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Indian Ministry of Commerce and Industry

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ABSTRACT: The Ministry of Commerce and Industry administers two departments, the Department of Commerce and the Department for Promotion of Industry & Internal Trade (formerly Department of Industrial Policy & Promotion). The head of the Ministry is a Minister of Cabinet rank. The Minister of Commerce and Industry is the head of the Ministry of Commerce and Industry and one of the cabinet ministers of the Government of India. The first Minister of Commerce and Industry of independent India was Syama Prasad Mukherjee. The current Minister is Piyush Goyal of the Bharatiya Janata Party. Goyal took over from Suresh Prabhu on 31 May 2019

KEYWORDS: ministry, cabinet, commerce, industry, promotion, administers, department, India

I. INTRODUCTION

The department is entrusted with formulating and implementing the foreign trade policy and responsibilities relating to multilateral and bilateral commercial relations, state trading, export promotion measures, and development and regulation of certain export oriented industries and commodities.[1,2]

In order for the smooth functioning, the Department is divided into eight divisions:

- Administrative and General Division
- Finance Division
- Economic Division
- Trade Policy Division
- Foreign Trade Territorial Division
- State Trading & Infrastructure Division
- Supply Division
- Plantation Division

The subjects under the administrative control of the Department include:

- International trade
- Foreign Trade
- State trading
- Management of Indian Trade Services
- Special Economic Zones

This department was established in the year 1995, and in the year 2000 Department of Industrial Development was merged with it. This department is responsible for formulation and implementation of promotional and developmental measures for growth of the industrial sector, keeping in view the national priorities and socio-economic objectives. While individual administrative ministries look after the production, distribution, development and planning aspects of specific industries allocated to them, Department for Promotion of Industry and Internal Trade is responsible for the

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overall Industrial Policy. It is also responsible for facilitating and increasing the FDI flows to the country. It is also responsible to calculate WPI (I.e. Wholesale Price Index).

The Department for Promotion of Industry and Internal Trade is also responsible for intellectual property rights relating to patents, designs, trademarks, copyrights and geographical indication of goods and oversees the initiative relating to their promotion and protection.

A special economic zone (SEZ) is an area in which the business and trade laws are different from the rest of the country. SEZs are located within a country's national borders, and their aims include increasing trade balance, employment, increased investment, job creation and effective administration. To encourage businesses to set up in the zone, financial policies are introduced. These policies typically encompass investing, taxation, trading, quotas, customs and labour regulations. Additionally, companies may be offered tax holidays, where upon establishing themselves in a zone, they are granted a period of lower taxation.[3,4]

The creation of special economic zones by the host country may be motivated by the desire to attract foreign direct investment (FDI). The benefits a company gains by being in a special economic zone may mean that it can produce and trade goods at a lower price, aimed at being globally competitive.^{[1][3]} In some countries, the zones have been criticized for being little more than labor camps, with workers denied fundamental labor rights

II. DISCUSSION

A free-trade zone (FTZ) is a class of special economic zone. It is a geographic area where goods may be imported, stored, handled, manufactured, or reconfigured and re-exported under specific customs regulation and generally not subject to customs duty. Free trade zones are generally organized around major seaports, international airports, and national frontiers—areas with many geographic advantages for trade. The World Bank defines free trade zones as "in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations". Free-trade zones can also be defined as labor-intensive manufacturing centers that involve the import of raw materials or components and the export of factory products, but this is a dated definition as more and more free-trade zones focus on service industries such as software, back-office operations, research, and financial services. Free-trade zones are referred to as "foreign-trade zones" in the United States (Foreign Trade Zones Act of 1934), where FTZs provide customs-related advantages as well as exemptions from state and local inventory taxes. In other countries, they have been called "duty-free export processing zones," "export-free zones," "export processing zones," "free export zones," "free zones," "industrial free zones," "investment promotion zones," "maquiladoras," and "special economic zones". Some were previously called "free ports". Free zones range from specific-purpose manufacturing facilities to areas where legal systems and economic regulation vary from the normal provisions of the country concerned. Free zones may reduce taxes, customs duties, and regulatory requirements for registration of business. Zones around the world often provide special exemptions from normal immigration procedures and foreign investment restrictions as well as other features. Free zones are intended to foster economic activity and employment that could occur elsewhere.[5,6]

An export-processing zone (EPZ) is a specific type of FTZ usually set up in developing countries by their governments to promote industrial and commercial exports. According to the World Bank, "an export processing zone is an industrial estate, usually a fenced-in area of 10 to 300 hectares, that specializes in manufacturing for export. It offers firms free trade conditions and a liberal regulatory environment. Its objectives are to attract foreign investors, collaborators, and buyers who can facilitate entry into the world market for some of the economy's industrial goods, thus generating employment and foreign exchange".^[8] Most FTZs are located in developing countries; Brazil, Colombia, India, Indonesia, El Salvador, China, the Philippines, Malaysia, Bangladesh, Nigeria, Pakistan, Mexico, the Dominican Republic, Costa Rica, Honduras, Guatemala, Kenya, Sri Lanka, Mauritius, and Madagascar all have EPZ programs.^[9] In 1997, 93 countries had set up export processing zones, employing 22.5 million people, and five years later, in 2003, EPZs in 116 countries employed 43 million people.

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The world's first-documented free-trade zone was established on the Greek Island of Delos in 166 BCE. It lasted until about 69 BCE when the island was overrun by pirates. The Romans had many *civitas libera*, or free cities, some of which could coin money, establish their own laws, and not pay an annual tribute to the Roman Emperor. These continued through at least the first millennium CE. In the 12th century, the Hanseatic League began operating in Northern Europe and established trading colonies throughout Europe. These Free Trade Zones included Hamburg and the Steelyard in London. The Steelyard, like other Hansa stations, was a separate walled community with its own warehouses, weighing house, chapel, counting houses, and residential quarters. In 1988, remains of the former Hanseatic trading house, once the largest medieval trading complex in Britain, were uncovered by archaeologists during maintenance work on Cannon Street [7,8]Station. Shannon, Ireland (Shannon Free Zone),^[14] established in 1959, has claimed to be the first "modern" free trade zone. The Shannon Zone was started to help the city airport adjust to a radical change in aircraft technology that permitted longer range aircraft to skip previously-required refueling stops in Shannon. It was an attempt by the Irish government to maintain employment around the airport so that the airport would continue to generate revenue for the Irish economy. It was hugely successful and is still in operation today. Other free zones to note are the Kandla Free Zone in India, which started in about 1960, and the Kaohsiung Export Processing Zone in Taiwan, which started in 1967. The number of worldwide free-trade zones proliferated in the late 20th century.

Corporations setting up in a zone may be given a number of regulatory and fiscal incentives, such as the right to establish a business, the right to import parts and equipment without duty, the right to keep and use foreign exchange earnings, and sometimes income or property tax breaks. There may also be other incentives relating the methods of customs control and filing requirements. The rationale is that the zones will attract investment, create employment, and thus reduce poverty and unemployment, stimulating the area's economy. These zones are often used by multinational corporations to set up factories to produce goods (such as clothing, shoes, and electronics).[9,10]

Free-trade zones should be distinguished from free trade areas. A free trade zone is normally established in a single country, although there are a few exceptions where a free zone may cross a national border, such as the Syrian/Jordanian Free Trade Zone. Free trade areas are set up between countries; for example, the Latin America Free Trade Association (LAFTA) was created in the 1960 Treaty of Montevideo by Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay; and the North American Free Trade Agreement was established between Mexico, the United States, and Canada. In free trade areas, tariffs are only lowered between member countries. They should also be distinguished from customs unions, like the former European Economic Community, where several countries agree to unify customs regulations and eliminate customs between the union members.

Free-trade zones have more recently been also called special economic zones in some countries. Special economic zones (SEZs) have been established in many countries as testing grounds for the implementation of liberal market economy principles. SEZs are viewed as instruments to enhance the acceptability and the credibility of the transformation policies and to attract domestic and foreign investment. The change in terminology has been driven by the formation of the World Trade Organization (WTO), which prohibits members from offering certain types of fiscal incentives to promote the exports of goods, thus why the term Export Processing Zone (EPZ) is no longer used with newer zones. For example, India converted all of its EPZs to SEZs in 2000.[11,12]

III. DISCUSSION

Free economic zones (FEZ), free economic territories (FETs) or free zones (FZ) are a class of special economic zone (SEZ) designated by the trade and commerce administrations of various countries. The term is used to designate areas in which companies are taxed very lightly or not at all to encourage economic activity. The taxation rules and duties are determined by each country.^[1] The World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures (SCM) has content on the conditions and benefits of free zones.

Some special economic zones are called free ports. Sometimes they have historically been endowed with favorable customs regulations such as the free port of Trieste. As the United Kingdom was proposing the creation of ten free

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ports after leaving the European Union in early 2020, the EU was clamping down on 82 free zones after finding that their special status had aided the financing of terrorism, money laundering and organised crime.

A free-trade area is the region encompassing a trade bloc whose member countries have signed a free trade agreement (FTA). Such agreements involve cooperation between at least two countries to reduce trade barriers, import quotas and tariffs, and to increase trade of goods and services with each other. If natural persons are also free to move between the countries, in addition to a free-trade agreement, it would also be considered an open border. It can be considered the second stage of economic integration.[13,14]

Customs unions are a special type of free-trade area. All such areas have internal arrangements which parties conclude in order to liberalize and facilitate trade among themselves. The crucial difference between customs unions and free-trade areas is their approach to third parties. While a customs union requires all parties to establish and maintain identical external tariffs with regard to trade with non-parties, parties to a free-trade area are not subject to this requirement. Instead, they may establish and maintain whatever tariff regime applying to imports from non-parties as deemed necessary. In a free-trade area without harmonized external tariffs, to eliminate the risk of trade deflection, parties will adopt a system of preferential rules of origin.

The term free-trade area was originally meant by the General Agreement on Tariffs and Trade (GATT 1994) to include only trade in goods. An agreement with a similar purpose, i.e., to enhance liberalization of trade in services, is named under Article V of the General Agreement on Trade in Services (GATS) as an "economic integration agreement". However, in practice, the term is now widely used to refer to agreements covering not only goods but also services and even investment.

A customs union is generally defined as a type of trade bloc which is composed of a free trade area with a common external tariff

Customs unions are established through trade pacts where the participant countries set up common external trade policy (in some cases they use different import quotas). Common competition policy is also helpful to avoid competition deficiency.

Purposes for establishing a customs union normally include increasing economic efficiency and establishing closer political and cultural ties between the member countries. It is the third stage of economic integration.

Every economic union, customs and monetary union and economic and monetary union includes a customs union.

IV. RESULTS

Trade creation is an economic term related to international economics in which trade flows are redirected due to the formation of a free trade area or a customs union. The issue was firstly brought into discussion by Jacob Viner (1950), together with the trade diversion effect.[15,16]

In the former case after the formation of economic union, the cost of the goods considered is decreased, leading to an increase of efficiency of economic integration. Hence, trade creation's essence is in elimination of customs tariffs on inner border of unifying states (usually already trading with each other), causing further decrease of price of the goods, while there may be a case of new trade flow creation of the goods between the states decided to economically integrate.

The opposite takes place in case of trade diversion, when the trade flow is diverted from actually cost-efficient partner state to less efficient one – but which became a member of economic union and made its goods cheaper within a union, but higher compared to the rest of the world. In practice, both trade creation and diversion effects take place due to formation of economic union. Efficiency of economic integration of specific union right now is assessed as a final outcome between trade creation and diversion effects: it is cost-effective in case of prevailing of the trade creation effects, and vice versa.

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Trade diversion is an economic term related to international economics in which trade is diverted from a more efficient exporter towards a less efficient one by the formation of a free trade agreement or a customs union. Total cost of good becomes cheaper when trading within the agreement because of the low tariff. This is as compared to trading with countries outside the agreement with lower cost goods but higher tariff. The related term Trade creation is when the formation of a trade agreement between countries decreases the price of the goods for more consumers, and therefore increases overall trade. In this case the more efficient producer with the agreement increases trade [17,18]

International trade is the exchange of capital, goods, and services across international borders or territories because there is a need or want of goods or services.

In most countries, such trade represents a significant share of gross domestic product (GDP). While international trade has existed throughout history (for example Uttarapatha, Silk Road, Amber Road, scramble for Africa, Atlantic slave trade, salt roads), its economic, social, and political importance has been on the rise in recent centuries.

Carrying out trade at an international level is a complex process when compared to domestic trade. When trade takes place between two or more states factors like currency, government policies, economy, judicial system, laws, and markets influence trade.

To ease and justify the process of trade between countries of different economic standing in the modern era, some international economic organizations were formed, such as the World Trade Organization. These organizations work towards the facilitation and growth of international trade. Statistical services of intergovernmental and supranational organizations and governmental statistical agencies publish official statistics on international trade.

The Four Asian Tigers (also known as the Four Asian Dragons or Four Little Dragons in Chinese and Korean) are the developed East Asian economies of Hong Kong, Singapore, South Korea, and Taiwan. Between the early 1960s and 1990s, they underwent rapid industrialization and maintained exceptionally high growth rates of more than 7 percent a year.

By the early 21st century, these economies had developed into high-income economies, specializing in areas of competitive advantage. Hong Kong and Singapore have become leading international financial centres, whereas South Korea and Taiwan are leaders in manufacturing electronic components and devices. Large institutions have pushed to have them serve as role models for many developing countries, especially the Tiger Cub Economies of southeast Asia.

In 1993, a controversial World Bank report The East Asian Miracle credited neoliberal policies with the economic boom, including the maintenance of export-oriented policies, low taxes and minimal welfare states. Institutional analyses found that some level of state intervention was involved.^[4] Some analysts argued that industrial policy and state intervention had a much greater influence than the World Bank report suggested.

V. CONCLUSIONS

Trade involves the transfer of goods and services from one person or entity to another, often in exchange for money. Economists refer to a system or network that allows trade as a market.

An early form of trade, the Gift economy, saw the exchange of goods and services without an explicit agreement for immediate or future rewards. A gift economy involves trading things without the use of money. Modern traders generally negotiate through a medium of exchange, such as money. As a result, buying can be separated from selling, or earning. The invention of money (and letter of credit, paper money and non-physical money) greatly simplified and promoted trade. Trade between two traders is called bilateral trade, while trade involving more than two traders is called multilateral trade.

In one modern view, trade exists due to specialization and the division of labor, a predominant form of economic activity in which individuals and groups concentrate on a small aspect of production, but use their output in trades for other products and needs. Trade exists between regions because different regions may have a comparative advantage (perceived or real) in the production of some trade-able commodity—including production of natural

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resources scarce or limited elsewhere. For example: different regions' sizes may encourage mass production. In such circumstances, trade at market prices between locations can benefit both locations. Different types of traders may specialize in trading different kinds of goods; for example, the spice trade and grain trade have both historically been important in the development of a global, international economy.

Retail trade consists of the sale of goods or merchandise from a very fixed location (such as a department store, boutique or kiosk), online or by mail, in small or individual lots for direct consumption or use by the purchaser. Wholesale trade is traffic in goods that are sold as merchandise to retailers, or to industrial, commercial, institutional, or other professional business users, or to other wholesalers and related subordinated services.

Historically, openness to free trade substantially increased in some areas from 1815 to the outbreak of World War I in 1914. Trade openness increased again during the 1920s, but collapsed (in particular in Europe and North America) during the Great Depression of the 1930s. Trade openness increased substantially again from the 1950s onwards (albeit with a slowdown during the oil crisis of the 1970s). Economists and economic historians contend that current levels of trade openness are the highest they have ever been[19]

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