UNIT 5 TRADE POLICY

Structure

5.0 OBJECTIVES

After studying this unit, you should be able to:

- describe the evolution of trade policy in India
- explain the export policy
- describe the import policy
- discuss the tariff policy
- explain the WTO Regime and India's Policy making.

5.1 INTRODUCTION

In the initial years, India followed a policy of protectionism. Subsequently, import substitution was encouraged. The growing adverse balance of payment compelled to explore measures to earn foreign exchange. As a result, export promotion measures started getting prominence in the trade policy. The recent EXIM policy has further strengthened the export promotion measures and liberalised the trading environment. In this unit, you will learn the evolution of trade policy and the recent export, import and tariff policy. You will also be acquainted with the progress made in fulfilment of India's commitment to WTO.

5.2 EVOLUTION OF TRADE POLICY IN INDIA

Protection of indigenous industry through a variety of controls, like import duties and preference for indigenous goods in respect of government purchases, were accepted as the main plank of the trade policy of free India. This protectionism came to be enormously strengthened when during 1956 a serious foreign exchange crisis compelled the Government to tighten up the import controls. Since then, protectionism in India's foreign trade policy has operated more through the foreign exchange controls and through customs duties on the imports.

Subsequently, The Government adopted a policy aimed at attaining as rapidly as possible a virtual self-sufficiency with regard to capital equipment and important raw materials. Beginning with 1956, it was also realised that throughout this period foreign exchange constraint would continue to be a major problem. In view of these factors, it was but logical that import substitution became the keystone of India's foreign trade policy. Whenever any Indian manufacturer could produce an item which was previously imported, the import of this item was immediately banned by the import control authorities. In particular, through the powerful Directorate-General of Technical Development (DGTD), an all out drive was launched to establish indigenous capacities in respect of every important item which was being imported.

During the period from 1962 to 1966, some export promotion policies were introduced, but these were related mainly to and integrated with the system of import controls. The devaluation of the rupee in June 1966, was intended to help exporters but because of the follow-up measures it failed to serve its purpose.

Thus, till the end of the sixties not much stress was laid on export drive. In 1977-78, the import policy was liberalised and this policy continued in the following two years. On the basis of the recommendations of the Alexander Committee, the Trade Policy for 1979-80 and 1980-81 carried forward the policy of import liberalisation and simplification of procedures to a great extent. This trade policy aimed at to increase domestic production and efficiency while at the same time providing incentives to exporters.

The import-export policy 1981-82 allowed flexible and liberal access to import requirements for Actual Users, consistent with the aims of strengthening and diversifying the production base of the economy. Trading Houses were encouraged to increase their export activity and to promote exports of products manufactured in the small scale sector. During this period the role of Public Sector canalising agencies was also strengthened. The proposal to establish an Export-Import Bank (EXIM Bank) to provide assitance to exporters and importers was approved by the Parliament.

The import liberalisation attempted in the early eighties was in consonance with the economic liberalisation introduced in India and covered also fiscal and industrial policy of the Government. In the subsequent few years, the import-export policy was continuously modified, so as to provide a framework for a flexible and liberal response to the growing needs of the economy for increasing production and exports. In particular, the policy was aimed at providing Actual Users adequate access to raw materials, intermediates and components needed for the maintenance and enhancement of production.

The government of India announced sweeping changes in the trade policy during the year 1991. As a result, the new Export-Import policy came into force from April 1, 1992. This was an important step towards the economic reforms of India. In order to bring stability and continuity, the policy was made for the duration of 5 years. In this policy import was liberalised and export promotion measures were strengthened. The steps were also taken to boost the domestic industrial production. The major aspects of the export-import policy (1992-97) include: introduction of the duty-free Export Promotion Capital Goods (EPCG) scheme, strengthening of the Advance Licensing System, waiving of the condition on export proceeds realisation, rationalisation of schemes related to Export Oriented Units and units in the Export Processing Zones. The thrust area of this policy was to liberalise imports and boost exports.

The need for further liberalisation of imports and promotion of exports was felt and the Government of India announced the new Export-Import Policy (1997-2002). This policy has further simplified the procedures and reduced the interface between exporters and the Director General of Foreign Trade (DGFT) by reducing the number of documents required for export by half. Import has been further liberalised and efforts have been made to promote exports.

The new EXIM Policy 1997-2002 aims at consolidating the gains made so far, restructuring the schemes to achieve further liberalisation and increased transparency in the changed trading environment. It focusses on the strengthening the domestic industrial growth and exports and enabling higher level of employment with due recognition of the key role played by the SSI sector. It recognises the fact that there is no substitute for growth which creates jobs and generates income. Such trade activities also help in stimulating expansion and diversification of production in the country. The policy has focussed on the need to let exporters concentrate on the manufacturing and marketing of their products globally and operate in a hassle free environment. The effort has been made to simplify and streamline the procedure.

The principal objectives of Export Import Policy 1997-2002 are:

i) to accelerate the country's transition to a globally oriented vibrant economy with a view to derive maximum benefits from expanding global market opportunities.

ii) to enhance the technological strength and efficiency of Indian agriculture, industry and services, thereby improving their competitive strength while generating new employment opportunities. It encourages the attainment of internationally accepted standards of quality.

iii) to provide consumers with good quality products at reasonable prices.

The objectives will be achieved through the coordinated efforts of all the departments of the government in general and the Ministry of Commerce and the Directorate General of Foreign Trade and its network of Regional Offices in particular. Further it will be achieved with a shared vision and commitment and in the best spirit of facilitation in the interest of export.

5.3 EXPORT POLICY

You have learnt the evolution of trade policy. Let us now learn the policy related to export.

Free Exports: All goods may be exported without any restriction except to the extent such exports are regulated by ITC (HS) or any other provision of this policy or any other law for the time being in force.

Denomination of Export Contracts: All export contracts and invoices shall be denominated in freely convertible currency and export proceeds shall be realised in freely convertible currency. Contracts for which payments are received through the Asian Clearing Union (ACU) shall be denominated in ACU dollar.

Realisation of Export Proceeds: If an exporter fails to realise the export proceeds within the time specified by the Reserve Bank of India, he shall be liable to action in accordance with the provisions of the Act and the policy.

Export of Gifts: Goods including edible items of value not exceeding rupees one lakh in a licensing year may be exported as a gift. Those items mentioned as restricted for exports in ITC(HS) shall not be exported as gift without a licence except edible items.

Export of Spares: Warranty spares, whether indigenous or imported, of plant, equipment, machinery, automobiles or any other goods may be exported upto 7.5% of the FOB value of the exports of such goods alongwith the main equipment or subsequently. This shall be done within the contracted warranty period of such goods.

Export of Passenger Baggage: Bonafide personal baggage may be exported either alongwith the passenger or if unaccompanied, within one year before or after the passenger's departure from India. Those items mentioned as Restricted in ITC(HS) shall require a licence except in case of edible items.

Export of Imported Goods: Goods imported in accordance with this policy, may be exported in the same or substantially the same forms without a licence. This can be done provided that the item to be imported or exported is not mentioned as restricted for import or export in this ITC (HS), except items imported under Special Import Licence.

Export of Replacement Goods: Goods or parts thereof on being exported and found defective/damaged or otherwise unfit for use may be replaced free of charge by the exporter. Such goods shall be allowed clearance by the customs authorities provided that the replacement goods are not mentioned as restricted items for exports in ITC (HS).

Export of Repaired Goods: Goods or parts thereof on being exported and found defective, damaged or otherwise unfit for use may be imported for repair and subsequent re-export. Such goods shall be allowed clearance without a licence and in accordance with customs notification issued in this behalf.

Private Bonded Warehouse: Private bonded warehouse exclusively for exports may be set up in Domestic Tariff Area as per the norms and conditions of the notifications issued by Department of Revenue. Such warehouse shall be entitled to procure the goods from domestic manufacturers without payment of duty. The supplies made by the domestic supplier to the notified warehouses shall be treated as physical exports provided the payments for the same are made in free foreign exchange.

Deemed Exports: Deemed Exports refer to those transactions in which the goods supplied do not leave the country. The following categories of supply of goods by the main/sub-contractors shall be regarded as deemed exports under the policy, provided the goods are manufactured in India.

i) Supply of goods against advance licence/DFRC under the duty exemption/remission scheme.

ii) Supply of goods to units located in EOU/EPZ/SEZ/STP/EHTP.

iii) Supply of capital goods to holders of licences under EPCG scheme.

iv) Supply of goods to projects financed by multilateral or bilateral agencies/funds as notified by the Ministry of Finance.

v) Supply of capital goods which are used for installation purposes till the stage of commercial production and spares to the extent of 10% of the FOR value to fertiliser plants.

vi) Supply of goods to any project or purpose in respect of which the Ministry of Finance permits the import of such goods at zero customs duty coupled with the extension of benefits under this chapter to domestic supplies.

vii) Supply of goods to the power and refineries and coal hydrocarbons, rail, road, port, civil aviation, bridges other infrastructure projects provided minimum specific investment is Rs.100 crores or more.

viii) Supply of marine freight containers by 100% EOU (domestic freight containers manufacturers) provided the said containers are exported out of India within 6 months or such further period as permitted by the customs. Supply to projects funded by UN agencies.

Deemed exports shall be eligible for the following benefits.

i) Advance licence for intermediate supply/deemed export

ii) Deemed exports drawback

iii) Refund of terminal excise duty

Export of Services: Services include all the 161 tradable services covered under the General Agreement on Trade in services where payment for such services is received in free foreign exchange. The service providers shall be eligible for the facility of EPCG scheme. They shall be eligible for the facility of EOU/EPZ/SEZ/STP scheme of the EXIM policy. Service providers shall also be eligible for recognition as Service Export House, International Service Export House, International Star Service Export House, International Super Star Service Export House on achieving the performance level as prescribed in the policy.

Green Card: All status holders and manufacturer exporter exporting more than 50% of their production subject to a minimum turnover of Rs.1 crore in preceding year, shall be issued a green card by Directorate General of Foreign Trade. This card will also be issued to the service providers rendering services in free foreign exchange for more than 50% of their services turnover, subject to a minimum value of Rs. 35 lakhs in free foreign exchange in the preceding year. This card provides automatic licensing, automatic custom clearance and other facilities mentioned in the EXIM policy.

Electronic Data Interchange: In an attempt to speed up transactions and to bring about transparency in various activities related to exports, electronic data interchange would be encouraged. Applications received electronically shall be cleared within 24 hours.

Check Your Progress A

1) Enumerate two objectives of EXIM policy 1997-2002.

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2) What is protectionism policy?

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3) What is deemed export.

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4) State whether the following statements are **True** or **False**.

   i) India followed export promotion policy since beginning.

   ii) New EXIM policy 1997-2002 has liberalised the trading environment.

   iii) All goods have been allowed for free export except the negative list.

   iv) Goods up to Rs. 10 lakhs in a licensing year may be exported as a gift.

   v) Deemed exports refer to those transactions in which goods supplied do not leave the country.

5.4 IMPORT POLICY

You have learnt the provisions of export in detail. Let us now discuss the provisions of Import.

Actual User Condition: Capital goods, raw materials, intermediates, components, consumables, spares, parts, accessories, instruments and other goods, which are importable without any restriction, may be imported by any person. If such imports require a licence, the Actual User alone may import such goods unless exempted.

Second Hand Goods: All second hand goods shall be restricted for imports and may be imported only in accordance with the provisions of EXIM Policy.

Import of Gifts: Import of gifts shall be permitted where such goods are otherwise freely importable under this policy.

Import on Export Basis: New or second hand jigs, fixtures, dies, moulds, patterns, press tools and lasts, construction machinery, containers/packages meant for packing of goods for export and other equipments, may be imported for export without a licence on execution of legal undertaking/bank guarantee with the customs authority.

Re-import of Goods Abroad: Capital goods, aircraft including their components, spare parts and accessories, whether imported or indigenous may be sent abroad for repairs, testing, quality improvement or upgradation of technology and re-imported without a licence.

Import of Machinery and Equipment used in Project Abroad: After completion of the projects abroad, project contractors may import used construction equipment, machinery, related spares upto 20% of the CIF value of such machinery, tools and accessories without a licence.

Sale on High Seas: Sale of goods on high seas for import into India may be made subject to this policy or any other law for the time being in force.

Import under Lease Financing: Permission of licensing authority is not required for import of new capital goods under lease financing.

Export Promotion Capital Goods Scheme: New Capital goods including computer software systems, may be imported under the Export Promotion Capital Goods (EPCG) scheme. Under this provision, capital goods including jigs, fixtures, dies, moulds and spares upto 20% of the CIF value of the capital goods may be imported at 5% customs duty. This import is subject to an export obligation equivalent to 5 times CIF value of capital goods on FOB basis or 4 times the CIF value of capital goods on NFE basis to be fulfilled over a period of 8 years. This period is reckoned from the date of issuance of licence. Import of capital goods shall be subject to Actual User condition till the export obligation is completed.

Duty Exemption/Remission Scheme: The duty exemption scheme enables import of inputs required for export production. The duty remission scheme enables post export replenishment/remission of duty on inputs used in the export product. Let us now discuss about them.

1. **Duty Exemption Scheme:** Under duty exemption scheme, an advance licence is issued to allow import of inputs which are physically incorporated in the export product. Advance licence is issued for duty free import of inputs as defined in the policy subject to actual user condition. Such licences are exempted from payment of basic customs duty, surcharge, additional customs duty, anti-dumping duty and safeguard duty, if any. Advance licence can be issued for (i) physical exports (ii) intermediate supplies and (iii) deemed exports.

   The above paragraph discusses the provision of advance licence for physical exports. Under the scheme of advance licence for intermediate supply, advance licence may be issued for intermediate supply to a manufacturer-exporter. This is done for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another advance licence.

   Under the scheme of advance licence for deemed export, advance licence can be issued for deemed export to the main contractor. This is done for the import of inputs required in the manufacture of goods to be supplied to the categories mentioned in the policy.

2. **Duty Remission Scheme:** This scheme consists of duty free replenishment certificate and duty entitlement passbook scheme. Let us learn them.

Duty Free Replenishment Certificate (DFRC): Duty free replenishment certificate is issued to a merchant-exporter or manufacturer exporter for the import of inputs used in the manufacture of goods without payment of basic customs duty, surcharge and special additional duty.

Such inputs shall be subject to the payment of additional customs duty equal to the excise duty at the time of import.

Duty Entitlement Passbook Scheme: For exporters not desirous of going through the licensing route, an optional facility is given under duty entitlement passbook scheme. The objective of DEPB scheme is to neutralise the incidence of customs duty on the import content of the export product. The neutralisation shall be provided by way of grant of duty credit against the export product. Under this scheme, an exporter may apply for credit as specified percentage of FOB value of exports, made in freely convertible currency. The credit shall be available against such export products and at such rates as may be specified by Director General of Foreign Trade. The DEPB shall be valid for a period of 12 months from the date of issue. The DEPB and/or the items imported against it are freely transferable. The exports under the DEPB scheme shall not be entitled for drawback. The holder of DEPB shall have the option to pay additional customs duty in cash as well.

Importability of Goods by EOU/EPZ/EHTP/STP Unit: Export Oriented Units (EOU), units in Export Processing Zones (EPZs), Special Economic Zones (SEZs), Electronics Hardware Technology Parks (EHTPs) and Software Technology Parks (STPs) unit may import all types of goods without payment of duty. This includes capital goods as defined in the policy, required by it for manufacture, services, trading or in connection therewith. These goods should not be prohibited items.

5.5 TARIFF POLICY

The basic approach of the government since 1991 while reforming the custom duty structures has been to gradually reduce the high rate of import duty, so as to lower costs of production and improve competitiveness of user industries. However, this gradual reduction of import tariff allowed reasonable time to domestic producers to adjust to competition from similar goods.

The Indian import tariff system is based on the Customs Cooperation Council (Brussels) *Nomenclature*. Over the last few years most of the import tariffs have been made *ad valorem*. Total duties on imports include basic duty, auxiliary, and/or countervailing duties. Countervailing duties are levied in order to link the import tax burden with India's internal excise duties. Usually, consumer goods, and components and parts that can be made in India bear higher import duties.

Duty drawback is available for imported raw materials used in the products exported. Duty-free imports of raw materials required for export production are also permitted under certain conditions.

The following major changes have been introduced in the new EXIM Policy: Quantity Based Advance Licence scheme will continue but Value Based Advance Licence and the old pass book schemes have been replaced by a new scheme 'Duty Entitlement Pass Book Scheme' which combines the positive features of both the schemes, besides being easy to administer and more transparent. Under the new scheme exporters, on the basis of notified entitlement rates, will be granted duty credits, which will entitle them to import goods duty free.

The changes in the import tariff regime have been in accordance with the recommendations of the Tax Reforms Committee headed by Dr. Raja Chelliah. According to the Committee, a phased reduction should be carried out in tariffs so that the ad valorem import duty rates on industrial inputs would range from 5 per cent to 30 per cent, while the import duty on non-essential consumer goods should be 50 per cent. This means that the import tariff reforms can be expected to continue in the coming years.

The major features of recent tariff policy are as follows:

i) The focus has been to reduce multiplicity of duty rates and rationalisation of the rate structure.

ii) The scope of discretion has been drastically curtailed by abolishing the power to grant *ad hoc* duty exemptions.

iii) An Authority for Advance Rulings has been set up for Excise and Customs. This will inject greater transparency and provide binding rules. This will also help intending investors about their duty liability in advance.

iv) Custom tariff has been further reduced from 45% to 40%.

v) To bring out a more rational and simplified duty structure, there has been seven major *ad valorem* rates of customs duty.

vi) Import duty structure has been rationalised for project imports.

vii) Import duty on number of items used in IT sector has been reduced and rationalised.

5.6 WTO REGIME AND INDIA'S POLICY MAKING

The major progress in fulfilment of our commitments to the World Trade Organisation (W.T.O) are as follows:

Quantiative Restrictions (QRs): QRs on imports maintained on Balance of Payments (BOP) grounds were notified to WTO in 1997 for 2714 tariff lines at the eight level. In view of the improvement in our BOP, the Committee on BOP Restriction had asked India for a phase out plan for these QRs. Based on presentations before this Committee and subsequent consultations with our main trading partners, an agreement was reached with those countries, except USA, to phase out the QRs over a period of six years beginning 1997. The US preferred a dispute under the WTO's Dispute Settlement Mechanism. Pursuant to the report of the Panel and the Appellate body, India and the USA have agreed to a bilateral settlement for determination of a reasonable period of time up to 1.4.2001, within which India has to implement the rulings and recommendations of the Dispute Settlement Body to remove the existing QRs in a phased manner. As on date, the number of tariff lines on which QRs exist have come down to 1429 at the eight digit level.

Trade Related Intellactual Property Rights (TRIPS): The Agreement sets out the minimum standards of protection to be adopted by the parties, in respect of (a) Copyrights and related rights; (b) Trade Marks; (c) Geographical Indications; (d) Industrial designs; (e) Patents; (f) Lay out designs of integrated circuits; and (g) Protection of undisclosed information (trade secrets) and the enforcement of these. A transition period of five years is availale to all developing countries to give effect to the provisions of the TRIPS Agreement. Countries that do not provide product patent in certain areas can delay the provisions of product patents for another five years. However, they have to provide exclusive marketing rights for products which obtain patents after 1.1.1995. As per our obligations under the WTO Agreement, the Patents (Amendments) Act, 1999 was passed in March 1999 to provide for exclusive marketing rights.

Patents: The basic obligation in the area of patents is that inventions in all fields of technology, whether products or processes, shall be patentable if they meet the three tests of being capable of industrial application. In addition to the general security exemption which applies to the entire TRIPS Agreement, exclusion from patentability are permissible for inventions whose commercial exploitation is necessary to protect public order or morality; human, animal, plant life or health; or to avoid serious prejudice to the environment. Diagnostic, therapeutic and surgical methods for the treatment of humans or animals and plants and animals other than micro-organism may also be excluded from patentability. The patent term provided for in the TRIPS Agreement is 20 years. A Bill to make these and other changes was introduced in Parliament and has been referred to a Joint Select Committee of the Houses.

In respect of plant varieties, there is an obligation to provide for protection by patents or by an effective sui generies or by any combination thereof. The Agreement does not spell out the elements of a sui generis system and it is left to each Government to determine the elements which could be deemed to be providing effective protection. A decision has been taken to put in place a sui generis system as it is perceived to be in our national interest. A legislation to this effect tabled in the Parliament by the Ministry of Agriculture has been referred to a Joint Parliamentary Committee.

Lay-out designs of Integrated circuits: India is a signatory to the international agreement (The Washington Treaty) administered by the WIPO. The main obligations of the Washington Treaty are also incorporated in the TRIPS Agreement with some enhancement and cover the protection of intellectual property in respect of lay-out designs that are original in the sense of being the result of their creator's own intellectual efforts. The obligations include national treatment to foreign right holders and a term of protection of 10 years. A legislation giving protection to lay-out designs, was introduced in the Rajya Sabha on 20 December, 1999 by the Department of Electronics.

Copyright and related rights: In the area of copyright and related rights, i.e., rights of performers, producers of phonogrammes and broadcasting organisations, the Agreement requires compliance with the provisions of the Berne Convention. Computer programmes are to be protected as literary works. The term of protection for copyrights and rights of performance and producers of phonogram is to be no less than 50 years. In case of broadcasting organisations, however, the term of protection is to be at least 20 years.

India is a signatory to the Berne Convention. The Copyright Act, 1957 as amended in 1994 takes care of our own concerns and meets with the requirements of the TRIPS Agreement except in the case of terms of protection of performers' rights. A Bill to increase this term to 50 years was passed by Parliament in December, 1999.

Trade Marks: Our trade marks law, The Trade and Merchandise Marks Act (TMMA), 1958 is in its essential features, in accordance with international law. A Bill to amend the TMMA was introduced in Parliament in 1993 so as to provide for protection to service marks also. The Bill could not be passed and subsequently lapsed. A Bill in this regard, however, was passed by Parliament in December, 1999 which, *inter alia*, provides for protection to service marks.

Geographic Indications: The Agreement contains a general obligation that parties shall provide the legal means for interested parties to prevent the use of any means in the designation or presentation of a good that indicates or suggest that the good in question originates in a geographical area other than the true place of origin of the good. In India, we do not have any specific law on geographical indications. Case law, however, enables legal action for protection of geographical indications. It was decided to enact a new law on the subject to take advantage of the provisions of the TRIPS Agreement. A Bill in this regard was passed by the Parliament in December, 1999.

Industrial designs: Obligations envisaged in respect of industrial designs are that independently created designs that are new or original shall be protected. There is an option to exclude from protection, designs dictated by technical or functional considerations, as against aesthetic consideration which constitutes the coverage of industrial designs. Our law, the Designs Act, 1911 is a very old enactment and needs updating. The Department of Industrial Development a Bill in this regard, which was passed by the Rajya Sabha in December, 1999 and will now have to be passed by the Lok Sabha.

Trade Related Investment Measures (TRIMS): Under the TRIMS Agreement, developing countries have a transition period of 5 years up to 31 December, 1999 during which they can continue to maintain measures inconsistent with the Agreement provided these are duly notified. We notified two TRIMS, viz. that relating to local content requirements in the production of certain pharmaceutical products and dividend balancing requirement in the case of investment in 22 categories of consumer items. In view of the inconclusiveness of the Seattle Ministerial Conference, where no final decision on the request of developing countries for extension of transition period for elimination of the notified TRIMS was taken, it needs to be seen what final decision is taken by the General Council on this issue.

Tariffs: Our commitments to reduce tariffs to the bound levels by 1.3.2000 exists in respect of non-agricultural and non-textiles items and necessary action will be taken to fulfil these obligations.

Check Your Progress B

1) What is duty exemption scheme?

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2) What do you mean by duty free replenishment certificate?

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3) Enumerate three major features of recent tariff policy.

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4) State whether the following statements are **True or False**.

   i) Permission of licensing authority is required for import of new capital goods under lease financing.

   ii) Advance licence is issued for duty free import of inputs.

   iii) Duty free replenishment certificate is issued only to the manufacturer exporter.

   iv) Custom tariff has been reduced from 45% to 40%.

   v) Import duty on IT items has been reduced.

5.7 LET US SUM UP

In the initial year, India followed Protectionism policy and imports were restricted. Subsequently, a policy of self-sufficiency was followed, and domestic products wherever, it became possible, were substituted for the imports. This required a protectionist policy and consequently tariff walls were raised. This policy more or less continued till the late seventies.

Starting with the eighties a more open policy was started. Imports were liberalised in a limited way. In order to meet the payment requirements due to trade deficit, exports were encouraged. Therefore, import incentives were introduced.

The new trade policy, effective July 4, 1991 (and changes being subsequently announced), marks a radical departure from the trade policy regime of the preceding four decades. The new policy is a bold policy and represents a radical break from the trade policy regime followed over the past four decades. There is a shift from discretionary controls and bureaucratic intervention to an increasing role for "market-oriented" trade policy over time. The Ministry of Commerce is performing the role of facilitator by quickly responding to the needs and suggestions of the exporting community, to ensure a self sustaining growth in exports at a high level.

India's tariff rates have been reduced and rationalised. India has started progress in fulfilment of her commitments to the World Trade Oganisation.

5.8 KEY WORDS

Advalorem duty: A duty assessed as a percentage of the value of the item.

Advance Licence: Licence issued for duty free import of inputs as defined in the policy.

Deemed Export: Refers to those transactions in which the goods supplied do not leave the country.

Import Substitution: An industrialisation policy whereby new industrial development emphasises products that would otherwise be imported.

Tariff: A government tax levied on goods, usually imports.

WTO: A voluntary organisation through which groups of countries negotiate trading agreement and which has authority to overseas trade disputes among countries.

5.9 ANSWERS TO CHECK YOUR PROGRESS

A4 i) False ii) True iii) True iv) False v) True

B4 i) False ii) True iii) False iv) True v) True

5.10 TERMINAL QUESTIONS

1. Describe the evolution of trade policy. What are the objectives of EXIM Policy 1997-2002.
2. Explain the major provisions of recent Export Policy.
3. Describe the major provisions of recent Import Policy.
4. Explain India's trade policy response to WTO regime.
5. Write a note on India's Tariff Policy.