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FOREIGN TRADE (DEVELOPMENT & REGULATION) ACT, 1992 **- A COMPARATIVE ANALYSIS**

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Abstract

This research paper provides a comprehensive analysis of the Foreign Trade Act, its significance, and the implications it holds for India's trade policies. Foreign trade plays a crucial role in the economic development of a country, and understanding the regulatory framework governing it is essential. The 1992 Foreign Trade (Development and Regulation) Act is the supreme legislation that governs India's import situation, superseding previous laws and granting the government extensive control rights. Highlighting the foreign trade policy and its development in India, has been a significant increase in both imports and exports with foreign countries, leading to a safer and more secure trading environment.

Keywords: foreign trade development act, 1992, economic development, foreign trade policy and significant increase in import-export.

Research Objective

1. Elucidating the foreign trade act, 1992 and its development
2. Exploring the significance of the Foreign Trade Policy
3. Analysing Foreign Trade Act's significance in India's trade policies

Research Methodology

The research methodology employed involves a comprehensive review of relevant literature,

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including academic papers, government reports, and legal documents, to analyse the Act's provisions and its implications. The findings of this research contribute to a better understanding of the Foreign Trade Act's significance in India's trade policies

Introduction

The Foreign Trade Act is a legislative framework that governs and regulates international trade activities conducted by a country. It provides guidelines, rules, and regulations to promote and control foreign trade for the benefit of the national economy. The act typically covers a range of aspects, including import and export regulations, tariffs, customs procedures, trade agreements, trade remedies, and the establishment of trade promotion bodies. Its primary objectives are to facilitate and promote international trade, protect domestic industries, ensure fair competition, and balance economic interests between the country and its trading partners. The specifics of each Foreign Trade Act may vary from country to country, reflecting their unique economic priorities, geopolitical considerations, and trade policies. In this paper we will be analysing about the foreign trade (development & regulation) Act, 1992.

History Of the Act -

Foreign trade plays a crucial role in the economic development of countries. In 1992, India underwent significant changes in its foreign trade policies, which had a profound impact on the country's economy. Here's an overview of the history of foreign trade in India in 1992:

1. Pre-1991 Economic Policies: Before 1991, India followed a highly regulated and protectionist economic policy. The government imposed strict controls on imports and exports, including high tariffs, quantitative restrictions, and licensing requirements. The objective was to promote domestic industries, reduce dependence on foreign goods, and achieve self-sufficiency.
2. Economic Liberalization: In 1991, India faced a severe economic crisis, characterized by low growth, high inflation, and a balance of payments deficit. To address these challenges, the government initiated a series of economic reforms known as the New Economic Policy or Economic Liberalization. The reforms aimed to shift from a controlled economy to a market-oriented one.
3. Introduction of LPG Reforms: The LPG (Liberalization, Privatization, and Globalization) reforms were introduced in 1991. Under these reforms, India opened its doors to foreign investment, reduced trade barriers, and liberalized its foreign trade policies.

4. Trade Liberalization Measures: In 1992, the Indian government implemented several measures to liberalize foreign trade. These included:
 - a) Reduction of Tariffs: Import duties and tariffs were significantly reduced to promote international trade and encourage imports of essential goods and technology.
 - b) Removal of Quantitative Restrictions: The government eliminated or reduced quantitative restrictions on many products, allowing easier imports and exports.
 - c) Exchange Rate Reforms: The Indian rupee was devalued, making exports more competitive and promoting foreign trade.
 - d) Export Promotion: Various export promotion measures were implemented to boost India's exports, such as export subsidies, tax incentives, and the establishment of Export Processing Zones (EPZs) to facilitate exports.
 - e) Foreign Investment: The government allowed greater foreign direct investment (FDI) in various sectors, attracting international companies to invest in India and participate in trade activities.
5. Integration with Global Trade: India actively engaged with international organizations like the World Trade Organization (WTO) and participated in global trade negotiations. It sought to align its trade policies with international standards and regulations, fostering greater integration into the global trading system.
6. Impact on Indian Economy: The liberalization of foreign trade policies in 1992 had a transformative impact on the Indian economy. It led to increased foreign investment, technological advancements, and access to a wider range of goods and services. Indian industries faced greater competition but also gained opportunities for growth through exports. The reforms contributed to higher economic growth rates, improved living standards, and the emergence of India as a global player in the international trade arena.

Overall, the year 1992 marked a significant turning point in India's foreign trade history, as the country embraced liberalization, reduced trade barriers, and actively participated in global trade, setting the stage for India's subsequent economic growth and integration into the global economy.

What is the objective behind the act? The Foreign Trade (Development and Regulation) Act, 1992 is an important legislation in India that governs the country's foreign trade policies and regulations. The objective of the Foreign Trade Act, 1992 is to promote and regulate foreign trade in India with the aim of enhancing the country's economic growth, development, and stability.

The main objective of the Foreign Trade Act 1992 is to facilitate India's international trade, promote exports, and regulate imports for the country's economic development. Overall, the objective of the Foreign Trade Act, 1992 is to provide a legal framework for the promotion, regulation, and development of foreign trade in India, with the ultimate goal of enhancing the country's economic growth, competitiveness, and integration into the global economy.

Salient Features of Foreign Trade Development and Regulation (FTDR) Act 1992

The Foreign Trade (Development and Regulation) Act, 1992 is an important legislation in India that governs the country's foreign trade. Here are some salient features of the Foreign Trade Act 1992:

1. Directorate General of Foreign Trade (DGFT)²
2. Regulation of Imports and Exports: The Act empowers the government to regulate the import and export of goods and services. It provides the government with the authority to impose restrictions, prohibitions, or licensing requirements on certain goods, depending on national interest, public health, security, environmental concerns, or international obligations.
3. Export Promotion Schemes: The Act enables the government to introduce export promotion schemes to encourage and support Indian exporters. These schemes aim to enhance the competitiveness of Indian goods and services in the global market and provide various incentives such as duty drawbacks, export subsidies, and tax benefits to exporters.
4. Import Control: The Act empowers the government to regulate and control the import of goods into India. It allows the government to impose restrictions, bans, or licensing requirements on the import of certain goods to safeguard domestic industries, maintain balance of payments, or protect national interests.
5. Import and Export Procedures: The Act sets out the procedures and documentation requirements for importers and exporters. It defines various terms related to imports and exports, such as goods, customs ports, designated authorities, and licensing authorities. It also specifies the penalties for non-compliance with the Act's provisions.
6. Duty Exemption and Remission: The Act provides provisions for duty exemption and remission for specified categories of importers and exporters. It allows for duty-free import of raw materials, components, and capital goods for the manufacture of export products under certain schemes.

² The Directorate General of Foreign Trade (DGFT) is the agency of the Ministry of Commerce and Industry of the Government of India responsible for administering laws regarding foreign trade.

7. Foreign Trade Policy (FTP)³
8. Offenses and Penalties: The Act defines various offenses related to foreign trade, such as smuggling, evasion of customs duties, violation of licensing requirements, false declarations, and non-compliance with export obligations. It prescribes penalties, including fines, imprisonment, or both, for such offenses.
9. Regulation of Special Categories: The act also contains provisions for the regulation of certain special categories of foreign trade, such as export-oriented units (EOUs), electronic commerce, and duty-free shops. These provisions aim to facilitate and regulate trade activities specific to these categories.

However, the Foreign Trade Act 1992 has been amended several times since its enactment to align with changing trade policies and international obligations.

What are the key aspects that act covers under it? The Foreign Trade (Development and Regulation) Act, 1992 covers various aspects related to foreign trade and is divided into different sections. Here are some key aspects covered under the Act:

Section 3: Power to make provisions relating to imports and exports – This section empowers the government to make provisions and regulations concerning imports and exports, including prohibitions, restrictions, and licensing requirements.

Section 4: Appointment of Director General of Foreign Trade – This section deals with the appointment of the Director General of Foreign Trade, who is responsible for implementing the provisions of the Act and overseeing foreign trade activities.

Section 5: Power to prohibit, restrict, or regulate imports and exports – This section gives the government the authority to prohibit, restrict, or regulate the import or export of goods to safeguard national interests, security, or public welfare.

Section 8: Power to grant exemptions – This section provides the government with the power to grant exemptions from any provisions of the Act or regulations made under it, based on certain conditions or considerations.

³ Foreign Trade Policy is a set of guidelines and instructions established by the DGFT in matters related to the import and export of goods in India.

Section 9: Power to impose duties and fees – This section allows the government to impose duties, fees, or charges on imports and exports, including export duties, import duties, and licensing fees.

Section 11: Power to make rules – This section authorizes the government to make rules for carrying out the purposes of the Act, including rules related to licensing, registration, procedures, and penalties for non-compliance.

Section 12: Offenses and penalties – This section outlines offenses and penalties for contravening the provisions of the Act, such as unauthorized imports or exports, false statements, non-compliance with licensing requirements, etc.

These are just some of the aspects covered under the Foreign Trade (Development and Regulation) Act, 1992. The Act provides the legal framework for regulating and promoting foreign trade in India.

What is foreign trade policy? foreign trade policy referring to the set of rules, regulations, and measures implemented by a country to govern its international trade relations and transactions. Investment law, on the other hand, deals with regulations and policies that govern investments made by foreign entities in a country. The interaction between foreign trade policy and investment law can have significant implications for a country's economy and its engagement in the global market.

Foreign trade policy, on the other hand, focuses on the regulations and measures that govern the import and export of goods and services. These policies typically aim to promote economic growth, protect domestic industries, and ensure a favourable balance of trade. Trade policies can include tariffs, quotas, export subsidies, import restrictions, and various trade agreements.

The objectives of a foreign trade policy can vary depending on the goals and priorities of a particular country. Some common objectives include:

1. **Promoting economic growth**: Trade policies are often designed to stimulate economic growth by expanding exports, attracting foreign investment, and increasing market access for domestic industries.

2. Protecting domestic industries: Governments may implement trade policies to protect domestic industries from unfair competition by imposing tariffs, quotas, or other trade barriers on imported goods.
3. Enhancing competitiveness: Trade policies can focus on improving the competitiveness of domestic industries by providing subsidies, incentives, or support for research and development activities.
4. Fostering international relations: Trade policies can be used to strengthen diplomatic ties and promote cooperation with other nations. Bilateral and multilateral trade agreements are often negotiated to facilitate trade relationships and reduce barriers.
5. Ensuring national security: Trade policies can also be shaped by national security considerations, such as imposing export controls on sensitive technologies or goods with potential dual-use applications.

Foreign trade policies are typically formulated and implemented by the relevant government agencies responsible for trade, commerce, and economic affairs. These policies can be adjusted periodically in response to changing domestic and international economic conditions, geopolitical factors, and trade negotiations.

Objectives Of The Foreign Trade Policy (Ftp) -

The primary objectives of the Foreign Trade Policy (FTP) of this country, known as the 2004-2009 policy, were focused on utilizing trade as a means to drive economic growth and national development rather than merely acquiring more currency. The FTP aimed to enhance economic activities and achieve comprehensive progress for the country. In line with this approach, the subsequent

FTP for 2015-2020 established two core goals:

- a) Firstly, it aimed to double India's share of global trade in goods within the next five years.
- b) Secondly, it sought to foster economic growth by generating employment opportunities, with specific emphasis on sectors such as agriculture, handicrafts, gems and jewellery, handloom, leather, and maritime industries.

Foreign Trade Policy 2023

The FTP 2023 is a policy that focuses on establishing trust and partnership with exporters, aiming to simplify business processes and promote ease of doing business. It emphasizes four key pillars:

1. providing incentives for remission, promoting collaboration among exporters, states, districts, and Indian missions to boost exports,
2. enhancing ease of doing business and reducing transaction costs through electronic initiatives, and
3. focusing on emerging areas such as developing export hubs in e-commerce districts ;
4. streamlining the, SCOMET policy⁴

The government's goal is to increase India's overall exports to USD 2 trillion by 2030, with equal contributions from the merchandise and services sectors. Additionally, the government intends to encourage the use of the Indian currency in cross-border trade, facilitated by a new payment settlement framework introduced by the RBI in July 2022. This move can be advantageous, particularly in countries where India has a trade surplus.

Conclusion

Foreign trade plays a vital role in a nation's overall economic progress, but for ordinary individuals, it can be a complex domain involving numerous policies and procedures formulated by different government agencies responsible for this activity. In India, the 1992 Foreign Trade (Development and Regulation) Act serves as the primary legislation governing the country's import situation. This act consolidates and simplifies previously enacted laws, granting the Indian government extensive control rights. The key objective of this comprehensive law is to establish a suitable framework for the growth and standardization of foreign trade, facilitating imports and exports while benefiting relevant sectors of the country. Since the implementation of the foreign trade policy in India, there has been a significant increase in both imports and exports with foreign countries, leading to a safer and more secure trading environment. The establishment of Special Economic Zones (SEZs) and Export Processing Zones (EPZs) through the Foreign Trade Policy has attracted a greater number of foreign investors to the country. The creation of Trading Houses has provided a platform for consumers and manufacturers, facilitating easier trade between countries. Additionally, streamlining procedures and offering incentives to exporters and importers involved in foreign trade has created a fair environment for traders. However, there is still ample room for improvement in these aspects. Overall, the introduction of the Foreign Trade (Development and Regulation) Act in 1992 has brought about a more liberal approach to industrialization in India, benefiting traders and consumers alike in the future.

⁴ SCOMET item is an acronym for Special Chemicals, Organisms, Materials, Equipment, and Technologies, and these are dual-use items that can be used for both civilian and military applications.