

# Foreign Trade (Development and Regulation) Act, 1992

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## Foreign Trade and its implications

Imports and exports are considered to be two important components of foreign trade. Foreign trade refers to nothing but the exchange of the goods and services between two or more countries, across their respective international borders. The former implies the physical movement of the goods into a country from another country following a legal manner. The latter is concerned with the physical movement of the goods and services out of the country in a legal manner. Thus, both the import and export have made the world a local market.

Foreign trade or international trade is considered to be extremely important for the brand survival as well as the growth of any country. This is because foreign trade acts as one of the primary economic boosters for that specific entity. Not only this, foreign trade is also supposed to cover up the need for a country for particular resources and to further get rid of the extra resources that are abundantly available in the country.

Whether it is the optimum utilization of the resources, specialization and labor division or price equality, quality of goods, multiple choices or the overall economic development of the country, foreign trade has always helped in the growth of a country where a country could stand on its own to address itself on an international platform. Exporting, importing as well as entrepotting involved in the foreign trade of any country helps to raise the standard of living of the people. These kinds of foreign trade also help to maintain the payment solution balance of the country and make sure that there always exists a free flow of economy.

Globalization has reached on its very summit and therefore a number of countries have introduced their own respective foreign trade policies so as to avoid all the hassle that might occur while trading with the foreign countries. Thus, India, like other countries of the world has its own

respective foreign policy that covers all the know-hows as well as aspects involved while dealing with the foreign countries.

## The Foreign Trade (Development and Regulation) Act, 1992

The foreign policy of India is governed and regulated by the Foreign Trade (Development and Regulation) Act, 1992. This Act was established on the 7<sup>th</sup> of August in the year 1992. The Act hasn't been originated as a separate act to regulate the foreign policy, but the same came into existence as a replacement to the Import and Exports (Control) Act, 1947. Today, the entire scenario of exports and imports in India is regulated and managed by the Foreign Trade (Development and Regulation) Act, 1992. This act has eliminated all the existing nuances of the previously introduced act and has given the Government of India some of the most enormous powers to control it. This act is considered to be a supreme legislation in accomplishment of the foreign trade taking place in the country. The Act has been incorporated with a major intention to provide a proper framework as to the development as well as standardization of the foreign trade by the way of facilitating imports and enhancing the exports in the country and all the other matters related to the same.

Under this Act, various powers have been bestowed upon the Central Government. According to the provisions of this act, the Central Government has all the power to make any provisions that are related to foreign trade in order to fulfill the objectives of the act. This Act also empowers the government to make any provisions in tandem to the formulations of import as well as export policies governing throughout the country. The Act further provides for the appointment of the Director General by the Central Government by notifying this appointment in the Official Gazette for carrying out all the foreign trade policies as per the provisions provided.

## Salient Features of the Act

Foreign Trade (Development and Regulation) Act, 1992 is believed to be a breakthrough in the economic development of the country, especially in today's world of globalization and industrialization. The entire act has been designed in such a manner so as to run in consonance with the current trade policies associated with the foreign countries. Thus, overall, this Act features everything that makes the economy of the country stronger whenever the regard of foreign trade is taken into consideration.

The following are considered to be the salient features of the act:

- The act has empowered the Central Government to make provisions for the development as well as regulation of foreign trade by the way of facilitating imports into as well as augmenting exports from the country and in all the other matters related to foreign trade.
- This act authorizes the government to formulate as well as announce the export and import policy and to also keep amending the same on a timely basis. The government has also been given a wide power to prohibit, restrict and regulate the exports and imports in general as well as specified cases of foreign trade.
- The act provides for certain appointments especially that of the Director-General to advise the Central Government in formulating import and export policy and to implement the same.
- The act commands every importer as well as exporter to obtain a code number called the 'Importer Exporter Code Number (IEC)' from the Director-General or the authorized officer.
- The act provides the balancing of all the budgetary targets in terms of imports and exports so that the nation reaches the very peak of economic development. The principal objectives here include the facilitation of sustain growth as to the exports of the country, the distribution of quality goods and services to the domestic consumer at internationally competitive prices, stimulation of sustained economic growth by providing access to essential raw materials as well as enhancement of technological strength and efficiency of Indian agriculture, industry as well as services and improvement of their competitiveness to meet all kinds of requirement of the global markets.

## Present scenario of the Foreign Trade Policy

Presently, the Foreign Trade Policy of our country is in its sixth instalment of the five-year policy that was earlier introduced in the year 1992 by the Government of India. The new foreign trade policy of the country was announced on the 1<sup>st</sup> of April, 2015 by the Government of India, Ministry of Commerce and Industry. This current foreign trade policy extends for the period 2015-2020. The major aim of the current foreign trade policy introduced in the country is nothing but the development of export potential, improvement of export performance, encouragement of foreign trade as well as the creation of favorable balance of the position of the payment. This policy, also known as the Export Import Policy (EXIM Policy) is updated every year on the last day of March and all the new improvements, modifications as well as schemes so updated become effective from the first day of April each year.

The current foreign trade policy so introduced in the country has laid down certain aims and objectives before it. The major objectives that the current foreign trade policy of our country has laid down are stated as under:

- The simplification as well as merger of all kinds of rewards schemes including the Merchandise Exports from India Scheme (MEIS), Service Exports from India Scheme (SEIS), incentives to be made available in these schemes for all the Special Economic Zones, duty credit slips to be freely transferable and useable for the payment of various duty and many others.
- Special boost has been given to 'Make in India' policy that has been launched by the government to encourage national as well as multinational companies to manufacture their products in India.
- The trade facilitation and ease in terms of the performance of legal business of all the kinds.
- The introduction of various other initiatives involving new schemes that could run in tandem with the growing needs and wants of the people at large and the increasing use of technology as well as digitalization into these initiatives so as to reach the summit of technical advancement.

## Importance of Foreign Trade Policy

Foreign Trade policy of any country is equally important for the free flow of economy and the overall economic development of the country. Without a proper foreign trade policy, any country would fail to execute its import as well as export business smoothly. If there exists no proper foreign policy in a country, the entire import-export and international business of the country will fall down miserably and the same will surely meet a dead end. A foreign trade policy of any country ensures a free flow of business as well as economy while transacting or trading on an international scale. The same policy helps to maintain the free flow of economy of the country, thereby accelerating the financial growth, facilitating a free trade and liberalization as well as improving the overall standard of living of its people.

## Conclusion

After the implementation of foreign trade policy in India, the import, as well as export among the foreign countries, have increased and the same has become very safe and secure to perform. Setting up of different plans/policies such as SEZ and EPZ by the Foreign Trade Policy of India has increased the number of foreign investors in the country. Trading Housing has given a platform to both, the consumers as well as the manufacturers and thus the same has entertained an easy practice of trade in between different countries. Furthermore, the simplification of procedures, as well as the idea of incentives provided to the exporters and importers involved in the foreign trade, has acted in a fair way for the traders and there is still a wide scope of improvement in the same.

Thus, the introduction of Foreign Trade (Development and Regulation) Act, 1992 in India has made the industrialization more liberal and the same has been proven to be highly beneficial for all the traders as well as consumers in the coming ages.

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