



ANALYSIS OF "SEA CARGO MANIFEST & TRANSHIPMENT REGULATIONS 2018" ON EASE OF DOING BUSINESS IN INDIA

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ABSTRACT

Ease of doing business (EODB) ranking today, more than ever is considered the ultimate parameter for gauging the environment for business growth in a country. In the EODB index, 'higher rankings' (a lower numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights. Each country is trying its best to be among the top rankers in the list, conclusively proving it to be favoured destination for investments. India improved its ranking from 139 in 2010 to 100 in 2017 and finally to 77 in 2018.

India's cost of export and import (EXIM) currently constitutes 14 to 18 percent of the GDP, compared to 9 percent in USA, 10 percent in Europe and 11 percent in Japan. India is working towards bringing this cost under 10 percent. Another key area where Government of India wants to improve its rankings is the parameter of "Ease of trading across borders" under EODB. Ease of trading across borders primarily records the time and cost related to the logistical process of exporting and importing goods. It measures the three sets of processes within the overall process, the 3 processes namely Documentary compliance, Border compliance and Domestic transportation.

In an attempt to bring down the cost of trade and catalysing the ease of EXIM trade in India, Government has implemented various policies in the recent years namely Direct port delivery, Direct port entry and Relaxation of Cabotage law. The policies have received a mixed response from the stakeholders owing to bottlenecks in implementation and are still in phase of getting streamlined. The latest step towards create ease of business is a regulatory change called "Sea Cargo Manifest & Transshipment Regulations 2018".

The regulation is "primarily aimed at bringing down the cargo dwell time at the port and quicken the vessel turnaround through advance filing of Import General Manifest (IGM) and Export General Manifest (EGM). This is expected to bring down total logistics cost associated with EXIM.

All this is happening at a junction where Indian logistics is being re-engineered with use of latest technology including Port community system, IoT, Blockchain to name few. Through this paper I would like to analyse the role that the "Sea Cargo Manifest & Transshipment Regulations 2018" in improving the Ease of Doing Business in India.

KEYWORDS : EODB – Ease of Doing Business, EXIM – Exports and Imports, EGM – Export general manifest, IGM – Import general manifest, GST – Goods and Services Tax

EXPORT AND IMPORT TRADE IN INDIA

India exports stand at USD 26.36 billion and imports to 41.09 billion as of January 2019 (Economics, 2019), According to World Bank data Indian exports form 19.05 percent and Indian imports form 22.05 % of the GDP(Data). This clearly indicates that India has a great reliance upon EXIM business for its GDP growth. The EXIM trade for India has seen improvement in the past decade and it is expected to follow the same trajectory in coming years. India has immense potential to improve its exports growth but one key factor that acts in its disadvantage is the high logistics cost associated with EXIM trade in India. It is estimated that Indian exports can be boosted by up to 5-8 percent by lowering the logistics cost. High logistics cost acts as a deterrent for India to be promoted as destination for logistics in the South-East Asia region.

IMPORT GENERAL MANIFEST

According to Section 30 of Customs Act 1962, a declaration needs to be filed which is known as Import Report in case of import by land and Import General Manifest in case of Import by sea. This is a statutory declaration and every ship, which enters Indian waters with the intention of discharging cargo, is bound to deliver this document. The declaration to be filed under Section 30 of the Customs Act 1962 is known as Import Report in case of import by land, and Import General Manifest in case of import by sea. This is a declaration is a statutory declaration and every ship, which enters Indian, waters with the intention of discharging cargo is bound to deliver this document. The purpose of filing IGM is:

- To ensure that all the import of a vessel has been duly accounted for
- That all the obligations imposed on the master/steamer agents of the vessel under the provision of sec.30 and 42 of the Customs Act, have been duly fulfilled.
- That all documents relating to import ship files are forthcoming and complete.(Placeholder1)(Mangalore)

Primary liability to file this declaration is on the person in-charge of the vessel or craft. This declaration must be filed within 24 hours of arrival of the vessel or craft (Section 30). Section 148 allows all acts to be done by a person in-charge of conveyance, to be done by his agent also.

In simple words IGM is basically a declaration through which an ocean carrier intimates the authorities of the port, where he is supposed to discharge the cargo. It contains the details of the cargo to unload for local consumption as well as for transshipment purpose. Other details included in IGM (if any) unaccompanied baggage, declaration of cargo kept in vehicle, declaration of cargo particulars; vessel stores and private property of crew have to be declared on the same form.(Mangalore)

EXPORT GENERAL MANIFEST

According to Section 41 of Customs Act 1962, a declaration needs to be filed which is known as Export Report in case of export by land and Export General Manifest in case of Export by sea. This is a statutory declaration and every ship, which leaves Indian waters with the intention of carrying cargo, is bound to deliver this document. The purpose of filing EGM is:

- To ensure that all the goods which leaves territorial waters of India has been duly accounted for
- To ensure that all the obligations imposed on the master/steamer agents of the vessel under the provision of Sec.41 and 42 of the Customs Act, have been duly fulfilled.
- The exporter or the goods under section 156(f) of the Customs Act and short-shipment goods framed under Customs Act, 1962 have been duly fulfilled.

Primary liability to file this declaration is on the person in-charge of the vessel or craft. This declaration must be filed before the departure of the vessel or craft (Section 41). Section 148 allows all acts to be done by a person in-charge of conveyance, to be done by his agent also.(Mangalore)

The regulations governing the above mentioned IGM and EGM filing process has been amended and superseded with a new regulation "Sea Cargo Manifest and Transshipment Regulations 2018". This amendment is aimed at helping decrease transaction cost and dwell time associated with delays in timely filing of documents related to IGM and EGM. With the new regulation, the government has made it mandatory for the stakeholders to adhere

the time line associated with EGM/IGM filing.

Sea Cargo Manifest and Transshipment Regulations 2018

“Sea Cargo Manifest and Transshipment Regulations 2018” is the latest regulations governing the Import and Export Manifest regulations in India. “This regulation supersedes the earlier regulations of Import Manifest [Vessels] Regulations, 1971, Export Manifest [Vessels] Regulation, 1976 and Transportation of Goods [Through Foreign Territory] Regulations of 1965,” a government notice stated. “The new regulation stipulates changes in timelines and requirements for advance notice by shipping lines [vessels] arriving in India and exports through shipping lines [vessels] out of India.”

The regulations make it mandatory for shipping lines calling Indian ports for discharge of cargo to file Import General Manifest (IGM) to Indian Customs 24 hours before the departure from last port of discharge. It is applicable to discharge for domestic consumption as well as transshipment cargo. This policy is in line with 24-hour manifest rule applicable in the USA. The regulation further set a timeline for filing of the EGM; the same is to be filed duly before the vessel sails from India port.

How the Sea Cargo Manifest and Transshipment Regulations 2018(SCMT) will impact the industry

The latest regulation is expected bring down the time and cost related to EXIM transaction the country and thereby helping India in improving its “Ease of Doing Business” ratings. The regulations have a multi-faceted goal where the government's bid is to bring the other trade policies/ plans governing EXIM trade in line with latest amendments.

IMPACT ON IMPORT PROCESS

1. Early IGM filing leading in reduction in dwell time – Reduction of cargo dwell time has been a key issue for Indian Import consignment. One of the key reasons for increased dwell time is owed to the factor that there is a delay in filing of IGM by shipping lines/their representatives under the present system. The delay in IGM filing has a domino effect on the time taken for completion of the process for import cargo clearance at the port leading to increase in cargo dwell time. With the new regulation, the shipping lines/their representatives have to file the IGM well in advance which further would facilitate early filing of “Bill of Entry”. Ultimately the cargo can be cleared from Customs authorities in stipulated time and evacuated out of the port/terminal quickly.

2. Prior selection of ICD/CFS for transshipment cargo – Under the SCMT 2018 regulation the IGM has to mention the nominated ICD/CFS for the transshipment cargo. The prior declaration will help the terminal authorities to move the cargo out of the port / terminal in a lesser time leading to reduction in dwell time.

IMPACT ON EXPORT PROCESS

1. Facilitating quicker GST refunds – The timely filing of EGM by shipping line/their representative will enable the exporters to apply for GST refund from the government. Government of India has made it mandatory for the exporters to submit a copy of their EGM to facilitate the process of GST returns. The quicker GST returns will improve the cash flow situation for the exporters.

Government of India with its latest regulations is taking some concrete actions to facilitate the ease of trade in India for the stakeholders. “Sea Cargo Manifest and Transshipment Regulations 2018” is in phase of implementation, the date for its actual implementation has been deferred to Aug 2019. Presently the government is in discussion with stakeholders to make the transition to the new system uncomplicated for industry stakeholders.

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