Institute of Management Technology
Centre for Distance Learning, Ghaziabad
Recognised by University Grants Commission

IMT-18

EXPORT FINANCE AND DOCUMENTATION

Notes:

a. Write answers in your own words as far as possible and refrain from copying from the text books/handouts.
b. Answers of Ist Set (Part-A), IInd Set (Part-B), IIIrd Set (Part – C) and Set-IVth (Case Study) must be sent together.
c. Submit the assignments in IMT CDL H.O.along with the assignments Question Papers for evaluation.
d. Only hand written assignments shall be accepted.

A. First Set of Assignments	5 Questions, each question carries 15 marks.
B. Second Set of Assignments	5 Questions, each question carries 15 marks.
C. Third Set of Assignments	5 Questions, each question carries 15 marks. Confine your answers to 150 to 200 Words.
D. Forth Set of Assignments	Two Case Studies : 7.5 Marks. Each case study carries 3.75 marks.

SECTION - A

1. Explain the role export credit plays in export promotion in India How is the export credit delivery system in India implemented
2. Outline various risks covered under standard policy
3. Explain FERA TO FEMA Transition .What do you understand by current account and capital account convertibility
4. How is a letter of credit transacted? Explain in detail various types of letter of credit
5. Does Cargo Insurance play a role in Export Transaction? Explain difference between Marine and cargo insurance

SECTION - B

1. Outline in detail the claims procedure for a export cargo
2. As goods exported are in foreign countries, highlight the major standard clauses of export order
3. The Indian Exporters are given certain foreign exchange facilities outline the same
4. What do you understand by foreign exchange .Explain different types of possible exchange rate regimes?
5. Outline the factors affecting exchange rate

SECTION - C

1. Export finance is important to be competitive do you agree with this statement. What are the means of short term financing?
2. Outline need of export documentation Explain major shipping documents needed in export transaction
3. Explain major steps required in custom clearance of export shipment
4. What is the role of clearing and forwarding agents in international trade
5. Explain in detail major Inco terms used in export transaction

CASE STUDY - 1

FEMA ALLOWS DEALERS TO MAKE REMITTANCES FOR GENUINE DEALS

FEMA, the improved version of FERA, which has come into effect from June, does not do away with exchange controls as such. Nonetheless, it puts an end to the archaic system of sending businessmen and managers to jail for civil offences.

The substitute of financial penalties is better even though the quantum of penalty does not reflect the low national cost of generating foreign exchange. Welcoming the new Act, Fieo Chief, Navratan Samdria, has said that the new Act recognises the export contract. There are no artificial limits in the law for agency commission or buyer claims. The actual incidence of these is left to market forces. Agency commission in the case of rupee trade is, however, not allowed.

The invoice value is no longer sacrosanct; it is a mere reflection of the consignment at the time of drawing upJhe bill. The actual value of goods is a function of time and place, the actual sale proceeds depend upon the market situation. However, the new thinking should be reflected in bank procedures and also the mindsets of the customs and DGFT officials. They are fixed to the invoice values and bank realisation certificates and do not wish to hear anything else.

In the new FEMA rules, business travellers can now avail of. minimum of $5,000 forex with minimum documentation and paperwork. The limit has been raised from the current level of $3,000.

There is new GR/PP form, which should be used in all export documentation. As of now, the RBI has asked exporters to continue with the old forms after modifying them for the FEMA undertakings. The new set of GR/PP forms will be provided to exporters shortly.

On the import side, authorised dealers have been given permission to make remittances for all genuine transactions. In case of doubts on the authenticity' of the transaction, dealers have the right to refuse to deal with the importers, provided they do so in writing.

Exceptions to the general permissions for import remittances are under Schedule II and Schedule II! of the FEMA rules, which cover cases requiring permission from union government as well as situations where monetary ceilings are prescribed.

The important point in exchange control on imports is that RBI approval is required for supplier credit beyond 180 days. For credit below 180 days, no permission is required and the dealer can straight away send out the amount. Similarly, all cases of buyer's credit, which means advance payment for the goods in some form or the other, also require a RBI clearance.

The RBI has withdrawn itself from the task of prescribing documents for each transaction. The decision is left to the authorised dealer who must deal with each situation according to the ground level facts and circumstances. The intention is to control the transaction on the basis of undertakings and declarations rather than conducting another customs clearance at the banking stage.

Agriculture trade: The IIFT and the department of agricultural research and cooperation held a daylong meeting of agriculture experts recently. The well-researched backgrounder from NCAER showed up negative subsidies on most agriculture commodities, rice led the field at over minus 40 per cent. The state government representatives felt that imports were responsible for depressed agriculture prices.

Economists said that rise in state minimum support prices and the consequent difficulties in disposing the expensive purchases is bad for agriculture. Concerns of good security were topmost in the minds of the commerce ministry negotiators. They are looking for ideal tariff rate, which meets the interests of the Indian producers and consumers without compromising food security.

The commerce ministry is on a transparency spree, the main discussion papers on both the agriculture and services negotiations at WTO reflecting the tentative position of the" Indian government on the Internet along with other related material.

Anybody can visit the site in the nic.inserver; one click on the commerce button is all that is required to download the material. Suggestions and views can be sent on the Internet at the Webmaster address. Given the limitations of the negotiations, cogent reactions will strengthen India's case at the WTO forum. The views will also build the consensus on reform in agriculture.

Furnace Oil. The DCFT notified Rs 780 per tonne as the industry rate of drawback on furnace oil supplied to 100 per cent EOUs and export processing zones. The measure reimburses the duties suffered by the deemed export on the fast track route. The brand rate alternative requires verification of the actual duty paid. The DCFT action is especially welcome because the duties suffered are rarely reimbursed by the export promotion system.

Sodium Cyanide. The revenue department has slapped a stiff anti-dumping duty on sodium cyanide imports. The final duty is Rs 68.025 per kg on all imports from US, EU, Czech Republic and Korea. The 16 per cent countervailing duty to compensate for the excise duty suffered by domestic goods must also be paid on the anti-dumping duty. In other words, another Rs 10.88 per kg must be paid as countervailing duty due to the anti-dumping duty of Rs 68.025 per kg. The short paid provisional duties will also be recovered as the customs shoot the demand letter out.

Questions

1. Does FEMA allows better flexibility of all export and import Transactions .
2. What Role does agriculture trade play in International Trade and Negotiations with WTO.

CASE STUDY - 2

HYUNDAI ELECTRONICS INDUSTRIES LTD VS UNITED STATES' INTERNATIONAL TRADE COMMISSION FACTS

Hyundai entered into an agreement in South Korea to produce erasable programmable read only memory chips (EPROMs) for the General Instrument Corporation. The agreement required Hyundai to produce the EPROM chips to General Instrument's specifications, but allowed Hyundai to use excess chips for its own products. General Instrument took possession of the chips in South Korea, flew them to Taiwan for further processing, and then imported some of the chips into the United States.

Intel Corporation, a US business, alleged that the EPROMs infringed four of its patents, and filed a complaint under 337 with the ITC. The ITC found that the chips did infringe Intel's patents. It ordered the exclusion of all EPROMs manufactured by Hyundai to General Instrument's specifications, whether imported by them or incorporated into circuit boards or other carriers. The order further excluded all Hyundai products that used EPROMs, including computers, computer peripherals, telecommunications equipment and automotive electronic equipment unless Hyundai certified for each shipment that it had made "appropriate inquiries" and determined that the goods imported in the shipment did not contain EPROMs covered by the exclusion order.

Hyundai appealed the order of the ITC, claiming that by including secondary products, the relief granted was far too broad.

QUESTIONS

1 Did the ITC exceed the scope of authority by ordering certification of secondary products

2 Was the export by Hyundai of memory chips to Taiwan and re-export to USA a unfair trade practice