their export performance.

**2. Criteria:**

- Exporters are classified based on their export performance, which is measured in terms of Free on Board (FOB) value of exports during a specified period.
- **Export House:** Minimum export performance of $5 million.
- **Star Export House:** Minimum export performance of $25 million.
- **Trading House:** Minimum export performance of $100 million.
- **Star Trading House:** Minimum export performance of $500 million.
- B* Minimum export performance of $2000 million.

**3. Benefits:**

- **Priority Clearance:** Faster clearance of import and export consignments.
- **Lower Bank Charges:** Concessions on bank charges for exportrelated transactions.
- **SelfCertification:** Eligibility to selfcertify their goods for export.

- **Duty Exemptions:** Concessions on import duties for goods used in export production.
- **Marketing Development Assistance (MDA):** Financial assistance for export promotion activities.

**Procedures and Documentation:**

**Application:** Submit an application to the DGFT along with supporting documents.

**Documents Required:**

- IEC
- Past export performance records
- Financial statements
- Proof of export value

**POLICY FOR EOU/FTZ/EPZ UNITS**

**1. Export Oriented Units (EOUs):**

**Objectives:**

- Promote export of goods and services.
- Enhance foreign exchange earnings.
- Generate employment.

**Criteria:**

- Units must export their entire production (except for sales in Domestic Tariff Area up to a specified limit).
- Investment in plant and machinery must be at least ₹1 crore (excluding land and buildings).

**Benefits:**

- Dutyfree import of raw materials and capital goods.
- Exemption from central excise duty on procurement of raw materials and capital goods from the domestic market.
- Reimbursement of Central Sales Tax (CST) paid on domestic purchases.
- Exemption from industrial licensing for manufacturing.
- 100% FDI permitted.

**2. Free Trade Zones (FTZs) and Export Processing Zones (EPZs):**

**Objectives:**

- Provide infrastructure and support services to promote exports.
- Attract foreign investment.
- Promote industrial development.

**Criteria:**

- Units must be set up within designated FTZ/EPZ areas.
- Investment and operational criteria similar to EOUs.

**Benefits:**

- Same as for EOUs, including dutyfree import/export, tax exemptions, and infrastructure support.
- Additional incentives may include simplified customs procedures and singlewindow clearance for various approvals.

**Procedures and Documentation:**

**Application:** Submit an application to the Development Commissioner of the concerned zone.

**Documents Required:**

- Project report detailing the activity, investment, and projected exports.
- Proof of financial capability.
- Environmental clearance, if applicable.
- Approval from the Board of Approval (BoA) under the Ministry of Commerce and Industry.

By understanding these regulations, procedures, and benefits, Indian exporters can effectively manage their export operations, ensuring compliance with regulatory requirements and optimizing the advantages provided by various export promotion schemes.

## UNIT IV

**Institutional Support for India's Foreign Trade, Export Incentives (Financial & NonFinancial Incentives). Schemes for import of capital goods, Procedures and documentation for new / second hand capital goods. International Logistics**

## INSTITUTIONAL SUPPORT FOR INDIA'S FOREIGN TRADE

### 1. Directorate General of Foreign Trade (DGFT):

**Role:** Formulates and implements the Foreign Trade Policy (FTP) to promote exports and regulate imports.

**Functions:** Issuing Import Export Code (IEC), licensing, and providing incentives under various export promotion schemes.

### 2. Export Promotion Councils (EPCs):

- **Role:** Promote and support exports of specific products or groups of products.
- **Examples:**
- **Engineering Export Promotion Council (EEPC):** Supports the engineering goods sector.
- **Apparel Export Promotion Council (AEPC):** Promotes garment exports.
- **Functions:** Organizing trade fairs, providing market information, and facilitating buyerseller meetings.

### 3. Federation of Indian Export Organisations (FIEO):

**Role:** Represents Indian entrepreneurs' interests and supports the development of export strategies.

**Functions:** Training programs, policy advocacy, and market research.

### 4. Export Credit Guarantee Corporation of India (ECGC):

- Role: Provides export credit insurance to protect exporters from payment risks.
- Functions: Insurance covers for commercial and political risks, and guarantees to banks and financial institutions.

### 5. Small Industries Development Bank of India (SIDBI):

**Role:** Provides financial and other support services to micro, small, and medium enterprises (MSMEs).

**Functions:** Export financing, development programs, and consultancy services.

**6. India Trade Promotion Organisation (ITPO):**

**Role:** Promotes trade through the organization of fairs, exhibitions, and buyerseller meets.

**Functions:** Facilitating international trade shows and providing exhibition facilities.

**Export Incentives (Financial & NonFinancial Incentives)**

**Financial Incentives:**

**1. Merchandise Exports from India Scheme (MEIS):**

- **Objective:** Provides incentives to exporters to offset infrastructural inefficiencies and associated costs.
- **Incentive:** Duty credit scrips that can be used for the payment of customs duties.

**2. Services Exports from India Scheme (SEIS):**

- **Objective:** Encourages the export of notified services from India.
- **Incentive:** Duty credit scrips based on net foreign exchange earned.

**3. Duty Drawback Scheme:**

- **Objective:** Refunds the customs and excise duties paid on inputs used in the manufacture of exported goods.
- **Incentive:** Reimbursement of customs and excise duties.

**4. Interest Equalisation Scheme:**

- **Objective:** Provides an interest subsidy on pre and postshipment rupee export credit.
- **Incentive:** Interest rate subvention (currently 3%) on eligible exports.

**5. Export Promotion Capital Goods (EPCG) Scheme:**

**Objective:** Facilitates import of capital goods for production of exportoriented goods.

**Incentive:** Allows import of capital goods at zero or reduced customs duty.

**NONFINANCIAL INCENTIVES:**

**1. Export Oriented Units (EOU) and Special Economic Zones (SEZs):**

**Objective:** Promote exports through dedicated export zones.

**Incentive:** Dutyfree import of goods, exemption from various taxes, and simplified procedures.

**2. Status Holder Certification:**

- **Objective:** Recognize export performance and provide additional benefits.
- **Incentive:** Fasttrack clearance, exemption from certain regulations, and preferential treatment.

**3. Market Access Initiative (MAI):**

- **Objective:** Enhance market access and develop new markets.
- **Incentive:** Financial assistance for market studies, participation in trade fairs, and setting up warehouses.

**SCHEMES FOR IMPORT OF CAPITAL GOODS**

**1. Export Promotion Capital Goods (EPCG) Scheme:**

- **Objective:** Facilitate the import of capital goods for producing quality goods and services to enhance India's export competitiveness.
- **Eligibility:** Manufacturer exporters with or without supporting manufacturer(s), merchant exporters tied to supporting manufacturer(s), and service providers.
- **Benefits:** Import of capital goods at zero customs duty against an export obligation of six times the duty saved on the capital goods imported within six years.

**Procedures and Documentation for New/Second Hand Capital Goods:**

**1. Application:**

Apply online through the DGFT website using the Issuing Import Export Code (IEC).

**Documentation Required:**

- IEC Certificate
- Digital Signature Certificate (DSC)
- Bank Certificate
- SelfCertified Copy of PAN
- Proforma Invoice of the capital goods to be imported
- Export Obligation Undertaking

**2. For SecondHand Capital Goods:**

- Additional documentation to prove the age and condition of the machinery.
- Import of secondhand capital goods is allowed without any restrictions on age under the EPCG Scheme, subject to fulfillment of export obligation.

**INTERNATIONAL LOGISTICS**

**1. Overview:**

Logistics management for exports involves planning, implementing, and controlling the efficient, effective flow and storage of goods from the point of origin to the point of consumption.

**2. Key Elements:**

- **Transportation:** Selecting appropriate modes (air, sea, rail, road) based on cost, time, and nature of goods.
- **Warehousing:** Storage solutions to ensure goods are safely stored and managed before export.
- **Inventory Management:** Maintaining optimal levels of inventory to meet demand without overstocking.
- **Packaging:** Ensuring goods are packaged securely to withstand international transit.
- **Customs Clearance:** Efficient handling of customs procedures to avoid delays.
- **Freight Forwarding:** Coordinating the shipment of goods from exporter to importer.

**3. Documentation:**

**Bill of Lading:** Document issued by the carrier to the shipper, outlining the terms of the contract of carriage.

- **Airway Bill:** Similar to a bill of lading but used for air transport.
- **Commercial Invoice:** Details the transaction between buyer and seller.
- **Packing List:** Specifies the contents of each package.
- **Certificate of Origin:** Certifies the country of origin of the goods.
- **Insurance Certificate:** Provides details of the insurance coverage for the shipment.

**4. Procedures:**

- Booking Cargo: Arranging transport with carriers or freight forwarders.
- Consolidation: Combining smaller shipments to optimize space and reduce costs.
- Tracking: Monitoring the shipment throughout the transit to ensure timely delivery.
- Delivery: Ensuring goods reach the destination within the stipulated time frame.

Understanding these aspects of institutional support, export incentives, capital goods import schemes, and international logistics can help Indian exporters optimize their operations and enhance their competitiveness in the global market.