

3. PROCEDURE FOR COUNTERTRADE

3.1 STC/MMTC's Imports

The STC and MMTC in their tender enquiries for import of edible oils, rubber, fertilizers, non-ferrous metals, etc. provided a clause that preference would be given to suppliers who guarantee buy-back of Indian goods and services at least in part. When the foreign supplier agrees, he provides a performance guarantee with time limits specified. Where deadlines are not met, extensions are generally granted. Where the supplier fails totally to fulfill the performance guarantee he faces a threat of being blacklisted/debarred from future participation, though such a threat has not yet been enforced.

3.2 Government Imports

The concerned Ministries issue tenders against project imports in which also a similar provision is made for countertrade. In these cases the Ministries concerned determine the quantum of countertrade obligations, which may vary from as low as 10% of import value to 100%. During the evaluation of the tenders followed by negotiations, the foreign suppliers are given the indication of the extent of countertrade obligation expected and once it is agreed upon, the supplier is directed to the STC or the MMTC to work out the *modus operandi*. The STC/MMTC decide the time-frame, export items, documentation procedures, performance guarantee and service charges payable to them in regard to fulfillment of the countertrade obligations. Once the understanding is reached, a formal Memorandum of Understanding (MOU) is signed by the foreign supplier with the STC/MMTC.

3.3 Documentation Procedure

The procedures followed by the STC and the MMTC, which differ in some minor details, are outlined below.

STC's Procedure

- (a) The foreign supplier is free either to fulfill the countertrade obligation directly by local purchase and export, or may nominate one or more business organizations registered outside India to fulfill the obligation on their behalf.
- (b) The foreign supplier/nominee can negotiate and make arrangements for exports.
- (c) Once firm commercial contracts for local supplies for exports are entered into, these are registered with the STC.
- (d) If the payment for Indian exports is on Cash Against Document (CAD), the foreign supplier/nominee has to take prior approval of the STC for such exports. If the exports are covered by Letter of Credit (L/C), transferable L/Cs specifying countertrade MOU numbers are to be opened in favour of STC which in turn will open the L/C in favour of the exporter.
- (e) Upon completion of shipment the following documents complete in all respects must be submitted to STC within 60 days from date of shipment.
 - (i) A copy of Bill of Lading drawn on account of STC
 - (ii) A copy of invoice drawn on account of STC, showing STC as co-shipper
 - (iii) A copy of Form I (a kind of bank negotiation certificate normally issued by Indian banks indicating foreign exchange earning by the shipper concerned)
 - (iv) A certificate from the Indian supplier to the effect that neither the export documents are related to any other export obligation scheme of the Government of India nor have the same been routed under any other countertrade obligations