UNIT 7 GLOBAL TRADE DOCUMENTATION

Structure

7.0 OBJECTIVES

After studying this unit, you should be able to:

- identify the types of export and import documents;
- discuss the role of export promotions; and
- explain the functions of Exports Credit Guarantee Corporation.

7.1 INTRODUCTION

Any export and/or imports require many steps and several documents. Thorough knowledge of export procedures and documents is essential if a company wishes to export its products. Similarly, if any company wishes to import certain items it also must know import procedures and documents because exporters and importers are situated in two different countries and are governed by different legislative frameworks. Not only the procedure and documents but knowledge of export promotion agencies and schemes may facilitate imports and exports. Export and imports also require guarantees and insurance. So an importer or exporter must also be aware of their source and procedure. An effort here has been made to throw light on export and import procedure and documentation and also on export promotion efforts of the government of India and also the role of Export Credit Guarantee Corporation.

7.2 TYPES OF EXPORT AND IMPORT DOCUMENTS

The export consignment can be sent by sea, land, or air. At one time all goods were sent by sea. In recent years the use of air carriers has come into prominence. Airfreight costs are more than sea freight. The advantage of air freight is the reduction in the period of storage and transit which make up for the difference in costs. However, the sea is still the most popular form of transporting goods to overseas customers, chiefly because of the high volume that can be carried and the relatively low freight costs. When time is not of primary importance, the sea is the normal mode of transportation to overseas countries.

The shipping documents play an important role in the export trade. Hence, the exporter must prepare all the shipping documents carefully and submit them to their bankers in time to avoid any delay in getting payment from their bankers as well as from the overseas banks. While sending the goods by any of the modes, the exporter should first scrutinize and check the contents of the contract and license terms. The exporter should also follow the delivery schedule and the instruction given by the buyer about the marketing, labeling, packing, etc.

7.2.1 Modes of Exports and Documents

Several government regulatory agencies, such as the Directorate General of Foreign Trade in India, inspection agencies, insurance companies, customs, and central excise authorities, banking institutions, clearing and forwarding agents, shipping companies or airlines, etc. facilitate trade transactions between the exporters and importers. The exporters and importers have to comply with the rules, regulations, and trade customs of all these organizations.

Export documents, though most of them are the same, depends on the modes by which goods are sent to the buyers in other countries.

(i) **Export by post:** When goods are required to be sent abroad by post, the exporter can book the goods from any post office in India. Export of goods, by post, can be grouped under the following two different categories:

- Trade samples and gift parcels not involving foreign exchange
- Merchant goods involving foreign exchange

These parcels should accompany:

- Export license
- PP form, in duplicate, with a copy duly countersigned by the bank.
- Form D, quadruplicate for goods entitled to customs drawback.
- AR4 form, in duplicate, if the goods are exported under claim for rebate of central excise duty.
- Customs declaration form, one copy of which is to be pasted on the packet and three copies are to be attached to the packet.

(ii) Export by Air: Certain type of goods, which are perishable or high in cost but low in size, can be exported by air. Shipping by air is advantageous in many ways like lesser packaging charges are involved as there would be less handling of goods in transit. There is likely to be less risk of pilferage, damage, and it ensures faster delivery of goods which in turn leads to quicker payments resulting in lower stock & quicker turnover. The proof of export by air known as the 'Airway Bill' issued by the airline is the main export document.

(iii) Exports by Sea: Export by sea are one of the most traditional forms of exporting goods to overseas markets. The exporter contacts the shipping company or its agent, well in advance for the space required for shipment of his consignments on a particular ship. While contacting the shipping company or its agent, the exporter should give all the particulars of the consignments like type of cargo, gross and net weight of each package and total packages, port of loading, destination, and the approximate date of shipment and name of streamer if known. When the request of an exporter for the reservation of space is accepted, the shipping company or its agent will issue a "shipping order" containing the instructions regarding loading and shipping of the consignment and a copy of which is sent to the commanding officer of that particular vessel.

(iv) Roadways and Railways: Trucks and railway wagons play an important role in carrying goods from the site of the manufacturer to the port in the home country and from the port to the buyer's destination in the host country. In India, railways carry exporter goods on priority. The exporter should approach the dispatching station master with the shipping order which shows that the required and necessary space in the ship has been reserved. If the exporter desires to book a wagon, s/he should produce the following papers to the station master:

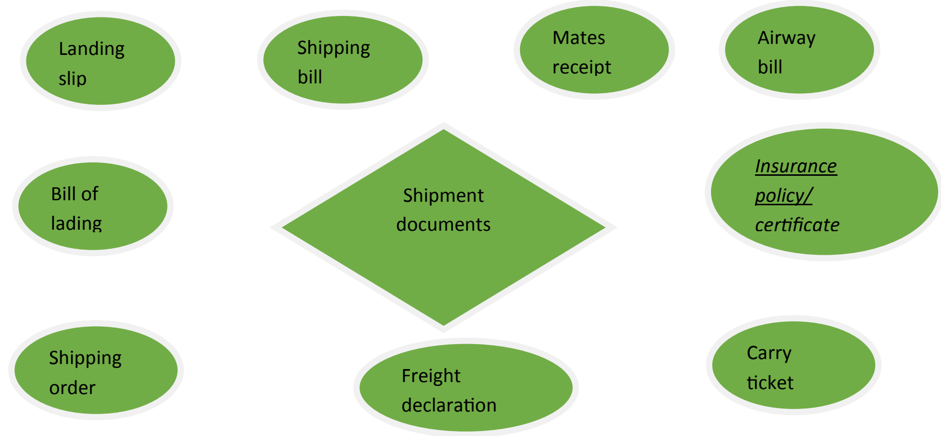
1) Shipping order
2) Forwarding Note- complete in all respect with the necessary fees.
3) Information on the type of wagon required.

As soon as the loading is complete and 'Railway Receipt' is received, the exporter should endorse the receipt in the name of her/his cleaning & forwarding agent and send it to her/him for further shipping arrangements.

Clearing and forwarding agents: The new exporter or companies that have limited dealing with the export trade should make use of shipping and forwarding agents. These agents are very useful as they have regular contacts with the customs offices, shipping companies, and their agents and specialized in their job. They are supposed to do everything from a collection of goods from factory or warehouse, packing, documentation to final shipment. For rendering these they charge some percentage or fee. The percentage will, of course, depend on the type of product, its size, and weight in relation to its selling price.

7.2.2 Important Documents for Shipment

The following are some of the useful documents needed for exports:



(i) Landing Slip: On payment of the landing charges the exporter gets a small slip called landing slip. If the exporter has to send the goods to the port commissions shed, s/he will have to use either a lorry or a cart. S/he has, therefore, to prepare an export cart giving the name of the ship, number shed, shipper marks on packages, quantity, and description. S/he has also to send the export cart, a form called 'Dock Challan' giving the details about consignment, its marks, number, description, quantity, etc.

(ii) Shipping Bill: The shipping bill may be either for free goods or with duty. The shipping bill contains the name of the vessel, master or agents, flag, port of destination, country of final destination, exporter's name and address, details about packages, number and destination of goods, marks, detail about each case, Free On Board (FOB) value, real value as defined in the sea customs Act whether Indian or foreign merchandise to be re-exported and total weight. The customs official will put his stamp as and when the appraiser satisfies himself about the FOB and real value of the goods and whether the goods have the license or endorsement if required. After the customs appraiser has checked some details e.g. the ship is registered the FOB and the real values, s/he will issue instructions to the preventive officer on board the ship to check a certain % of cases. After the order is issued, the duplicate copy of the shipping bill is returned to the exporter which the exporter has to submit to the preventive officer for examination and if he is satisfied, he will allow the shipment by endorsing on the dock challan. Then the shipping company will load the cargo on the slip.

(iii) Mate's Receipt: When the cargo is loaded on board the ship, the chief of the vessel will issue 'Mate Receipt'. The mate receipt contains the name of the shipping line, vessel, port of loading, port of dispatch, place of delivery, shipping marks, kind of containers, description of goods, gross weight, condition of cargo at the time of its receipt on the board, etc. The mate's receipt is of transferable nature & the exporter is required to present it to the shipping company's office or its agent's office for the exchange into Bill of Lading.

(iv) Bill of Lading: The Bill of Lading is a document issued by the shipping company or its agent acknowledging the receipt of goods mentioned in the bill for shipment and undertaking to deliver the goods in the condition as received by the consignee provided the freight and other charges specified in the Bill of Lading has been paid.

(v) Airway Bill: It is also known as the air consignment note or airway bill of lading. It is the receipt issued by the airline company for the carriage of goods in terms of the conditions of the contract of carriage of goods. The airway bill is not treated as a document of title and is not issued in negotiable form.

(vi) Insurance policy/ certificate: In international trade, when the goods are in transit, they are exposed to marine perils. Marine insurance is intended to protect the insured against the risk of loss or damage of goods in transit due to marine perils. A marine insurance policy is a contract whereby the insurer in consideration of payment or premium by the insured agrees to indemnify the latter against loss incurred by him in respect of goods exposed to perils of the sea.

(vii) Shipping Order: It is issued by the shipping line intimating the exporter about the reservation of space for shipment of cargo through a particular vessel from a specified port and on a specified date.

(viii) Cart/Lorry Ticket: This ticket is prepared for admittance of cargo through the port gate. This is also known as 'Vehicle Ticket or Gate Pass'. This includes the details of export cargo i.e. shipper's name, cart number, marks on packages, quantity, and description.

(ix) Freight declaration: It is required to be attached to the export documents if any importer agrees to pay freight charges. When the exporter pays the freight, s/he also should submit the same declaration.

All the documents that evidence shipment of goods, such as above are known as transport documents. With container shipments becoming popular, Combined Transport Document (CAD) is increasingly being used. The combined transport document covers the movement of cargo from the place of containerization to the place of destination using multi-model transport.

7.2.3 Export Procedure and Documents

Documentation is one of the most important aspects of overseas trade because it alone can secure the swift passage of goods to the customers resulting in prompt payments. Before 1990, the form of documents and related formalities, which had been developed by different government agencies and authorities in India, was aimed to suit their own individual requirements with little regard to the interrelationship of different documents. All these documents were prepared individually and separately and were highly prone to errors and discrepancies. As a result, it made export documentation in India extremely complicated and overlapping in nature.

The Aligned Documentation System (ADS) has now been adopted in India. It is a methodology of creating information on a set of standard forms printed on paper of the same size in such a way that the items of identical specification occupy the same position on each form. This system achieves economy of time and effort, simplifies and priorities information required by government agencies, and aligns it in a standardized format. ADS requires the preparation of only one master document containing the information common to all documents included in the aligned series. The commercial documents under ADS are prepared on a uniform and standard A4 size paper while the regulatory document papers are prepared on a full-scale paper.

On average, about 25 documents have to be prepared for an export shipment. For understanding, these documents can be divided into 2 categories namely commercial documents and regulatory documents.

(i) Commercial documents: These are used by importers and exports in the discharge of their respective legal and other incidental responsibilities under sales contracts. They are of two types namely Principal and Auxiliary.

(a) Principal documents – These are required for effecting physical transfer of goods and their title from exporter to importer. These include Commercial invoice; Packing list; Certificate of inspection; Insurance policy; Bill of lading; Certificate of origin; Bill of exchange; Shipment advice, etc. A commercial invoice contains information on the exporter, the consignee's details, country of origin of goods, country of final destination, terms of delivery and payment, vessel/flight number, port of loading, port of discharge, number and kinds of packaging, detailed description of goods, quantity, rate and the total amount payable, etc. certain importing countries require the commercial invoice and the packing list to be prepared or translated into the language of importing country. For example, Italy requires Italian, France requires the French language, etc.

(b) Auxiliary documents – These are required for the preparation of principal export documents. These include Proforma invoice; Shipping instructions; Insurance declaration; Intimation of inspection; Shipping order; Mate's receipt; and Letter to bank for negotiation and collection of documents etc.

(ii) Regulatory documents: These are prescribed by different government departments and bodies for compliance with formalities under relevant laws. These include Exchange Control Declaration-GR Forms; Freight payment certificate; Insurance premium payment certificate; ARE I; ARE II (Application for Removal of Excisable Goods) forms; shipping bill; Vehicle ticket etc.

Every exporter must hold a valid Importer-Exporter Code (IEC) number for exporting or importing goods from India or into India without which Indian customs would not permit the import-export transaction. Also, in order to get benefits under the export-import policy, an exporter is required to get her/him registered with an appropriate export promotion council relating to her/his main line of exports. Besides Export Promotion Councils, the registration authorities also include the Marine Export Development Authority (MPEDA); Agricultural and Processing Food Development Authority (APEDA); Commodity Boards; Development Commissioners of Free Trade Zones (FTZs), Export Processing Zones (EPZs), Special

Economic Zones (SEZs); Federation of Indian Export Organisation (FIEO), etc.

Goods which are shipped out of the country are eligible for exemption of states' sales tax, central sales tax, and central excise duties. However, exporters are required to get themselves registered with the sales tax authority of the state under the Sales Tax Act. Both the manufacturers and the merchant exporters have the option to either deposit the central excise duty at the time of taking goods out of the factory and avail of its refund later or take the goods out by signing a bond with the central excise authority without paying the duty. Once the central excise authorities receive the proof of shipment along with the bill of lading, shipping bill, and ARE I/ ARE II form, the exporter's running bond account is credited.

The important export steps and documents are discussed below:

STEP 1: Enquiry: This is the starting point in an export transaction. Inquiry is a detailed document that seeks various information like product name, size, quantity, price, sample, drawing, design, mode of dispatch, payment terms, etc. These types of information are sought by the importer from the exporter.

STEP 2: Proforma Invoice generation: Based on the inquiry raised by the importer, a proforma invoice is generated by the exporter and sent to the importer. This proforma invoice carries almost all information sought by the importer in her/his inquiry. Proforma invoice also helps the importer in opening a letter of credit and also arranging money from the bank and other financial institutions.

STEP 3: Placement of order: Importer or buyer places an order if he agrees on the specification, quantity, price, mode of payment and delivery, etc. of the product. This is an important legal document and is required by both importer and exporter for various types of clearances later on.

STEP 4: Acceptance of order: After receiving the order from the importer, the exporter goes through the document carefully. If the document is in order, the exporter sends acceptance of the order to the importer. A letter of credit is then opened by the importer. This is a guarantee given by the buyer's bank and the most important document for exports. Letter of credit helps in the realization of payments through banks.

STEP 5: Goods readiness and documentation: After the acceptance of the order, the exporter starts planning for the manufacturing, inspection, and packing of goods. First, the exporter arranges for the finance. He may avail credit from commercial banks or EXIM banks at concessional rates for manufacturing, purchasing, and packaging of goods. Once the goods are ready/duly packed in Export-worthy cases/cartons (depending upon the mode of dispatch), the Invoice is prepared by the Exporter. If the number of packages is more than one, a packing list is a must. A packing list provides details of how the goods are packed, the contents of different boxes, cartons, or bales, and details of the weights and measurement of each package in the consignment. Under the Export (Quality Control and Inspection) Act, 1963, it is mandatory to obtain an export inspection certificate for a number of products by the notified agency. The agencies entrusted with compulsory pre-shipment quality inspection include Export Inspection Agency (EIA), Bureau of Indian Standards (BIS), Agricultural Marketing Advisor (Agmark), Drugs Controller, Tea Board, Coffee Board, etc. Inspection of export goods may be carried out as in-process quality control, self-certification, and consignment-wise quality control. The pre-shipment inspection should be completed before the consignment is sealed by the excise authorities.

STEP 6: Dispatch of Goods from works: The Central Excise authorities then seal the consignment in the factory premises of the exporter. This avoids open inspection by customs authorities at the port.

STEP 7: Clearing and Forwarding (C&F) Agents: C&F agents are normally hired by the exporters as they help them in many tasks and formalities. C&F agents help exporters in sending the consignments by air or by sea. They prepare various documents like customs, shipping, transportation, etc., get them passed through authorities, and arrange for various facilities in lieu of a fee. As nowadays EDI system is used, C&F file all relevant documents electronically on behalf of exporters.

STEP 8: Custom clearance: Custom authorities assess shipping bills and other relevant documents, examine cargo where ever required and grant custom clearance by endorsing the shipping bill. This is termed as 'Let Export".

STEP 9: Forwarding documents by C&F agents: After the completion of shipment and other formalities, C&F agents forward the following documents to the exporter:

- Bill of Lading or Airway bill, as the case may be.
- Customs signed Export Invoice and Packing List.
- GR forms (in duplicate)
- SDF form (in duplicate)
- AR 4 (original and duplicate) duly endorsed by customs
- Exchange control copy of Shipping bill

STEP 10: Bills Negotiation: Exporter sends the shipment advice to importer, soon after the shipment. This shipment advice carries information about the shipment. It indicates details of ship or flight, port of discharge and destination, description of cargo, contract number, etc. After this, the exporter presents the following documents to the negotiating bank:

- Export order
- Packing list
- Bill of exchange
- Commercial invoice
- GR form
- Full set of clean onboard bill of lading
- Letter of credit
- Marine insurance policy
- Bank certificate

The exporters in the developing countries are expected to furnish the GSP Certificate of Origin to the bankers, along with other shipping documents as imports from developing countries enjoy certain duty concessions under the Generalized System of Preference (GSP).

STEP 11: Bank to bank dealings: After receiving various documents from the exporter, the negotiating bank scrutinizes them and sends them to the bank of the importer enabling them to clear the payments. A bank certificate is issued to the exporter by the negotiating bank as soon as the payment is received. This marks the end of the export transaction. In India, it is mandatory for the exporter to negotiate shipping documents only through authorized dealers of RBI.

Some important documents that are used in various steps mentioned above include:

- **Marine Insurance Certificate:** It is a document that gives details of the shipment insured together with a shortened version of the provisions of an open cover. The exporter should buy the policy for the CIF value plus ten percent to cover other expenses which the importer might have to incur in anticipation of the safe arrival of the goods.
- **Certificate of Origin:** Certificate of origin is used as evidence of the origin of goods. It includes the details of the goods covered and the country where the goods are grown, produced, or manufactured. The exporter should obtain this from any recognized Chamber of Commerce, EPC, and Government Department on payment of a small fee.
- **G.S.P. Certificate:** Under Generalized System of Preference (G.S.P), manufacturers and semi-manufacture from developing countries including India will be entitled to a concessional rate of import duty.
- **Packing list / Note:** It includes the date of packing, connecting invoice number, order number, details of shipping, etc.
- **Export Declaration Forms:** a) GR (Guaranteed Remittance) Form for export to all countries other than by post b) PP (Postal Parcel) Form for export to all countries by parcel post except when made on value payable or cash on delivery basis c) Form SOFTEX (Software Export Declaration) to be used for declaring software exports through data communication links and receipt of loyalty on the software packages/products exported.
- **Certificate of Inspection:** It is issued by the inspection agency concerned certifying that the consignment has been inspected as required under the Export (Quality Controls & Inspection).
- **Certificate of Measurement:** It should be obtained either from the Indian Chamber of Commerce or any other approved organization.
- **Commercial Invoice:** It is prima facie evidence of the contract of sale and purchase.
- **Consular Invoice -** It is a document required mainly by Latin American countries. It facilitates the clearing of goods through customs of the importing country.

- **Freight Declaration:** It is to be attached to the export documents if the importer agrees to pay the freight.
- **Health Certificate:** This is required for the export of food products, seeds, animal meat products, etc. issued by the Health Department of Exporting Country.

7.2.4 Documents for Imports

Documents for imports are similar to the documents for exports. Let us now discuss a few important documents that are needed for imports:

- Airway Bill (AWB)
- Cargo Arrival Notice (CAN)
- Letter of Authority, in favour of INTERPORT CLEARING
- Bank Delivery Order - in case A.W.B / C.A.N is in favour of the Bank.
- Commercial Invoice (duly signed)
- Packing List.
- Indent / Proforma Invoice / Purchase Order
- Catalogue / Drawing / Technical Literature
- Letter of Credit
- Insurance Certificate or Insurance Premium Memo (Required only if terms are C & F / F.O.B).
- Certificate of Origin.
- Import and GATT declaration forms duly filled and signed.
- I.E.C. Code No. (D.G.F.T. has now issued P.A.N based certificates)
- Income Tax P.A.N No.
- Factory license / Shop and Est. Certificate / Sales Tax registration
- Freight Certificate (If freight Payable in India).
- MODVAT declaration (If applicable).
- Original documents (Bank attested).
- Blank letterheads.

The above-listed documents are required in the normal course of clearance to ensure smooth and quick clearance of your Cargo. In case the customs officer has any doubt, they can ask for any other papers, which on-demand will be called for from the importers. With regards to certain categories of Imports related to certain schemes or for different nature of products, the customs department will insist on certain additional documents during the assessment of the Bill of Entry. Various documents required for the various products, different schemes, or the different modes that they are being imported are listed below.

Machinery and Spares

- Original Catalogue and Write-up.
- Separate value of Spare - individual as well as consolidated.

- Container and case-wise packing list.
- In the case of electrical goods e.g. Circuit Breakers, Switches, Relays, etc. Their ratings should be specified (e.g. K.V. / Volts / Amps / Watts).
- In the case of accessories, the catalogue must show a detailed list of standard accessories. If the accessories are optional then duty will be charged on Merits. In such cases, separate values will have to be indicated. Certain customs exemption notifications do not permit accessories (standard and optional) for benefit of concessional duties at all.
- In case Software is shipped along with the equipment, whether the Software is inbuilt or separate.

100 % E. O. U. (Export Oriented Units) / S.T.P (Software Technology Parks) / E.H.T.P (Electronic Hardware Technology Parks) Schemes

- Documents for registration of E.O.U. at customs (Green Card, STP approval)
- End-use Bond
- Transit Bond (If the shipment is to be sent to a place other than the port of import)
- Warehousing Bond.

D.E.P.B. (Duty Entitlement Pass Book) Scheme

- Original DEPB license.

E.P.C.G. (Export Promotion Capital Goods) Scheme

- Original E.P.C.G. license with a list of Import items duly attested by D.G.F.T. (Director General of Foreign Trade)
- Bond for clearance under E.P.C.G. as per Custom's format along with Bank Guarantee (if required).

Second-Hand Capital Goods

- Invoice must clearly indicate the year of Manufacture.
- Evidence of the original value of new equipment.

Free of Charge Shipments

- Evidence of Value, Price list, previous Import documents.
- Correspondence regarding free supply with the supplier.
- In case of spares Catalogue of spares as well as that of the main equipment.

Chemicals

- Test Bond - required in case of 1st import from a new supplier or in absence of literature or a previous test report.
- Certificate of Analysis.
- Manufacturer's literature.
- End-use declaration.

Import of Metals

- Mills Test Certificate.

Re-imports

- Invoice showing repair charges.
- Original Export Shipping Bill duly endorsed by customs at the time of export indicating Model No. and Sr. No. of the Item for establishing the identity of goods during import examination.
- Export Airway Bill and Insurance memo indicating Freight and Insurance charges.

Check Your Progress 7.1

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) What is the Aligned Documentation System (ADS)?

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2) What kinds of documents are needed for exports?

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Activity 7.1

Visit an exporter in your vicinity and discuss the export procedure and documents used by them. Based upon the discussion, prepare a flow chart of the procedure followed by the exporter and also prepare a list of all export documents used by them.

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7.3 ROLE OF EXPORT PROMOTION

All the countries realize and recognize the fact that exports are an integral part of their economic development. Hence, they readily assist the exporters in their efforts. As a part of their export promotion strategy, all national governments have established institutional set-ups to support export activities. The functions of an export promotion programme may be:

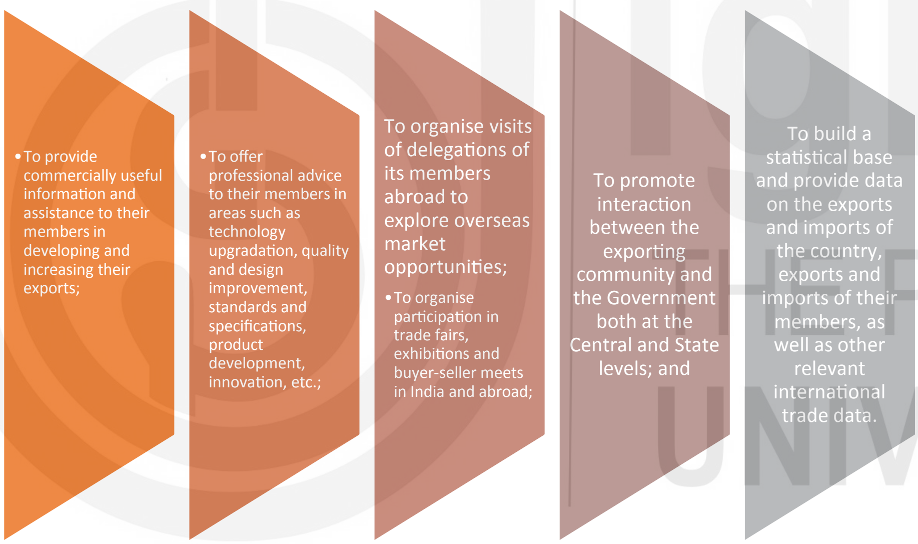
- To create awareness about exporting as an instrument of growth and market expansion.
- To reduce and remove barriers to exporting.
- To create promotional incentives.
- To provide various forms of assistance to potential and actual exporters.

The Department of Commerce is the primary government agency responsible for evolving and directing foreign trade policy and programmes, maintaining commercial relations with other countries, supervising state trading, initiating various export promotion measures, and developing and regulating export-oriented industries. The government of India has set up Export Promotion Councils (EPC) and other institutions for the purpose of promoting exports. The basic objective of Export Promotion Councils is to promote and develop the exports of the country. Each Council is responsible for the promotion of a particular group of products, projects, and services.

The main role of the EPCs is to project India's image abroad as a reliable supplier of high-quality goods and services. In particular, the EPCs shall encourage and monitor the observance of international standards and specifications by exporters. The EPCs shall keep abreast of the trends and opportunities in international markets for goods and services and assist their members in taking advantage of such opportunities in order to expand and diversify exports.

7.3.1 Functions of the EPCs

Major functions of the EPCs are:



The EPCs are non-profit organizations registered under the Companies Act or the Societies Registration Act, as the case may be. To give a boost and impetus to exports, the EPCs must function as professional bodies. For this purpose, executives with a professional background in commerce, management, and international marketing and having experience in government and industry are brought into the EPCs.

7.3.2 Other Organizations for Export Promotion

Besides EPCs, there are other organizations set up by the Government of India. These organizations, besides doing their core jobs also promote exports. Some of these are:

(i) Commodity Boards: There are five statutory Commodity Boards under the Department of Commerce. These Boards are responsible for the production, development, and export of tea, coffee, rubber, spices, and tobacco.

(ii) Marine Products Export Development Authority: The Marine Products Export Development Authority was set up as a Statutory Body in 1972 under an Act of Parliament. The Authority has its headquarters at Kochi and field offices in all the Maritime States of India. The Authority is responsible for the development of the marine industry with a special focus on marine exports. Besides, it has Trade Promotion Offices in Tokyo (Japan) and New York (USA).

(iii) Agricultural and Processed Food Products Export Development Authority: The Agricultural and Processed Food Products Export Development Authority (APEDA) was established in 1986 as a Statutory Body under an Act of Parliament. The Authority has its headquarters in New Delhi. The Authority has five Regional Offices at Guwahati, Hyderabad, Kolkata, Bangalore & Mumbai and is entrusted with the task of promoting agricultural exports, including the export of processed foods in value-added form. APEDA has also been entrusted with the monitoring of export of 14 agricultural and processed food product groups listed in the Schedule to the APEDA Act. APEDA has been actively engaged in the development of markets besides up gradation of infrastructure and quality to promote the export of agro products. In its endeavor to promote agro products, APEDA provides financial assistance to the registered exporters under its Schemes for Market Development, Infrastructure Development, Quality Development, Research and Development, and Transport Assistance.

(iv) Export Inspection Council: The Export Inspection Council was set up as a Statutory Body in 1964 to ensure sound development of export trade of India through quality control and inspection and for matters connected therewith. The Council is an advisory body to the Central Government, with its office located in New Delhi. The Executive Head of the EIC is the Director of Inspection & Quality Control who is responsible for the enforcement of quality control and compulsory pre-shipment inspection of various commodities meant for export and notified by the Government under the Export (Quality Control and Inspection) Act, 1963. The Council is assisted in its functions by the Export Inspection Agencies (EIAs), which are field organizations located in Chennai, Delhi, Kochi, Kolkata, and Mumbai and have state-of-art and accredited laboratories with the required logistic support for quality certification activities.

(v) Indian Institute of Foreign Trade: The Indian Institute of Foreign Trade was established in May 1963. The Institute has its head office in New Delhi and one regional branch in Kolkata. The Institute has been conferred "Deemed University" status and is engaged in conducting academic courses leading to issue of degrees in International Business & Export Management; training of personnel in international trade; organizing research on issues in foreign trade, marketing research, area surveys, commodity surveys, market surveys; and dissemination of information arising from its activities relating to research and market studies.

(vi) **Indian Institute of Packaging:** The Indian Institute of Packaging was registered in May 1966. The Institute has its head office located in Mumbai and branch offices at Delhi, Chennai, Kolkata, and Hyderabad. The main function of the Institute is to undertake research on raw materials for the packaging industry, organize training programmes on packaging technology, consultancy services on packaging problems and stimulate the consciousness of the need for good packaging.

(vii) **State Trading Corporation of India Limited (STC):** STC was set up on 18th May 1956, primarily to undertake trade with East European Countries and to supplement the efforts of private trade and industry in developing exports from the country. STC has played an important role in the country's economy by arranging imports of essential items of mass consumption (such as wheat, pulses, sugar, etc.) into India and developing exports of a large number of items from India. The core strength of STC lies in handling exports/ imports of bulk agro commodities.

(viii) **Export Credit Guarantee Corporation of India Limited (ECGC):** The Corporation was established in 1957 as the Export Risk Insurance Corporation of India Ltd. Keeping in view the wider role played by the Corporation, the name was changed to Export Credit Guarantee Corporation of India Ltd. (ECGC). The ECGC is the premier organization in the country, which offers credit risk insurance cover to exporters, banks, etc. The primary objective of the Corporation is to promote the country's exports by covering the risk of export on credit.

(ix) **India Trade Promotion Organization (ITPO):** India Trade Promotion Organization has been formed by merging erstwhile Trade Development Authority (TDA) with Trade Fair Authority of India (TFAI) with effect from 1st January 1992. India Trade Promotion Organization is the premier trade promotion agency of India and provides a broad spectrum of services to trade and industry to promote India's exports. These services include the organization of trade fairs and exhibitions in India and abroad, Buyer-Seller Meets, Contact Promotion Programmes apart from information dissemination on products and markets.

(x) **Federation of Indian Export Organisations (FIEO):** The Federation of Indian Export Organizations set up in 1965, is an Apex body registered under the Societies Registrations Act XXI of 1860, of various export promotion organizations and institutions with its major regional offices at Delhi, Mumbai, Chennai, and Kolkata. The main objective of FIEO is to render an integrated package of services to various organizations connected with export promotion. It provides the context, direction, and thrust to India's global export effort. It also functions as a primary servicing agency to provide integrated assistance to its members comprising professional exporting firms holding recognition status granted by the Government, consultancy firms, and service providers. The Federation organizes seminars and arranges participation in various exhibitions in India and abroad

(xi) Indian Council of Arbitration: The Indian Council of Arbitration, India's premier Arbitral Institution, is a Society registered under the Societies Registration Act, 1860 operating on a no-profit basis, with its head office in New Delhi and eight branches with a pan India network. The organization originally established in 1965 promotes and administers the use of Alternative Dispute Resolution mechanisms in commercial disputes, thereby expediting dispute resolution and encouraging greater domestic and international commerce. The main objectives of the Council are to promote the knowledge and use of arbitration and provide arbitration facilities for amicable and quick settlement of commercial disputes to maintain the smooth flow of trade, particularly export trade on a sustained and enduring basis.

(xii) Price Stabilization Fund Trust: The Price Stabilization Fund (PSF) Scheme was launched by the Government of India in April 2003 against the backdrop of a decline in international and domestic prices of tea, coffee, rubber, and tobacco causing distress to primary growers. The growers of these commodities were particularly affected due to a substantial reduction in unit value realization for these crops, at times falling below their cost of production. The objective of the Scheme is to safeguard the interests of the growers of these commodities and provide financial relief when prices fall below a specified level without resorting to the practice of procurement operations by the Government agencies. The Scheme is being operationalized through the Price Stabilization Fund Trust.

(xiii) GS1-India: GS1 India is a not-for-profit standards body promoted by the Ministry of Commerce (GOI) and Indian Industry to spread awareness and provide guidance on the adoption of global standards in Supply Chain Management by Indian Industry for the benefit of consumers, Industry, Government, etc. GS1 India is the only organization in India authorized to issue company prefix numbers for use in barcodes, RFID tags, etc. for unique, unambiguous, and universal identification of products, cartons, containers, etc. GS1 standards find wide application in Supply Chains across sectors for a unique-yet-universal product, consignment and entity identification, EDI (Electronic Data Interchange), product data synchronization, etc. GS1 standards are the dc-facto global standards in the identification of consumer products in retail. GS1 India is an affiliate of GS1 Global Office, twin headquartered at Brussels (Belgium) and Lawrenceville, New Jersey (U.S.A.), which oversees operations of a network of over 100 GS1 organizations across the world.

Besides, all private sector exporting companies, export houses, star trading houses, superstar trading houses, etc. also promote exports.

Check Your Progress 7.2

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) Discuss the functions of the Export Promotion Councils.

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2) Mention any three organizations, other than EPCs, that also promote exports.

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Activity 7.2

Visit the websites of all Export Promotion Councils (EPCs) and gather information on their objectives and functions. Based on the information gathered, comment on their respective roles and significance in promoting Indian exports.

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7.4 CREDIT GUARANTEE CORPORATION IN AGRICULTURAL EXPORTS

Export Credit Guarantee Corporation of India Limited (ECGC) was established in the year 1957 by the Government of India to strengthen the export promotion drive by covering the risk of exporting on credit. Back in July 1957 it was known as Export Risks Insurance Corporation (ERIC) and was renamed Export Credit and Guarantee Corporation Limited (ECGC) in 1964 and finally to Export Credit Guarantee of India in 1983. Being essentially an export promotion organization, it functions under the administrative control of the Ministry of Commerce & Industry, Department of Commerce, Government of India. It is managed by a Board of Directors comprising representatives of the Government, Reserve Bank of India, banking, insurance, and exporting community. ECGC is the fifth largest credit insurer in the world in terms of coverage of national exports. The present paid-up capital of the company is Rs.800 crores and the authorized capital is Rs.1000 crores.

ECGC provides a range of credit risk insurance covers to exporters against loss in the export of goods and services. It offers guarantees to banks and financial institutions to enable exporters to obtain better facilities from them. It also provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan

7.4.1 Functions of Export Credit Guarantee Corporation (ECGC)

Payments for exports are open to risks even at the best of times. The risks have assumed large proportions today due to the far-reaching political and economic changes that are sweeping the world. An outbreak of war or civil war may block or delay payment for goods exported. A coup or an insurrection may also bring about the same result. Economic difficulties or balance of payment problems may lead a country to impose restrictions on either import of certain goods or on the transfer of payments for goods imported. In addition, the exporters have to face commercial risks of insolvency or protracted default of buyers. The commercial risks of a foreign buyer going bankrupt or losing his capacity to pay are aggravated due to political and economic uncertainties. Export credit insurance is designed to protect exporters from the consequences of the payment risks, both political and commercial, and to enable them to expand their overseas business without fear of loss.

(i) **Credit Insurance Policies:** Credit insurance protects if the policyholder is rendered unable to pay an outstanding debt due to any incident that is covered in the terms of the policy. Under this genre are included the Shipments (Comprehensive Risks) Policy (also called the Standard Policy) suited for goods exported on short-term credit (i.e. credit not exceeding 180 days), the Small Exporter's Policy issued to exporters with an anticipated annual turnover of up to Rs.50 lakhs. Considering the requirements of large exporters, the Corporation has decided to introduce policies where the premium is charged based on the expected level of exposure. There is also a Consignment Policy that protects Indian Exporters from possible losses that incur from selling goods to ultimate buyers.

(ii) **Guarantees to Banks:** A guarantee from ECGC ensure that the liabilities of a debtor are met even when s/he fails to settle it himself/herself. The duration for the period of cover is twelve months and all packing credit advances as per the RBI (Reserve Bank of India) guidelines are eligible.

(iii) **Special Schemes:** A letter from ECGC guarantees that a buyer's payment to a seller is received on time and for the correct amount. If the buyer is unable to make payment on the purchase, the bank is required to cover the full or remaining amount of the purchase. When a bank in India adds its confirmation to a foreign Letter of Credit, it binds itself to honor the drafts drawn by the beneficiary of the Letter of Credit. The confirming bank suffers a loss if the foreign bank fails to reimburse it with the amount paid to the exporter. For example, the Transfer Guarantee seeks to safeguard banks in India against losses arising out of such risks. Transfer Guarantee is issued, at the option of the bank to cover either political risks alone or both political and commercial risks. Loss due to political risks is covered up to 90% and loss due to commercial risks is up to 75%.

(iv) **Help to exporters:** ECGC helps the exporters in the following way:

- It offers insurance protection to exporters against payment risks.
- It guides export-related activities.
- It makes available information on different countries with its own credit ratings.

- It makes it easy to obtain export finance from banks/financial institutions.
- It assists exporters in recovering bad debts.
- It provides information on the credit-worthiness of overseas buyers.

Check Your Progress 7.3

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) How does ECGC helps the exporters?

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7.5 LET US SUM UP

Thorough knowledge of procedure and documentation is essential if a company wishes to export or import products. Not only the procedure and documents but knowledge of promotion agencies and schemes may facilitate imports and exports. Several government regulatory agencies, such as the Directorate General of Foreign Trade in India, inspection agencies, insurance companies, customs, and central excise authorities, banking institutions, clearing and forwarding agents, shipping companies or airlines, etc. facilitate trade transactions between the exporters and importers.

The Aligned Documentation System (ADS) has now been adopted in India. It is a methodology of creating information on a set of standard forms printed on paper of the same size in such a way that the items of identical specification occupy the same position on each form. This system achieves economy of time and effort, simplifies and priorities information required by government agencies, and aligns it in a standardized format.

As a part of their export promotion strategy, all national governments have established institutional set-ups to support export activities. The Department of Commerce is the primary government agency responsible for evolving and directing foreign trade policy and programmes, maintaining commercial relations with other countries, supervising state trading, initiating various export promotion measures, and developing and regulating export-oriented industries.

Export Credit Guarantee Corporation of India Limited (ECGC) was established by the Government of India to strengthen the export promotion drive by covering the risk of exporting on credit. ECGC provides a range of credit risk insurance covers to exporters against loss in the export of goods and services. It offers guarantees to banks and financial institutions to enable exporters to obtain better facilities from them. It also provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan

7.6 KEYWORDS

Bill of Lading: The Bill of Lading is a document issued by the shipping company or its agent acknowledging the receipt of goods.

Aligned Documentation System (ADS): It is a methodology of creating information on a set of standard forms printed on a paper of the same size in such a way that the items of identical specification occupy the same position on each form.

Commercial documents: These are used by importers and exports in the discharge of their respective legal and other incidental responsibilities under sales contracts.

Regulatory documents: These are prescribed by different government departments and bodies for compliance with formalities under relevant laws.

C&F (Clearing and Forwarding) Agents: They carry out several functions and provide various services related to the shipping of the consignments, either by air or by sea.

Marine Insurance Certificate: It is a document that gives details of the shipment insured.

7.7 SUGGESTED FURTHER READING/ REFERENCES

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- http://www.ecgc.in (Export Credit Guarantee Corporation of India Limited)
- http://www.apeda.com (The Agricultural and Processed Food Products Export Development Authority)
- http://www.stc.gov.in (State Trading Corporation of India Limited)
- http://www.mmtclimited.org (Minerals and Metals Trading Corporation)

- http://www.dgft.gov.in (Directorate General of Foreign Trade, Government of India)
- http://www.commerce.nic.in (Department of Commerce, Government of India)

7.8 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 7.1

1) It is a methodology of creating information on a set of standard forms printed on a paper of the same size in such a way that the items of identical specification occupy the same position on each form. ADS require the preparation of only one master document containing the information common to all documents included in the aligned series.
2) On average, about 25 documents have to be prepared for an export shipment. These documents can be divided into 2 categories namely commercial documents and regulatory documents.

Check Your Progress 7.2

1) Provide commercially useful information and assistance; offer professional advice; organize participation in trade fairs, exhibitions, and buyer-seller meet; etc.
2) Commodity Boards, Marine Products Export Development Authority, and Agricultural and processed Food Products Export Development Authority

Check Your Progress 7.3

1) Offers insurance protection, guidance in export-related activities; provides information on different countries with its own credit ratings; makes it easy to obtain export finance; from banks/financial institutions; helps in recovering bad debts, and provides informationon credit-worthiness of overseas buyers.

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