

UNIT- I

INTRODUCTION

International Marketing Environment: Factors/Dimensions influencing International Marketing Controllable and Uncontrollable factors in International Marketing.

Unit Module Structuring

1. **International marketing environment**
2. **Factors/ Dimensions influencing International Marketing**
3. **Controllable factors in International Marketing**
4. **Uncontrollable factors in International Marketing**

Self- Learning Material Development – STAGE- I

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1.1 INTRODUCTION

International marketing (IM) or global marketing is a marketing done on international level. The International Marketing is based on strategy created in home country of company and distributed to its other offices/affiliations. In most cases it is international company level (company have offices in different countries) market identification and targeting. International Marketing is very similar to Global marketing. The main difference will be the fact that Global Marketing is focusing on intercontinental point of view. The example of International Marketing would be where an English company would like to enter Chinese market. It will be done by either developing marketing strategy in their home country that will be then introduced in new market or they will hire a company to create such a plan.

1.2 Meaning

International marketing involves promoting and selling products or services to customers in multiple countries, requiring adaptation of marketing strategies to different cultural, economic, and legal environments. It's essentially global marketing, where companies tailor their offerings and approaches to meet the needs of various target audiences around the world.

1.3 Definition

International marketing study should begin with understanding of how marketing operates at international level. When a company's products, its operations, administration, markets cross the national boundaries, the need of international marketing rises.

According to American Marketing Association (AMA), "International marketing is the multinational process of planning and executing the conception, pricing, promotion, and distribution of goods and services to create exchanges that satisfy individual and organizational objectives." The definition clearly states that International Marketing is the multinational process wherein, the word multinational increased the scope of marketing

to several countries. Other than that, the process of marketing and international marketing remains the same.

According to Philip Cateora and John Graham, “International marketing is the performance of business activities designed to plan, price, promote, and direct the flow of a company’s goods and services to consumers or users in more than one nation for profit”. This definition increases the scope of international marketing by including the users other than the consumers who may be industrial consumers, governments, other organizations.

According to both the definitions given above the only difference between domestic and international marketing is that in international marketing, the activities are carried out in more than one nation. Bradley gave one of the most comprehensive definition; according to him, “International marketing means identifying needs and wants of customers in different markets and cultures, providing products, services, technologies, and ideas to give the firm a competitive marketing advantage, communicating information about these products and services and distributing and exchanging them internationally through one or a combination of foreign market entry modes”. This definition is an inclusive definition as it includes the aspects of marketing and entry modes in international market. International Marketing is defined as marketing in an internationally competitive environment, no matter whether the market is home or foreign. For example, the competition given by Surf or Tide to companies like Nirma is international in nature.

1.4 Need of International Marketing

Survival: Generally, countries are dependent on each other as their survival depends on each other. The most developed nations like United States of America, Norway, and Switzerland import products from other nations. United States total imports in the year 2022 was \$ 351.4 billion. Oil, armaments, food even water are few the goods traded regularly across nations.

- **Sales and profitability-** International marketing results in increase in the sales and profitability of a company. Huge population in host countries provides bigger sales

opportunity an in-turn better profitability for the international firm. After facing the challenges of survival these companies learn about the customer expectations and with their large resources and expertise, they can cater the international markets as well.

- **Utilization of Excess Capacity** -Firms selling products in domestic market for a long time are normally able to cover the cost of research and development of the products. When these firms go international, they get the benefit of utilization of their excess capacities by selling the products in international market just by adding to its production and other operational cost.

- **Geographical Diversification** -International firms with their established products move to the developing nations or developed nations. They geographically diversify with the same line of products, as the company's focus on their strengths, they can handle their rivals better. For example, companies like Unilever, Proctor & Gamble, and Nestle follow the strategy of geographical diversification.

- **Product Life Cycle** -Products in maturity or declining stage in any market can take the benefit of increasing its product life cycle by introducing the product in a new market that may be say a developing market. In this market, the firms gets the benefit of extended PLC i.e. starting of the product from its introduction stage.

- **Measure of Advancement** - Developing economies offer biggest opportunity for the international firms. Both low innovation and larger population in the developing nations provide opportunities to the global companies to sell their innovative and technological products and services. These products later are adopted by the domestic marketers and the technological advancements pass from developed nations to the developing nations. For example, Indian market once the importer and buyer of cars from different multinational corporations have their own automobiles competing with global brands. Examples include Tata Motors and Mahindra.

- **Increased Market Size** -Moving to the international markets expands the market size for the firms through which these firms overcome the market saturation at domestic level. Generally, when a company provides solution to a problem, the customers who are looking for a solution are able to pay across the globe and thus create market for such

products. Impact of business cycle, seasonal variations and other such risks are nullified when the international firms have several new markets to cater.

- **Employment opportunity** -International firms having business operations in a country require to build an employee base for ensuring business operations such as production, distribution, selling of their products. In turn, this provides employment opportunities to the local youth. Growth parameters like gross national product, national income, disposable income, foreign direct investment show improved status of employment in the country.

1.5 Objective of International Marketing

1. Product Life Cycle: A product may be at the end of its life cycle in one market and not even introduced in another. The unwillingness of the firm to write off its productive assets may force it into international markets.

2. Competition: In an effort to avoid competition, which may be intense in the domestic market, the firm may choose to go international.

3. Excess Capacity: In an effort to minimize its fixed cost per unit, a firm may undertake foreign orders.

4. Geographic Diversification: This has to do with the strategy that a firm may adopt. Instead of extending its product line, the firm may just choose to expand its market by going international.

5. Increasing the Market Size: In an effort to expand its operation, a firm may choose to go international.

1.6 Scope of International Marketing

The scope of international marketing refers to the way in which international firms move into (enter) Global markets. International marketing refers to exchange of products across

national boundaries for satisfying the needs and wants of consumers. Scope of overseas involvement into one of the following categories:

- Domestic -Companies operating only within a single country.
- Regional exporter -Companies operating within a specific geographical region. These firms cross the national boundaries but move only to markets of other countries that are economically and culturally similar to home markets.
 - Exporter -Exporters operate from home country and sell the finished goods around the globe. Only the operations of marketing, sales and distribution are carried outside the home country.
- International – Companies start their operations in international markets, yet key decisions are taken at central level. Though the decentralization has started taking place but the centralized decision making prevails.
- International to global – Firms start establishing self-sufficient subsidiaries in many parts of the world. All functions are normally decentralized along with R&D, outsourcing, financing, still the primary base is the Headquarters.
- Global – Global companies operate in a highly decentralized manner. No geographical area is accorded a priority, each function including R&D, sourcing, manufacturing, marketing, and sales and promotion is performed in the most suitable location around the world.

1.7 International Marketing Environment

The international marketing environment encompasses all external factors influencing a company's international marketing activities. These factors, like those in domestic marketing, are generally uncontrollable, but they significantly impact marketing decisions and strategies. Key elements include the economic, social, cultural, legal, technological, and competitive landscapes of the target markets.

Key Aspects of the International Marketing Environment:

1. Economic Environment:

Includes factors like economic growth, income levels, inflation rates, and exchange rates, all of which affect consumer purchasing power and business operations.

2. Social and Cultural Environment:

Considers values, beliefs, customs, traditions, and lifestyles of the target population, influencing product acceptance and marketing strategies.

3. Political and Legal Environment:

Addresses factors such as political stability, government regulations, trade policies, and legal frameworks, which can impact business operations and market access.

4. Technological Environment:

Focuses on the level of technological infrastructure, technological adoption rates, and innovation, which can influence product development, distribution, and marketing communications.

5. Competitive Environment:

Examines the intensity of competition, the number and type of competitors, and their marketing strategies.

6. Ethical Environment:

Considers ethical considerations, such as fair pricing, sustainable practices, and responsible advertising, which are increasingly important in international marketing

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1.8 Factors influencing International Marketing

Several factors influence international marketing, including political, economic, social, and technological aspects, as well as cultural, legal, and environmental considerations. These factors can create both opportunities and challenges for businesses seeking to expand globally.

1. Environmental Factors:

1. Political and Legal:

This includes government policies, trade agreements, regulations, and political stability, which can significantly impact international marketing efforts.

2. Economic:

Economic conditions, including GDP, inflation, exchange rates, and consumer purchasing power, influence demand, pricing, and market access.

3. Social and Cultural:

Understanding the values, beliefs, customs, and behaviors of the target market is crucial for effective marketing campaigns.

4. Technological:

Technological advancements, such as the internet and mobile technology, can create new channels for marketing and impact consumer behavior.

5. Ecological:

Growing concerns about sustainability and environmental impact are influencing marketing strategies and consumer preferences.

2. Market-Specific Factors:

1. Demand:

Understanding the specific needs and preferences of consumers in different markets is essential for tailoring marketing efforts.

2. Market Structure:

The level of competition, the presence of established brands, and the characteristics of the distribution system can all affect marketing strategies.

3. Cost:

Factors such as production costs, transportation costs, and tariffs can impact pricing and profitability.

4. Demographics:

Population size, age distribution, and urbanization rates influence market size and potential.

3. Internal Factors:

1. Company Objectives and Resources:

A company's vision, mission, and available resources (financial, human, and technological) will determine the scope and scale of its international marketing efforts.

2. Management Vision and Experience:

A global perspective and experience in international markets are crucial for navigating the complexities of international marketing.

3. Organizational Structure and Culture:

The structure and culture of a company can either facilitate or hinder its international expansion.

4. Examples of Challenges and Opportunities:

1. Cultural Diversity:

Understanding and adapting to cultural differences is crucial for successful international marketing.

2. Language Barriers:

Effective communication is essential for reaching target audiences in different markets.

3. Legal Compliance:

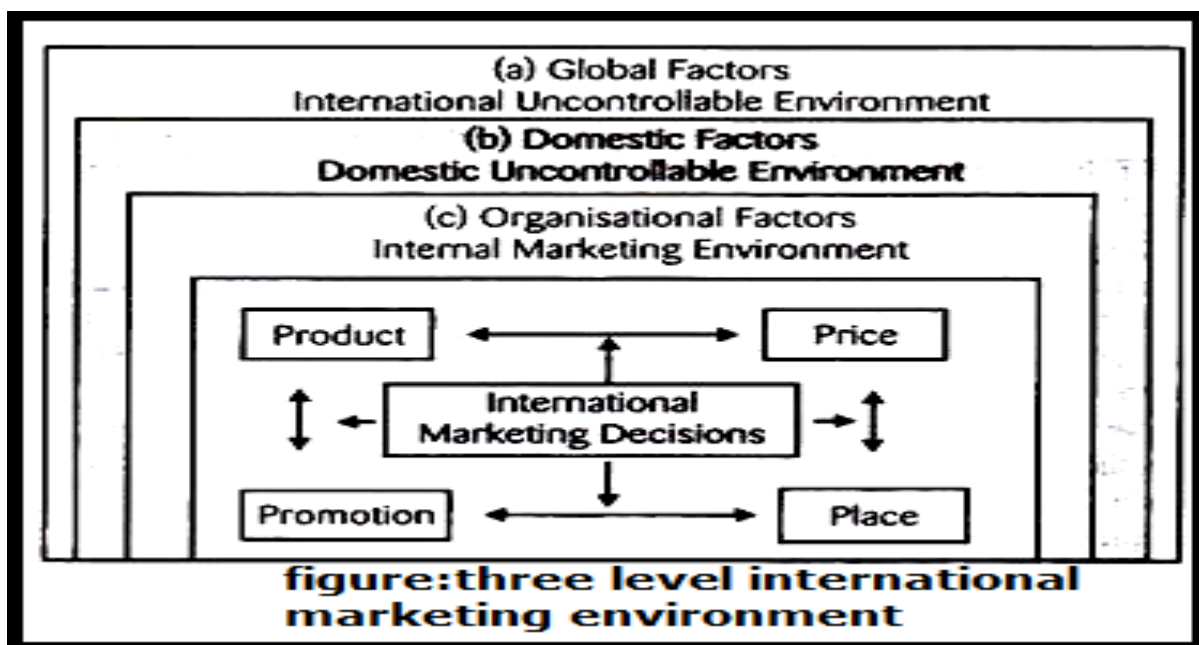
Adhering to local laws and regulations can be complex and require specialized expertise.

4. Currency Fluctuations:

Exchange rate volatility can impact pricing, profitability, and strategic planning.

5. Global Integration:

Trade agreements and economic integration can create opportunities for businesses to expand across borders.



Basis	Domestic Marketing	International Marketing
1. Meaning	Marketing of goods and services inside the boundaries of a single country is known as domestic marketing.	Marketing of goods and services beyond the boundaries of a country is international marketing.
2. Variable Factors	Variation may be there between domestic and international marketing. In domestic marketing, a firm deals in native currency.	International standards in respect of currency and language have to be followed by an international marketer.
3. Market Size	The size of domestic market is limited to the national boundaries.	International market size is very large.
4. Competition	Domestic marketer faces low degree of competition.	A marketer has to face high degree of competition.
5. Foreign Exchange	A country cannot earn foreign exchange by domestic marketing.	Foreign exchange is the most beneficial feature of international marketing.
6. International Regulations	International regulations need not to be abode in domestic marketing.	Various regulations have to be considered by an exporter in international marketing
7. Tariffs and Custom Duties	Tariffs and custom duties on different products may be different but remain same within a country.	Tariffs and custom duties very very wider country to country.
8. Degree of Risk in Payment	There is a very low degree of risk in the payment of goods services sold/rendered.	There is a higher degree of risk in the payment of goods/services sold/rendered.
9. Laws and Legal Systems	Uniformity of laws and legal system is there in domestic marketing.	Different countries have different legal systems.

1.9 Controllable factors in International Marketing

In international marketing, controllable factors are aspects a company can directly influence or adjust to achieve its marketing goals. These factors are often referred to as the "marketing mix" and include elements like product, price, promotion, and distribution (place).

Elaboration:

1. Product:

This encompasses the goods or services offered, including their features, design, quality, branding, and packaging.

2. Price:

This refers to the cost of the product or service, including discounts, promotions, and pricing strategies.

3. Promotion:

This involves the communication efforts used to reach and persuade target customers, including advertising, sales promotion, public relations, and personal selling.

4. Place (Distribution):

This refers to the channels and methods used to make the product available to customers, including retail stores, online platforms, and direct sales.

1. Other Controllable Factors:

1. **Company Objectives:** Clearly defined objectives guide marketing decisions and resource allocation.
2. **Managerial Philosophy:** The Company's approach to marketing and international business influences its strategies and actions.

3. **Organizational Structure and Policies:** These determine how the company is organized and how its policies affect international marketing.
4. **Resources and Capabilities:** The Company's financial, human, and technological resources play a crucial role in international marketing efforts.
5. **Internal Relations:** Effective collaboration between different departments (e.g., marketing, sales, and operations) is essential for successful international marketing.
6. **Relationships with Stakeholders:** Building strong relationships with suppliers, distributors, and other stakeholders is crucial for a smooth and efficient supply chain.
7. **Marketing Mix:** The combination of the 4 Ps (Product, Price, Promotion, and Place) is a key controllable factor in achieving marketing objectives.

1.10 Uncontrollable factors in International Marketing

In international marketing, uncontrollable factors are external forces that businesses cannot directly control and that significantly impact their marketing strategies and operations. These factors include economic, political, legal, social, cultural, technological, and environmental aspects of the target market.

Key Uncontrollable Factors:

- **Economic Factors:**

Fluctuations in currency exchange rates, inflation rates, economic growth, and overall market demand.

- **Political and Legal Factors:**

Government policies, political stability, legal regulations (e.g., import/export restrictions), and trade agreements.

- **Social and Cultural Factors:**

Cultural norms, values, beliefs, language, and consumer behaviors in the target market.

- **Technological Factors:**

The availability, adoption, and impact of new technologies on the market and consumer preferences.

- **Competitive Factors:**

The actions and strategies of existing competitors, including their pricing, product offerings, and marketing tactics.

- **Environmental Factors:**

Natural disasters, climate change, and other environmental issues that can affect business operations and consumer behavior.

- **Infrastructure Factors:**

The quality and availability of transportation, communication, and other infrastructure that support business operations.

Impact of Uncontrollable Factors:

Uncontrollable factors can present both challenges and opportunities for international marketers. Understanding and adapting to these factors is crucial for success. For example, political instability can create risks for investments, while cultural differences may require adjustments to marketing messages.

CONTROLLABLE & UNCONTROLLABLE FACTORS OF MARKETING

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Let's Sum-Up:

Dear Learners, in this Module we learn, International Marketing Environment: Factors/Dimensions influencing International Marketing Controllable and Uncontrollable factors in International Marketing.

Self-Assessment Questions:

What are the different international marketing definitions applicable today? Explain them with the help of examples.

UNIT- II**INTRODUCTION**

Product Policy International Product Life Cycle Export Pricing. International Marketing Decision: Marketing Decision – Market Selection Decision Market Entry Decision Marketing Mix Decision. International Marketing Research: Marketing Information System Market Research Marketing Research Methodology for Marketing Research

International Research Strategy Desk Research and Field Research -Market Oriented Information International Marketing Intelligence Competitive Intelligence.

Unit Module Structuring

- 2.1. Product Policy
- 2.2. International Product Life Cycle
- 2.3. Export Pricing.
- 2.4. Selection Decision
- 2.5. Market Entry decision.
- 2.6 Marketing Mix decision
- 2.7.** International Marketing research
- 2.8. Marketing Information System
- 2.9. Market research
- 2.10.** Marketing research
- 2.11.** Methodology of Marketing research.
- 2.12. International Research Strategy
- 2.13.** Desk Research

- 2.14. Filed Research
- 2.15. Market Oriented Information
- 2.16. International marketing intelligence
- 2.17. Competitive Intelligence

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2.1 PRODUCT POLICY

A product policy outlines broad guidelines for how a company will manage its products, from initial planning and development to product mix, packaging, branding, and positioning. It's a strategic approach that aims to achieve maximum customer satisfaction and long-term success for the company's product offerings.

Key Aspects of Product Policy:

Product Planning and Development:

This involves decisions about the types of products a company will offer, their features, and how they will be developed and brought to market.

Product Mix:

This refers to the range of products a company offers, including product lines, items, and variations.

Packaging:

Decisions about how products are packaged, including design, labeling, and materials.

Branding:

Establishing a brand identity, including the name, logo, and image of a product or product line.

Positioning:

Defining how a product is perceived by consumers in relation to competitors.

Product Life Cycle Management:

Understanding and managing the different stages of a product's life, including introduction, growth, maturity, and decline.

Customer Satisfaction:

Ensuring that products meet customer needs and expectations.

Competition:

Analyzing and responding to competitive pressures in the market.

Technical Feasibility:

Ensuring that products are technically viable and can be produced and delivered effectively.

Cost Analysis:

Evaluating the costs associated with product development, production, and marketing.

Examples of Product Policy in Action:

A company might develop a new product line based on market research and customer feedback.

A company might change its packaging to better reflect its brand identity or meet evolving customer preferences.

A company might launch a new marketing campaign to position its product as a premium or innovative option.

A company might manage the product life cycle by introducing new features, reducing prices, or even discontinuing products that are no longer profitable.

Benefits of a Strong Product Policy:**Improved Customer Satisfaction:**

By understanding and addressing customer needs, a strong product policy can lead to greater customer satisfaction and loyalty.

Increased Sales and Profitability:

Well-developed and managed products can lead to higher sales and profitability for a company.

Stronger Brand Reputation:

A consistent product policy can help to build a strong brand reputation and recognition in the marketplace.

Greater Competitive Advantage:

By focusing on innovation, quality, and customer needs, a strong product policy can help a company gain a competitive advantage over its rivals.

2.2 INTERNATIONAL PRODUCT LIFE CYCLE

The International Product Life Cycle (IPLC) theory describes how a product's life cycle unfolds across different countries and markets, as it progresses from introduction to decline. It examines how a product is developed, marketed, and eventually phased out in various countries, considering how companies adapt their strategies to local markets and competition.

Stages of IPLC (often similar to traditional product life cycle stages):

2. **Introduction:**

A new product is introduced to the market, typically in the innovating country.

3. **Growth:**

The product's sales and market share grow, often through exports to other countries.

4. **Maturity:**

The product's sales begin to plateau, and competition may increase, leading to price wars and market saturation.

5. **Decline:**

The product's sales decline, and it may eventually be phased out of the market.

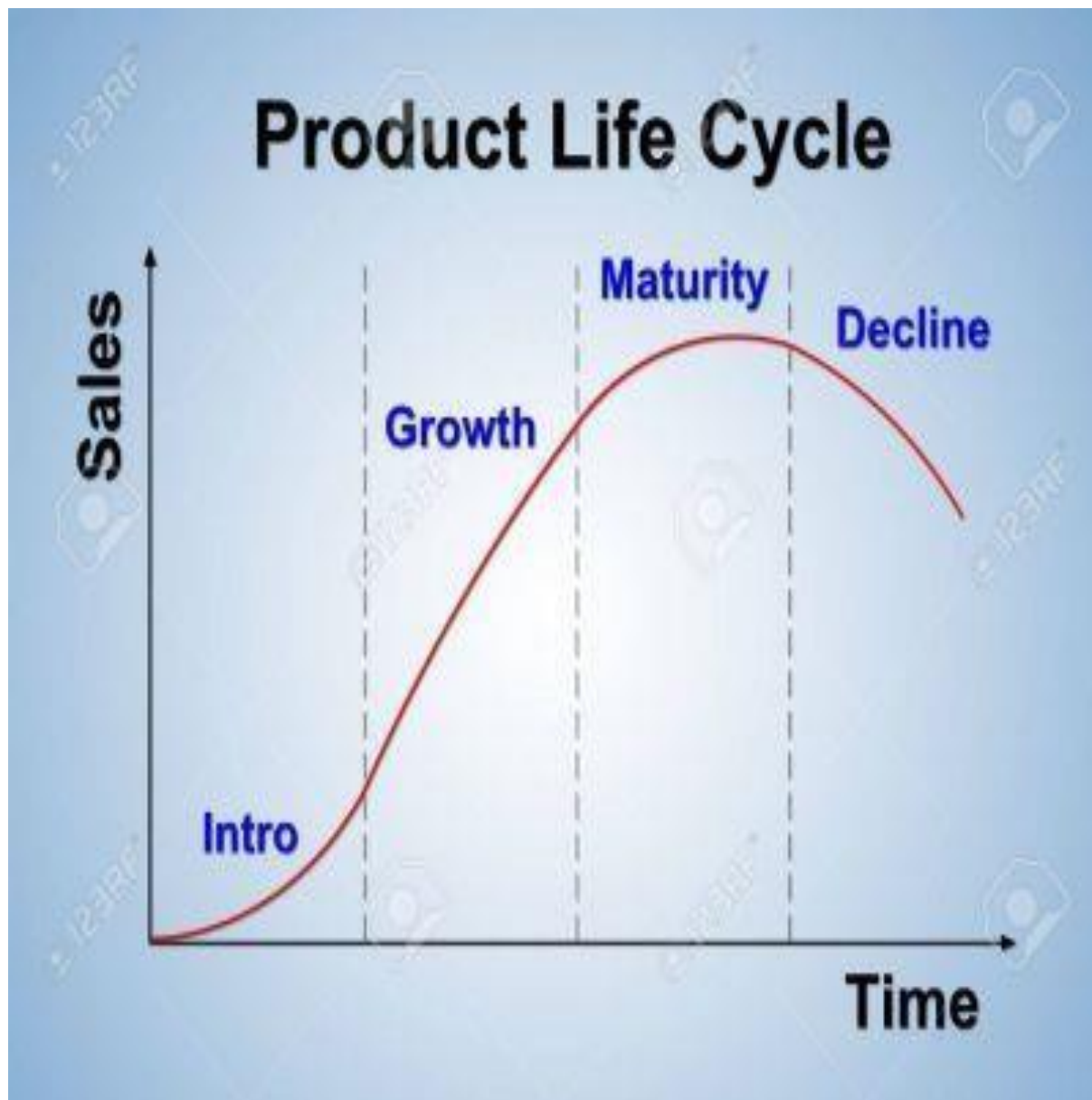
Example:

Imagine a new mobile phone technology is developed in a developed country. The IPLC would then describe:

6. **Introduction:** The phone is initially launched in the innovating country.

7. **Growth:** The phone is exported to other developed countries with high incomes.

8. **Maturity:** Production may shift to lower-cost countries, and the phone may be adapted for different markets.
9. **Decline:** As newer technologies emerge, the phone's sales may decline, and it may eventually be replaced by a newer model.



Product/International Product Life Cycle Approach

The product life cycle concept in marketing theory is a micro level explanation of stages of the life cycle a Product or service goes through in the context of its market life. Sales volume and profits become the critical micro variables in the product life cycle framework. In the introductory stage of a product's life, sales are typically slow and profits negative. In the growth stage, both sales and profits rise at a rapid rate. During maturity, sales volume may continue to rise at a declining rate and profit may stay high. In the decline state, both sales and profit decrease. Sales and profits are the principal variables for marketing decisions. The product life cycle is essentially a tool for firms to design marketing mix strategies for different stages of the life span of a product or service.

The International Product life cycle can be defined as market life span stages the product goes through in international markets sequentially, simultaneously or asynchronously. The sequential stages are introduction, growth, maturity, decline and extinction in the international markets. When a product is positioned in different international markets at the same time and is going through similar life cycle stages, the cycle process is simultaneous. The life cycle stages are asynchronous when the product is in different stages in different international markets at the same time. The life cycle stage in which a product can be positioned is influenced by macro variables indigenous to country Markets.

2.3 EXPORT PRICING

Export prices, also known as Export Price Indices (EPs), measure changes in the prices of goods and services provided by a country's residents to non-residents (the rest of the world). They provide insights into how prices of exported goods and services are changing over time, reflecting factors like demand, costs, and currency exchange rates.

Factors Influencing Export Prices:

- Foreign Demand:

Strong demand in foreign markets can lead to increased export prices.

- Internal Costs:

Higher production costs within the exporting country can also increase export prices.

- **Currency Exchange Rates:**

Fluctuations in currency exchange rates can impact export prices, particularly when selling to high-risk markets.

- **Pricing Strategies:**

Exporters employ various pricing strategies, including skimming, penetration, and competitor-based pricing, to determine optimal export prices.

- **Discounts and Incentives:**

Offering discounts for bulk orders or other incentives can influence export prices and encourage larger purchases.

Importance of Export Price Indices (EPIs):

- **Tracking Price and Inflation Trends:** EPIs help identify price and inflation trends in global trade, which are important for investors and businesses.
- **Investment Decisions:** Data from EPIs can impact bond markets and other investment decisions.
- **Economic Analysis:** EPIs are used to measure inflation in internationally traded products and provide insights into economic performance.

2.4 International Marketing Decision

International marketing decisions involve adapting the 4Ps (Product, Price, Place, and Promotion) to suit specific international markets, considering cultural, economic, and legal factors. These decisions are crucial for successful global expansion, encompassing market entry strategies, brand positioning, and organizational structure.

Key International Marketing Decisions:

- **Market Entry Mode:**

Choosing how to enter a foreign market, such as exporting, licensing, joint ventures, or foreign direct investment.

- **Target Market Selection:**

Identifying and targeting specific segments within international markets based on demographics, psychographics, and behavioral factors.

- **Product Adaptation:**

Adjusting product features, design, and quality to meet the specific needs and preferences of international consumers.

- **Pricing Strategy:**

Determining the price of products in foreign markets, considering factors like local economic conditions, competitive pricing, and cost considerations.

- **Distribution Channels:**

Selecting appropriate channels to distribute products in international markets, such as direct sales, distributors, or online retailers.

- **Promotion Strategies:**

Tailoring advertising messages, marketing campaigns, and sales promotions to resonate with international consumers' cultural norms and preferences.

- **Brand Positioning:**

Developing a unique and compelling brand identity that resonates with international consumers and sets the brand apart from competitors.

- **Organizational Structure:**

Deciding whether to centralize or decentralize marketing operations in international markets.

- **Global vs. Local Brand Strategy:**

Choosing whether to pursue a global brand strategy, with consistent branding across all markets, or a localized brand strategy, with tailored branding for each market.

- **Adaptation vs. Standardization:**

Determining whether to adapt marketing strategies to each specific international market or standardize them across multiple markets.

Factors Influencing International Marketing Decisions:

- **Cultural Factors:**

Understanding and adapting to cultural norms, values, and behaviors in different countries.

- **Economic Factors:**

Considering economic conditions, income levels, purchasing power, and market size in foreign markets.

- **Legal and Regulatory Factors:**

Adhering to local laws, regulations, and trade barriers in international markets.

- **Political Factors:**

Assessing political stability, government policies, and potential risks in foreign markets.

- **Technological Factors:**

Leveraging technology to reach and engage with international consumers.

- **Competitive Factors:**

Analyzing the competitive landscape in foreign markets and developing strategies to differentiate the brand.

- **Firm-Specific Factors:**

Evaluating the company's resources, capabilities, and objectives for international expansion.

2.5 Marketing Decision

Marketing decisions encompass all resource allocation and usage strategies aimed at translating consumer buying power into sales, impacting both present and future sales. These decisions are intertwined with overall company strategy and objectives, considering factors like product quality, distribution channels, and advertising budgets.

Here's a more detailed look at marketing decisions:

Key Areas of Marketing Decisions:

- **Market Segmentation:**

Identifying distinct groups of consumers with similar needs and preferences to tailor marketing efforts.

- **Product and Service Development:**

Deciding on the features, quality, and design of products or services.

- **Pricing:**

Determining the price point of products or services, considering cost, competition, and target market.

- **Distribution:**

Choosing the most effective channels to make products or services accessible to customers, including brick-and-mortar stores, online platforms, or third-party retailers.

- **Promotion:**

Communicating the value proposition of products or services to potential customers through advertising, public relations, sales promotions, and other channels.

- **Customer Relationship Management (CRM):**

Building and maintaining strong relationships with customers to foster loyalty and repeat business.

- **Digital Marketing:**

Utilizing online channels like social media, search engines, and email to reach and engage with target audiences.

- **Data Analysis and Measurement:**

Tracking and analyzing marketing campaigns to measure their effectiveness and identify areas for improvement.

- **Competitive Analysis:**

Understanding the strengths and weaknesses of competitors to develop a competitive advantage.

The Importance of Marketing Decisions:

1. **Driving Sales and Revenue:**

Effective marketing decisions can lead to increased sales, market share, and ultimately, profitability.

2. **Building Brand Awareness and Recognition:**

Strategic marketing efforts can help build a strong brand reputation and establish a positive brand image in the minds of consumers.

3. **Enhancing Customer Satisfaction:**

By understanding customer needs and preferences, marketers can develop products and services that meet those needs, leading to greater customer satisfaction and loyalty.

4. **Improving Efficiency and Resource Allocation:**

Data-driven marketing decisions can help businesses allocate resources more efficiently, maximizing the return on investment (ROI).

Adapting to Changing Market Conditions:

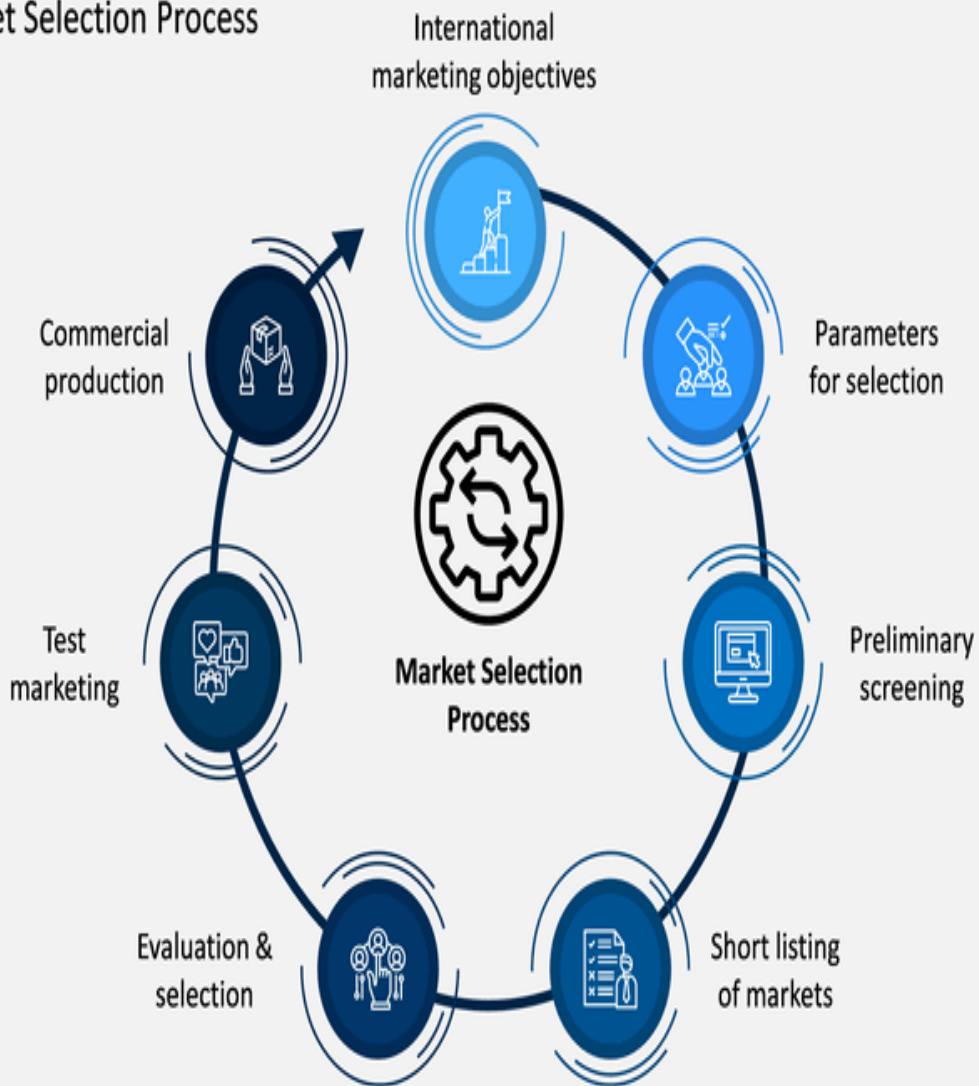
By continuously monitoring market trends and customer behavior, marketers can adapt their strategies to stay ahead of the competition and maintain relevance.

2.6 Market Selection Decision

Market selection is the process of evaluating markets and regions to identify where talent pools will create opportunity and support business goals. Data analysis informs market compensation selection and is based on which locations are best suited to meet business needs for talent, competition.

MARKET SELECTION

Market Selection Process



2.7 Market Entry Decisions

A market entry decision refers to a strategic choice a company makes about how and when to start offering its products or services in a new geographic area or a new customer segment. It's a plan for launching and growing in a new market, encompassing various factors like market research, choosing the right entry method, and implementing a marketing strategy.

2.8 Marketing Mix Decisions

The marketing mix, often referred to as the 4 Ps of marketing, consists of Product, Price, Place, and Promotion. These are key decisions a business makes to successfully market and sell its products or services.

Here's a more detailed breakdown of each element:

- 1. Product:** This refers to the goods or services offered to the market. It encompasses decisions about the product's features, design, packaging, branding, and overall value proposition.
- 2. Price:** This determines how much the product or service will cost to the customer. Pricing strategies consider factors like cost of production, competition, market demand, and perceived value.
- 3. Place (Distribution):** This involves how and where the product will be distributed to reach the target market. Decisions include choosing distribution channels, such as retail stores, online platforms, or direct sales.
- 4. Promotion:** This focuses on communicating the value of the product to the target audience and creating awareness. Promotional activities can include advertising, public relations, sales promotions, and direct marketing.

By strategically considering and combining these four elements, businesses can develop a comprehensive marketing plan to effectively reach and engage their target customers.

2.8 International Marketing Research

International marketing research involves studying and analyzing markets outside a company's domestic boundaries to make informed decisions for global business expansion. International marketing research requires a deep understanding of diverse cultures, as consumer behavior, preferences, and market dynamics can vary significantly across countries. International marketing research helps in identifying viable entry strategies for international markets. This involves assessing the regulatory environment, and competition, and understanding the economic landscape.

Significance of International Marketing Research

1. Global Market Understanding: International marketing research provides businesses with a comprehensive understanding of the global marketplace. It helps identify and analyze diverse consumer preferences, cultural variations, economic conditions, and regulatory landscapes. This understanding is essential for tailoring products, services, and marketing strategies to specific international markets.

2. Informed Decision Making: Informed decision-making is a cornerstone of successful international expansion. Through thorough research, companies can gather data on market potential, competition, and consumer behavior in different countries. This information allows businesses to make strategic decisions related to market entry, product adaptation, pricing strategies, and promotional activities.

3. Risk Mitigation: International markets come with inherent risks, including political instability, economic volatility, and legal complexities. Marketing research enables companies to assess and anticipate these risks, allowing them to develop strategies for risk mitigation. This proactive approach enhances the chances of success and minimizes the impact of unforeseen challenges.

4. Resource Optimization: Conducting international marketing research helps in optimizing resource allocation. It allows companies to allocate resources more efficiently by focusing on markets with the highest potential for success. This includes identifying target demographics, understanding consumer needs, and aligning products and marketing messages with the preferences of the target audience.

Process of International Marketing Research

The following steps are involved in carrying out international marketing research,

1. Defining the Research Problem

The first step in the marketing research process is defining the research problem. This denotes that the objective or purpose of the research study should be clearly laid down. This is essential to give a clear direction to research and to avoid confusion. The research process thus begins with defining the research problem and establishing specific research objectives. Market researcher must be sure that the problem definition is sufficiently broad enough to cover the entire range of response possibilities, and not be clouded by his self-reference criterion. Defining the research problem is vital in collecting the required information, avoiding gathering irrelevant information, and analysing and interpreting data. Thus, defining the research problem may be the pivotal task in the entire study. In defining the problem, two important considerations are taken into account that is market structure and product concept. Market structure denotes the size of the market, its stage of development, the number of competitors and their market shares, and the channels through which the market is reached. The meaning of the product in a particular environment refers to the Product Concept.

2. Carrying out Situational Analysis

Situational analysis helps in defining the research problem more clearly and may also enable the formulation of the research hypothesis. Situational analysis is particularly significant when marketing research is conducted by an outside agency, because the situational analysis is intended to familiarise the researcher with the company and its environment, hence making the problem more comprehensible to the researcher. The researcher analyses the situation by obtaining relevant information about the company, its competitors, and other information pertinent to the problem.

3. Conducting Informal Investigation

This stage is in fact an extension of the previous stage. Situational analysis is mainly confined to information from company sources, but in this stage, the researcher collects

more information from external sources, such as competitors, middlemen, advertising agencies, customers, etc. In some cases of research problems, the required information will be obtained by this step so that it will not be necessary to continue the research. But, if the formal investigation reveals the necessity for a further investigation, the next step will have to be taken; i.e., formulating a research design.

4. Formulating a Research Design

A research design is the specification of methods and procedures for obtaining the required information. It is the overall pattern of the framework of the research project that stipulates what information is to be gathered from which sources and by what procedures. A research design thus spells out the type of information required, the sources of the information, and the methods or techniques of data collection.

5. Collection of Information

As the research design states the information requirements, sources of information, and methods of data collection, the next step taken will be the collection of data. The marketer's lack of familiarity with a country's basic socio-economic and cultural patterns results in a huge demand for information, which can be available both from primary as well as secondary sources. Availability, reliability, comparability, and validating of data are some of the problems encountered with secondary data. Most countries do not have governmental agencies that collect data on a regular basis which might be needed by a marketer.

6. Processing, Analysis and Interpretation of Data

Once the data have been collected, the next step in the research process is the analysis and interpretation of findings in light of marketing problems in order to produce meaningful guides for management decisions. Presentation of research findings is the final step, for which the data must be analysed and interpreted. The raw data collected have to be processed and presented in an appropriate form, such as tables to make them easily amenable to analysis. Analysis should be followed by interpretation, which consists of expressing the findings in more meaningful terms, such as percentages, and drawing useful inferences from them.

7. Presentation of Research Findings

The information extracted from the respondents will not serve the intended purpose unless provided to decision-makers in a timely manner. High-quality international information systems design will be an increasingly significant competitive tool as businesses are going international and resources must be invested accordingly. The research findings should be presented in an appropriate form depending upon a number of factors like the nature of research, its purpose and use, the persons who use them, etc.

2.9 Marketing Information System

A Marketing Information System (MIS) is like a toolkit for businesses. It helps gather, study, store, and share important information for smart marketing decisions. MIS keeps companies informed about the market, customer needs, and what competitors are doing. It serves as a comprehensive data hub, enabling the collection, organization, and utilization of information crucial for sound decision-making. With components like internal records, marketing intelligence, and data warehousing, MIS empowers businesses to understand market dynamics, customer behaviours, and competitor strategies. In this article, we will explore the significance of MIS for competitive advantage, optimizing resources, and supporting informed decision-making. From data types to the MIS process and real-world examples, it provides a holistic understanding of how MIS shapes intelligent marketing strategies.

What is a Marketing Information System (MIS)?

A Marketing Information System (MIS) is a helpful tool for businesses. It's a way to collect, organize, and use marketing information. Think of it as a system that gathers data about sales, customers, and the market. This tool is important because it helps businesses make smart decisions. It allows them to understand what's happening in the market, what customers are doing, and what competitors are up to. By having this information,

businesses can plan better, use their resources wisely, and stay ahead of the competition. In simpler terms, it's a way for companies to know what's going on in the business world and use that knowledge to make better choices.

Importance of a Marketing Information System

A Marketing Information System (MIS) plays a crucial role in the success of businesses by providing valuable insights and support across various aspects of marketing. Its importance is evident in several key areas.

1. Decision Making: One of the key advantages of having an MIS in place is that it aids decision-making. By offering comprehensive data and insightful analysis, it helps decision-makers within a company make well-informed choices. This means they can look at the available options and pick the most suitable ones for the company's benefit.

2. Market Understanding: Understanding the market is pivotal for successful marketing, and an MIS proves to be quite handy in this regard. It gives a peek into the market dynamics, customer behaviours, and what the competitors are up to. This understanding is crucial for businesses to tweak their strategies in line with what's happening in the market, ensuring they stay on track and meet customer demands effectively.

3. Competitive Edge: Timely and accurate information is like gold in the business world, and an MIS ensures companies have access to just that. It lets them respond quickly to changes in the market. By staying abreast of industry trends, customer preferences, and what the competition is doing, businesses can position themselves well, making them more resilient and responsive to market needs.

4. Resource Optimization: Efficient use of resources is a make-or-break aspect for any business, and an MIS helps in optimizing marketing resources. By providing insights into the performance of different marketing channels, it assists in using budgets more effectively. This ensures that resources are channelled toward strategies and campaigns that bring in the best returns, ultimately boosting overall efficiency.

5. Performance Measurement: Measuring how well marketing strategies are working is an ongoing process, and an MIS aids in this by providing tools for assessment and analysis. Companies can gauge the effectiveness of their marketing campaigns, pinpoint areas that need improvement, and make necessary adjustments. This continuous feedback loop contributes to refining marketing strategies, leading to better overall performance.

Marketing Information System Components

A Marketing Information System (MIS) comprises various components that work together to facilitate the collection, processing, storage, and dissemination of information for effective marketing decision-making. These components are integral to the overall functionality of the system:

1. Internal Records: Internal records are the foundation of an MIS. These include data generated and maintained within the organization. Examples include sales records, customer databases, inventory levels, and financial information. Internal records provide insights into the organization's performance and customer interactions.

2. Marketing Intelligence: Marketing intelligence involves gathering external information related to the market environment. This includes monitoring competitor activities, analyzing industry trends, and staying abreast of changes in the economic and regulatory landscape. Marketing intelligence helps in understanding the external factors that can impact marketing strategies.

3. Marketing Research: Marketing research is a systematic process of collecting, analyzing, and interpreting data to understand market opportunities and challenges. It involves both primary research (direct data collection) and secondary research (using existing data). Marketing research helps in gaining insights into consumer behaviour, preferences, and market dynamics.

4. Data Warehousing: Data warehousing involves the centralized storage of large volumes of data from various sources. It provides a platform for organizing, managing, and retrieving information efficiently. A well-designed data warehouse facilitates analysis and reporting, supporting decision-makers in accessing relevant data when needed.

5. Information Output: The final component involves presenting information to decision-makers in a meaningful format. This can include reports, dashboards, visualizations, and presentations. The goal is to provide actionable insights derived from the processed data. Effective information output ensures that decision-makers can easily comprehend and utilize the information for strategic planning.

Types of Data in a Marketing Information System

In a Marketing Information System (MIS), different types of data play a crucial role in understanding and making decisions about marketing strategies. These data types can be classified into four main categories: primary data, secondary data, quantitative data, and qualitative data.

1. Primary Data: This type of data is collected first hand, directly from original sources. It involves gathering information specifically for the purpose at hand. Examples of collecting primary data include conducting surveys, interviews, or focus groups. It's like going directly to the source to get the information you need.

2. Secondary Data: In contrast to primary data, secondary data is information that has already been collected by someone else for a different purpose. This can include reports, articles, and publicly available data. It's like using existing information that others have gathered to support your marketing insights.

3. Quantitative Data: Quantitative data involves numbers and measurements. It's about quantities and can be easily expressed in numerical terms. For marketing, this could be data like sales figures, website traffic, or the number of products sold. It's all about the hard, numerical facts.

4. Qualitative Data: Qualitative data, on the other hand, is non-numeric and focuses on qualities. It helps in understanding the underlying reasons, motivations, and attitudes of consumers. Examples include customer feedback, reviews, or open-ended survey responses. It provides a deeper, more nuanced understanding beyond just numbers.

Steps Involved in a Marketing Information System Process

The process of a Marketing Information System (MIS) involves several key steps that collectively contribute to the system's effectiveness in providing valuable information for marketing decision-making.

1. Data Collection: The first step involves gathering relevant data from various sources. This can include internal sources such as sales records, customer databases, and inventory levels, as well as external sources like market research, competitor analysis, and industry reports. The goal is to ensure a comprehensive dataset that covers both internal and external aspects of the market.

2. Data Processing: Once the data is collected, it needs to be organized and processed to extract meaningful insights. This step involves cleaning and structuring the data, performing analyses, and using statistical methods to identify patterns or trends. Data processing transforms raw data into actionable information that can guide marketing decisions.

3. Information Storage: Processed information needs to be stored in a secure and accessible manner. This involves creating a data repository or a data warehouse where information can be stored centrally. Proper storage ensures that historical data is available for future reference and analysis, contributing to a more informed decision-making process.

4. Information Retrieval: Retrieval is the process of accessing stored information when needed. Decision-makers should be able to retrieve relevant data easily and quickly. This step ensures that up-to-date information is available for analysis and decision-making, supporting both strategic planning and day-to-day marketing operations.

5. Information Dissemination: The final step involves presenting the information to decision-makers. This can be done through various means, such as reports, presentations, dashboards, or visualizations. The goal is to communicate insights in a clear and understandable manner, facilitating effective decision-making by providing actionable information.

These steps are cyclical, as the information gathered and processed often leads to further data collection and analysis.

Benefits of using a Marketing Information System

- 1. Informed Decision Making:** An MIS provides timely and relevant information to marketing decision-makers, enabling them to make informed and data-driven choices. This leads to more effective planning and execution of marketing strategies.
- 2. Competitive Advantage:** Access to real-time market data, competitor analyses, and industry trends allows organizations to stay ahead of the competition. The ability to adapt quickly to changing market conditions provides a competitive edge.
- 3. Resource Optimization:** By having a clear understanding of market demands, consumer behavior, and product performance, businesses can optimize their resources. This includes efficient allocation of budgets, manpower, and other marketing resources.
- 4. Improved Customer Satisfaction:** A well-implemented MIS helps in understanding customer preferences, behaviours, and feedback. This knowledge allows companies to tailor their products and services to meet customer expectations, ultimately enhancing customer satisfaction.
- 5. Strategic Planning:** The insights provided by an MIS support long-term strategic planning. Marketing managers can develop and implement effective marketing strategies based on a thorough understanding of market dynamics, trends, and potential opportunities.
- 6. Risk Management:** The system assists in identifying potential risks and challenges in the market. By being aware of these risks, organizations can develop proactive strategies to mitigate them, reducing the impact of uncertainties on their marketing activities.
- 7. Cost Efficiency:** Efficient use of resources is achieved through targeted marketing efforts. Instead of employing a trial-and-error approach, organizations can focus on strategies that are proven effective through data analysis, reducing unnecessary costs.
- 8. Market Research Efficiency:** MIS streamlines the market research process, making it more efficient and cost-effective. With access to a wealth of data, organizations can avoid duplicating efforts and leverage existing information for decision-making.

2.10 Market Research

Market research is a systematic process of gathering, analyzing, and interpreting information about a market, its customers, and competitors. It helps businesses understand their target audience, identify market trends, and make informed decisions about products, services, and marketing strategies.

Key aspects of market research:

1. **Understanding the market:**

This includes identifying the size and growth potential of the market, understanding customer needs and preferences, and analyzing competitor offerings.

2. **Gathering information:**

Market research can involve surveys, interviews, focus groups, observation, and analysis of existing data.

3. **Analyzing data:**

This involves using statistical methods and other analytical techniques to identify patterns, trends, and insights.

4. **Making informed decisions:**

The insights gained from market research can be used to develop better products, services, and marketing strategies.

Benefits of market research:

1. **Reduced risk:**

By understanding the market, businesses can make more informed decisions and reduce the risk of launching unsuccessful products or services.

2. **Improved decision-making:**

Market research provides valuable data and insights that can help businesses make better decisions about product development, pricing, marketing, and sales.

3. **Enhanced customer understanding:**

Market research helps businesses understand their customers' needs, preferences, and buying behaviors.

4. **Competitive advantage:**

By understanding the market and their competitors, businesses can gain a competitive advantage.

Examples of market research applications:

1. **New product development:**

Before launching a new product, businesses may conduct market research to determine if there is a demand for it and to understand what features and benefits customers would be most interested in.

2. **Marketing campaigns:**

Market research can be used to identify the most effective marketing channels and strategies for reaching target audiences.

3. **Customer satisfaction:**

Businesses may use market research to gather feedback from customers about their experiences and identify areas for improvement.

4. **Competitive analysis:**

Market research can be used to analyze the strengths and weaknesses of competitors and to identify opportunities for differentiation.

2.11 Marketing Research

Marketing research involves systematically gathering, recording, and analyzing data about a market, its customers, and competitors to inform marketing decisions. It helps businesses understand consumer behavior, identify market trends, and develop effective strategies for product development, marketing, and sales.

Here's a more detailed breakdown:

What it is:

1. **Systematic data collection:**

Marketing research uses various methods like surveys, interviews, focus groups, and observation to gather data about the market.

2. **Analysis and interpretation:**

This data is then analyzed to identify patterns, trends, and insights about consumer behavior, market size, and competitive landscape.

3. **Informed decision-making:**

The findings are used to make informed decisions about marketing strategies, product development, and sales efforts.

Why it's important:

- **Understanding consumer needs and preferences:**

Marketing research helps businesses understand what customers want and how they behave, allowing them to tailor their offerings and marketing messages accordingly.

- **Identifying market opportunities:**

By analyzing market trends and competitor activities, businesses can identify new opportunities and areas for growth.

- **Developing effective marketing strategies:**

Marketing research provides the data needed to develop targeted marketing campaigns and sales strategies that are more likely to be successful.

- **Improving product development:**

By understanding consumer preferences and needs, businesses can develop products and services that are more appealing and better suited to the market.

Types of Marketing Research:

- **Primary research:**

Collecting new data directly from the target audience through surveys, interviews, focus groups, etc.

- **Secondary research:**

Analyzing existing data and information, such as market reports, industry publications, and government data.

Examples of Marketing Research:

- **Market analysis:** Assessing the size and characteristics of a market, including demographics, psychographics, and buying habits.
- **Competitive analysis:** Studying competitors' products, pricing, and marketing strategies.
- **Customer satisfaction research:** Measuring customer satisfaction with products, services, and customer service.
- **Product testing:** Gathering feedback on new product concepts or prototypes.

2.12 Methodology for Marketing Research

Marketing research methodology refers to the systematic approach and techniques used to gather and analyze information about a market, its customers, and competitors. It helps businesses understand consumer behavior, identify trends, and make informed decisions related to product development, marketing strategies, and more. The methodology involves various methods like surveys, focus groups, interviews, and secondary research, and can be broadly categorized into qualitative and quantitative approaches.

Key Steps in the Marketing Research Process:

- **Define the Problem/Opportunity:** Clearly identify the research question or the business problem you want to address.
 - **Design the Research:** Determine the type of research (qualitative or quantitative), data collection methods, and sampling techniques.
1. **Design Data-Collection Forms:** Create questionnaires, interview guides, or other instruments to collect data.
 1. **Specify the Sample:** Determine who will participate in the research and how they will be selected.
 1. **Collect the Data:** Gather data through surveys, interviews, observations, or other methods.
 1. **Analyze the Data:** Use statistical or qualitative analysis techniques to interpret the findings.
 1. **Write the Report:** Summarize the findings and present them in a clear and concise manner.

Types of Marketing Research Methodologies:

- **Qualitative Research:**

Focuses on understanding attitudes, opinions, and motivations through in-depth interviews, focus groups, and ethnography.

- **Quantitative Research:**

Employs statistical methods to collect and analyze numerical data, often using surveys and questionnaires to test hypotheses and make generalizations about the population.

- **Primary Research:**

Involves collecting new data directly from the target audience through methods like surveys, interviews, and focus groups.

- **Secondary Research:**

Uses existing data and information from published sources, government reports, and other databases.

- **Observational Research:**

Involves observing consumer behavior in their natural environment.

- **Experimental Research:**

Creates a controlled environment to test the impact of different marketing variables.

Example:

A company wanting to launch a new product might use a combination of research methods:

- **Qualitative research:**

Conduct focus groups to gather initial feedback on the product concept and identify potential concerns.

- **Quantitative research:**

Survey a larger sample of the target market to measure interest, willingness to purchase, and product preferences.

- **Secondary research:**

Analyze competitor strategies, market trends, and consumer demographics to understand the competitive landscape.

By employing these methodologies, businesses can gain valuable insights into their target market, make data-driven decisions, and increase their chances of success.

2.12 International Research Strategy

An international research strategy focuses on conducting research that goes beyond national boundaries, often involving collaboration and data collection across countries. It aims to address global challenges, enhance research quality, and build international relationships. International research can involve comparing responses between different countries or conducting research in a country different from the researcher's country of origin.

Key Aspects of an International Research Strategy:

- **Collaboration:**

International research often involves partnerships with researchers from other countries, institutions, or organizations.

- **Global Challenges:**

Many international research strategies focus on addressing global issues like sustainability, economic development, or public health.

- **Data Collection:**

Researchers may collect data from multiple countries, ensuring that their findings are representative of a broader international context.

- **Reciprocity and Openness:**

International research strategies should promote a level playing field and reciprocity between countries involved in the research, while also preserving openness in research and innovation.

- **Impact and Action:**

The ultimate goal of many international research strategies is to generate actionable insights and contribute to real-world solutions.

- **Alignment with Global Goals:**

Some strategies, like those of ICLEI - Local Governments for Sustainability, are aligned with global goals, such as the UN's Sustainable Development Goals.

- **Methodological Considerations:**

International research requires careful consideration of methods that are appropriate for the specific target regions, including potential challenges like navigating regulations, infrastructure limitations, or cultural nuances.

Examples of International Research Strategies:

- The International Growth Centre (IGC) focuses on research that enables firms to deliver goods and services more efficiently and sustainably, both domestically and internationally.
- The ICLEI Global Research Strategy aims to support subnational governments in accelerating sustainable development through collaborative research.
- The European Union's Global Approach to Research and Innovation promotes international cooperation and strengthens partnerships to address global challenges.
- The University of Nottingham's International Research and Knowledge Exchange (IRKE) strategy emphasizes global reputation, collaboration, and contributions to global sustainability, particularly through partnerships with international campuses.

2.13 Desk research and Filed Research

Desk research, also known as secondary research or documentary research, involves gathering and analyzing existing data from various sources like reports, articles, databases, and online resources. It's a cost-effective and time-efficient way to gain insights, understand a topic, and provide context for further primary research.

Here's a more detailed explanation:

Key aspects of desk research:

- **Focus on existing data:**

Desk research relies on information that has already been collected and published by others, rather than gathering new data through primary research methods like interviews or surveys.

- **Wide range of sources:**

Data sources can include public libraries, websites, reports, surveys, journals, newspapers, magazines, books, podcasts, videos, and other online resources.

- **Cost-effective and time-saving:**

Desk research is generally less expensive and quicker than primary research because it leverages existing information.

- **Provides context and background:**

It helps businesses understand their domain, identify opportunities, and save time and money by providing a foundation for further research.

- **Supports decision-making:**

The information gathered from desk research can be used to make informed decisions in various areas, such as market analysis, competitor analysis, and consumer behavior studies.

- **Examples of use:**

Desk research is commonly used for market research, competitor analysis, understanding industry trends, and gathering information on consumer behavior.

In essence, desk research is about leveraging existing knowledge to gain valuable insights and make informed decisions.

Field research is a qualitative data collection method where researchers observe, interact with, and gather information from participants in their natural settings. It's a way to study phenomena as they naturally occur, offering insights into human behavior, social interactions, and cultural practices.

Key Characteristics of Field Research:

1. Natural Setting:

Unlike lab experiments or controlled environments, field research takes place in real-world settings, such as a classroom, workplace, community, or even a natural habitat.

2. Qualitative Data:

Field research primarily focuses on gathering qualitative data, which involves descriptive information, observations, and interpretations of human behavior.

3. Direct Observation and Interaction:

Researchers directly observe and interact with participants in their natural environment to understand their behaviors, interactions, and perspectives.

4. Diverse Methods:

Field research employs various methods, including participant observation, direct observation, interviews, and document analysis.

5. In-Depth Understanding:

Field research aims to provide a deeper understanding of complex social phenomena by examining them in their natural context.

Common Field Research Methods:

1. Participant Observation:

Researchers become involved in the social setting they are studying, allowing them to gain first-hand experience and insights.

2. Direct Observation:

Researchers observe behaviors and interactions from a distance, without actively participating in the setting.

3. Interviews:

Researchers conduct interviews with participants to gather detailed information about their experiences, beliefs, and perspectives.

4. **Document Analysis:**

Researchers analyze existing documents, such as records, reports, or media materials, to gain insights into social phenomena.

Examples of Field Research:

1. **Sociology:**

Studying how social groups function, how individuals interact, and the impact of social structures on people's lives.

2. **Anthropology:**

Examining different cultures, customs, and beliefs by living among and interacting with members of a specific culture.

3. **Marketing Research:**

Observing consumer behavior in retail settings to understand purchasing decisions and preferences.

4. **Wildlife Studies:**

Observing animal behavior in their natural habitats to understand their ecology, social structure, and interactions with the environment.

Advantages of Field Research:

1. **Real-World Context:**

Field research provides a rich understanding of phenomena in their natural settings, offering more validity than controlled experiments.

2. **Flexibility:**

Researchers can adapt their methods and questions based on the evolving needs of the research and the context.

3. **In-Depth Insights:**

Field research can uncover nuanced and complex aspects of human behavior and social interactions that may not be apparent through other research methods.

4. **Rich Qualitative Data:**

Field research generates rich qualitative data, which can be analyzed to develop new theories and understandings.

Disadvantages of Field Research:

1. **Time-Consuming:**

Field research can require significant time and resources to gather data and conduct interviews.

2. **Ethical Considerations:**

Researchers must carefully consider ethical issues, such as informed consent, privacy, and confidentiality, when conducting field research.

3. **Subjectivity:**

Field research can be subjective, as researchers' interpretations of data may be influenced by their own biases.

4. **Generalizability:**

Findings from field research may not be easily generalized to other populations or settings, as they are specific to the context in which they were collected

2.14 Market Oriented Information

Market-oriented information encompasses the data and insights a company gathers and uses to understand and serve its target market effectively. This includes understanding customer needs, preferences, and behaviors, as well as analyzing market trends, competition, and potential opportunities and threats.

Key aspects of market-oriented information:

- **Customer Insights:**

This involves collecting data on customer demographics, psychographics, buying habits, and feedback to gain a deep understanding of their needs and preferences.

- **Market Analysis:**

This includes analyzing market size, growth potential, segmentation, and trends to identify opportunities and tailor marketing efforts.

- **Competitive Intelligence:**

This involves monitoring competitors' activities, strategies, and performance to identify potential threats and opportunities for differentiation.

- **Internal Data:**

This includes data from sales, marketing, and customer service to assess the effectiveness of current strategies and identify areas for improvement.

- **External Data:**

This includes data from industry reports, news publications, and other sources to stay informed about market trends and changes.

How market-oriented information is used:

- **Product Development:**

Understanding customer needs and preferences helps companies develop products and services that meet those demands.

- **Marketing Strategies:**

This information informs marketing campaigns, targeting, and positioning efforts to reach the right customers with the right message.

- **Sales and Customer Service:**

This data helps improve sales processes, customer service, and customer retention strategies.

- **Overall Business Strategy:**

Market-oriented information provides valuable insights for strategic planning and decision-making.

In essence, market-oriented information is the foundation for building a customer-centric business that can effectively compete in the marketplace.

2.15 International Marketing Intelligence

International marketing intelligence involves collecting, analyzing, and disseminating information about the international market environment to aid in making informed marketing decisions. It's a systematic process that helps companies understand global markets, identify opportunities, and develop effective strategies. This includes gathering data on various aspects like customer behaviour, product demand, pricing, distribution, and competition.

Key Aspects of International Marketing Intelligence:

- **Information Gathering:**

Companies use both primary and secondary data sources, including surveys, interviews, focus groups, market reports, and online research, to gather information.

- **Analysis and Interpretation:**

The collected data is analyzed to identify trends, patterns, and insights that can inform marketing strategies.

- **Decision Making:**

The analysis of international marketing intelligence helps companies make informed decisions about market entry, product development, pricing, promotion, and distribution strategies.

- **Competitive Intelligence:**

Understanding competitor activities and strategies is crucial for success in international markets.

- **Market Research:**

International marketing intelligence often overlaps with market research, which focuses on gathering information about specific products or services.

- **Information System (IMIS):**

Many companies utilize International Marketing Information Systems (IMIS) to manage and analyze data effectively.

- **Ethical Considerations:**

Businesses must consider ethical implications related to data collection and use, particularly with evolving data privacy regulations.

Benefits of International Marketing Intelligence:

- **Improved Marketing Decisions:**

By understanding the international market environment, companies can make better decisions about their marketing strategies.

- **Enhanced Competitive Advantage:**

Gathering and analysing information on competitors helps companies stay ahead of the curve.

- **Reduced Risks:**

International marketing intelligence can help companies assess risks and make more informed decisions about entering new markets.

- **Increased Revenue and Profit:**

By developing effective marketing strategies based on intelligence, companies can increase their revenue and profit.

2.16 Competitive Intelligence

Competitive intelligence (CI) is the process of systematically gathering, analyzing, and distributing information about a company's competitors, customers, and the broader market environment. This information helps organizations make informed decisions, improve performance, and gain a competitive advantage.

Here's a more detailed look at competitive intelligence:

Key Aspects:

- **Data Collection:**

Gathering information from various sources, including competitor websites, press releases, social media, online reviews, and industry reports.

- **Analysis:**

Interpreting and making sense of the collected data to identify trends, patterns, and potential opportunities or threats.

- **Information Distribution:**

Sharing relevant insights with the appropriate stakeholders within the organization.

- **Strategic Decision-Making:**

Using the gathered intelligence to make informed decisions about product development, pricing, marketing, and other strategic initiatives.

Importance of Competitive Intelligence:

1. **Anticipating Competitor Actions:**

Understanding what competitors are doing, both in the short and long term, allows for proactive responses.

2. **Identifying Market Trends:**

Recognizing emerging trends and shifts in customer preferences can help businesses adapt and stay ahead of the curve.

3. Improving Business Performance:

By understanding the competitive landscape, organizations can identify areas for improvement, optimize their strategies, and ultimately increase their competitiveness.

4. Avoiding Misinterpretations:

While data analysis is crucial, it's important to be aware of the potential for misinterpretation and to avoid drawing faulty conclusions.

Ethical Considerations:

1. Competitive intelligence should be conducted ethically and legally.
2. It should not involve corporate espionage or the use of illicitly obtained information.
3. Transparency and honesty are essential in building trust and fostering strong relationships with both internal and external stakeholders.

Let's Sum-Up:

Dear Learners, in this Module we learn, Product Policy International Product Life Cycle Export Pricing. International Marketing Decision: Marketing Decision _ Market Selection Decision Market Entry Decision Marketing Mix Decision. International Marketing Research: Marketing Information System Market Research Marketing Research Methodology for Marketing Research. International Research Strategy Desk Research and Filed Research -Market Oriented Information International Marketing Intelligence Competitive Intelligence.

Self-Assessment Questions:

1. Explain International Product Life Cycle? Explain them with the help of examples.

2. Describe the Decision Marketing Mix.
3. Explain International Marketing Research Strategy.

UNIT- III**INTRODUCTION**

International Sales Contract: Major Laws - INCO Terms - Standard clauses of International sales Contract Role of Indian Council of Arbitration / International Chamber of Commerce in solving Trade disputes. International Trade Liberalization: General Agreement on Tariff and Trade (GATT) World Trade Organization (WTO) GATS UNCTAD Trade Blocks: Customs Union EU, Intra- African Trade: Preferential Trade Area (PTA) European Free Trade Area (EFTA) Central American Common Market (CACM) Latin American Free Trade Association (LAFTA) North American Free Trade Agreement (NAFTA) Association of South East Asian Nations (ASEAN) CARICOM – GSTP- GSP- SAPTA - Indian Ocean RIM initiative BIM ST EC World Bank, IMF, International Finance Corporation - Multinational Investment Guarantee Agency (MIGA). World Trade in Services Counter Trade World Commodity Markets and Commodity Agreements.

Unit Module Structuring

International Sales Contract: Major Laws - INCO Terms - Standard clauses of International sales Contract - Role of Indian Council of Arbitration / International Chamber of Commerce in solving Trade disputes. International Trade Liberalization: General Agreement on Tariff and Trade (GATT) , World Trade Organization (WTO), GATS , UNCTAD, Trade Blocks: Customs Union, EU, Intra- African Trade: Preferential Trade Area (PTA) , European Free Trade Area (EFTA), Central American Common Market (CACM), Latin American Free Trade Association (LAFTA), North American Free Trade Agreement (NAFTA), Association of South East Asian Nations (ASEAN), CARICOM – GSTP- GSP- SAPTA - Indian Ocean RIM initiative BIM ST EC, World Bank, IMF, International Finance Corporation - Multinational Investment Guarantee Agency (MIGA). World Trade in Services - Counter Trade World Commodity Markets and Commodity Agreements.

Self- Learning Material Development – STAGE- I

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International Sales Contract

An international sales contract is a legally binding agreement between a buyer and a seller from different countries that outlines the terms of a sale, including the goods or services being sold, payment terms, delivery conditions, and other key provisions. These contracts are governed by the United Nations Convention on Contracts for the International Sale of Goods (CISG), which provides a uniform legal framework for international sales.

Key Elements of an International Sales Contract:

4. **Parties:**

Clearly identifies the buyer and seller, including their legal names and addresses.

5. **Subject Matter:**

Describes the goods or services being sold, including quantity, quality, and specifications.

6. **Price:**

Specifies the price of the goods or services, including the currency and any applicable taxes.

7. **Payment Terms:**

Outlines the payment methods, deadlines, and any applicable guarantees or security.

8. **Delivery Terms:**

Specifies the location and time of delivery, including the mode of transportation and any applicable insurance.

9. Risk of Loss:

Determines when the risk of loss or damage to the goods transfers from the seller to the buyer.

10. Warranties:

Addresses any warranties or guarantees provided by the seller regarding the goods or services.

11. Breach and Remedies:

Outlines the consequences of breach of contract, including remedies for non-performance.

12. Governing Law:

Specifies the legal jurisdiction and applicable law governing the contract.

13. Dispute Resolution:

Establishes the mechanism for resolving any disputes that may arise.

Why are International Sales Contracts Important?**14. Clarity and Security:**

They provide a clear understanding of the rights and obligations of each party, reducing the risk of disputes.

15. Legal Binding:

They are legally enforceable, providing a framework for resolving disagreements.

16. International Trade:

They facilitate international trade by standardizing the terms of sale and reducing legal barriers.

17. Risk Management:

They allow parties to allocate risks and responsibilities in a clear and predictable manner.

Major Laws

The main legal framework governing international sales contracts is the United Nations Convention on Contracts for the International Sale of Goods (CISG), also known as the Vienna Convention**. Other important legal instruments include the UNIDROIT Principles of International Commercial Contracts and lex mercatoria (general principles of

international trade law), while Incoterms from the International Chamber of Commerce (ICC) provide standardized trade terms.

CISG (Vienna Convention):

18. **Purpose:**

Establishes uniform rules for the formation, execution, and enforcement of international sales contracts.

19. **Scope:**

Applies to contracts between businesses (not to consumers) in different countries, when those countries have ratified the CISG, or when the applicable law of the CISG is required.

20. **Key Areas Covered:**

Contract formation, obligations of the seller and buyer, risk of loss, and remedies for breach of contract.

21. **Application:**

The CISG generally applies automatically if both the seller and buyer are in contracting states.

Other Relevant Instruments:

22. **UNIDROIT Principles:**

Offer non-binding principles for international commercial contracts, covering areas like formation, interpretation, and execution.

23. **lex mercatoria:**

Refers to general principles and customs that are recognized and applied in international trade, often supplementing or filling gaps in formal legal rules.

24. **Incoterms:**

Provide standardized rules for international trade, outlining the responsibilities of buyers and sellers regarding the delivery of goods, including insurance and transportation.

Model Contracts (e.g., ICC Model International Sale Contract):

Offer standardized templates for international sales contracts, often incorporating provisions relevant to CISG-governed transactions.

INCO Terms

Incoterms, short for International Commercial Terms, are a set of standardized trade terms used in international sales contracts to define the responsibilities and liabilities of sellers and buyers regarding shipping, costs, and risks. They clarify who is responsible for things like paying freight, insuring goods in transit, and covering import/export duties. Here's a more detailed explanation:

25. Purpose:

Incoterms aim to reduce misunderstandings and potential disputes in international trade by establishing clear rules for delivery, costs, and risks.

26. How they work:

Incoterms are incorporated into sales contracts to specify how the seller and buyer share responsibilities for the movement of goods from the seller's premises to the buyer's location.

27. Examples:

Common Incoterms include EXW (Ex Works), FCA (Free Carrier), FOB (Free On Board), CIF (Cost, Insurance, and Freight), and DDP (Delivered Duty Paid).

28. Legally binding:

While Incoterms are not mandatory, they become legally binding when included in a sales contract.

29. Importance:

Incoterms help to clarify the terms of trade, especially in situations involving international shipments, where parties may be geographically distant and have different legal systems.

30. Updated regularly:

The Incoterms are updated periodically by the International Chamber of Commerce (ICC) to reflect changes in trade practices.

31. Current version:

The most recent version is Incoterms 2020, which entered into force on January 1, 2020. The **Incoterms** or **International Commercial Terms** are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law.^[1] Incoterms define the responsibilities of exporters and

importers in the arrangement of shipments and the transfer of liability involved at various stages of the transaction. They are widely used in international commercial transactions or procurement processes and their use is encouraged by trade councils, courts and international lawyers.^[2] A series of three-letter trade terms related to common contractual sales practices, the Incoterms rules are intended primarily to clearly communicate the tasks, costs, and risks associated with the global or international transportation and delivery of goods. Incoterms inform sales contracts defining respective obligations, costs, and risks involved in the delivery of goods from the seller to the buyer, but they do not themselves conclude a contract, determine the price payable, currency or credit terms, govern contract law or define where title to goods transfers.

The Incoterms rules are accepted by governments, legal authorities, and practitioners worldwide for the interpretation of most commonly used terms in international trade. They are intended to reduce or remove altogether uncertainties arising from the differing interpretations of the rules in different countries. As such they are regularly incorporated into sales contracts worldwide.

"Incoterms" is a registered trademark of the ICC.

CISG art. 66 is a supplement to an inadequate Incoterms rule.^[4]

The first work published by the ICC on international trade terms was issued in 1923, with the first edition known as Incoterms published in 1936. The Incoterms rules were amended in 1953,^[5] 1967, 1976, 1980, 1990, 2000, and 2010, with the ninth version – **Incoterms 2020** ^[6] – having been published on September 10, 2019.

Incoterms 2020

[Edit]

National Incoterms chambers



Incoterms 2020 is the ninth set of international contract terms published by the International Chamber of Commerce, with the first set having been published in 1936. *Incoterms 2020* defines 11 rules, the same number as defined by *Incoterms 2010*.^[7] One rule of the 2010 version ("Delivered at Terminal"; DAT)^[8] was removed, and is replaced by a new rule ("Delivered at Place Unloaded"; DPU) in the 2020 rules.

The insurance to be provided under terms CIF and CIP has also changed, increasing from Institute Cargo Clauses(C) to Institute Cargo Clauses(A). Under the CIF Incoterms rule, which is reserved for use in maritime trade and is often used in commodity trading, the Institute Cargo Clauses (C) remains the default level of coverage, giving parties the option to agree to a higher level of insurance cover. Taking into account feedback from global users, the CIP Incoterms rule now requires a higher level of cover, compliant with the Institute Cargo Clauses (A) or similar clauses.^[9]

In prior versions, the rules were divided into four categories, but the 11 pre-defined terms of *Incoterms 2020* are subdivided into two categories *based only on method of delivery*. The larger group of seven rules may be used regardless of the method of transport, with the smaller group of four being applicable only to sales that solely involve transportation by water where the condition of the goods can be verified at the point of loading on board ship. They are therefore not to be used for containerized freight, other combined transport methods, or for transport by road, air or rail.

Incoterms 2020 also formally defines delivery. Previously, the term had been defined informally but it is now defined as the point in the transaction where "the risk of loss or damage [to the goods] passes from the seller to the buyer".^[10]

Incoterms in government regulations

In some jurisdictions, the duty costs of the goods may be calculated against a specific Incoterm: for example in India, duty is calculated against the CIF value of the goods,^[11] and in South Africa the duty is calculated against the FOB value of the goods.^[12] Because of this it is common for contracts for exports to these countries to use these Incoterms, even when they are not suitable for the chosen mode of transport. If this is the case then great care must be exercised to ensure that the points at which costs and risks pass are clarified with the customer.

Defined terms in Incoterms

There are certain terms that have special meaning within Incoterms, and some of the more important ones are defined below:^[13]

32. Delivery: The point in the transaction where the risk of loss or damage to the goods is transferred from the seller to the buyer
33. Arrival: The point named in the Incoterm to which carriage has been paid
34. Free: Seller has an obligation to deliver the goods to a named place for transfer to a carrier
35. Carrier: Any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes
36. Freight forwarder: A firm that makes or assists in the making of shipping arrangements;
37. Terminal: Any place, whether covered or not, such as a dock, warehouse, container yard or road, rail or air cargo terminal
38. To clear for export: To file Shipper's Export Declaration and get export permit

Variation of Incoterms

Parties adopting Incoterms should be wary about their intention and variations. The desire of the parties should be expressed clearly and casual adoption should be refrained. Also, making additions or variations to the meaning of a certain term should be carefully done as parties' failure to use any trade term at all can produce unexpected results.^[2]

Rules for any mode of transport

EXW – Ex Works (named place of delivery)

The seller makes the goods available at their premises, or at another named place. This term places the maximum obligation on the buyer and minimum obligations on the seller. The Ex Works term is often used while making an initial quotation for the sale of goods without any costs included.

EXW means that a buyer incurs the risks of bringing the goods to their final destination. Either the seller does not load the goods on collecting vehicles and does not clear them for export, or if the seller does load the goods, they do so at buyer's risk and cost. If the parties agree that the seller should be responsible for the loading of the goods on departure and to bear the risk and all costs of such loading, this must be made clear by adding explicit wording to this effect in the contract of sale.

There is no obligation for the seller to make a contract of carriage, but there is also no obligation for the buyer to arrange one either - the buyer may sell the goods on to their own customer for collection from the original seller's warehouse. However, in common practice the buyer arranges the collection of the freight from the designated location, and is responsible for clearing the goods through Customs. The buyer is also responsible for completing all the export documentation, although the seller does have an obligation to obtain information and documents at the buyer's request and cost.

These documentary requirements may result in two principal issues. Firstly, the stipulation for the buyer to complete the export declaration can be an issue in certain jurisdictions (not least the European Union) where the customs regulations require the declarant to be either an individual or corporation resident within the jurisdiction. If the buyer is based outside of the customs jurisdiction, they will be unable to clear the goods for export, meaning that the goods may be declared in the name of the seller by the buyer, even though the export formalities are the buyer's responsibility under the EXW term.^[14]

Secondly, most jurisdictions require companies to provide proof of export for tax purposes. In an EXW shipment, the buyer is under no obligation to provide such proof to the seller, or indeed to even export the goods. In a customs jurisdiction such as the European Union, this would leave the seller liable to a sales tax bill as if the goods were sold to a domestic customer. It is therefore of utmost importance that these matters are discussed with the buyer before the contract is agreed. It may well be that another Incoterm, such as *FCA seller's premises*, may be more suitable, since this puts the onus for declaring the goods for export onto the seller, which provides for more control over the export process.^[15]

FCA – Free Carrier (named place of delivery)

The seller delivers the goods, cleared for export, at a named place (possibly including the seller's own premises). The goods can be delivered to a carrier nominated by the buyer, or to another party nominated by the buyer.

In many respects this Incoterm has replaced FOB in modern usage, although the critical point at which the risk passes moves from loading aboard the vessel to the named place. The chosen place of delivery affects the obligations of loading and unloading the goods at that place.

If delivery occurs at the seller's premises, or at any other location that is under the seller's control, the seller is responsible for loading the goods on to the buyer's carrier. However, if delivery occurs at any other place, the seller is deemed to have delivered the goods once their transport has arrived at the named place; the buyer is responsible for both unloading the goods and loading them onto self own carrier.

CPT – Carriage Paid To (named place of destination)

CPT replaces the C&F (cost and freight) and CFR terms for all shipping modes outside of non-containerized sea freight.

The seller pays for the carriage of the goods up to the named place of destination. However, the goods are considered to be delivered when the goods have been handed over to the first or main carrier, so that the risk transfers to buyer upon handing goods over to that carrier at the place of shipment in the country of Export.

The seller is responsible for origin costs including export clearance and freight costs for carriage to the named place of destination (either the final destination such as the buyer's facilities or a port of destination. This has to be agreed to by seller and buyer, however). If the buyer requires the seller to obtain insurance, the Incoterm CIP should be considered instead.

CIP – Carriage and Insurance Paid to (named place of destination)

This term is broadly similar to the above CPT term, with the exception that the seller is required to obtain insurance for the goods while in transit. CIP requires the seller to insure the goods for 110% of the contract value under Institute Cargo Clauses (A) of the Institute of London Underwriters (which is a change from Incoterms 2010 where the minimum was Institute Cargo Clauses (C)), or any similar set of clauses, unless specifically agreed by both parties. The policy should be in the same currency as the contract, and should allow the buyer, the seller, and anyone else with an insurable interest in the goods to be able to make a claim.

CIP can be used for all modes of transport, whereas the Incoterm CIF should only be used for non-containerized sea-freight.

DPU – Delivered At Place Unloaded (named place of destination)

This Incoterm requires that the seller delivers the goods, unloaded, at the named place of destination. The seller covers all the costs of transport (export fees, carriage, unloading from main carrier at destination port and destination port charges) and assumes all risk until arrival at the destination port or terminal.

The terminal can be a port, airport, or inland freight interchange, but must be a facility with the capability to receive the shipment. If the seller is not able to organize unloading, they should consider shipping under DAP terms instead. All charges after unloading (for example, import duty, taxes, customs and on-carriage) are to be borne by buyer. However, any delay or demurrage charges at the terminal will generally be for the seller's account. Some uncertainty has emerged since Incoterms 2020 were adopted as to the meaning of "unloaded" when goods are delivered in a container, usually by sea, as the removal of the container from the incoming vessel may suggest that it has been "unloaded", but the goods themselves are not yet "unloaded" while they remain in the container.^[16]

DAP – Delivered At Place (named place of destination)

Incoterms 2010 defines DAP as 'Delivered at Place' – the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. Under DAP terms, the risk passes from seller to buyer from the point of destination mentioned in the contract of delivery.

Once goods are ready for shipment, the necessary packing is carried out by the seller at their own cost, so that the goods reach their final destination safely. All necessary legal formalities in the exporting country are completed by the seller at their own cost and risk to clear the goods for export.

After arrival of the goods in the country of destination, the customs clearance in the importing country needs to be completed by the buyer, e.g. import permit, documents required by customs, etc., including all customs duties and taxes.

Under DAP terms, all carriage expenses with any terminal expenses are paid by seller up to the agreed destination point. The necessary unloading cost at final destination has to be borne by buyer under DAP terms.^{[17][18]}

DDP – Delivered Duty Paid (named place of destination)

Seller is responsible for delivering the goods to the named place in the country the buyer, and pays all costs in bringing the goods to the destination including import duties and taxes. The seller is not responsible for unloading. This term is often used in place of the non-Incoterms "Free In Store (FIS)". This term places the maximum obligations on the seller and minimum obligations on the buyer. No risk or responsibility is transferred to the buyer until delivery of the goods at the named place of destination.^[19]

The most important consideration for DDP terms is that the seller is responsible for clearing the goods through customs in the buyer's country, including both paying the duties and taxes, and obtaining the necessary authorizations and registrations from the authorities in that country. Unless the rules and regulations in the buyer's country are very well understood, DDP terms can be a very big risk both in terms of delays and in unforeseen extra costs, and should be used with caution.

Rules for sea and inland waterway transport

To determine if a location qualifies for these four rules, please refer to 'United Nations Code for Trade and Transport Locations (UN/LOCODE)'.^[20]

The four rules defined by Incoterms 2020 for international trade where transportation is entirely conducted by water are as per the below. It is important to note that these terms are generally not suitable for shipments in shipping containers; the point at which risk and responsibility for the goods passes is when the goods are loaded on board the ship, and if the goods are sealed into a shipping container it is impossible to verify the condition of the goods at this point.

Also of note is that the point at which risk passes under these terms has shifted from previous editions of Incoterms, where the risk passed at the ship's rail.

FAS – Free Alongside Ship (named port of shipment)

The seller delivers when the goods are placed alongside the buyer's vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. The FAS term requires the seller to clear the goods for export, which is a reversal from previous Incoterms versions that required the buyer to arrange for export clearance. However, if the parties wish the buyer to clear the goods for export, this should be made clear by adding explicit wording to this effect in the contract of sale. This term should be used only for non-containerized sea freight and inland waterway transport.

FOB – Free on Board (named port of shipment)

Under FOB terms the seller bears all costs and risks up to the point the goods are loaded on board the vessel. The seller's responsibility does not end at that point unless the goods are "appropriated to the contract" that is, they are "clearly set aside or otherwise identified as the contract goods".^[21] Therefore, FOB contract requires a seller to deliver goods on board a vessel that is to be designated by the buyer in a manner customary at the particular port. In this case, the seller must also arrange for export clearance. On the other hand, the buyer pays cost of marine freight transportation, bill of lading fees, insurance, unloading and transportation cost from the arrival port to destination. Since Incoterms 1980 introduced the Incoterm FCA, FOB should only be used for non-containerized sea freight and inland waterway transport. However, FOB is commonly used incorrectly for all modes of transport despite the contractual risks that this can introduce. In some common

law countries such as the United States of America, FOB is not only connected with the carriage of goods by sea but also used for inland carriage aboard any "vessel, car or other vehicle."^[22]

CFR – Cost and Freight (named port of destination)

The seller pays for the carriage of the goods up to the named port of destination. Risk transfers to buyer when the goods have been loaded on board the ship in the country of Export. The seller is responsible for origin costs including export clearance and freight costs for carriage to the named port. The shipper is not responsible for delivery to the final destination from the port (generally the buyer's facilities), or for buying insurance. If the buyer requires the seller to obtain insurance, the Incoterm CIF should be considered. CFR should only be used for non-containerized seafreight and inland waterway transport; for all other modes of transport it should be replaced with CPT.

CIF – Cost, Insurance & Freight (named port of destination)

Use preceding Incoterms

The term "cost, insurance, freight" or "C.I.F." predates the introduction of Incoterms. Craighall noted in a 1919 article that in "earlier times" the initials were usually written "C. F. & I.": he quotes the phrase "C. F. & I. by steamer to N.Y." used in a shipping contract addressed in the New York State case of *Mee v. McNider* (1886).^{[23][24]}

The first English court case which referred to c.i.f. was *Tregelles v. Sewell* (1862),^[25] where the court established that under c.i.f. terms, risk passes to the buyer on shipment.^[26] In the case of *E. Clemens Horst Co. v. Biddell Brothers*, the UK House of Lords ruled in 1911 that "the sellers in a c.i.f. contract were entitled to payment of the price upon tender of the bill of lading and insurance policy. The purchasers' intent to wait for satisfactory delivery and inspection was overruled."^[27] Shortly afterwards in 1915-16, the case of *Arnhold Karberg & Co. v. Blythe, Green, Jourdain & Co.* in the High Court and Court of Appeal showcased judicial debate about whether a c.i.f. bill of lading could evidence a sale of goods, Scrutton J ruling in the High Court that it did not, because a c.i.f. sale is "not a sale of goods, but a sale of documents relating to goods".^[28] The Court of Appeal upheld his decision, although Bankes LJ and Warrington LJ argued that "a c.i.f. contract is a contract for the sale of goods to be performed by the delivery of the documents".^[29] In a Ninth Circuit Court of Appeals case referencing the *Arnhold Karberg*

case and also *Manbre Saccharine v Corn Products* (1919), it was explained that "under a c. i. f. contract the obligation of the seller is to deliver documents rather than goods, to transfer symbols rather than physical property".^[30] In the *Manbre Saccharine* case the seller was unable to enforce the c.i.f. contract where the goods had been lost at sea, but McCardie J emphasised that this was because no insurance policy was tendered, only a letter confirming insurance, and also because the goods did not match the contracted description: had these matters been otherwise, the contract would have been enforced.^[31]

Incoterms usage

As an Incoterm, CIF is broadly similar to the term CFR, with the exception that the seller is required to obtain insurance for the goods while in transit. CIF requires the seller to insure the goods for 110% of the contract value under Institute Cargo Clauses (A) of the Institute of London Underwriters (which is a change from Incoterms 2010 where the minimum was Institute Cargo Clauses (C)), or any similar set of clauses, unless specifically agreed by both parties. The policy should be in the same currency as the contract. The seller must also turn over documents necessary, to obtain the goods from the carrier or to assert claim against an insurer to the buyer. The documents include (as a minimum) the invoice, the insurance policy, and the bill of lading. These three documents represent the cost, insurance, and freight of CIF. The seller's obligation ends when the documents are handed over to the buyer. Then, the buyer has to pay at the agreed price. Another point to consider is that CIF should only be used for non-containerized sea freight; for all other modes of transport it should be replaced with CIP.

Standard clauses of International sales contract

Standard clauses in international sales contracts cover essential elements like identification of parties, goods specification, price, payment terms, delivery terms (including Incoterms), transfer of risk, packing and labeling, custom clearance, insurance, penalties, and dispute resolution.

Elaboration:

39. Identification of Parties:

Clearly identifies the buyer, seller, and any intermediaries involved in the transaction.

40. Goods Specification:

Details the quantity, quality, and specific characteristics of the goods being sold.

41. Price:

Specifies the agreed-upon price, including the currency and payment method.

42. Payment Terms:

Outlines how and when payments will be made, including payment schedules and methods like letters of credit.

43. Delivery Terms (Incoterms):

Defines the point of delivery and responsibility for transport, insurance, and other costs. Incoterms are crucial for international sales, specifying responsibilities for various aspects of the shipment.

44. Transfer of Risk:

Determines when the risk of loss or damage to the goods transfers from the seller to the buyer.

45. Packing and Labeling:

Specifies the standards for packing and labeling to ensure goods are adequately protected and comply with import regulations.

46. Custom Clearance:

Addresses the responsibilities of each party for customs clearance at both the export and import points.

47. Insurance:

Outlines the insurance arrangements, including the scope of coverage and the amount of coverage.

48. Penalties:

Specifies penalties for breach of contract, such as late delivery or failure to meet quality standards.

49. Dispute Resolution:

Defines the methods for resolving disputes, including arbitration, mediation, or litigation.

Role of Indian council of Arbitration/ICC in solving trade disputes

The Indian Council of Arbitration (ICA) is a key player in India's dispute resolution landscape, promoting efficient and cost-effective commercial dispute resolution through arbitration and conciliation. It provides services like administering arbitration proceedings, managing panels of arbitrators, and fostering capacity building in alternative dispute resolution (ADR) methods. The ICA also plays a role in promoting arbitration in trade, particularly in international trade, to facilitate faster and easier resolution of disputes.

Key functions of the ICA:

50. Administering Arbitration Proceedings:

The ICA provides a framework and rules for conducting arbitration, ensuring a streamlined and efficient process.

51. Managing Arbitrator Panels:

The ICA maintains a panel of qualified arbitrators, ensuring that parties can choose suitable individuals to resolve their disputes.

52. Promoting ADR:

The ICA actively promotes ADR methods like arbitration and conciliation, offering training programs and educational resources.

53. Facilitating Trade Disputes:

The ICA encourages the use of arbitration in trade, particularly in international trade, to facilitate swift and amicable resolution of disputes.

54. Providing Arbitration Facilities:

The ICA offers facilities, including court and conference rooms, for arbitration hearings.

55. Developing Standard Forms:

The ICA provides guidance and assistance in formulating standard contract clauses that minimize the potential for disputes.

The ICC (International Chamber of Commerce) plays a significant role in solving trade disputes through its Dispute Resolution Services. ICC Dispute Resolution Services offer various methods, including arbitration, mediation, and dispute boards, to help businesses resolve disagreements efficiently and effectively. ICC Arbitration, administered by the International Court of Arbitration, is a prominent tool for resolving international commercial disputes.

Here's a more detailed look at how ICC assists in trade disputes:

1. ICC Arbitration:

56. **Private and Binding:** ICC Arbitration is a private procedure that results in a binding and enforceable decision.
57. **Global Network:** The ICC Court has representatives in various regions, including North America, Latin and Central America, Africa, the Middle East, and Asia.
58. **Enforcement:** ICC Awards are recognized and enforceable worldwide.

2. Other Dispute Resolution Methods:

- **Mediation:** A neutral facilitator helps parties reach a negotiated settlement.
- **Dispute Boards:** Independent bodies that help resolve disagreements during the course of a contract, often used in construction and infrastructure projects.
- **Expert Determination:** Parties can engage an expert to provide opinions on specific issues, which may be useful for negotiation or even become contractually binding.

3. Incoterms®:

- **Standardizing Trade Terms:**

Incoterms® are a set of trade terms developed by the ICC that standardize the obligations and responsibilities of buyers and sellers in international trade.

- **Minimizing Risks:**

Incoterms® help ensure a smooth flow of goods by clearly defining responsibilities for transport, insurance, and other aspects of international trade.

4. Importance of ICC Dispute Resolution:

- **Access to Justice:**

ICC Dispute Resolution Services provide access to justice and the rule of law, promoting global trade and investment.

- **Cost-Effective and Efficient:**

These services offer flexible and efficient solutions for resolving disputes, helping to minimize costs and delays.

- **Trust and Independence:**

The ICC is known for its independence and integrity, ensuring that disputes are resolved fairly and impartially.

International Trade Liberalization

Trade liberalization refers to the removal or reduction of restrictions or barriers on the free exchange of goods between nations.

Such barriers could include tariffs, such as duties and surcharges, and non-tariff barriers, such as licensing rules and quotas.

Economists often view the easing or eradication of these restrictions as steps to promote free trade.

Key Takeaways

- Trade liberalization refers to the removal or reduction of barriers to trade among countries, such as tariffs and quotas.
- Having fewer barriers to trade reduces the cost of goods sold in importing countries.
- Trade liberalization can benefit stronger economies but put weaker ones at a disadvantage.

Understanding Trade Liberalization

Trade liberalization is a controversial topic. Critics of trade liberalization claim that the policy can cost jobs because cheaper goods will flood the nation's domestic market.

Critics also suggest that the imported goods can be of inferior quality and less safe than competing domestic products that may have undergone more rigorous safety and quality checks.

Proponents of trade liberalization, however, claim that it ultimately lowers consumer costs, increases efficiency, and fosters economic growth.

Protectionism, the opposite of trade liberalization, is characterized by strict barriers and market regulation.

The outcome of trade liberalization and the resulting integration among countries worldwide is known as globalization.

Advantages and Disadvantages of Trade Liberalization

Advantages Trade liberalization promotes free trade, which allows countries to trade goods without regulatory barriers and their associated costs.

This reduced regulation decreases costs for countries that trade with other nations and may, ultimately, result in lower consumer prices because imports are subject to lower fees and competition is likely to increase.

Increased competition from abroad as a result of trade liberalization creates an incentive for greater efficiency and cheaper production by domestic firms.

This competition might also spur a country to shift resources to industries in which it may have a competitive advantage.

For example, trade liberalization has encouraged the United Kingdom to concentrate on its service sector rather than manufacturing.

Disadvantages

However, trade liberalization can negatively affect certain businesses within a nation because of greater competition from foreign producers. It may result in less local support for those industries.

There may also be a financial and social risk if products or raw materials come from countries with lower environmental standards.

Trade liberalization can pose a threat to developing nations or economies because they are forced to compete in the same market as stronger economies or nations.

This challenge can stifle established local industries or result in the failure of newly developed industries there.

Countries with advanced education systems tend to adapt rapidly to a free-trade economy because they have a labor market that can adjust to changing demands and production facilities that can shift their focus to more in-demand goods.

Countries with lower educational standards may struggle to adapt to a changing economic environment.

Important

Critics believe that trade liberalization costs jobs and depresses wages. Proponents believe it spurs competition and growth.

Trade Liberalization Example :The North American Free Trade Agreement (NAFTA) was signed on Dec. 17, 1992, by Canada, Mexico, and the United States. It entered into force on Jan. 1, 1994.

1.The agreement eliminated the tariffs on products that were traded among the three countries. One of NAFTA's goals was to integrate Mexico with the highly developed economies of the U.S. and Canada.

This was in part because Mexico was considered a lucrative new market for those two nations.

The three governments also hoped that the trade deal would improve Mexico's economy.² over time, regional trade tripled, and cross-border investment increased among the countries.

However, President Donald Trump considered the agreement detrimental to U.S. jobs and manufacturing.

On Sept. 30, 2018, the Trump administration concluded negotiations on an updated pact, the U.S.-Mexico-Canada Agreement (USMCA), which entered into force on July 1, 2020.³ Among other things, it was intended to protect U.S. workers against job losses.

NAFTA Proponents

Most economists agree that NAFTA was beneficial to the Canadian and U.S. economies. According to a Council on Foreign Relations report, regional trade increased from \$290 billion in 1993 to over \$1.1 trillion in 2016.²

U.S. foreign direct investment (FDI) stock in Mexico increased from \$15 billion to more than \$100 billion.²

However, economists also say that other factors may have contributed to these outcomes, such as technological change and extended trade with China.²

NAFTA Critics

Critics of NAFTA argue that the agreement caused job losses and wage stagnation in the U.S. because companies moved their production to Mexico to take advantage of lower labor costs.²

The ability of the USMCA to counter these factors is still being studied.

What Are the Pros and Cons of Trade Liberalization?

Trade liberalization can be advantageous, in that it typically results in lower prices for consumer goods and greater opportunity to pursue business abroad. However, increased competition can also pose new challenges for domestic firms, potentially resulting in job or business losses.

What Is the Concept of Liberalization?

In general, the term "liberalization" refers to policies that loosen or relinquish government control over a sector. Hence, trade liberalization takes place when a government reduces oversight and management of international trade.

Who Benefits From Trade Liberalization?

Because trade liberalization can represent a major economic shift in relations among countries, there are numerous ways different stakeholders can benefit. For consumers, trade liberalization might bring down the cost of goods, as manufactured imports may be significantly cheaper than domestically produced counterparts. For businesses, trade liberalization can translate to opportunities to do business abroad and earn more revenue. However, these benefits are not always guaranteed, and how exactly trade liberalization affects the economy depends on the specifics of any particular agreement.

The Bottom Line

Trade liberalization refers to policies and programs that reduce barriers to trade among countries. This can include free trade agreements that eliminate tariffs and duties.

It can also mean the elimination or adjustment of rules, such as domestic production quotas or licensing restrictions. Sponsored Trade on the Go. Anywhere, Anytime .One of the world's largest crypto-asset exchanges is ready for you. Enjoy competitive fees and dedicated customer support while trading securely. You'll also have access to Binnacle tools that make it easier than ever to view your trade history, manage auto-investments, view price charts, and make conversions with zero fees. Make an account for free and join millions of traders and investors on the global cry

GATT

The **General Agreement on Tariffs and Trade (GATT)** is a legal agreement between many countries, whose overall purpose was to promote international trade by reducing or

eliminating trade barriers such as tariffs or quotas. According to its preamble, its purpose was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis".

The GATT was first discussed during the United Nations Conference on Trade and Employment and was the outcome of the failure of negotiating governments to create the International Trade Organization (ITO). It was signed by 23 nations in Geneva on 30 October 1947, and was applied on a provisional basis 1 January 1948. It remained in effect until 1 January 1995, when the World Trade Organization (WTO) was established after agreement by 123 nations in Marrakesh on 15 April 1994, as part of the Uruguay Round Agreements. The WTO is the successor to the GATT, and the original GATT text (GATT 1947) is still in effect under the WTO framework, subject to the modifications of GATT 1994. Nations that were not party in 1995 to the GATT need to meet the minimum conditions spelled out in specific documents before they can accede; in September 2019, the list contained 36 nations.

The GATT, and its successor the WTO, have succeeded in reducing tariffs. The average tariff levels for the major GATT participants were about 22% in 1947, but were 5% after the Uruguay Round in 1999. Experts attribute part of these tariff changes to GATT and the WTO.

History

The General Agreement on Tariffs and Trade is a multi-national trade treaty. It has been updated in a series of global trade negotiations consisting of nine *rounds* between 1947 and 1995. The "GATT's major intellectual architects" were the GATT lawyer Ernst-Ulrich Petersmann, Jan Tumlir, an economics professor at the Geneva Graduate Institute, and the U.S. law professor John Jackson.^{[9][10]} The GATT's role in international trade was largely succeeded in 1995 by the World Trade Organization.

During the 1940s, the United States sought to establish a set of post-war multilateral institutions, one of which would be devoted to the reconstruction of world trade.^[11] In 1945 and 1946, the U.S. took concrete steps to bring about such an organisation, proposing a conference to negotiate a charter for a trade organisation. The GATT was first conceived at the 1947 United Nations Conference on Trade and Employment (UNCTE), at which the International Trade Organization (ITO) was one of the ideas proposed. It was hoped

that the ITO would be run alongside the World Bank and the International Monetary Fund (IMF). More than 50 nations negotiated ITO and organising its founding charter, but after the withdrawal of the United States these negotiations collapsed.

Initial round

Preparatory sessions were held simultaneously at the UNCTE regarding the GATT. After several of these sessions, 23 nations signed the GATT on 30 October 1947 in Geneva, Switzerland. It came into force on 1 January 1948. From the outset, government procurement was excluded from the scope of the agreement.

Annecy Round: 1949

The second round took place in 1949 in Annecy, France. 13 countries took part in the round. The main focus of the talks was more tariff reductions, around 5,000 in total.

Torquay Round: 1951

The third round occurred in Torquay, England in 1951. Thirty-eight countries took part in the round. 8,700 tariff concessions were made totaling the remaining amount of tariffs to $\frac{3}{4}$ of the tariffs which were in effect in 1948. The contemporaneous rejection by the U.S. of the Havana Charter signified the establishment of the GATT as a governing world body.

Geneva Round: 1955–56

The fourth round returned to Geneva in 1955 and lasted until May 1956. Twenty-six countries took part in the round. \$2.5 billion in tariffs were eliminated or reduced.

Dillon Round: 1960–62

The fifth round occurred once more in Geneva and lasted from 1960 to 1962. The talks were named after U.S. Treasury Secretary and former Under Secretary of State Douglas Dillon, who first proposed the talks. Twenty-six countries took part in the round. Along with reducing over \$4.9 billion in tariffs, it also yielded discussion relating to the creation of the European Economic Community (EEC).

Kennedy Round: 1964–67

The sixth round of GATT multilateral trade negotiations took place between 1964 and 1967. It was named after U.S. President John F. Kennedy in recognition of his support for

the reformulation of the United States trade agenda, which resulted in the Trade Expansion Act of 1962. This Act gave the President the widest-ever negotiating authority. As the Dillon Round went through the laborious process of item-by-item tariff negotiations, it became clear, long before the Round ended, that a more comprehensive approach was needed to deal with the emerging challenges resulting from the formation of the European Economic Community (EEC) and EFTA, as well as Europe's re-emergence as a significant international trader more generally.

Japan's high economic growth rate portended the major role it would play later as an exporter, but the focal point of the Kennedy Round always was the United States-EEC relationship. Indeed, there was an influential American view that saw what became the Kennedy Round as the start of a transatlantic partnership that might ultimately lead to a transatlantic economic community.

To an extent, this view was shared in Europe, but the process of European unification created its own stresses under which the Kennedy Round at times became a secondary focus for the EEC. An example of this was the French veto in January 1963, before the round had even started, on membership by the United Kingdom.

Another was the internal crisis of 1965, which ended in the Luxembourg Compromise. Preparations for the new round were immediately overshadowed by the Chicken War, an early sign of the impact variable levies under the Common Agricultural Policy would eventually have. Some participants in the Round had been concerned that the convening of UNCTAD, scheduled for 1964, would result in further complications, but its impact on the actual negotiations was minimal.

In May 1963 Ministers reached agreement on three negotiating objectives for the round:

- Measures for the expansion of trade of developing countries as a means of furthering their economic development,
- Reduction or elimination of tariffs and other barriers to trade, and
- Measures for access to markets for agricultural and other primary products.

The working hypothesis for the tariff negotiations was a linear tariff cut of 50% with the smallest number of exceptions. A drawn-out argument developed about the trade effects a uniform linear cut would have on the dispersed rates (low and high tariffs quite far apart)

of the United States as compared to the much more concentrated rates of the EEC which also tended to be in the lower held of United States tariff rates.

The EEC accordingly argued for an evening-out or harmonisation of peaks and troughs through its cerement, double cart and thirty: ten proposals. Once negotiations had been joined, the lofty working hypothesis was soon undermined. The special-structure countries (Australia, Canada, New Zealand and South Africa), so called because their exports were dominated by raw materials and other primary commodities, negotiated their tariff reductions entirely through the item-by-item method.

In the end, the result was an average 35% reduction in tariffs, except for textiles, chemicals, steel and other sensitive products; plus a 15% to 18% reduction in tariffs for agricultural and food products. In addition, the negotiations on chemicals led to a provisional agreement on the abolition of the American Selling Price (ASP). This was a method of valuing some chemicals used by the noted States for the imposition of import duties which gave domestic manufacturers a much higher level of protection than the tariff schedule indicated.

However, this part of the outcome was disallowed by Congress, and the American Selling Price was not abolished until Congress adopted the results of the Tokyo Round. The results on agriculture overall were poor. The most notable achievement was agreement on a Memorandum of Agreement on Basic Elements for the Negotiation of a World Grants Arrangement, which eventually was rolled into a new International Grains Arrangement. The EEC claimed that for it the main result of the negotiations on agriculture was that they "greatly helped to define its own common policy". The developing countries, who played a minor role throughout the negotiations in this round, benefited nonetheless from substantial tariff cuts particularly in non-agricultural items of interest to them.

Their main achievement at the time, however, was seen to be the adoption of Part IV of the GATT, which absolved them from according reciprocity to developed countries in trade negotiations. In the view of many developing countries, this was a direct result of the call at UNCTAD I for a better trade deal for them.

There has been argument ever since whether this symbolic gesture was a victory for them, or whether it ensured their exclusion in the future from meaningful participation in the multilateral trading system. On the other hand, there was no doubt that the extension

of the Long-Term Arrangement Regarding International Trade in Cotton Textiles, which later became the Multi-Fiber Arrangement, for three years until 1970 led to the longer-term impairment of export opportunities for developing countries.

Another outcome of the Kennedy Round was the adoption of an Anti-dumping Code, which gave more precise guidance on the implementation of Article VI of the GATT. In particular, it sought to ensure speedy and fair investigations, and it imposed limits on the retrospective application of anti-dumping measures.

\$40 billion in tariffs were eliminated or reduced via the Kennedy Round.

Tokyo Round: 1973–79

Reduced tariffs and established new regulations aimed at controlling the proliferation of non-tariff barriers and voluntary export restrictions. 102 countries took part in the round. Concessions were made on \$19 billion worth of trade.

Formation of Quadrilateral Group: 1981

The Quadrilateral Group was formed in 1982 by the European Union, the United States, Japan and Canada, to influence the GATT.

Uruguay Round: 1986–94

The Uruguay Round began in 1986. It was the most ambitious round to date, as of 1986, hoping to expand the competence of the GATT to important new areas such as services, capital, intellectual property, textiles, and agriculture. 123 countries took part in the round. The Uruguay Round was also the first set of multilateral trade negotiations in which developing countries had played an active role.

Agriculture was essentially exempted from previous agreements as it was given special status in the areas of import quotas and export subsidies, with only mild caveats. However, by the time of the Uruguay round, many countries considered the exception of agriculture to be sufficiently glaring that they refused to sign a new deal without some movement on agricultural products. These fourteen countries came to be known as the "Cairns Group", and included mostly small and medium-sized agricultural exporters such as Australia, Brazil, Canada, Indonesia, and New Zealand.

The Agreement on Agriculture of the Uruguay Round continues to be the most substantial trade liberalisation agreement in agricultural products in the history of trade negotiations. The goals of the agreement were to improve market access for agricultural

products, reduce domestic support of agriculture in the form of price-distorting subsidies and quotas, and eliminate over time export subsidies on agricultural products and to harmonise to the extent possible sanitary and phytosanitary measures between member countries.

World Trade Organization

In 1993, the GATT was updated ('GATT 1994') to include new obligations upon its signatories. One of the most significant changes was the creation of the World Trade Organization (WTO). The 76 existing GATT members and the European Communities became the founding members of the WTO on 1 January 1995. The other 51 GATT members rejoined the WTO in the following two years (the last being Congo in 1997). Since the founding of the WTO, 33 new non-GATT members have joined and 22 are currently negotiating membership. There are a total of 164 member countries in the WTO, with Liberia and Afghanistan being the newest members as of 2018.

Of the original GATT members, Syria, Lebanon and the SFR Yugoslavia have not rejoined the WTO. Since FR Yugoslavia (renamed as Serbia and Montenegro and with membership negotiations later split in two), is not recognised as a direct SFRY successor state; therefore, its application is considered a new (non-GATT) one. The General Council of WTO, on 4 May 2010, agreed to establish a working party to examine the request of Syria for WTO membership. The contracting parties who founded the WTO ended official agreement of the "GATT 1947" terms on 31 December 1995. Montenegro became a member in 2012, while Serbia is in the decision stage of the negotiations and is expected to become a member of the WTO in the future.

Whilst GATT was a set of rules agreed upon by nations, the WTO is an intergovernmental organisation with its own headquarters and staff, and its scope includes both traded goods and trade within the service sector and intellectual property rights. Although it was designed to serve multilateral agreements, during several rounds of GATT negotiations (particularly the Tokyo Round) plurilateral agreements created selective trading and caused fragmentation among members. WTO arrangements are generally a multilateral agreement settlement mechanism of GATT.

Effects on trade liberalisation

The average tariff levels for the major GATT participants were about 22 per cent in 1947. As a result of the first negotiating rounds, tariffs were reduced in the GATT core of the United States, United Kingdom, Canada, and Australia, relative to other contracting parties and non-GATT participants.^[6] By the Kennedy round (1962-67), the average tariff levels of GATT participants were about 15%. After the Uruguay Round, tariffs were under 5%.

In addition to facilitating applied tariff reductions, the early GATT's contribution to trade liberalisation "include binding the negotiated tariff reductions for an extended period (made more permanent in 1955), establishing the generality of non-discrimination through most favoured nation (MFN) treatment and national treatment status, ensuring increased transparency of trade policy measures, and providing a forum for future negotiations and for the peaceful resolution of bilateral disputes. All of these elements contributed to the rationalization of trade policy and the reduction of trade barriers and policy uncertainty."

According to Dartmouth economic historian Douglas Irwin,

The prosperity of the world economy over the past half century owes a great deal to the growth of world trade which, in turn, is partly the result of farsighted officials who created the GATT. They established a set of procedures giving stability to the trade-policy environment and thereby facilitating the rapid growth of world trade. With the long run in view, the original GATT conferees helped put the world economy on a sound foundation and thereby improved the livelihood of hundreds of millions of people around the world.

Article 24

Following the United Kingdom's vote to withdraw from the European Union, supporters of leaving the EU suggested that Article 24, paragraph 5B of the treaty could be used to maintain a "standstill" in trading conditions between the UK and the EU in the event of the UK leaving the EU without a trade deal, hence preventing the introduction of tariffs. According to proponents of this approach, it could be used to implement an interim agreement pending negotiation of a final agreement lasting up to ten years.^[28]

This claim formed the basis of the so-called "Malthouse compromise" between Conservative party factions as to how to replace the withdrawal

agreement. However, this plan was rejected by parliament. The claim that Article 24 might be used was also adopted by Boris Johnson during his 2019 campaign to lead the Conservative Party.

The claim that Article 24 might be used in this way has been criticised by Mark Carney, Liam Fox and others as being unrealistic given the requirement in paragraph 5c of the treaty that there be an agreement between the parties for paragraph 5b to be of use as, in the event of a "no-deal" scenario, there would be no agreement. Moreover, critics of the GATT 24 approach point out that services would not be covered by such an arrangement.

Special and differential treatment

Special and differential treatment (S&D) is a set of GATT provisions (GATT 1947, Article XVIII) that exempts developing countries from the same strict trade rules and disciplines of more industrialized countries. That is, developed countries will treat developing countries differently. In the Uruguay Round Agreement on Agriculture, for example, developing countries are given longer time periods to phase in export subsidy and tariff reductions than the more industrialized countries. The least developed countries are exempt from any reduction commitments.

WTO

The **World Trade Organization (WTO)** is an intergovernmental organization headquartered in Geneva, Switzerland that regulates and facilitates international trade. Governments use the organization to establish, revise, and enforce the rules that govern international trade in cooperation with the United Nations System. The WTO is the world's largest international economic organization, with 166 members representing over 98% of global trade and global GDP.

The WTO facilitates trade in goods, services and intellectual property among participating countries by providing a framework for negotiating trade agreements, which usually aim to reduce or eliminate tariffs, quotas, and other restrictions; these agreements are signed by representatives of member governments and ratified by their legislatures. It also administers independent dispute resolution for enforcing participants' adherence to

trade agreements and resolving trade-related disputes.^[14] The organization prohibits discrimination between trading partners, but provides exceptions for environmental protection, national security, and other important goals.

It officially commenced operations on 1 January 1995, pursuant to the 1994 Marrakesh Agreement, thus replacing the General Agreement on Tariffs and Trade (GATT) that had been established in 1948.

Its top decision-making body is the Ministerial Conference, which is composed of all members and usually convenes biennially; consensus is emphasized in all decisions. Day-to-day functions are handled by the General Council, made up of representatives from all members.^[16] A Secretariat of over 600 personnel, led by the Director-General and four deputies, provides administrative, professional, and technical services. The WTO's annual budget is roughly 220 million USD, which is contributed by members based on their proportion of international trade.

Studies show the WTO has increased trade and reduced trade barriers. It has also influenced trade agreement generally; the vast majority of preferential trade agreements (PTAs) explicitly reference the WTO, with substantial portions of text copied from WTO agreements.^[23] Goal 10 of the United Nations Sustainable Development Goals also referenced WTO agreements as instruments of reducing inequality.^[24] However, critics contend that the benefits of WTO-facilitated free trade are not shared equally.

The WTO precursor, General Agreement on Tariffs and Trade (GATT), was established by a multilateral treaty of 23 countries in 1947 after the end of World War II, in the wake of other new multilateral institutions dedicated to international economic cooperation—such as the World Bank (founded 1944) and the International Monetary Fund (founded 1944-1945). A comparable international institution for trade, named the International Trade Organization (ITO), never started, since the United States and other signatories did not ratify the establishment treaty, and so the GATT slowly became a *de facto* international organization.

GATT negotiations before Uruguay

Seven rounds of negotiations occurred under the General Agreement on Tariffs and Trade (1949 to 1979). The first real GATT trade rounds (1947 to 1960) concentrated on further reducing tariffs. Then the Kennedy Round in the mid-sixties brought about a GATT anti-dumping agreement and a section on development. The Tokyo Round during the seventies represented the first major attempt to tackle trade barriers that do not take the form of tariffs, and to improve the system, adopting a series of agreements on non-tariff barriers, which in some cases interpreted existing GATT rules, and in others broke entirely new ground. Because not all GATT members accepted these plurilateral agreements, they were often informally called "codes". (The Uruguay Round amended several of these codes and turned them into multilateral commitments accepted by all WTO members. Only four remained plurilateral (those on government procurement, bovine meat, civil aircraft, and dairy products), but in 1997 WTO members agreed to terminate the bovine meat and dairy agreements, leaving only two.^[33]) Despite attempts in the mid-1950s and 1960s to establish some form of institutional mechanism for international trade, the GATT continued to operate for almost half a century as a semi-institutionalized multilateral treaty régime on a provisional basis.

Uruguay Round: 1986–1994

Well before GATT's 40th anniversary (due in 1987-1988), GATT members concluded that the GATT system was straining to adapt to a globalizing world economy. In response to problems identified in the 1982 Ministerial Declaration (structural deficiencies, spill-over impacts of certain countries' policies on world trade which GATT could not manage, etc.), a meeting in Punta del Este, Uruguay, launched the eighth GATT round—known as the "Uruguay Round"—in September 1986.

In the biggest negotiating mandate on trade ever agreed, the Uruguay Round talks aimed to extend the trading system into several new areas, notably trade in services and intellectual property, and to reform trade in the sensitive sectors of agriculture and textiles; all the original GATT articles were up for review. The Final Act concluding the Uruguay Round and officially establishing the WTO regime was signed on 15 April 1994, during the ministerial meeting at Marrakesh, Morocco—hence known as the Marrakesh Agreement.

The GATT still exists as the WTO's umbrella treaty for trade in goods, updated as a result of the Uruguay Round negotiations (a distinction is made between *GATT 1994*, the updated parts of GATT, and *GATT 1947*, the original agreement which is still the heart of GATT 1994). GATT 1994 is not, however, the only legally binding agreement included via the Final Act at Marrakesh; a long list of about 60 agreements, annexes, decisions, and understandings was adopted. The agreements fall into six main parts:

59. the Agreement Establishing the WTO
60. the Multilateral Agreements on Trade in Goods, including the GATT 1994 and the Trade Related Investment Measures (TRIMS)
61. the General Agreement on Trade in Services (GATS)
62. the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
63. dispute settlement
64. reviews of governments' trade policies

In terms of the WTO's principle relating to tariff "ceiling-binding" (No. 3), the Uruguay Round has been successful in increasing binding commitments by both developed and developing countries, as may be seen in the percentages of tariffs bound before and after the 1986-1994 talks.

Ministerial conferences



The World Trade Organization Ministerial Conference of 1998, in the Palace of Nations (Geneva, Switzerland)

The highest decision-making body of the WTO, the Ministerial Conference, usually meets every two years.^[43] It brings together all members of the WTO, all of which are countries or customs unions. The Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements. Some meetings, such as the inaugural ministerial conference in Singapore (1996) and the inaugural ministerial

conference in Cancún, Mexico (2003) involved arguments between developed nations and low-income and lower-middle income countries, referred to as the "Singapore issues", such as agricultural subsidies; while others such as the Seattle conference in 1999 provoked large demonstrations. The fourth ministerial conference in Doha, Qatar in 2001 approved China's entry to the WTO and launched the Doha Development Round which was supplemented by the sixth WTO ministerial conference in Hong Kong, which agreed to phase out agricultural export subsidies and to adopt the European Union's Everything but Arms initiative to phase out tariffs for goods from the least developed countries. At the sixth WTO Ministerial Conference of 2005 in December, WTO launched the Aid for Trade initiative and it is specifically to assist developing countries in trade as included in the Sustainable Development Goal 8 which is to increase aid for trade support and economic growth. The Twelfth Ministerial Conference (MC12) was due to be held in Nur-Sultan, Kazakhstan, in June 2020 but was canceled because of the COVID-19 pandemic. It was later held in Geneva, Switzerland from 12-17 June 2022. The Thirteenth Ministerial Conference (MC13) was held in Abu Dhabi, UAE on 26-29 February 2024, and extended to Friday 1 March 2024 to complete deliberations.

Doha Round (Doha Agenda): 2001–present

The WTO launched the current round of negotiations, the Doha Development Round, at the fourth ministerial conference in Doha, Qatar in November 2001. This was to be an ambitious effort to make globalization more inclusive and help the world's poor, particularly by slashing barriers and subsidies in farming. The initial agenda comprised both further trade liberalization and new rule-making, underpinned by commitments to strengthen substantial assistance to developing countries.

Progress stalled over differences between developed nations and the major low-income and lower-middle income countries on issues such as industrial tariffs and non-tariff barriers to trade^[52] particularly against and between the EU and the US over their maintenance of agricultural subsidies—seen to operate effectively as trade barriers. Repeated attempts to revive the talks proved unsuccessful,^[53] though the adoption of the Bali Ministerial Declaration in 2013^[54] addressed bureaucratic barriers to commerce. As of June 2012, the future of the Doha Round remained uncertain: the work programme lists 21 subjects in which the original deadline of 1 January 2005 was missed, and the

round remains incomplete. The conflict between free trade on industrial goods and services but retention of protectionism on farm subsidies to domestic agricultural sectors (requested by developed countries) and the substantiation of fair trade on agricultural products (requested by developing countries) remain the major obstacles. This impasse has made it impossible to launch new WTO negotiations beyond the Doha Development Round. As a result, there have been an increasing number of bilateral free trade agreements between governments. As of July 2012 there were various negotiation groups in the WTO system for the current stalemated agricultural trade negotiation.

Functions

Promotion of growth by facilitating trade is the most important function of WTO. Other important functions include:

65. It oversees the implementation, administration and operation of the covered agreements (with the exception that it does not enforce any agreements when China came into the WTO in December 2001)
66. It provides a forum for negotiations and for settling disputes.



Aid for Trade is one way the organization functions to help countries that are developing economically.

Additionally, it is WTO's duty to review and propagate the national trade policies and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making. Another priority of the WTO is the assistance of developing,

least-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training:

67. The WTO shall facilitate the implementation, administration, and operation and further the objectives of this Agreement and the Multilateral Trade Agreements, and shall also provide the framework for the implementation, administration, and operation of the multilateral Trade Agreements.
68. The WTO shall provide the forum for negotiations among its members concerning their multilateral trade relations in matters dealt with under the Agreement in the Annexes to this Agreement.
69. The WTO shall administer the Understanding on Rules and Procedures Governing the Settlement of Disputes.
70. The WTO shall administer a Trade Policy Review Mechanism.
71. to achieve greater coherence in global economic policymaking, the WTO shall cooperate, as appropriate, with the International Monetary Fund (IMF) and with the International Bank for Reconstruction and Development (IBRD) and its affiliated agencies.

The above five listings are the additional functions of the World Trade Organization. As globalization proceeds in today's society, the necessity of an International Organization to manage the trading systems has been of vital importance. As the trade volume increases, issues such as protectionism, trade barriers, subsidies, violation of intellectual property arise due to the differences in the trading rules of every nation. The World Trade Organization serves as the mediator between the nations when such problems arise. WTO could be referred to as the product of globalization and also as one of the most important organizations in today's globalized society.

The WTO is also a center of economic research and analysis: regular assessments of the global trade picture in its annual publications and research reports on specific topics are produced by the organization. Finally, the WTO cooperates closely with the two other components of the Bretton Woods system, the IMF and the World Bank.

Key Publications

The WTO is recognized for producing authoritative annual reports that provide clarity on the complexities of global trade. These documents are essential for anyone involved with or interested in trade policies and trends.

World Trade Report

Public forum where the recently published *World Trade Report* was discussed.

The World Trade Report stands as a key publication from the WTO. It delves into the current trade trends and policy challenges, offering comprehensive insights into the evolving dynamics of the global multilateral trading system and its socioeconomic implications.

WTO Annual Report

The WTO Annual Report compiles a complete overview of the organization's activities, operations, and progress over the year. Detailed reports on the WTO's budget and staffing highlight its commitment to transparency and accountability within the realm of global trade management.^[68]

World Trade Statistical Review

The World Trade Statistical Review has taken the place of the previously issued *International Trade Statistics*. As the WTO's premier source for annual trade data, it provides thorough analysis and statistics on the latest developments in world trade, proving to be an indispensable resource for global trade information.^[69]

Principles of the trading system

The WTO establishes a framework for trade policies; it does not define or specify outcomes. That is, it is concerned with setting the rules of "trade policy". Five principles are of particular importance in understanding both the pre-1994 GATT and the WTO:

72. **Non-discrimination.** It has two major components: the most favored nation (MFN) treatment and the national treatment. Both are embedded in the main WTO agreements on goods, services, and intellectual property, but their precise scope and nature differ across these areas. The MFN rule requires that a WTO member must apply the same conditions on all trade with other WTO members, i.e., a WTO member has to grant the most favorable conditions under which it allows trade in a certain product type to all other WTO members. "Grant someone a special favor and you have to do the same for all other WTO

members." Some exceptions exist, such as when states participate in a free trade agreement or for preferential treatment given to developing countries. National treatment means that imported goods should be treated no less favorably than domestically produced goods (at least after the foreign goods have entered the market) and was introduced to tackle non-tariff barriers to trade (e.g. technical standards, security standards et al. discriminating against imported goods).

73. **Reciprocity.** It reflects both a desire to limit the scope of free-riding that may arise because of the MFN rule and a desire to obtain better access to foreign markets. A related point is that for a nation to negotiate, it is necessary that the gain from doing so be greater than the gain available from unilateral liberalization; reciprocal concessions intend to ensure that such gains will materialize.
74. **Binding and enforceable commitments.** The tariff commitments made by WTO members in multilateral trade negotiation and on accession are enumerated in a legal instrument known as a schedule (list) of concessions. These schedules establish "ceiling bindings": a country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade. If satisfaction is not obtained, the complaining country may invoke the WTO dispute settlement procedures.
75. **Transparency.** The WTO members are required to publish their trade regulations, to maintain institutions allowing for the review of administrative decisions affecting trade, to respond to requests for information by other members, and to notify changes in trade policies to the WTO. These internal transparency requirements are supplemented and facilitated by periodic country-specific reports (trade policy reviews) through the Trade Policy Review Mechanism (TPRM). The WTO system also tries to improve predictability and stability, discouraging the use of quotas and other measures used to set limits on quantities of imports.
76. **Safety values.** In specific circumstances, governments are able to restrict trade. The WTO's agreements permit members to take measures to protect not only the environment but also public health, animal health and plant health.

There are three types of provision in this direction:

77. Articles allowing for the use of trade measures to attain non-economic objectives.

78. Articles aimed at ensuring "fair competition"; members must not use environmental protection measures as a means of disguising protectionist policies.

79. Provisions permitting intervention in trade for economic reasons.

Exceptions to the MFN principle also allow for preferential treatment of developing countries, regional free trade areas and customs unions.

Organizational structure

The biennial *Ministerial Conference*, which is the highest authority of the WTO, brings people together to discuss ideas and concerns, which can lead to new policies or agreements.

The highest authority of the WTO is the Ministerial Conference, which must meet at least every two years. The Ministerial Conference met most recently in June 2022 in Geneva. In between each Ministerial Conference, the daily work is handled by three bodies whose membership is the same; they only differ by the terms of reference under which each body is constituted:

- The General Council
- The Dispute Settlement Body
- The Trade Policy Review Body

The General Council, whose Chair as of 2020 is David Walker of New Zealand, has the following subsidiary bodies which oversee committees in different areas:

Council for Trade in Goods

There are 11 committees under the jurisdiction of the Goods Council each with a specific task. All members of the WTO participate in the committees. The Textiles Monitoring Body is separate from the other committees but still under the jurisdiction of the Goods Council. The body has its chairman and only 10 members. The body also has several groups relating to textiles.

Council for Trade-Related Aspects of Intellectual Property Rights

Information on intellectual property in the WTO, news and official records of the activities of the TRIPS Council, and details of the WTO's work with other international organizations in the field.

Council for Trade in Services

The Council for Trade in Services operates under the guidance of the General Council and is responsible for overseeing the functioning of the

General Agreement on Trade in Services (GATS). It is open to all WTO members and can create subsidiary bodies as required.

Trade Negotiations Committee

The Trade Negotiations Committee (TNC) is the committee that deals with the current trade talks round. The chair is WTO's director-general. As of June 2012 the committee was tasked with the Doha Development Round.

The Service Council has three subsidiary bodies: financial services, domestic regulations, GATS rules, and specific commitments. The council has several different committees, working groups, and working parties. There are committees on the following: Trade and Environment; Trade and Development (Subcommittee on Least-Developed Countries); Regional Trade Agreements; Balance of Payments Restrictions; and Budget, Finance and Administration. There are working parties on the following: Accession. There are working groups on the following: Trade, debt and finance; and Trade and technology transfer.

As of 31 December 2022, the number of WTO staff on a regular budget is 340 women and 283 men.

Decision-making

The WTO describes itself as "a rules-based, member-driven organization—all decisions are made by the member governments, and the rules are the outcome of negotiations among members". The WTO Agreement foresees votes where consensus cannot be reached, but the practice of consensus dominates the process of decision-making.

Richard Harold Steinberg (2002) argues that although the WTO's consensus governance model provides law-based initial bargaining, trading rounds close through power-based bargaining favoring Europe and the U.S., and may not lead to Pareto improvement.

Dispute settlement

The WTO's dispute-settlement system "is the result of the evolution of rules, procedures and practices developed over almost half a century under the GATT 1947". In 1994, the WTO members agreed on the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) annexed to the "Final Act" signed in Marrakesh in 1994. Dispute settlement is regarded by the WTO as the central pillar of the multilateral trading system, and as a "unique contribution to the stability of the global economy". WTO members have agreed that, if they believe fellow-members are violating trade rules, they will use the multilateral system of settling disputes instead of taking action unilaterally.

The operation of the WTO dispute settlement process involves case-specific panels appointed by the Dispute Settlement Body (DSB), the Appellate Body, the Director-General and the WTO Secretariat, arbitrators, and advisory experts.

The priority is to settle disputes, preferably through a mutually agreed solution, and provision has been made for the process to be conducted in an efficient and timely manner so that "If a case is adjudicated, it should normally take no more than one year for a panel ruling and no more than 16 months if the case is appealed... If the complainant deems the case urgent, consideration of the case should take even less time. WTO member nations are obliged to accept the process as exclusive and compulsory.

According to a 2018 study in the *Journal of Politics*, states are less likely and slower to enforce WTO violations when the violations affect states in a diffuse manner. This is because states face collective action problems with pursuing litigation: they all expect other states to carry the costs of litigation. A 2016 study in *International Studies Quarterly* challenges that the WTO dispute settlement system leads to greater increases in trade.

However, the dispute settlement system cannot be used to resolve trade disputes that arise from political disagreements. When Qatar requested the establishment of a dispute

panel concerning measures imposed by the UAE, other GCC countries and the US were quick to dismiss its request as a political matter, stating that national security issues were political and not appropriate for the WTO dispute system.

Since 2019, when the Donald Trump administration blocked appointments to the body, the Appellate Body has been unable to enforce WTO rules and punish violators of WTO rules. In March 2020, the European Union and 15 other WTO members agreed to a *Multiparty Interim Appeal Arbitration Arrangement* (MPIA). This gave access to an alternative appellate mechanism (arbitration as an appellate mechanism) while the Appellate Body is not functional.

Accession and membership

The process of becoming a WTO member is unique to each applicant country, and the terms of accession are dependent upon the country's stage of economic development and the current trade regime. The process takes about five years, on average, but it can last longer if the country is less than fully committed to the process or if political issues interfere. The shortest accession negotiation was that of the Kyrgyz Republic, while the longest was that of Russia, which, having first applied to join GATT in 1993, was approved for membership in December 2011 and became a WTO member on 22 August 2012. Kazakhstan also had a long accession negotiation process. The Working Party on the Accession of Kazakhstan was established in 1996 and was approved for membership in 2015. The second longest was that of Vanuatu, whose Working Party on the Accession of Vanuatu was established on 11 July 1995. After a final meeting of the Working Party in October 2001, Vanuatu requested more time to consider its accession terms. In 2008, it indicated its interest to resume and conclude its WTO accession. The Working Party on the Accession of Vanuatu was reconvened informally on 4 April 2011 to discuss Vanuatu's future WTO membership. The re-convened Working Party completed its mandate on 2 May 2011. The General Council formally approved the Accession Package of Vanuatu on 26 October 2011. On 24 August 2012, the WTO welcomed Vanuatu as its 157th member. An offer of accession is only given once consensus is reached among interested parties.

A 2017 study argues that "political ties rather than issue-area functional gains determine who joins" and shows "how geopolitical alignment shapes the demand and supply sides of membership". The "findings challenge the view that states first liberalize trade to join the GATT/WTO. Instead, democracy and foreign policy similarity encourage states to join."

Accession process



WTO accession progress:

Draft Working Party Report or Factual Summary adopted

Goods or Services offers submitted

Working party meetings

Memorandum on Foreign Trade Regime submitted

Working party established



The accession process can take several years before a country becomes an official member of the organization.

A country wishing to accede to the WTO submits an application to the General Council, and has to describe all aspects of its trade and economic policies that have a bearing on WTO agreements. The application is submitted to the WTO in a memorandum which is examined by a working party open to all interested WTO Members.

After all necessary background information has been acquired, the working party focuses on issues of discrepancy between the WTO rules and the applicant's international and domestic trade policies and laws. The working party determines the terms and conditions of entry into the WTO for the applicant nation and may consider transitional periods to allow countries some leeway in complying with the WTO rules.

The final phase of accession involves bilateral negotiations between the applicant nation and other working party members regarding the concessions and commitments on tariff levels and market access for goods and services. The new member's commitments are to apply equally to all WTO members under normal non-discrimination rules, even though they are negotiated bilaterally. For instance, as a result of joining the WTO, Armenia offered a 15 per cent ceiling bound tariff rate on accessing its market for goods. Together with the tariff bindings being ad valorem there are no specific or compound rates. Moreover, there are no tariff-rate quotas on both industrial and agricultural products. Armenia's economic and trade performance growth was noted since its first review in 2010, especially its revival from the 2008 global financial crisis, with an average annual 4% GDP growth rate, despite some fluctuations. Armenia's economy was marked by low inflation, diminishing poverty, and essential progress in enhancing its macroeconomic steadiness in which trade in goods and services, which is the equivalent of 87% of GDP, played a growing role.

When the bilateral talks conclude, the working party sends to the general council or ministerial conference an accession package, which includes a summary of all the working party meetings, the Protocol of Accession (a draft membership treaty), and lists ("schedules") of the member to be commitments. Once the general council or ministerial conference approves of the terms of accession, the applicant's parliament must ratify the

Protocol of Accession before it can become a member. Some countries may have faced tougher and a much longer accession process due to challenges during negotiations with other WTO members, such as Vietnam, whose negotiations took more than 11 years before it became an official member in January 2007.

Members and observers

Further information: Member states of the World Trade Organization

The WTO has 166 members and 23 observer governments. Most recently, on 26 February 2024 at the 13th Ministerial Conference in Abu Dhabi, Comoros and Timor Leste were approved to become the 165th and 166th members. In addition to states, the European Union, and each EU country in its own right, is a member. WTO members do not have to be fully independent states; they need only be a customs territory with full autonomy in the conduct of their external commercial relations. Thus Hong Kong has been a member since 1995 (as "Hong Kong, China" since 1997) predating the People's Republic of China, which joined in 2001 after 15 years of negotiations. Taiwan acceded to the WTO in 2002 as the "Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu." The WTO Secretariat omits the official titles (such as Counsellor, First Secretary, Second Secretary and Third Secretary) of the members of Taiwan's Permanent Mission to the WTO, except for the titles of the Permanent Representative and the Deputy Permanent Representative.

As of 2007, WTO members represented 96.4% of global trade and 96.7% of global GDP. Iran, followed by Algeria, are the economies with the largest GDP and trade outside the WTO, using 2005 data. With the exception of the Holy See, observers must start accession negotiations within five years of becoming observers. A number of international intergovernmental organizations have also been granted observer status to WTO bodies. Ten UN members have no affiliation with the WTO.

Agreements

The WTO oversees about 60 different agreements which have the status of international legal texts. Member countries must sign and ratify all WTO agreements on accession. A discussion of some of the most important agreements follows.

The Agreement on Agriculture came into effect with the establishment of the WTO at the beginning of 1995. The AoA has three central concepts, or "pillars": domestic support, market access and export subsidies.

The General Agreement on Trade in Services was created to extend the multilateral trading system to service sector, in the same way as the General Agreement on Tariffs and Trade (GATT) provided such a system for merchandise trade. The agreement entered into force in January 1995.

The Agreement on Trade-Related Aspects of Intellectual Property Rights sets down minimum standards for many forms of intellectual property (IP) regulation. It was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994.

The Agreement on the Application of Sanitary and Phytosanitary Measures—also known as the SPS Agreement—was negotiated during the Uruguay Round of GATT, and entered into force with the establishment of the WTO at the beginning of 1995. Under the SPS agreement, the WTO sets constraints on members' policies relating to food safety (bacterial contaminants, pesticides, inspection, and labeling) as well as animal and plant health (imported pests and diseases).

The Agreement on Technical Barriers to Trade is an international treaty of the World Trade Organization. It was negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade and entered into force with the establishment of the WTO at the end of 1994. The object ensures that technical negotiations and standards, as well as testing and certification procedures, do not create unnecessary obstacles to trade".

The Agreement on Customs Valuation, formally known as the Agreement on Implementation of Article VII of GATT, prescribes methods of customs valuation that Members are to follow. Chiefly, it adopts the "transaction value" approach.

In December 2013, the biggest agreement within the WTO was signed and known as the Bali Package.



Office of director-general The headquarters of the World Trade Organization in Geneva, Switzerland

The procedures for the appointment of the WTO director-general were updated in January 2003, and include quadrennial terms. Additionally, there are four deputy directors-general. As of 13 June 2018 under director-general Ngozi Okonjo-Iweala, the four deputy directors-general are:

- Angela Ellard of the United States (as of 4 May 2021)

- Anabel González of Costa Rica (as of 4 May 2021)
- Ambassador Jean-Marie Paugam of France (as of 4 May 2021)
- Ambassador Xiangchen Zhang of China (as of 4 May 2021)

GATS

The **General Agreement on Trade in Services (GATS)** is a treaty of the World Trade Organization (WTO) which entered into force in January 1995 as a result of the Uruguay Round negotiations. The treaty was created to extend the multilateral trading system to service sector, in the same way the General Agreement on Tariffs and Trade (GATT) provides such a system for merchandise trade.

All members of the WTO are parties to the GATS. The basic WTO principle of most favored nation (MFN) applies to GATS as well. However, upon accession, members may introduce temporary exemptions to this rule.

The agreement aims to recognize the increasing importance of service trade for the growth and development of the global economy and to create a multilateral framework of principles and rules for trading services. The expansion of such trade is expected to be facilitated by market transparency and the progressive liberalization, promoting economic growth of all trading partners and particularly aiding the development of developing countries. The goals are to be achieved through successive rounds of further multilateral negotiations, explicitly aiming to increase the participation of developing countries in service trade and to expand their service exports. The agreement also makes a point of addressing the serious issues faced by the least developed countries given their economic situation and their needs in the areas of development, trade, and finance.

The European Community, in accordance with its competencies, has ratified the agreements reached during the Uruguay Round of multilateral negotiations (1986-1994) and authorized the legal signing of the treaty establishing the World Trade Organization.

This enabled GATS, included in Annex 1B of the Marrakesh Agreement, to come into effect across the European Community member states.

Historical background

While the overall goal of GATS is to remove barriers to trade, members are free to choose which sectors are to be progressively "liberalised" (i.e. marketised and privatised); which mode of supply would apply to a particular sector; and to what extent that "liberalisation" will occur over a given period of time. Members' commitments are governed by a ratchet effect: commitments are one-way and are not to be wound back once entered into. The reason for the rule is to create a stable trading climate (i.e. a market). However, Article XXI allows members to withdraw commitments, and so far two members have exercised the option (US and EU). In November 2008, Bolivia gave a notification that it will withdraw its health services commitments.

Some activist groups consider that GATS risks undermining the ability and authority of governments to regulate commercial activities within their own boundaries, with the effect of ceding power to business interests ahead of the interests of citizens. In 2003, the *GAT Swatch* network published a critical statement supported by over 500 organisations in 60 countries. At the same time, countries are not under any obligation to enter international agreements such as GATS. For countries that like to attract trade and investment, GATS adds a measure of transparency and legal predictability. Legal obstacles to services trade can have legitimate policy reasons, but they can also be an effective tool for large scale corruption.

UNCTAD

UN Trade and Development (UNCTAD) is an intergovernmental organization within the United Nations Secretariat that promotes the interests of developing countries in world trade. It was established in 1964 by the United Nations General Assembly (UNGA) as the **United Nations Conference on Trade and Development** but rebranded to its current name on the occasion of its 60th anniversary in 2024. It reports to both the General Assembly and the United Nations Economic and Social Council (ECOSOC). UNCTAD is composed of 195 member states and works

with non-governmental organizations worldwide; its permanent secretariat is at UNOG in Geneva, Switzerland.

The primary objective of UNCTAD is to formulate policies relating to all aspects of development, including trade, aid, transport, finance and technology. It was created in response to concerns among developing countries that existing international institutions like GATT (since replaced by the World Trade Organization), the International Monetary Fund (IMF), and the World Bank were not properly organized to handle the particular problems of developing countries; UNCTAD would provide a forum where developing nations could discuss and address problems relating to their economic development.

One of UNCTAD's principal achievements was conceiving and implementing the Generalized System of Preferences (GSP), which promotes the export of manufactured goods from developing countries. In the 1970s and 1980s, UNCTAD was closely associated with the New International Economic Order (NIEO), a set of proposals that sought to reduce economic dependency and inequality between developing and developed countries.

UNCTAD conferences ordinarily take place every four years, with the first occurring in Geneva in 1964; fifteen subsequent meetings have taken place worldwide, with the most recent held in Bridgetown, Barbados, from 3-8 October 2021 (albeit virtually, due to the COVID-19 pandemic).

UNCTAD has 400 staff members and a biannual (2010-2011) regular budget of US\$138 million in core expenditures and US\$72 million in extra-budgetary technical assistance funds. It is a member of the United Nations Sustainable Development Group, a consortium of UN entities that work to promote sustainable socioeconomic development.

Membership



UNCTAD Members

UNCTAD Members at the Trade and Development Board



Members, List A

Members, List B

Members, List C

Members, List D

Members, to be assigned

UNCTAD has 195 member states: all UN members plus UN Observer states, the Holy See and Palestine. UNCTAD members are divided into four categories based on United Nations Regional Groups,^[6] with six members unassigned: Kiribati, Nauru, South Sudan, Tajikistan, Tuvalu. List A consists mostly of countries in the UN's African Group and Asia-Pacific Group. List B consists of countries of the Western European and Others Group. List C consists of countries of the Group of Latin American and Caribbean States (GRULAC). List D consists of countries of the Eastern European Group.

The lists, originally defined in 19th General Assembly resolution 1995 serve to balance geographical distribution of member states' representation on the Trade Development Board and other UNCTAD structures. The lists are similar to those of UNIDO, a UN specialized agency.

The full list is as follows:

List A (100 members): Afghanistan, Algeria, Angola, Bahrain, Bangladesh, Benin, Bhutan, Bosnia and Herzegovina, Botswana, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, China, Comoros, Côte d'Ivoire, Republic of Congo, Democratic Republic of Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Fiji, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, India, Indonesia, Iran, Iraq, Israel, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Micronesia, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, North Korea, Oman, Pakistan, Palestine,^[8] Palau, Papua New Guinea, Philippines, Qatar, Rwanda, Samoa, Sao Tome and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Solomon Islands, Somalia, South Africa, Sri Lanka, Sudan, Syria, Tanzania, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkmenistan, Uganda, United Arab Emirates, Vanuatu, Viet Nam, Yemen, Zambia, Zimbabwe.

List B (32 members): Andorra, Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Holy See, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, New Zealand, Norway, Portugal, San Marino, South Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

List C (33 members): Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, Venezuela.

List D (24 members): Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Montenegro, Poland, Moldova, Romania, Russia, Serbia, Slovakia, Slovenia, Macedonia, Ukraine, Uzbekistan.

Not assigned countries (6 members): Kiribati, Nauru, South Sudan, Tajikistan, and Tuvalu. Other states that do not participate are Cook Islands, Niue, and the states with limited recognition.

Meetings

- The UNCTAD Trade and Development Board - the board manages the work of UNCTAD between two conferences and meets up to three times every year.
- Four UNCTAD Commissions and one Working Party - these meet more often than the board to take up policy, programme and budgetary issues.
- Expert Meetings - the commissions will convene expert meetings on selected Topics to provide substantive and expert input for Commission policy discussions.

The 15th quadrennial meeting took place virtually in Bridgetown, Barbados, from 25 to 30 April 2021.

Geneva, 1964

In response to developing countries (Least Developed Country, LDC) anxiety at their worsening position in world trade, the United Nations General Assembly voted for a 'one-off' conference. These early discussions paved the way for new IMF facilities to provide finance for shortfalls in commodity earnings and for the Generalized Preference Schemes which increased access to Northern markets for manufactured imports from the South. At Geneva, the LDCs were successful in their proposal for the conference with its secretariat to become a permanent organ of the UN, with meetings every four years.^[17] At the Geneva meeting, Raúl Prebisch—a prominent Argentinian economist from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC)—became the organization's first secretary-general.

New Delhi, 1968

The New Delhi Conference, held in February and March 1968, was a forum that allowed developing countries to reach an agreement on the basic principles of their development policies. The conference in New Delhi was an opportunity for schemes to be finally approved. The conference provided a major impetus in persuading the North to follow up on UNCTAD I resolutions, in establishing generalized preferences. The target

for private and official flows to LDCs was raised to 1% of the North's GNP, but the developed countries failed to achieve the target by a specific date. This has proven a continuing point of debate at UNCTAD conferences.

The conference led to the International Sugar Agreement, which seeks to stabilize world sugar prices.

Santiago, 1972

The Santiago Conference, 15 April 1972, was the third occasion on which developing countries confronted the rich with the need to use trade and aid measures more effectively to improve living standards in the developing world. Discussion centered on the international monetary system and specifically on the South's proposal that a higher proportion of new special drawing rights (SDRs) should be allocated to LDCs as a form of aid (the so-called 'link'). In Santiago, substantial disagreements arose within the Group of 77 (G77) despite preconference meetings. There was disagreement over the SDR proposal and between those in the G77 who wanted fundamental changes such as a change in the voting allocations in the South's favor at the IMF and those (mainly the Latin American countries) who wanted much milder reforms. This internal dissent seriously weakened the group's negotiating position and led to a final agreed motion which recommended that the IMF should examine the link and that further research be conducted into general reforms. This avoided firm commitments to act on the 'link' or general reform, and the motion was passed by the conference.

Nairobi, 1976, and Manila, 1979

UNCTAD IV, held in Nairobi in May 1976, showed relative success compared to its predecessors. An Overseas Development Institute briefing paper of April 1979 highlights one reason for success as being down to the 1973 Oil Crisis and the encouragement of LDCs to make gains through producers of other commodities. The principal result of the conference was the adoption of the Integrated Programme for Commodities. The programme covered the principal commodity exports and its objectives aside from the stabilisation of commodity prices were: "Just and remunerative pricing, taking into account

world inflation", the expansion of processing, distribution and control of technology by LDCs and improved access to markets.

UNCTAD V, held in Manila in 1979 in the wake of the Nairobi Conference, focused on the key issues of protectionism in developing countries and the need for structural change, trade in commodities and manufacturing aid and international monetary reform, technology, shipping, and economic co-operation among developing countries. An Overseas Development Institute briefing paper written in 1979 focuses its attention on the key issues regarding the LDCs' role as the Group of 77 in the international community.

Belgrade, 1983

The sixth UN Conference on Trade and Development in Belgrade, 6-30 June 1983, was held against the background of earlier UNCTADs which have substantially failed to resolve many of the disagreements between the developed and developing countries and of a world economy in its worst recession since the early 1930s. The key issues of the time were finance and adjustment, commodity price stabilization and trade.

Bridgetown, 2021

The fifteenth session of UNCTAD was originally scheduled for 2020 but was delayed until 2021 due to COVID-19. This was the first time the conference was held in a Small Island Developing State (SIDS).

Achievements

One of UNCTAD's earliest and most notable accomplishments was the formulation and implementation of the Generalized System of Preferences (GSP), which offered special tariff concessions to exports of manufactured goods by developing countries. Accepting this argument, the developed countries formulated the GSP scheme under which manufacturers' exports and imports of some agricultural goods from the developing countries enter duty-free or at reduced rates in the developed countries. Since imports of such items from other developed countries are subject to the normal rates of duties, imports of the same items from developing countries would enjoy a competitive advantage.

Trade Blocks

A trade bloc, also known as a trading bloc, is a group of countries that have entered into a trade agreement to reduce or eliminate trade barriers, such as tariffs and quotas, among themselves. These blocs aim to promote economic integration and cooperation within the region.

Key Characteristics:

- **Reduced Trade Barriers:**

Trade blocs aim to lower or eliminate trade barriers like tariffs and quotas between member countries.

- **Regional Focus:**

They are often regional in scope, meaning the member countries are geographically close or have strong historical ties.

- **Economic Integration:**

Trade blocs seek to foster economic integration by encouraging trade, investment, and other forms of economic cooperation.

- **Discrimination against Non-Members:**

Trade liberalization within the bloc is discriminatory, meaning that non-member countries face higher barriers than members when trading with the bloc.

- **Different Levels of Integration:**

Trade blocs can range from free trade areas (where trade barriers are reduced but countries maintain their own external trade policies) to customs unions (where a common external trade policy is adopted), common markets (where there is a common external tariff and free movement of goods, services, and capital), and even economic unions (where there is a common currency and other deeper integration).

Examples:

- **European Union (EU):**

A highly integrated economic and political union with a common currency (Euro) and free movement of goods, services, capital, and people among member countries.

- **NAFTA/USMCA (North American Free Trade Agreement/United States-Mexico-Canada Agreement):**

A free trade area agreement between the United States, Mexico, and Canada.

- **ASEAN (Association of Southeast Asian Nations):**

A regional organization focused on promoting economic growth, stability, and cooperation among Southeast Asian countries.

- **SAARC (South Asian Association for Regional Cooperation):**

An organization focused on regional cooperation and economic integration among South Asian countries.

Impact on International Trade:

Trade blocs can significantly impact international trade by:

80. **Reducing Barriers:**

Lowering trade barriers within the bloc leads to increased trade flows between member countries.

81. **Expanding Markets:**

They provide businesses with access to larger markets within the bloc, which can lead to increased sales and economies of scale.

82. **Facilitating Supply Chains:**

Improved infrastructure and trade agreements within the bloc can streamline supply chains and reduce costs.

83. **Encouraging Investment:**

Trade blocs can encourage foreign direct investment within the region, as they provide a more stable and predictable trade environment.

Customs Union

A customs union is an agreement where participating countries eliminate tariffs and quotas on goods traded among themselves and adopt a common external tariff on imports from non-member countries. This means goods can move freely between member countries without duties, and the union has a single set of rules for trade with other nations.

Here's a more detailed explanation:

84. **Internal Trade:**

Members of a customs union eliminate all trade barriers, including tariffs and quotas, between themselves. This encourages free movement of goods and services, making it easier to trade within the union.

85. Common External Tariff:

The customs union also establishes a common external tariff (CET) on imports from non-member countries. This means that all goods entering the union from outside must pay the same tariffs, regardless of which member country they enter through.

86. Examples:

The European Union (EU) is a well-known example of a customs union. The Southern African Customs Union (SACU) is another example.

87. Benefits:

Customs unions can lead to increased trade, lower costs for consumers, and a wider variety of goods available.

88. Difference from Free Trade Area:

While a free trade area also eliminates internal tariffs, it allows member countries to have their own external trade policies, which is not the case in a customs union.

EU

The **European Union (EU)** is a supranational political and economic union of 27 member states that are located primarily in Europe. The union has a total area of 4,233,255 km² (1,634,469 sq mi) and an estimated population of over 449 million as of 2024. The EU is often described as a *sui generis* political entity combining characteristics of both a federation and a confederation.

Containing 5.5% of the world population in 2023, EU member states generated a nominal gross domestic product (GDP) of around €17.935 trillion in 2024, accounting for approximately one sixth of global economic output. Its cornerstone, the Customs Union, paved the way to establishing an internal single market based on standardized legal framework and legislation that applies in all member states in those matters, and only those matters, where the states have agreed to act as one. EU policies aim to ensure the free movement of people, goods, services and capital within the internal market; enact

legislation in justice and home affairs; and maintain common policies on trade, agriculture, fisheries and regional development. Passport controls have been abolished for travel within the Schengen Area. The Eurozone is a group composed of the 20 EU member states that have fully implemented the EU's economic and monetary union and use the euro currency. Through the Common Foreign and Security Policy, the union has developed a role in external relations and defense. It maintains permanent diplomatic missions throughout the world and represents itself at the United Nations, the World Trade Organization, the G7 and the G20. Due to its global influence, the European Union has been described by some scholars as an emerging superpower.¹

The EU was established, along with its citizenship, when the Maastricht Treaty came into force in 1993, and was incorporated as an international legal juridical person upon entry into force of the Treaty of Lisbon in 2009. Its beginnings can be traced to the Inner Six states (Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany) at the start of modern European integration in 1948, and to the Western Union, the International Authority for the Ruhr, the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community, which were established by treaties. These increasingly amalgamated bodies grew, with their legal successor the EU, both in size through the accessions of a further 22 states from 1973 to 2013, and in power through acquisitions of policy areas.

In 2012, the EU was awarded the Nobel Peace Prize. In 2020, the United Kingdom became the only member state to leave the EU; ten countries are aspiring or negotiating to join it.

African Trade

African trade encompasses both intra-African trade (trade within the continent) and trade with the rest of the world. While Africa accounts for a small percentage of global trade, there's a growing focus on boosting intra-African trade through initiatives like the African Continental Free Trade Area (AfCFTA). The AfCFTA aims to create a single African market for the free movement of goods, services, labor, and capital.

Key aspects of African trade:

89. Intra-African Trade:

Historically, intra-African trade has been relatively low, but there's a push to increase it. The AfCFTA is a key driver of this, aiming to create a larger, unified African market.

90. Global Trade:

Africa's contribution to global trade is relatively small (around 2%). However, there's a growing interest from other countries, like India and China, in expanding trade and investment in Africa.

91. Trade in Goods:

Much of intra-African trade involves consumables like food, drinks, and agricultural products. However, the growth of industrialization in some countries is leading to an increase in the trade of manufactured goods.

92. Trade Barriers:

Challenges remain, including infrastructure deficits, trade facilitation issues, and lack of information for businesses, especially MSMEs.

93. Initiatives to Promote Trade:

Initiatives like the AfCFTA, the Africa Trade Fund (AfTra), and the Africa Trade Policy Centre (ATPC) are working to address trade barriers and facilitate trade.

94. Importance of MSMEs:

Micro, small, and medium-sized enterprises (MSMEs) are crucial for economic growth and need access to resources, skills, and market opportunities.

95. Trade with India:

India and Africa have been expanding their trade and investment ties, with initiatives like the India Africa Trade Council (IATC) aimed at boosting trade

Preferential Trade Area

A Preferential Trade Area (PTA) is a trade agreement where participating countries grant each other preferential access to certain goods, often through reduced tariffs or other trade barriers. Unlike a Free Trade Area (FTA) that aims for complete elimination of tariffs, a PTA allows for a more gradual reduction and can be either reciprocal (both countries give preferences) or unilateral (one country grants preferences to another).

Here's a more detailed explanation:

Key Characteristics of a PTA:

96. Reduced Tariffs:

PTAs typically involve lowering or eliminating tariffs on specific goods or services traded between member countries.

97. Targeted Preferences:

The preferences granted are usually tailored to specific products or sectors, rather than covering all trade.

98. Reciprocal or Unilateral:

PTAs can be based on mutual agreements, where both parties offer preferences, or they can be unilateral, where one country offers preferences to another.

99. Step towards Integration:

A PTA can be an initial stage in deeper economic integration, potentially leading to a Free Trade Area or other forms of trade agreements.

100. Flexibility:

PTAs offer flexibility in terms of the depth and breadth of trade preferences, allowing for a gradual reduction of trade barriers.

Examples of PTAs:

101. India-MERCOSUR PTA:

An agreement between India and the MERCOSUR trading bloc (Brazil, Argentina, Uruguay, and Paraguay) aimed at expanding trade and potentially leading to a free trade area.

102. Generalized System of Preferences (GSP):

Developed countries grant preferential tariffs to imports from developing countries, a form of unilateral PTA.

103. **Other PTAs:**

Many countries have PTAs with various trade partners, often based on bilateral agreements or regional groupings.

Benefits of PTAs:

- **Increased Trade:**

Lower tariffs and improved market access can encourage trade between member countries.

- **Economic Growth:**

Increased trade and investment can lead to economic growth and development in member countries.

- **Strategic Advantages:**

PTAs can be used to build strategic alliances and promote economic cooperation.

Potential Drawbacks of PTAs:

- **Trade Diversion:**

Non-member countries may face higher tariffs, leading to trade being diverted to member countries, even if they are not the most efficient producers.

- **Non-Member Disadvantage:**

PTAs can disadvantage non-member countries who may face higher tariffs and other trade barriers.

- **Complexity:**

PTAs can be complex, with various rules of origin and other requirements that businesses need to navigate.

EFTA

The **European Free Trade Association (EFTA)** is a regional trade organization and free trade area consisting of four European states: Iceland, Liechtenstein, Norway and Switzerland. The organization operates in

parallel with the European Union (EU), and all four member states participate in the European single market and are part of the Schengen Area. They are not, however, party to the European Union Customs Union.

EFTA was historically one of the two dominant western European trade blocs, but is now much smaller and closely associated with its historical competitor, the European Union. It was established on 3 May 1960 to serve as an alternative trade bloc for those European states that were unable or unwilling to join the then European Economic Community (EEC), the main predecessor of the EU. The Stockholm Convention (1960), to establish the EFTA, was signed on 4 January 1960 in the Swedish capital by seven countries (known as the "Outer Seven": Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom). A revised Convention, the Vaduz Convention, was signed on 21 June 2001 and entered into force on 1 June 2002.

After 1995 only two founding members remained, namely Norway and Switzerland. The other five, Austria, Denmark, Portugal, Sweden and the United Kingdom, had joined the EU at some point in the intervening years. The initial Stockholm Convention was superseded by the Vaduz Convention, which aimed to provide a successful framework for continuing the expansion and liberalization of trade, both among the organization's member states and with the rest of the world.

While the EFTA is not a customs union and member states have full rights to enter into bilateral third-country trade arrangements, it does have a coordinated trade policy. As a result, its member states have jointly concluded free trade agreements with the EU and a number of other countries.^[4] To participate in the EU's single market, Iceland, Liechtenstein, and Norway are parties to the Agreement on a European Economic Area (EEA), with compliances regulated by the EFTA Surveillance Authority and the EFTA Court. Switzerland has a set of multilateral agreements with the EU and its member states instead.

CACM

The CACM, or Central American Common Market, is a trade organization focused on promoting regional economic development through free trade and economic integration within Central America. It was formed in 1960 to encourage economic cooperation and growth among its member countries

The Central American Common Market (CACM), also known as the Central American Common Market, is a trade organization established in 1960 to promote regional economic integration among Central American nations. Initially, the CACM aimed to reduce trade barriers, stimulate exports, and encourage industrialization through regional cooperation. While the CACM faced challenges and a brief collapse in the 1980s, it was reinstated in the 1990s and continues to play a role in fostering economic development within the region.

Here's a more detailed breakdown:

- **Formation and Initial Goals:**

The CACM was formed in 1960 by Guatemala, El Salvador, Honduras, and Nicaragua. Costa Rica joined in 1963. The main goal was to unify the economies of these nations and jointly promote Central American development.

- **Collapse and Reinstatement:**

The CACM experienced a collapse in 1969 due to an armed conflict between El Salvador and Honduras. However, it was reinstated in 1991 and has since focused on complementing the region's efforts to promote non-traditional exports.

- **Key Objectives:**

The CACM's objectives include promoting balanced economic growth, increasing the competitiveness of member countries, and improving the standard of living of the population.

- **Membership:**

The CACM's core members include Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

- **Headquarters:**

The CACM's headquarters are located in Guatemala City.

- **Current Focus:**

The CACM's current focus is on facilitating trade, coordinating economic policies, and harmonizing legislation to achieve more efficient regional integration.

LAFTA

LAFTA is an acronym that stands for the Latin American Free Trade Association. It was an early attempt at regional integration and free trade in Latin America.

More Information:

- **Formation:** LAFTA was established in 1960 through the Treaty of Montevideo.
- **Initial Members:** The initial signatories included Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay.
- **Expansion:** Colombia and Ecuador joined later, followed by Venezuela and Bolivia.
- **Goals:** The primary goal was to create a common market in Latin America and to increase trade and investment among member countries through tariff rebates and other measures.
- **Successor:** LAFTA was later replaced by the Latin American Integration Association (LAIA) in 1980.

NAFTA

NAFTA stands for the North American Free Trade Agreement. It was a trade agreement between Canada, Mexico, and the United States that created a trilateral trade bloc in North America. The agreement, which came into effect on January 1, 1994, aimed to eliminate trade barriers like tariffs between the three countries. Britannica and Wikipedia describe NAFTA as a landmark agreement that fostered trade and economic integration between the participating nations.

NAFTA was signed in 1992 and went into effect in 1994. Its primary goal was to reduce tariffs and other trade barriers between the United States, Canada, and Mexico. The

agreement aimed to create a free-trade area in North America, which proponents believed would lead to increased trade, economic growth, and job creation.

In 2020, NAFTA was replaced by the United States-Mexico-Canada Agreement (USMCA), which is the current trade agreement between the three countries.

Here's a more detailed breakdown:

- **Goal:**

To eliminate all tariff and non-tariff barriers of trade and investment between the United States, Canada, and Mexico.

- **Purpose:**

To foster trade and economic integration between the three nations, and to stimulate economic growth and create jobs.

- **Key Provisions:**

1. Gradual elimination of tariffs and other trade barriers.
2. Protection of intellectual property rights, such as copyrights, patents, and trademarks.
3. Establishment of rules of origin to determine which products qualify for tariff-free treatment.

104. **Impact:**

1. Increased trade between the three countries.
2. Contributed to the integration of the three economies.
3. Criticized for potential job losses in the United States and outsourcing of manufacturing to Mexico.

105. **Replacement:**

NAFTA was replaced by the USMCA in 2020.

ASEAN

The **Association of Southeast Asian Nations**, commonly abbreviated as **ASEAN**, is a regional grouping of 10 states in Southeast Asia "that aims to promote economic and security cooperation among its ten members." Together, its member states represent a population of more than 600 million people and land area of over 4.5 million km² (1.7 million sq mi). The bloc generated a purchasing power parity (PPP) gross domestic product (GDP) of around US\$10.2 trillion in 2022, constituting approximately 6.5% of global GDP (PPP). ASEAN member states include some of the fastest growing economies in the world, and the institution plays an integral role in East Asian regionalism.

The primary objectives of ASEAN, as stated by the association, are "to accelerate economic growth, social progress and cultural development in the region", and "to promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter." In recent years, the bloc has broadened its objectives beyond economic and social spheres.

ASEAN engages with other international entities in the Asia-Pacific region and other parts of the world. It is a major partner of the UN ^{Tooltip} United Nations, SCO ^{Tooltip} Shanghai Cooperation Organisation, PA ^{Tooltip} Pacific Alliance, GCC ^{Tooltip} Gulf Cooperation Council, Mercosur, CELAC ^{Tooltip} Community of Latin American and Caribbean States, and ECO ^{Tooltip} Economic Cooperation Organization.^[17] It also hosts diplomatic missions throughout the world, maintaining a global network of relationships that is widely regarded as the central forum for cooperation in the region.^[18] Its success has become the driving force of some of the largest trade blocs in history, including APEC ^{Tooltip} Asia-Pacific Economic Cooperation.

CARICOM

CARICOM, short for the Caribbean Community and Common Market, is a regional intergovernmental organization that promotes economic integration, cooperation, and coordination among its member states. It was established in 1973 by the Treaty of

Chaguaramas. CARICOM has 15 member states and five associated members, all located in the Americas, the Caribbean, and the Atlantic Ocean.

Here's a more detailed breakdown:

106. Founding and Purpose:

CARICOM was founded on August 1, 1973, in Chaguaramas, Trinidad. Its primary goals are to promote economic integration and cooperation among member states, ensure equitable sharing of integration benefits, and coordinate foreign policy.

107. Membership:

The organization has 15 member states: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad & Tobago. It also has five associated members.

108. Objectives:

CARICOM aims to improve living and working standards, foster regional integration, promote regional cooperation, and defend the interests of its member states on the global stage.

109. Structure:

The CARICOM Secretariat, located in Georgetown, Guyana, is the principal administrative organ of the Community. The Secretary-General, currently Ms. Carla Barnett of Belize, is the Chief Executive Officer.

110. Key Initiatives:

CARICOM has several key initiatives, including the Caribbean Single Market and Economy (CSME), which aims to create a free trade area and promote free movement of goods, labor, and capital.

111. Focus Areas:

CARICOM also focuses on issues like regional security, environmental protection, sustainable development, and disaster management.

GSP

The Generalized System of Preferences (GSP) is a trade scheme where developed countries offer preferential tariff treatment to exports from developing countries. This means that developing countries can export certain products to developed countries with reduced or zero tariffs, which can make their goods more competitive in those markets.

Key aspects of GSP:

112. Unilateral Scheme:

GSP is a unilateral initiative by developed countries, meaning developing countries don't need to offer reciprocal preferences in return.

113. Preferential Tariff Treatment:

GSP aims to reduce or eliminate tariffs on specific products from designated beneficiary countries.

114. Targeted Development:

The scheme is designed to help developing countries boost their economic growth and development by increasing their access to international markets.

115. Legal Basis:

The Enabling Clause of the World Trade Organization provides the legal basis for GSP.

116. Beneficiary Countries:

Many developing countries are eligible to receive GSP benefits, and this list can change over time.

117. Eligible Products:

The specific products eligible for GSP treatment vary by country and can include agricultural products, manufactured goods, and more.

118. Monitoring and Review:

GSP programs, like the U.S. GSP, are reviewed regularly, and eligibility for GSP benefits may be subject to certain criteria, including human rights and labor standards.

119. EU GSP+:

The European Union has a version of GSP called GSP+, which offers even greater tariff preferences to countries that have ratified specific international conventions on human rights, labor rights, environmental protection, and good governance.

Benefits of GSP:

120. Increased Trade:

GSP can help developing countries increase their exports to developed markets.

121. Economic Growth:

By making exports cheaper, GSP can help stimulate economic growth in beneficiary countries.

122. Job Creation:

Increased trade and economic growth can lead to more job opportunities in developing countries.

123. Diversification of Exports:

GSP can help developing countries diversify their exports and reduce their reliance on a few key products.

Example: The United States Trade Representative has a GSP program that provides preferential treatment to products from designated beneficiary countries.

SAPTA

The SAARC Preferential Trading Arrangement (SAPTA) was an agreement signed in 1993 among the seven member states of the South Asian Association for Regional Cooperation (SAARC) to promote trade and economic cooperation within the region. It was essentially a precursor to the South Asian Free Trade Area (SAFTA).

Key aspects of SAPTA:

124. Objective:

To promote and sustain mutual trade and economic cooperation among SAARC member states through the exchange of tariff concessions.

125. Scope:

SAPTA aimed to gradually reduce tariffs and other trade barriers, eventually leading to a free trade area within the region.

126. Implementation:

It involved negotiating tariff concessions and other trade-related measures among the member states.

127. Evolution:

SAPTA was replaced by SAFTA, which was signed in 2004 and came into force in 2006. SAFTA has a broader coverage and a more elaborate dispute settlement mechanism compared to SAPTA.

128. Member States:

The original SAPTA member states included Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

Indian Ocean RIM Initiative

The Indian Ocean Rim Association (IORA) is an intergovernmental organization established in 1997 to promote regional cooperation and development among countries bordering the Indian Ocean. It aims to foster collaboration in various areas, including economic and trade cooperation, maritime safety, and cultural exchange.

Key aspects of IORA:

- **Membership:** IORA has 23 member states and 12 dialogue partners.
- **Objectives:** IORA's primary goal is to promote economic cooperation, sustainable growth, and regional integration among its members.
- **Areas of Focus:** IORA works on various initiatives related to trade, investment, sustainable development, and maritime security in the Indian Ocean region.
- **Structure:** The apex body of IORA is the Council of Ministers (COM), which is preceded by meetings of the Indian Ocean Rim Academic Group (IORAG), Indian Ocean Rim Business Forum (IORBF), and the Committee of Senior Officials (CSO).
- **Chairship:** India is currently the Vice-Chair of IORA and will assume the Chairship for 2025-2027. Sri Lanka currently holds the Chairship (2023-25).
- **Secretariat:** The IORA Secretariat is based in Mauritius.

BIMSTEC

BIMSTEC is a regional organization established in 1997 to promote cooperation among countries around the Bay of Bengal. It connects South Asia and Southeast Asia, focusing on areas like trade, transport, energy, counter-terrorism, and climate change.

Key aspects of BIMSTEC:

- **Establishment:**

The Bay of Bengal Initiative for Multi-Sectorial Technical and Economic Cooperation (BIMSTEC) was established in 1997 with the signing of the Bangkok Declaration.

- **Membership:**

BIMSTEC comprises seven member states: Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand.

- **Focus Areas:**

BIMSTEC focuses on various areas of cooperation, including trade, investment, technology, agriculture, tourism, energy, and disaster management.

- **Objectives:**

The organization aims to promote economic and social development, foster regional connectivity, and enhance collaboration among member states.

- **Significance:**

BIMSTEC serves as a platform for regional cooperation, particularly in security matters and humanitarian assistance and disaster relief (HADR) management. It also aligns with India's Act East Policy and Neighborhood First policies.

Recent Developments:

BIMSTEC has been holding regular summits and meetings to discuss key issues and advance regional cooperation. The 6th BIMSTEC Summit was hosted by Thailand in Bangkok in April 2025.

BIMSTEC is a significant regional organization that plays a crucial role in connecting South Asia and Southeast Asia, fostering economic growth, and promoting regional cooperation.

World Bank

The World Bank is an international financial organization that provides loans, grants, and technical assistance to developing countries to support economic development and poverty reduction. It is a group of five international organizations working together to address global challenges. The World Bank is owned by 187 member countries and is headquartered in Washington, D.C.

Here's a more detailed look at the World Bank:

Key Functions:

- **Funding:**

The World Bank provides financial assistance to developing countries in the form of low-interest loans, zero-interest credits, and grants.

- **Policy Advice:**

The World Bank offers policy advice and technical assistance to member countries to help them improve their economies and development strategies.

- **Knowledge Sharing:**

The World Bank shares its knowledge and expertise with member countries through research, publications, and other initiatives.

- **Partnerships:**

The World Bank works with various partners, including governments, other multilateral institutions, commercial banks, and private sector investors, to implement projects and programs.

- **Focus Areas:**

The World Bank's work focuses on various areas, including education, health, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management.

Structure:

- The World Bank is comprised of five institutions:
 - **International Bank for Reconstruction and Development (IBRD):** Provides loans to middle-income countries.

- **International Development Association (IDA):** Provides grants and concessional loans to the poorest countries.
- **International Finance Corporation (IFC):** Focuses on the private sector, providing financing, advisory services, and risk mitigation tools.
- **Multilateral Investment Guarantee Agency (MIGA):** Encourages foreign investment in developing countries by providing guarantees against certain risks.
- **Investment Dispute Settlement Center (ICSID):** Facilitates the settlement of investment disputes between investors and host countries.
- The World Bank is governed by a Board of Governors, which consists of the ministers of finance or development of its member countries.

India and the World Bank:

- India is a member of four of the five institutions of the World Bank Group: IBRD, IDA, IFC, and MIGA.
- The World Bank has various projects and programs in India, focusing on areas like infrastructure, education, health, and poverty reduction.
- India and the World Bank work together on various initiatives, including promoting sustainable development and achieving the Sustainable Development Goals.

IMF

The International Monetary Fund (IMF) is a major financial agency of the United Nations, and an international financial institution funded by 191 member countries, with headquarters in Washington, D.C. It is regarded as the global lender of last resort to national governments, and a leading supporter of exchange-rate stability. Its stated mission is "working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world."

Established in July 1944 at the Bretton Woods Conference, primarily according to the ideas of Harry Dexter White and John Maynard Keynes, it started with 29 member

countries and the goal of reconstructing the international monetary system after World War II. In its early years, the IMF primarily focused on facilitating fixed exchange rates across the developed world. It now plays a central role in the management of balance of payments difficulties and international financial crises. Through a quota system, countries contribute funds to a pool from which countries can borrow if they experience balance of payments problems. The IMF works to stabilize and foster the economies of its member countries by its use of the fund, as well as other activities such as gathering and analyzing economic statistics and surveillance of its members' economies.

The current managing director (MD) and chairperson of the IMF is Bulgarian economist Kristalina Georgieva, who has held the post since 1 October 2019. Indian-American economist Gita Gopinath, previously the chief economist, was appointed as first deputy managing director, effective 21 January 2022. Pierre-Olivier Gourinchas was appointed chief economist on 24 January 2022.

The IMF has been criticized for policies that centralize economic decision-making, impose conditions that limit national sovereignty, and entrench the influence of powerful governments over developing nations. Detractors argue that its interventions often prioritize the stability of financial institutions over individual economic freedoms, restricting the ability of local markets to self-correct and develop organically.

Functions



Board of Governors International Monetary Fund (1999)

According to the IMF itself, it works to foster global growth and economic stability by providing policy advice and financing to its members. It also works with developing countries to help them achieve macroeconomic stability and reduce poverty. The rationale for this is that private international capital markets function imperfectly and many countries have limited access to financial markets. Such market imperfections, together with balance-of-payments financing, provide the justification for official financing, without which many countries could only correct large external payment imbalances through measures with adverse economic consequences. The IMF provides alternate sources of financing such as the Poverty Reduction and Growth Facility.¹

Upon the founding of the IMF, its three primary functions were:

129. to oversee the fixed exchange rate arrangements between countries, thus helping national governments manage their exchange rates and allowing these governments to prioritize economic growth, and
130. to provide short-term capital to aid the balance of payments¹ and prevent the spread of international financial crisis.
131. to help mend the pieces of the international economy after the Great Depression and World War II¹ as well as to provide capital investments for economic growth and projects such as infrastructure.
132. The IMF's role was fundamentally altered by the floating exchange rates after 1971. It shifted to examining the economic policies of countries with IMF loan

agreements to determine whether a shortage of capital was due to economic fluctuations or economic policy. The IMF also researched what types of government policy would ensure economic recovery. A particular concern of the IMF was to prevent financial crises, such as those in Mexico in 1982, Brazil in 1987, the 1997 Asian financial crisis, and the 1998 Russian financial crisis, from spreading and threatening the entire global financial and currency system. The challenge was to promote and implement a policy that reduced the frequency of crises among emerging market countries, especially the middle-income countries which are vulnerable to massive capital outflows. Rather than maintaining a position of oversight of only exchange rates, their function became one of surveillance of the overall macroeconomic performance of member countries. Their role became a lot more active because the IMF now manages economic policy rather than just exchange rates.

In addition, the IMF negotiates conditions on lending and loans under their policy of conditionality, which was established in the 1950s. Low-income countries can borrow on concessional terms, which means there is a period of time with no interest rates, through the Extended Credit Facility (ECF), the Standby Credit Facility (SCF) and the Rapid Credit Facility (RCF). Non-concessional loans, which include interest rates, are provided mainly through the Stand-By Arrangements (SBA), the Flexible Credit Line (FCL), the Precautionary and Liquidity Line (PLL), and the Extended Fund Facility. The IMF provides emergency assistance via the Rapid Financing Instrument (RFI) to members facing urgent balance-of-payments needs.

MIGA

MIGA (Multilateral Investment Guarantee Agency) is a World Bank Group agency that promotes foreign investment in developing countries by providing political risk insurance and credit enhancement guarantees. These guarantees protect investors against various non-commercial risks, like expropriation, breach of contract, and war. MIGA's goal is to encourage investment that supports development and poverty reduction.

Here's a more detailed look at MIGA:

133. Purpose:

MIGA aims to encourage foreign direct investment (FDI) in developing countries by mitigating political risks for investors.

134. Guarantees:

MIGA provides guarantees against non-commercial risks like:

1. Transfer and convertibility difficulties.
2. Breach of contract by the host country.
3. Expropriation or nationalization of the investment.
4. War and civil disturbance.

135. Eligibility:

In general, investors who are citizens of, or entities incorporated in, MIGA member countries are eligible for guarantees, except when investing in their own country.

136. Impact:

MIGA's guarantees help to attract investment in sectors like energy, infrastructure, and natural resources, contributing to economic growth and development in developing countries.

137. Relationship with IFC:

MIGA has a close working relationship with the International Finance Corporation (IFC), another World Bank Group member. IFC can refer potential investments to MIGA for political risk insurance.

World Trade in Services

International trade in services encompasses the exchange of services between countries, including areas like finance, tourism, and technology. It's a significant and

growing segment of international trade, facilitated by technologies that allow for cross-border service delivery. The General Agreement on Trade in Services (GATS), a World Trade Organization agreement, provides the legal framework for this trade.

1. **Exchange of Services:**

International trade in services involves the provision of intangible goods, like financial advice, software development, or travel, between countries.

2. **Digitalization:**

The rise of digital technologies has significantly increased the ease and scope of services trade, allowing for remote delivery and cross-border transactions.

3. **Growing Importance:**

Services trade is a dynamic sector, contributing significantly to global trade, economic growth, and employment.

4. **Key Inputs:**

Services also act as crucial inputs for the production of goods, playing a vital role in global value chains.

Examples of Services Traded Internationally:

1. **Financial Services:** Banks, insurance companies, and other financial institutions providing services across borders.
2. **Technology and Software:** Software development, IT services, and related consulting services.
3. **Consulting:** Various professional services like legal, accounting, and management consulting.
4. **Tourism and Travel:** International travel, accommodation, and related services.
5. **Transportation:** Air, sea, and land freight and passenger transport services.
6. **Education and Healthcare:** Services like remote education and telemedicine.

Modes of Supply:

The General Agreement on Trade in Services (GATS) defines four modes of service supply:

- **1. Cross-Border:**

Services are provided from one country to another, like remotely providing accounting services.

- **2. Consumption Abroad:**

Individuals travel to another country to consume a service, like tourism.

- **3. Commercial Presence:**

Companies establish a physical presence in another country to provide services, like opening a bank branch.

- **4. Presence of Natural Persons:**

Individuals from one country move to another to provide services, like a doctor working abroad.

Why it's Important:

- **Economic Growth:**

Services trade contributes to economic growth and development by increasing productivity, fostering competition, and attracting foreign investment.

- **Job Creation:**

The services sector is a major source of employment, particularly in high-income countries.

- **Global Value Chains:**

Services play a crucial role in global value chains by providing inputs and facilitating trade in goods.

- **Innovation:**

Services trade can drive innovation and technological advancements.

Organizations Involved:

- **World Trade Organization (WTO):** The WTO sets the rules for international trade in services through the GATS.
- **International Trade Centre (ITC):** ITC provides assistance to developing countries in promoting services trade and participating in trade negotiations.
- **UN Trade and Development (UNCTAD):** UNCTAD supports countries in developing trade statistics.

Counter Trade

Countertrade, also known as barter or quasi-barter, is a form of international trade where goods or services are exchanged for other goods or services, rather than for currency. It's a reciprocal arrangement where sellers are obligated to accept goods or services from the buyer as partial or full payment for their exports. This type of trade is often used when countries face currency or payment challenges or when they want to build trade relationships.

Here's a more detailed explanation:

- **What it is:**

Countertrade involves an exchange of goods or services between countries without the need for a full monetary payment. It's a modernized form of barter that explicitly links import and export transactions.

- **Why it's used:**

Countertrade can be a useful way to arrange for the supply of exports to a country that does not have the resources to pay for them in hard currency. It can also help countries reduce imbalances in trade and build relationships.

- **How it works:**

In countertrade, the exporter agrees to accept goods or services from the importer as payment for their goods or services. This can be a partial or full settlement.

- **Examples:**

An exporter might sell machinery to a country, and in return, the importer agrees to supply agricultural products from their country as payment.

- **Different types of countertrade:**

There are various forms of countertrade, such as counter-purchase, barter, and buy-back agreements.

In essence, countertrade is a way to facilitate international trade when traditional currency-based transactions are difficult or impossible.

World Commodity Markets and Commodity Agreements

An **international commodity agreement** is an undertaking by a group of countries to stabilize trade, supplies, and prices of a commodity for the benefit of participating countries. An agreement usually involves a consensus on quantities traded, prices, and stock management. A number of international commodity agreements serve solely as forums for information exchange, analysis, and policy discussion.

As of 2023, the United States participates in one commodity trade agreement: the International Tropical Timber Agreement. The agreement establishes an intergovernmental organization with a governing council. The Office of the United States Trade Representative leads US participation in this agreement.

International Coffee Agreement

The International Coffee Organization (ICO) is the main intergovernmental organization for coffee. ICO exporting members account for more than 97% of world coffee production, and its importing Members, are responsible for around 80% of world coffee consumption. The ICO makes a practical contribution to the world coffee economy and to the improvement of living standards in developing countries by facilitating intergovernmental consultation and coordination regarding coffee policies and priorities, by encouraging a sustainable world coffee economy, by initiating coffee development projects to add value and improve marketing, by increasing world coffee consumption through innovative market development activities, by promoting the improvement of coffee quality, by working closely with the global coffee industry through a 16-member Private Sector Consultative Board, and by ensuring transparency in the coffee market with objective and comprehensive information on the world coffee sector by means of statistics and market studies.

The United States led efforts circa 2007 to renegotiate the ICA, resulting in the adoption of the seventh International Coffee Agreement (ICA 2007) by the International Coffee Council on September 28, 2007. The new ICA is designed to enhance the ICO's role as a forum for intergovernmental consultations, to increase its contributions to meaningful

market information and market transparency, and to ensure that the organization plays a unique role in developing innovative and effective capacity building in the coffee sector. Among the features of the new agreement is a first-ever "Consultative Forum on Coffee Sector Finance" to promote the development and dissemination of innovations and best practices that can enable coffee producers to better manage financial aspects of the inherent volatility and risks associated with competitive and evolving markets. Other notable changes include expanding the organization's work in providing relevant statistical and market information and strengthening efforts to develop, review, and implement capacity building projects that are particularly important to small-scale farmers in key developing country trading partners.

International Tropical Timber Agreement

The International Tropical Timber Agreement (ITTA) is often described as a "hybrid" agreement because it combines a traditional commodity trade agreement with objectives that include sustainable management of tropical forests. The ITTA established the International Tropical Timber Organization (ITTO), an intergovernmental organization with 59 members who collectively account for about 80% of the world's tropical forests and 90% of the annual trade in tropical timber trade. The ITTO promotes market transparency by collecting, analyzing and disseminating data on the production and trade of tropical timber; assists in developing, funding and implementing projects and other activities to build capacity to sustainably manage and use tropical forests; and facilitates intergovernmental consultation and international co-operation on issues relating to the trade and utilization of tropical timber and the sustainable management of its resource base.

Negotiations for a successor agreement to the ITTA 1994 were concluded in 2006, and the new agreement (ITTA 2006) is expected to further strengthen efforts to promote tropical timber trade in the context of sustainable management of tropical forests.

Let's Sum-Up:

Dear Learners, in this Module we learn, International Sales Contract: Major Laws - INCO Terms - Standard clauses of International sales Contract - Role of Indian Council of Arbitration / International Chamber of Commerce in solving Trade disputes. International Trade Liberalization: General Agreement on Tariff and Trade (GATT) , World Trade Organization (WTO), GATS , UNCTAD, Trade Blocks: Customs Union, EU, Intra-African Trade: Preferential Trade Area (PTA) , European Free Trade Area (EFTA), Central American Common Market (CACM), Latin American Free Trade Association (LAFTA), North American Free Trade Agreement (NAFTA), Association of South East Asian Nations (ASEAN), CARICOM – GSTP- GSP- SAPTA - Indian Ocean RIM initiative BIM ST EC, World Bank, IMF, International Finance Corporation - Multinational Investment Guarantee Agency (MIGA), World Trade in Services - Counter Trade World Commodity Markets and Commodity Agreements.

Self-Assessment Questions:

1. Explain International Sales Contract? Explain them with the help of examples.
2. Describe the functions of WTO.
3. Explain the objectives of International Finance Corporation.

UNIT- IV**INTRODUCTION**

INDIA'S FOREIGN TRADE: Recent Trends in India's Foreign Trade- India's Commercial Relations and Trade Agreements with other countries - Institutional Infrastructure for Export Promotion in India - Export Assistance - Export Finance Export Processing Zones (EPZs) - Special Economic Zones (SEZ)- Exports by Air, Post and Sea- Small Scale Industries (SSI) and Exports Role of ECGC - Role of EXIM Bank of India - Role of Commodity Boards - Role of State Trading Agencies in Foreign Trade STC, MMTC, etc.

Export Regulations: Procedure for export of goods- Quality control and Pre-shipment Inspection- Excise Clearance - Customs Clearance- Port Formalities Exchange Regulations for Export - Role of Clearing and Forwarding Agents. Procedure for Executing an Export Order - Export and Import Documentation - Export Packing - Containerizations - WorldShipping Liners and Tramps -Dry ports- Project Exports Joint Ventures - Marine Insurance and Overseas Marketing - Export Payment Different Modes of Payment and Letters of Credit

Unit Module Structuring

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Self- Learning Material Development – STAGE- I

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UNIT – IV

INDIA'S FOREIGN TRADE

India's foreign trade has shown strong growth, with exports reaching a historic high of USD 778.21 billion in 2023-24, a 67% increase from 2013-14. This growth is driven by both merchandise and services exports, with key sectors like electronics, pharmaceuticals, and engineering goods playing a significant role.

Key aspects of India's foreign trade:

7. **Growth:**

India's exports have been steadily increasing, demonstrating the country's growing integration into the global economy.

8. **Merchandise and Services:**

Both merchandise and services exports have contributed to the overall growth, indicating a well-balanced trade performance.

9. **Major Export Sectors:**

Electronics, pharmaceuticals, engineering goods, iron ore, and textiles are among the key sectors driving India's exports.

10. **Global Market Share:**

India's global market share in exports has been increasing, with a notable increase in global trade competitiveness.

11. **Trade Partners:**

India exports to approximately 190 countries and imports from around 140 countries.

12. **Major Export Destinations:**

The EU and the United States are major destinations for India's exports.

13. **Major Import Sources:**

China and the EU are major sources of India's imports.

14. **Foreign Trade Policy:**

The Foreign Trade Policy (FTP) aims to integrate India smoothly with global markets and establish it as a reliable trade partner.

RECENT TRENDS IN INDIA'S FOREIGN TRADE

Recent trends in India's foreign trade indicate a mixed bag of positive and negative developments. While exports and imports have both increased overall, the trade deficit has also widened slightly. China has become India's largest trading partner, overtaking the US.

Here's a more detailed look:

Positive Trends:

15. Growth in Exports and Imports:

Both overall exports and imports have seen growth, although the import growth has been slightly higher than exports in some periods. For example, in January 2025, total exports grew by 9.72% year-on-year while total imports grew by 12.98% year-on-year, according to ShipGlobal.in.

16. Expansion of Trade Relations:

India has significantly expanded its trade relations, exporting to about 190 countries and importing from 140 countries, according to Forbes India.

17. New Foreign Trade Policy:

The Government of India has implemented the Foreign Trade Policy 2023-28, according to Forbes India to encourage exports and improve trade performance, including initiatives like "Districts as Export Hubs" and the Common Digital Platform for certificates of origin.

Challenges and Negative Trends:

18. Widening Trade Deficit:

The trade deficit has increased, meaning imports have been outpacing exports. In January 2025, the trade deficit was USD -2.67 billion, according to ShipGlobal.in.

19. Shifting Trade Partner Landscape:

While China has become India's largest trading partner, exports to the US have dipped slightly, according to Vajiram & Ravi.

20. Impact of Global Economic Conditions:

The Indian economy has been impacted by global economic conditions, including the COVID-19 pandemic.

Key Takeaways:

21. India's foreign trade is dynamic and evolving, with both growth and challenges.

22. The focus is on diversifying export baskets and strengthening trade relationships with key partners.
23. The government is implementing policies to promote exports and improve trade performance.

INDIA'S COMMERCIAL RELATIONS AND TRADE AGREEMENTS WITH OTHER COUNTRIES

India engages in extensive commercial relations and trade agreements with various countries and blocs, including FTAs and PTAs with nations like ASEAN, Japan, South Korea, and the EFTA. Key agreements include the India-EFTA TEPA, India-Australia ECTA, and India-UAE CEPA. India is also actively negotiating agreements with other countries and blocs, such as the EU and the UK.

Specific Trade Agreements:

24. **Free Trade Agreements (FTAs):** India has signed 13 FTAs and 6 PTAs with various countries.
25. **Comprehensive Economic Partnership Agreements (CEPAs):** Examples include the India-Japan CEPA and India-South Korea CEPA.
26. **Comprehensive Economic Cooperation Agreements (CECA):** Examples include the India-Singapore CECA and India-ASEAN CECA.
27. **Other Agreements:** India has agreements with SAARC countries, including separate FTAs with Sri Lanka, Nepal, and Bhutan.
28. **Ongoing Negotiations:** India is actively negotiating with several countries and blocs, including the UK, Canada, and the EU.

Key Trade Partners:

29. **United States:** A major trading partner for India.
30. **United Arab Emirates:** Another significant trading partner.
31. **Netherlands:** Part of India's top 10 trading partners.
32. **China:** A key trading partner.
33. **Singapore:** A major trading partner.
34. **United Kingdom:** A key trading partner, with FTA negotiations ongoing.

35. **Saudi Arabia:** A significant trading partner.

36. **Hong Kong:** A key trading partner.

Recent Developments:

37. **India-EFTA TEPA:** Signed on March 10, 2024, with the EFTA bloc (Iceland, Liechtenstein, Norway, and Switzerland).

38. **India-Australia ECTA:** An early harvest agreement, not yet a full-fledged FTA, is being negotiated.

39. **India-UAE CEPA:** Implemented in 2022.

40. **India-Mauritius CECPA:** Implemented in 2021.

41. **India-Singapore CECA:** Signed in 2005.

India's Trade Strategy:

42. India has been cautious about trade liberalization in the past but is now making a push to re-engage with free trade agreements.

43. This shift is driven by economic, strategic, and geopolitical considerations.

44. India is actively pursuing deals with key global partners, including the EU, UK, and the US.

INSTITUTIONAL INFRASTRUCTURE FOR EXPORT PROMOTION IN INDIA

India's institutional infrastructure for export promotion is a multi-tiered system designed to support and develop the country's international trade. This framework encompasses a range of organizations, from the central Department of Commerce to state-level agencies and industry associations, all working to facilitate and promote exports.

Here's a more detailed look at the key components:

1. Central Government:

45. **Department of Commerce:**

The apex body responsible for formulating and implementing trade policies, along with overseeing various export promotion activities.

46. **Advisory Bodies:**

Bodies like the Board of Trade, providing a platform for industry-government discussions to address export-related issues.

47. Export Promotion Councils (EPCs):

Commodity-specific organizations that provide guidance, assistance, and support to exporters in particular sectors. There are 14 Export Promotion Councils under the administrative control of the Department of Commerce.

48. Service Institutions:

Organizations like the Indian Institute of Foreign Trade (IIFT) and Export Credit & Guarantee Corporation (ECGC), which provide training, research, and financial assistance to exporters.

49. Government Trading Organizations:

Organizations that handle the export and import of specific commodities, supplementing the efforts of private enterprises.

50. State-Level Agencies:

Each state has its own export promotion agencies, facilitating exports from that state and working closely with central government initiatives.

2. Supporting Institutions:**• Indian Trade Promotion Organisation (ITPO):**

Organizes national and international trade fairs to showcase Indian products to global buyers.

• Federation of Indian Export Organisations (FIEO):

An apex body of export promotion organizations, representing the interests of the Indian export sector.

• Export Inspection Council and Agencies:

Ensure quality standards are met before exports, providing a vital link in the supply chain.

• Export-Import Bank of India (EXIM Bank):

Provides long-term credit and other financial services to support export-oriented businesses.

3. Other Infrastructure:**• Special Economic Zones (SEZs):**

Designed to attract investment and promote export-oriented industries, with specific incentives and regulatory frameworks.

- **Trade Infrastructure for Export Scheme (TIES):**

A scheme to support the development of export infrastructure across states.

- **Other infrastructure components:**

Include Border Haats, land customs stations, quality testing and certification labs, cold chains, trade promotion centers, and ports/airports.

EXPORT ASSISTANCE

Export assistance refers to government and private initiatives that help businesses navigate the complexities of international trade, such as finding new markets, complying with regulations, and accessing funding. These programs offer financial incentives, market research, and training to support exporters.

Types of Export Assistance:

- **Financial Assistance:**

1. **Low-cost loans and subsidies:** Amazon.in offers financial help to reduce export costs and make prices competitive.
2. **Market Access Initiative (MAI):** Provides funding for marketing projects, capacity building, and studies to enhance export performance.
3. **Drawback:** Reimbursement of central levies (excise, customs duty, service tax) on raw materials used in exported goods.
4. **Financial Assistance Scheme (FAS):** A specific scheme for agricultural and processed food products, offering assistance to exporters to navigate challenges.
5. **Pre-shipment and post-shipment finance:** Commercial banks provide loans at concessional rates for various stages of the export transaction.

- **Market Development Assistance (MDA):**

Supports exporters with marketing research, trade fairs, and exhibitions, among other activities.

- **Trade Fairs and Exhibitions:**

Government participation in international trade events to help exporters network and find opportunities.

- **Training and Capacity Building:**

Programs that provide exporters with knowledge and skills in areas like international trade regulations, market research, and logistics.

- **Export Promotion Councils (EPCs):**

Organizations that promote specific industries and provide resources and support to exporters.

- **Export Facilitation Centers (IEFCs):**

Centers that provide information, guidance, and services to exporters, particularly for MSMEs.

- **Export Agents:**

Professionals who help businesses with the logistics of exporting, including documentation, shipping, and ensuring compliance.

- **Service Exportation:**

The provision of services to international clients, a form of international trade that doesn't involve physical goods.

Benefits of Export Assistance:

- **Increased sales and profits:**

Exports can lead to new markets and expanded market share.

- **Job creation:**

Export businesses often need to expand their workforce as they grow internationally.

- **Reduced barriers to international trade:**

Export assistance helps businesses overcome challenges like regulations and logistics.

- **Improved competitiveness:**

Financial assistance and training can help businesses become more competitive in global markets.

- **Access to new markets and technologies:**

Export assistance can help businesses tap into new opportunities for growth and innovation.

EXPORT FINANCE

Export finance refers to a variety of financial tools and services that help businesses finance their export activities. It provides access to funding to cover costs associated with exporting goods and services, mitigating risks like currency fluctuations and payment delays.

51. Funding for exporters:

Export finance bridges the gap between the costs incurred by an exporter before shipment and the eventual payment from the buyer.

52. Addressing cash flow issues:

It helps exporters manage their cash flow, especially when dealing with long payment terms from foreign buyers.

53. Mitigating risks:

Export finance can help reduce risks associated with international trade, such as currency fluctuations, political instability, and payment defaults.

How it works:

54. Pre-shipment financing:

Provides funds for the production, manufacturing, or packing of goods destined for export.

55. Post-shipment financing:

Offers funding after goods are shipped, often by discounting export bills or providing loans against export receivables.

56. Various forms:

Includes loans, lines of credit, export credit insurance, and other financial instruments.

Types of Export Finance:

57. Pre-shipment financing: Funding for the production, processing, and packaging of goods before shipment.

58. Post-shipment financing: Financing provided after the goods are shipped, such as export bill discounting or factoring.

59. Export credit insurance: Provides protection against payment defaults or non-payment from buyers.

60. **Lines of Credit:** Banks or financial institutions offer credit facilities to exporters.
61. **Export Factoring:** An alternative to traditional financing, where the exporter sells their receivables to a factoring company.

Sources of Export Finance:

62. **Banks and financial institutions:** Commercial banks, export-import banks (Exim Banks), and other financial institutions provide export financing.
63. **Export Credit Agencies (ECAs):** Government-backed agencies that provide export credit insurance or guarantees.
64. **Non-banking financial companies (NBFCs):** Some NBFCs specialize in providing trade finance and export financing.

Benefits of Export Finance:

65. **Improved cash flow:**

Helps exporters manage their working capital by providing access to funding.

66. **Increased competitiveness:**

Enables exporters to offer competitive payment terms and take on larger orders.

67. **Risk mitigation:**

Reduces the risk of non-payment or delays in payment from foreign buyers.

68. **Access to global markets:**

Facilitates exports to new markets and allows businesses to grow internationally.

Eligibility Criteria:

- **Confirmed export order:**

A valid export order is usually required, often evidenced by a letter of credit.

- **Creditworthiness:**

Lenders typically assess the exporter's creditworthiness and financial standing.

- **Repayment ability:**

Exporters need to demonstrate their ability to repay the loan or credit facility.

EXPORT PROCESSING ZONES

An Export Processing Zone (EPZ), also known as a Free Trade Zone (FTZ) or Special Economic Zone (SEZ), is a designated area within a country where businesses can produce and process goods for export under special customs and regulatory regimes. EPZs aim to simplify export procedures, offer tax incentives, and attract foreign investment to boost export-oriented industries.

Key Features and Benefits of EPZs:

- **Simplified Procedures:**

EPZs streamline export processes, often with reduced paperwork and quicker customs clearances.

- **Tax Incentives:**

Businesses in EPZs may receive tax breaks, exemptions, and other financial advantages to encourage investment.

- **Attracting Foreign Investment:**

The simplified regulations and incentives make EPZs attractive to foreign businesses seeking to expand their operations and export products.

- **Focus on Exports:**

EPZs are designed for businesses that produce goods primarily for export markets, with limited or no sales in the domestic market.

- **Infrastructure:**

EPZs often have state-of-the-art infrastructure, including modern warehouses, logistics systems, and connectivity to ports and airports.

- **Employment:**

The establishment of EPZs can create new job opportunities in manufacturing, logistics, and related service sectors.

- **Promoting Exports:**

EPZs are a key tool for governments seeking to promote export-oriented industries, generate foreign exchange, and stimulate economic growth.

Examples of EPZs:

- **India:**

India has a history of using EPZs to promote exports and attract foreign investment. Asia's first EPZ was established in Kandla, India in 1965.

- **Other Countries:**

Many developing countries have established EPZs to attract foreign investment and boost export-oriented industries.

- **E-waste Recycling:**

Some EPZs are also being used for e-waste recycling and treatment

SPECIAL ECONOMIC ZONES

A Special Economic Zone (SEZ) is a designated area within a country where business and trade laws differ from the rest of the country. These zones are created to attract foreign investment, generate employment, and promote exports. SEZs are located within a country's national borders.

Key Features of SEZs:

- **Different Business and Trade Laws:**

SEZs often have more lenient regulations regarding taxes, trade restrictions, and other business-related matters compared to the rest of the country.

- **Attracting Investment:**

The lower regulations and incentives in SEZs make them attractive to both domestic and foreign investors.

- **Export Promotion:**

Many SEZs are designed to encourage exports of goods and services, boosting the country's overall trade balance.

- **Job Creation:**

The increased investment and business activity within SEZs often lead to a surge in job opportunities.

- **Infrastructure Development:**

Governments often invest in infrastructure within SEZs to support the development and growth of businesses.

- **Duty-Free Zones:**

Many SEZs are also duty-free, meaning that goods produced within the zone can be exported without paying import duties.

- **Effective Administration:**

SEZs are often designed for better administration and ease of doing business.

In India, SEZs:

- The SEZ Act of 2005 was passed to formalize the establishment and operation of SEZs in India.
- SEZs in India are designed to generate additional economic activity, promote exports, attract investment, create jobs, and develop infrastructure.
- State governments play a key role in promoting exports and creating the necessary infrastructure within SEZs.
- The SEZ Act, 2005, and the SEZ Rules, 2006, provide the legal framework for the operation of SEZs in India.
- SEZs in India have exported software worth Rs 5.3 lakh crore in 2021-22.

Examples of SEZs in India:

69. **Madras EPZ:** According to Special Economic Zones in India
70. **Manikachan SEZ, West Bengal:** According to Special Economic Zones in India
71. **Visakhapatnam SEZ:** According to Special Economic Zones in India
- 72.

EXPORTS BY AIR,POST AND SEA

Exports can be shipped by air or sea. Air freight is faster but more expensive, typically used for time-sensitive or high-value goods. Sea freight is slower and less expensive, often used for bulk or low-value goods.

Air Freight:

73. **Speed:** Faster than sea freight, suitable for urgent shipments.
74. **Cost:** More expensive than sea freight.
75. **Suitability:** Ideal for high-value, time-sensitive, or low-volume goods.
76. **Example:** Pharmaceuticals, electronics, fashion goods.

Sea Freight:

77. **Speed:** Slower than air freight.
78. **Cost:** Less expensive than air freight.
79. **Suitability:** Suitable for bulk shipments, low-value goods, or when speed isn't a primary concern.
80. **Example:** Bulk commodities, raw materials, furniture.

Key Considerations:

81. **Cost:** Air freight is significantly more expensive.
82. **Time:** Air freight is much faster.
83. **Volume:** Sea freight is better for bulk shipments, while air freight is better for smaller shipments.
84. **Value:** Air freight is often preferred for high-value goods

SMALL SCALE INDUSTRIES

Small-scale Industries encompasses businesses or industrial enterprises operating on a relatively modest scale concerning production, capital investment, and workforce. These enterprises typically serve local or regional markets and hold immense significance for the economy and society. One of their notable characteristics is their close ties to local communities, fulfilling essential needs within those regions. Moreover, they play a vital role in generating employment opportunities, especially in rural and semi-urban areas where larger industries might not have a presence. Small Scale Industries encourage and empower aspiring entrepreneurs by offering a platform to establish and manage businesses with relatively low initial investments. Their diverse presence spans across various sectors, fostering innovation and catering to niche markets or specific customer demands. Furthermore, these enterprises exhibit a commendable ability to adapt swiftly to evolving market trends and consumer preferences. By promoting import substitution, they contribute to reducing a nation's reliance on foreign goods, thereby bolstering the domestic economy.

Characteristics of Small-Scale Industries

Small-scale industries exhibit several distinctive characteristics, which set them apart from larger enterprises. Some key characteristics of small-scale industries include:

- 1. Limited Capital Investment:** Small-scale industries typically start with limited capital investment compared to larger businesses. They often rely on personal savings, small loans, or contributions from family and friends to initiate their operations.
- 2. Localized Operations:** These industries primarily serve local or regional markets, focusing on the needs and demands of the immediate community. Their production and distribution are often on a smaller scale, catering to local consumers.
- 3. Small Workforce:** As the name suggests, small-scale industries employ a limited number of workers. They may have a handful of employees, and in some cases, the business may be run solely by the entrepreneur and their family members.
- 4. Flexibility and Adaptability:** Small-scale industries tend to be more flexible and agile in responding to market changes and customer preferences. They can quickly adjust their production processes or product offerings based on demand fluctuations.
- 5. Simple Organizational Structure:** These enterprises usually have a simple organizational structure with fewer levels of management and bureaucracy. Decision-making processes are quicker and more direct.
- 6. Niche Products or Services:** Small-scale industries often focus on producing niche products or providing specialized services. They may target specific customer segments or cater to unique needs that larger firms may not address.
- 7. Entrepreneurial Spirit:** Entrepreneurs play a central role in small-scale industries. The success of these enterprises depends significantly on the vision, innovation, and drive of the entrepreneur behind the business.
- 8. Local Sourcing of Inputs:** Small-scale industries often rely on locally available raw materials and inputs for their production. This helps in reducing transportation costs and strengthens local supply chains.
- 9. Technology Adoption:** While small-scale industries may not have access to cutting-edge technology, they often adopt cost-effective and appropriate technologies to enhance efficiency and productivity.

Objectives of Small-Scale Industries

The objectives of small-scale industries revolve around various economic, social, and developmental goals. Some key objectives include:

- 1. Employment Generation:** One of the primary objectives of small-scale industries is to create employment opportunities, especially in areas with limited job prospects. These enterprises contribute to reducing unemployment and underemployment by providing jobs for local communities.
- 2. Poverty Alleviation:** Small-scale industries play a crucial role in poverty alleviation by offering income-generating opportunities to people from lower-income backgrounds. As these industries expand, they help uplift the standard of living for many individuals and families.
- 3. Local and Regional Development:** These industries aim to foster economic development at the local and regional levels. By supporting local businesses, they contribute to the growth of the community and stimulate the regional economy.
- 4. Promoting Entrepreneurship:** Small-scale industries encourage and promote entrepreneurship. They create a platform for aspiring entrepreneurs to start their businesses with limited resources and become self-reliant.
- 5. Import Substitution:** A key objective is to reduce reliance on imported goods by producing goods domestically. Small-scale industries can contribute to import substitution and promote indigenous manufacturing.
- 6. Niche Market Filling:** These industries often focus on producing niche products or providing specialized services that may not be catered to adequately by larger enterprises. By targeting specific customer needs, they create a competitive advantage.
- 7. Regional Balance and Decentralization:** Small-scale industries help in achieving a balanced regional development by decentralizing economic activities. They encourage growth in rural and semi-urban areas, reducing the burden on overcrowded urban centers.
- 8. Innovation and Adaptability:** The objective of small-scale industries is to foster innovation and adaptability. They are often more agile in responding to market changes and consumer demands, driving creativity and uniqueness in their products or services.

9. Export Promotion: While the primary focus is on local markets, some small-scale industries may aim to promote their products or services in international markets. Export-oriented small-scale industries contribute to foreign exchange earnings for the country.

Role of Small-Scale Industries in the Indian Economy

Small-scale industries (SSI) play a vital and multifaceted role in the Indian economy, contributing significantly to its growth, employment generation, and overall development. Some of the key roles of small-scale industries in the Indian economy are as follows:

- 1. Employment Generation:** SSIs are major contributors to employment generation in India. They provide livelihoods to a large number of people, especially in rural and semi-urban areas, where job opportunities may be limited. The labor-intensive nature of many small-scale industries helps absorb a substantial workforce.
- 2. Regional Development:** Small-scale industries are instrumental in promoting balanced regional development. By setting up operations in rural and backward areas, they reduce the concentration of economic activities in urban centers and contribute to the development of these regions.
- 3. Entrepreneurship Promotion:** SSIs encourage entrepreneurship and self-employment. They provide a platform for aspiring entrepreneurs with limited resources to start their own businesses and become economically independent.
- 4. Import Substitution:** Many small-scale industries focus on producing goods that substitute imports. By manufacturing products domestically, they help reduce the country's reliance on foreign goods, thus conserving foreign exchange reserves.
- 5. Niche Market Filling:** Small-scale industries often cater to niche markets or produce specialized goods that may not be met adequately by larger industries. This niche focus allows them to serve unique customer needs and gain a competitive advantage.
- 6. Contribution to GDP:** SSIs contribute significantly to the Gross Domestic Product (GDP) of India. While individually their contributions may seem small, collectively, they make a substantial impact on the country's economy.
- 7. Export Promotion:** Several small-scale industries in India are engaged in export-oriented activities. They contribute to earning foreign exchange for the country and enhance India's presence in the global market.

8. Innovation and Adaptability: Small-scale industries are known for their agility and ability to innovate. They often pioneer new products or production techniques, driving technological advancements in the economy.

9. Ancillary Industries: Small-scale industries serve as ancillary units to larger industries. They supply raw materials, components, and intermediate products, thereby supporting the growth of larger manufacturing enterprises.

10. Employment Diversification: Small-scale industries diversify the sources of employment in the Indian economy. They offer job opportunities in a wide range of sectors, from manufacturing and textiles to handicrafts and services.

ROLE OF ECGC

The Export Credit Guarantee Corporation of India (ECGC) plays a crucial role in supporting Indian exporters by providing them with credit insurance against risks associated with international trade. This includes mitigating financial losses due to non-payment by foreign buyers, political instability, and currency fluctuations.

Here's a more detailed look at the ECGC's role:

1. Credit Insurance:

85. ECGC provides various types of credit insurance policies to protect Indian exporters against non-payment risks.
86. These policies cover both commercial risks (e.g., buyer's insolvency) and political risks (e.g., war, civil unrest).
87. The insurance can cover a portion of the invoice value, typically up to 90%.
88. ECGC also offers insurance to banks and financial institutions to encourage them to extend credit facilities to exporters.

2. Risk Mitigation:

- ECGC helps exporters manage risks associated with international trade, making it more accessible and encouraging them to explore global markets.
- By insuring against potential losses, ECGC reduces the financial burden on exporters, allowing them to focus on sales and market expansion.

- ECGC also provides information on the creditworthiness of foreign buyers and the political and economic stability of different countries.

3. Export Promotion:

- ECGC actively promotes exports by collaborating with export promotion councils and trade bodies.
- It participates in trade fairs, seminars, and exhibitions to raise awareness about its services and encourage businesses to venture into international markets.
- ECGC also supports capacity building initiatives for first-time exporters, helping them navigate the complexities of international trade.

4. Other Functions:

- ECGC assists exporters in recovering bad debts.
- It provides financial assistance to exporters in the form of export factoring, which includes working capital financing, credit risk protection, and collection of export receivables.
- ECGC also offers Overseas Investment Insurance to Indian companies investing abroad in joint ventures.

ROLE OF EXIM BANK OF INDIA

EXIM Bank is popularly regarded as an '**Export-Import Bank**'. It was established in the year 1982 under the Indian act of Export-Import Bank of India Act, 1982 and has been set up to provide long-term finance to exporters as well as importers to meet their financial needs related to international trade of the country India. It is the biggest and the salient institution which is based on finance of export for the investment and trade of foreign countries with the country's economic growth. The 1st Chairman of the bank was R.C. Shah and who was also the first Managing director. **Exim Bank** lengthens the LOCs (Lines of Credit) to banks of regional development, financial overseas institutions,

sovereign government and many more institutions for import and export of goods, services, trade, infrastructural equipment etc. from and to the country India.

The Indian Government owned the **EXIM Bank** and was regulated by the **Reserve Bank of India**. This bank is owned by the government of India. **David Rasquinha** is the recent Managing Director of **EXIM Bank** with *Mumbai* (Maharashtra) as its headquarter. The Indian Government decided to launch Rs. 1,500 crore capital in next year (financial year) in the **EXIM Bank**. Rs. 1,300 crore capital has been infused by the Indian government for this bank which supports various new initiatives such as textile industry of India, schemes of concessional finance alteration etc.

Roles and Objective of EXIM Bank

The role and objectives of **EXIM Bank** are as follows;

- To ensure the export or import projections
- To encourage and facilitate the export of international and technical and merchant banking services as well as their joint ventures
- To lengthen the LOCs and credit of buyers
- To make competition for exporters on the financial terms
- To provide timely and relevant information to exporters of India about their opportunities in various export fields and areas
- To provide advice on currency related issues so that producers or manufacturers or India may perform the cost effective exports and imports
- To look into Indian finance problems and give resolution policies for it
- To enhance and promote the trade of foreigners in our country India

Functions of EXIM Bank

The role of **EXIM Bank** are as follows;

- Financial export and import of services and goods from the country as **EXIMTRADE**.
- It helps in financing the export as well as import of machines.
- It also helps to refinance the bank services as well as other institutions for foreign financing trade or **EXIM TRADE**.

- It helps in financing the export or import of services and goods from other countries also.
 - It also provides financial assets for the business in foreign and also helps the business to join the *joint venture* in foreign.
 - It also helps in providing the finance for technical assets to exporters and importers.
 - **EXIM trade** helps in functioning the export and import of Merchant Navy Banks
 - **EXIM Bank** also plays a major role in writing shares, bonds, stocks as well as debentures involved in foreign companies' trade
1. It also offers the LOCs and short-term loans to foreign governments and banks
 2. To provide finance in cooperative banks
 3. This bank provides the services of business advisory
 4. **EXIM Bank** also provides funds for foreign country's projects
 5. To partner the industries of India in their competitive and superior globalization attempts.

ROLE OF COMMODITY BOARDS

Commodity boards are established to promote the development and export of specific commodities like tea, coffee, rubber, spices, and tobacco. They play a key role in supporting the production, quality improvement, and overall growth of these industries by providing financial and technical assistance, encouraging research, and facilitating trade.

Here's a more detailed look at their roles:

89. Production and Development:

Commodity boards support the cultivation and production of their designated commodities. They may offer financial assistance to growers, provide training, and encourage research and development for better yields and quality.

90. Quality Improvement:

They focus on improving the quality of the commodity through research and development, ensuring that the produce meets international standards and market demands.

91. Market Information and Promotion:

Commodity boards provide market information, organize trade fairs, and facilitate market linkages to help exporters and producers connect with global buyers.

92. Export Promotion:

They actively promote exports by providing guidance to exporters, inviting foreign trade delegations, and organizing international promotional events.

93. Financial Assistance and Remunerative Prices:

They offer financial assistance through various schemes to support farmers, and work towards ensuring remunerative prices for the produce.

94. Domestic and International Trade:

Commodity boards encourage both domestic and international trade by promoting the commodity and facilitating market access.

95. Research and Development:

They support research and development activities to improve the efficiency and sustainability of the industry.

96. Capacity Building:

They provide training and extension services to growers, helping them adopt best practices and improve their skills.

97. Regulatory Role:

Some commodity boards also have a regulatory role, ensuring quality control and adherence to industry standards.

ROLE OF STATE TRADING AGENCIES IN FOREIGN TRADE

State Trading Agencies (STAs) play a significant role in foreign trade by facilitating import and export activities, especially in areas like bulk commodities, essential goods, and strategic materials. They can also help governments manage foreign exchange, support domestic industries, and promote trade with certain countries.

Here's a more detailed look at their roles:

1. Facilitating Import and Export:

98. **Bulk Commodities:**

STAs often handle the import and export of large quantities of goods like grains, sugar, edible oils, and fertilizers.

99. **Essential Goods:**

They may be tasked with ensuring the continuous supply of essential items like wheat, pulses, and sugar to meet domestic demand.

100. **Strategic Materials:**

STAs might manage imports of crucial raw materials and other inputs for national industries.

101. **Supporting Domestic Industries:**

By providing a reliable market for domestic products, STAs can help safeguard and grow local businesses.

102. **Trade with Specific Countries:**

STAs can be established to manage trade with particular countries, particularly those with state-controlled trading systems.

2. Managing Foreign Exchange and Trade Policy:

103. **Foreign Exchange Control:**

STAs can help governments control the flow of foreign exchange by managing imports and exports.

104. **Implementing Trade Policies:**

They can be used to implement government policies related to trade, such as import duties, quotas, and trade agreements.

105. **Price Stabilization:**

STAs can be tasked with stabilizing the prices of essential commodities by managing supply and demand through import and export operations.

3. Other Key Functions:

106. **Developing Exports:**

STAs can assist in promoting exports by exploring new markets, providing technical and financial support to exporters, and participating in trade fairs.

107. Market Access:

They can provide access to international markets for domestic producers, especially small manufacturers.

108. Supporting Private Traders:

STAs can support private traders by providing information, market intelligence, and facilitating trade with certain countries.

Examples of State Trading Agencies:

- **State Trading Corporation of India (STC):**

A prominent Indian state-owned trading company that handles imports and exports of various commodities.

- **Other STAs in various countries:**

Many countries have their own STAs, often with specific mandates related to trade with certain countries or specific goods, according to the World Trade Organization (WTO).

EXPORT REGULATIONS

Export regulations are rules and policies that governments implement to control the movement of goods, services, and technology across international borders. These regulations are designed to protect national security, economic interests, and public health. They cover a wide range of topics, including licensing requirements, import-export codes, and specific restrictions on certain goods.

Key Aspects of Export Regulations:

- **National Security:**

Export regulations often restrict the export of goods and technologies that could be used for military purposes or that might pose a threat to national security.

- **Economic Interests:**

Regulations can protect domestic industries by restricting the export of certain goods or by imposing tariffs or quotas on exports.

- **Public Health:**

Some regulations are designed to prevent the spread of diseases or to ensure that exported goods meet certain safety standards.

- **Compliance:**

Exporters must comply with all applicable regulations, including those related to customs, trade, and finance.

- **Licensing:**

Many export regulations require exporters to obtain licenses before exporting certain goods or to foreign countries.

- **Import-Export Code (IEC):**

A unique identification number issued to businesses involved in international trade, used for both import and export activities.

- **Duty and Tax Considerations:**

Regulations may include provisions for duty deferment, export promotion schemes, and other tax-related incentives.

- **Specific Restrictions:**

Some goods, like certain chemicals or technologies, may have specific restrictions on their export.

- **Record-Keeping:**

Exporters must maintain accurate records of their export transactions, including details about the goods, their destinations, and the parties involved.

Organizations Involved in Export Regulations:

- **Directorate General of Foreign Trade (DGFT):**

The DGFT is the primary authority responsible for regulating exports and imports in India.

- **Reserve Bank of India (RBI):**

The RBI issues regulations related to foreign exchange and export financing.

- **Ministry of Commerce and Industry:**

The Ministry of Commerce and Industry sets overall policy for trade and industry, including export regulations.

- **Inter-ministerial Cooperation Group (IMCG):**

The IMCG reviews export license applications and ensures that regulations are followed.

- **Customs Authorities:**

Customs authorities in both the exporting and importing countries are responsible for enforcing import and export regulations.

- **Other Government Agencies:**

Other government agencies, such as the Ministry of External Affairs, may also be involved in specific export regulations.

PROCEDURE FOR EXPORT OF GOODS

Export is one of the main components of International business and involves the movement of goods and services across the nations and the exchange of foreign currencies between the dealing parties. This makes export a complex process and the exporter is bound to follow the legal, and compulsory formalities imposed by the exporting country. No country in today's world wants to deliver illegal or bad quality goods and services to other nations, as now international trade is governed under the strict rules of the World Trade Organization. Therefore, a series of strict procedures have to be followed by the exporter before the goods leave the boundaries of the home country.

Steps involved in an Export Transaction

The number and sequence of steps involved in an export process may vary from subject to subject, i.e., the exported goods category. However, the basic steps involved in a typical export transaction are discussed below:

1. Receipt of inquiry and sending quotation:

Like any buyer, an importer inquiries from various exporters about the availability of goods, quality, price, terms and conditions of exporting the product. Exporter extends the information being inquired for in the form of quotation, commonly known as **Proforma Invoice**. The proforma invoice contains all the relevant information, like the price at which

goods will be exported, minimum order quantity, quality and size, mode of delivery, mode of payment, etc.

2. Receipt of order or Indent:

Once the importer agrees to the terms and conditions laid down by an exporter, he/she places the order with the exporter of the product. This order is called **Indent**, which contains detailed information about the goods to be exported, quantity, price to be paid, packaging, and delivery instructions.

3. Assessing the importer's credit worthiness and securing a guarantee for payments:

After receiving an order, to minimize the risk of non-payment, the exporter inquires about the credit worthiness of the importer. The exporter demands a **Letter of credit** from the importer for the security of the payment. A letter of credit is a guarantee given by the importer's bank that in case of non-payment by an importer, the bank shall pay a certain amount of export bill to the exporter's bank, on the behalf of the importer.

4. Obtaining an export license:

All the export transactions in India are governed by custom law. An exporter once sure about the payment is bound to obtain an export license under this law, before proceeding further. To get the license, an exporter shall:

- Open a bank account in any bank authorized by the Reserve Bank of India.
- Obtain Import-Export Code(IEC) number from the Directorate General Foreign Trade (DGFT) or Regional Import-Export Licensing Authority.
- Get registered with the appropriate export promotion council.
- Get registered with Export Credit and Guarantee Corporation to minimize the risk of non-payment.

Every exporter must get registered with an appropriate export promotion council, such as Engineering Export Promotion Council (EETPC) and Apparel Export Promotion Council (AETPC). Such registration enables an exporter to avail of various export-related benefits of the government.

5. Obtaining pre-shipment finance:

Once all the above procedures are accomplished, the exporter approaches his/her bank to obtain pre-shipment finance to procure necessary items required for the production of the goods ordered and other related activities like packaging and transportation of goods to the port of shipment, delivery of goods, etc.

6. Production or procurement of goods:

After obtaining the finance from the bank, an exporter starts to procure the goods as per the instruction of the importer. The export firm either produces the goods itself or gets the ready-made goods from the market.

7. Pre-shipment inspection:

The government of India wants an assurance that only A-one quality goods are being exported from India. For this, various Inspection Agencies have been set up under the Export Quality Control and Inspection Act of 1963. After producing or procuring the goods, an exporter requires to obtain a pre-shipment inspection certificate from the concerned authorized Inspection Agency. The inspection certificate ensures the quality of the goods and is one of the important documents required at the time of export.

8. Excise clearance:

Excise Duty is the tariff charged by the government on the material used for manufacturing the goods to be exported under Central Excise Tariff Act. The exporter has to apply to the Excise Commissioner to obtain the excise clearance certificate. However, some goods are exempted from excise duty, and under such circumstances, an exporter either does not make any payment or gets a refund under the duty drawback scheme.

9. Obtaining a certificate of origin:

To avail of the benefits provided by the importing nation, an exporter shall obtain a certificate of origin. The certificate of origin is proof that the goods are actually been produced in the country from where it is being exported.

10. Reservation of shipping space:

The exporting firm approaches the shipping company for reserving shipping space for the goods. The shipping company on acceptance of such application, issue a shipping order to the captain of the ship, instructing him to board the goods after their customs clearance.

11. Packing and forwarding:

Goods are then packed and marked properly with details, like:

- Name and address of an importer.
- Gross and net weight of the goods.
- Port of shipment and destination.
- Country of origin.
- Road or Railway receipt.

12. Insurance of goods:

The exporter obtains an insurance policy for the goods to be exported to avoid transit-related risks. The insurance protects the insurer against any risk of loss or damage to the goods caused due to sea perils at the time of transit.

13. Customs clearance:

The exporter prepares a shipping bill, giving details of the goods, the name and address of the exporter, the name of the loading port, the name of the destination port, and so on. The five copies of the bill, along with the following documents are submitted to the Customs Officer-

109. Export Contract or Export Order.
110. Letter of Credit.
111. Commercial Invoice.
112. Certificate of Origin.
113. Certificate of Inspection.
114. Marine Insurance Policy.

Only after receiving custom clearance from the Custom House, goods are loaded on the ship.

14. Obtaining mates receipt:

Once the goods are loaded on the ship, the captain of the ship issues a mate receipt to the Port Superintendent. On receiving the port dues, Port Superintendent passes on the mate's receipt to the exporter directly or through the C&F agent. Mate receipt contains information, like the name of the vessel, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of receipt on board the ship, etc.

15. Payment of freight and issuance of bill of lading:

On receiving the mate receipt, the shipping company calculates the freight charges for the concerned goods. After receiving the charges, the bill of lading is issued by the shipping company as proof of accepting, and delivering the goods to their destination.

16. Preparation of invoice:

After the goods are set for transmission, an exporter issues an invoice stating the number of goods and amount to be cleared by an importer. Also, the C&F agent has to get the invoice duly attested by the customs.

17. Securing payment:

Once the shipment is done and goods have reached the destination port, an importer needs the following documents to claim his title on goods:

115. Verified copy of the invoice.
116. Invoice of lading.
117. Packing list.
118. Insurance policy.
119. Certificate of origin.
120. Letter of credit.

These documents are passed on to an importer, by an exporter's bank after acceptance of a bill of exchange. The importer releases payment after the maturity of the bill of exchange. However, an exporter can get the payment immediately by submitting a letter of indemnity.

Documents required in an export transaction

1. Documents related to goods

121. **Export Invoice:** An export invoice is a bill prepared by the seller giving information about the quantity of bill, the number of packages, the amount of bill, the name of the destination port, terms of delivery, etc.
122. **Packing list:** The packing list states the number of packs and the nature of goods contained within the packages.
123. **Certificate of origin:** A certificate of origin specifies the name of the country in which goods are being produced. It helps the exporter to avail of the benefits given by the importer country to an exporter of some specific countries.
124. **Certificate of inspection:** A certificate of inspection acts as a guarantee that goods to be exported are of good quality. Such a certificate is issued by government authorized agencies, such as the Export Inspection Council of India (EICI).

2. Documents related to shipment

125. **Mate's receipt:** A Mate's receipt is issued by the captain of the ship to the Port Superintendent after the goods are loaded on the ship. Port Superintendent, on receipt of port charges, passes on the receipt to the exporter or the C&F agent. The mate's receipt is important for computing freight charges.
126. **Shipping Bill:** A shipping bill is issued by an export firm that gives details of the goods, the name and address of the exporter, the name of the loading port, the name of the destination, and so on. The shipping bill is the most important document required to obtain customs clearance.
127. **Bill of lading:** After the computation of freight charges, the shipping company issues a bill of lading issued as proof of accepting and delivering the goods to their destination. When the transit is done through the airways, **Airway Bill** is issued instead of the bill of lading.
128. **Marine insurance policy:** Marine insurance policy is a certificate issued by an insurance company as a promise to indemnify any loss of the insured goods in case of transit-related tragedies.

3. Documents related to payment

129. **Letter of credit:** A letter of credit is a guarantee given by the importer's bank that in case of non-payment by an importer, the bank shall pay a certain amount of export bill to the exporter's bank on the behalf of the importer.
130. **Bill of exchange:** Bill of exchange is a financial instrument drawn by an exporter in the name of the importer for demanding a payment related to the export consignment. The exporter's bank transfers the necessary documents to the importer only after acceptance of a bill of exchange.
131. **Bank certificate of payment:** Bank certificate of payment is a certificate to ensure that the important documents related to a particular export consignment have been transferred to the importer and the payment has been received.

QUALITY CONTROL AND PRE-SHIPMENT INSPECTION

Pre-shipment inspection (PSI) is a critical quality control step in international trade, verifying that goods meet quality standards and contractual obligations before shipment. It involves inspecting samples of a product at the manufacturer's site, usually when 80% of the order is completed, to ensure compliance with specifications.

Key aspects of PSI:

- **Quality Assurance:**

PSI confirms that the products are free from defects, meet quality standards, and adhere to the agreed-upon specifications.

- **Quantity Verification:**

It verifies that the correct quantity of goods is being shipped, ensuring no discrepancies between the order and the shipment.

- **Regulatory Compliance:**

PSI helps ensure that products comply with relevant regulations and standards to avoid legal issues and ensure smooth customs clearance.

- **Independent Verification:**

Independent inspection agencies, often certified by the World Trade Organization, conduct PSIs to provide objective verification of quality and compliance.

- **Risk Mitigation:**

PSI helps reduce the risk of receiving defective or non-compliant products, protecting both buyers and sellers in international trade.

- **Brand Protection:**

By ensuring quality, PSI helps protect a company's reputation and brand image.

In summary, PSI is a crucial quality control measure that ensures goods meet expected standards before shipment, providing assurance to importers and mitigating risks in international trade.

EXCISE CLEARANCE

Excise clearance is the process of clearing domestically produced goods from a manufacturing facility, ensuring that excise duties have been paid or are exempt. It involves submitting necessary documentation, examining the goods, and obtaining clearance from the relevant excise authority. This process is crucial for manufacturers to be able to sell their products legally.

Detailed Process:

1. Documentation:

Manufacturers must submit an invoice or other required documentation to the Regional Excise Commissioner.

2. Examination:

The Regional Excise Commissioner examines the documentation to ensure that all necessary details, including the amount of duty payable, are accurate.

3. Sealing and Examination:

If the goods are subject to physical control, the Excise Commissioner may draw samples and seal the packages to prevent tampering.

4. Clearance:

If satisfied, the Excise Commissioner issues the excise clearance to the manufacturer.

5. Dispatch:

Copies of the clearance document (ARE-1 form) are then dispatched to various authorities, including the Central Excise Officer, for record-keeping and further actions.

6. Rebate Claim:

In some cases, especially for exports, manufacturers may be allowed to clear goods without paying duty under a bond or undertaking. They can then claim a rebate after providing proof of export, typically within 6 months

Types of Clearance:

- **Physical Control:** This involves strict supervision of the manufacturing and clearance process, often used for goods like cigarettes.
- **Clearance under a Compounded Levy Scheme:** This applies to small industries and involves pre-determined duty rates.
- **Clearance under Self-Assessment Procedure:** Manufacturers can clear goods themselves under this procedure.

Purpose of Excise Clearance:

- **Ensuring Duty Payment:**

It ensures that the government receives the appropriate excise duty on goods produced and cleared.

- **Export Promotion:**

In many cases, the government provides exemptions or refunds for goods exported, promoting Indian exports.

- **Maintaining Records:**

It helps the government maintain records of production, clearance, and duty payments.

CUSTOMS CLEARANCE

Customs clearance is the process of ensuring goods are permitted to enter or leave a country, involves declaring goods, paying duties and taxes, and complying with regulations. It's a mandatory procedure for all international trade and applies to imports, exports, and personal effects.

Key aspects of customs clearance:

- **Declaration:**

Goods must be declared to customs authorities, providing details like the type of goods, value, and origin.

- **Compliance:**

Customs clearance ensures compliance with all relevant regulations, including import and export restrictions, safety standards, and other legal requirements.

- **Duty and Tax Payment:**

Imported goods are typically subject to import duties, taxes, and tariffs, which must be paid to customs authorities.

- **Documentation:**

Various documents, such as invoices, packing lists, and bills of lading, are required to support the declaration and facilitate the clearance process.

- **Verification and Assessment:**

Customs officials verify the accuracy of the declaration and assess the applicable duties and taxes.

- **Release of Goods:**

Once the clearance process is complete, the goods are released for their intended destination.

Why is customs clearance important?

- **Facilitates trade:**

Customs clearance ensures the smooth flow of goods across borders, supporting global trade.

- **Ensures compliance:**

It helps ensure that goods comply with all relevant regulations, preventing illegal activities.

- **Generates revenue:**

Customs duties and taxes are a significant source of government revenue.

- **Protects national interests:**

Customs clearance helps protect national security, environment, and public health by controlling the entry of goods.

In essence, customs clearance is a critical process for international trade, ensuring that goods are legally and safely moved across borders while complying with all applicable regulations and paying the necessary duties and taxes.

PORT FORMALITIES

Port formalities encompass the procedures, regulations, and documentation required for ships and cargo to enter and leave a port. These formalities ensure compliance with local and international laws, safety regulations, and customs procedures. They involve various stakeholders like port authorities, ship agents, customs officials, and the vessel master.

Key aspects of port formalities include:

1. **Pre-Arrival Notification:**

Some ports require vessels to provide advance notification of their arrival, including details like vessel information, cargo information, and estimated time of arrival (ETA), often via pre-arrival notification of security (PANS).

2. **Entry and Clearance:**

Vessels must obtain the necessary permits and clearances from port authorities before entering the port area. This may involve submitting relevant documentation, paying port fees, and undergoing inspections.

3. **Customs Formalities:**

These include submitting declarations, paying duties and taxes, and ensuring compliance with import and export regulations for the cargo.

4. **Safety and Security:**

Port formalities also address safety and security concerns, such as providing security plans, ensuring compliance with environmental regulations, and managing hazardous materials.

5. **Port Handling:**

This involves the loading and unloading of cargo, which is a critical part of port operations and can involve various port equipment and methods.

6. **Departure Formalities:**

Similar to entry, vessels must obtain clearances and comply with regulations when leaving the port, including customs procedures and any required documentation.

7. **Intermodal Connections:**

Efficient port formalities also involve streamlining the transfer of cargo between different modes of transportation (e.g., ships, trucks, and trains) to optimize the overall supply chain.

EXCHANGE REGULATIONS FOR EXPORT

In India, export-related exchange regulations are primarily governed by the Foreign Exchange Management Act (FEMA) and the rules and regulations under it, with the Reserve Bank of India (RBI) playing a key role in enforcement. These regulations ensure that foreign exchange earned from exports is disposed of in accordance with RBI guidelines and within specified periods.

Key Aspects of Export Exchange Regulations:

1. **Realization of Export Proceeds:**

Export proceeds must be realized in freely convertible currency within a specified period, typically nine months.

2. **Invoicing:**

Export contracts and invoices can be denominated in either freely convertible currency or Indian rupees.

3. **Payment Methods:**

Payments for exported goods must be received through approved methods, such as letters of credit or other RBI-approved modes.

4. **Repatriation:**

The sale proceeds of exported goods that are sold abroad must be repatriated to India.

5. **Forwarding Agent Formalities:**

Forwarding agents are responsible for obtaining necessary permits and handling customs-related matters for exports.

6. **Documentation:**

Exporters need to comply with documentation requirements, including submitting shipping bills and other relevant documents to the AD bank (Authorized Dealer bank) within specified timelines.

7. Unrealized Export Proceeds:

RBI regulations address situations where export proceeds remain unrealized for extended periods, potentially requiring exporters to obtain full advance or an irrevocable letter of credit for future exports.

8. Revised Regulations:

The RBI may issue new regulations and directions to govern export and import transactions, potentially superseding existing regulations.

ROLE OF CLEARING AND FORWARDING AGENTS

Clearing and Forwarding Agents (C&F agents) play a crucial role in facilitating international trade by helping businesses navigate customs procedures and transport goods efficiently. They act as intermediaries between cargo owners and transport providers, ensuring compliance with regulations and handling the complexities of import and export processes.

Here's a more detailed look at their roles:

1. Customs Clearance:**1. Handling paperwork:**

C&F agents prepare and submit necessary documents for customs clearance, including import/export declarations, bills of lading, and commercial invoices.

2. Navigating regulations:

They are experts in customs laws and procedures, ensuring that goods comply with the regulations of the importing and exporting countries.

3. Paying duties and taxes:

They handle the payment of duties, taxes, and other fees associated with customs clearance.

4. Facilitating inspections:

They coordinate with customs authorities for inspections and other procedures.

2. Forwarding (Transportation):**1. Arranging transportation:**

They arrange for the movement of goods from the origin to the destination, including selecting the appropriate mode of transport (e.g., sea, air, road).

2. **Choosing routes:**

They help determine the most efficient and cost-effective routes for shipments.

3. **Handling documentation:**

They prepare and manage the necessary documents for transportation, such as bills of lading and export licenses.

4. **Coordinating with carriers:**

They work with shipping companies and other carriers to ensure timely and safe delivery of goods.

3. Other Supporting Services:

1. **Warehousing:**

They may provide warehousing services for storing goods temporarily, especially during customs clearance or before delivery.

2. **Cargo insurance:**

They assist with securing cargo insurance to protect against potential losses or damages during transit.

3. **Consolidation:**

They can consolidate smaller shipments into larger ones to reduce transportation costs.

4. **Advice:**

They offer advice on various aspects of international trade, including customs procedures, regulations, and best practices.

5. **Cost management:**

They help businesses manage the costs associated with customs clearance and transportation.

6. **Time management:**

They help businesses manage the time required for customs clearance and transportation.

In essence, C&F agents are vital for businesses involved in international trade, as they ensure that goods are transported efficiently and legally, minimizing risks and

delays. They handle the complexities of customs clearance and transportation, allowing businesses to focus on their core operations.

PROCEDURE FOR EXECUTING AN EXPORT ORDER

Executing an export order involves several key steps, from confirming the order to arranging shipment and payment. Here's a breakdown of the process:

1. Order Confirmation and Preparation:

- **Confirm the order:** Verify the details of the order, including quantity, specifications, payment terms, delivery schedule, and packaging requirements.
- **Secure necessary licenses and permits:** Obtain any required export licenses or permits from the government.
- **Arrange financing:** If needed, secure necessary financing or credit facilities.

2. Production and Pre-Shipment:

- **Produce or procure the goods:**

Ensure the goods are manufactured or sourced according to the order specifications.

- **Arrange pre-shipment inspection:**

Obtain a pre-shipment inspection certificate from an authorized agency to verify the quality and quantity of goods.

- **Arrange for insurance:**

Obtain marine insurance to cover the shipment during transit.

- **Prepare packing and labeling:**

Pack the goods according to the agreed-upon specifications and ensure they are properly labeled for export.

3. Shipment and Clearance:

- **Obtain a Letter of Credit (L/C) or arrange payment:** If the order is under L/C, ensure the L/C is received and the terms are met.
- **Arrange shipping space:** Reserve space on a vessel or airfreight for the shipment.

- **Appoint a clearing and forwarding agent:** Engage a clearing and forwarding agent to handle customs clearance and forwarding.
- **Prepare shipping documents:** Prepare necessary shipping documents, including the commercial invoice, packing list, bill of lading, and any other required documents.
- **Arrange port formalities and customs clearance:** Ensure all necessary port formalities and customs clearance procedures are completed.
- **Load the goods onto the vessel:** Ensure the goods are loaded onto the vessel or aircraft for shipment.

4. Post-Shipment and Payment:

- **Submit documents for payment:**

Submit the required documents to the bank for payment, including the bill of exchange, invoice, bill of lading, and any other supporting documents.

- **Monitor the shipment:**

Keep track of the shipment's progress and ensure it arrives at its destination safely.

- **Follow up on payment:**

Ensure payment is received from the importer and that any outstanding issues are resolved.

EXPORT AND IMPORT DOCUMENTATION

Export-import documentation refers to the official documents required for the legal movement of goods across international borders. These documents are crucial for customs clearance, ensuring compliance with trade regulations, and facilitating international trade. They include a variety of forms, licenses, and certificates, each playing a specific role in the process.

Here's a breakdown of common export-import documentation:

For Exports:

- **Shipping Bill:** A declaration to the customs authority for goods being exported.
- **Commercial Invoice:** A bill from the exporter to the importer, listing details of the goods, prices, and terms of sale.

- **Packing List:** A detailed list of items packed in each container or package.
- **Bill of Lading/Airway Bill:** A legal document issued by the carrier acknowledging receipt of goods for transportation.
- **Certificate of Origin:** A document stating the country of origin of the goods.
- **Export License:** A permit required for exporting certain goods or to specific countries.
- **Insurance Certificate:** A document confirming insurance coverage for the goods in transit.
- **Proforma Invoice:** A preliminary invoice sent before the actual commercial invoice, often used to obtain an import license.

For Imports:

1. **Bill of Entry:** A declaration to the customs authority for goods being imported, used to determine duties and taxes.
2. **Import License:** A permit required for importing certain goods or from specific countries.
3. **GATT Declaration:** A declaration under the General Agreement on Tariffs and Trade, now known as the WTO.
4. **Letter of Credit:** A financial instrument used to ensure payment for goods.

Other Important Documents:

1. **Certificate of Inspection:** A document certifying the quality and quantity of goods, often required by the importer.
2. **Industrial License:** Required for certain industries and goods.
3. **Import-Export Code (IEC):** A registration number required for businesses involved in import-export.
4. **Foreign Exchange Control Form (Form A-1):** Required for foreign exchange transactions.
5. **Technical Write-up/Literature:** Required for certain goods, providing technical specifications.

EXPORT PACKING

Export packing involves preparing goods for international shipping by carefully selecting materials and techniques to protect them from damage during transit, ensuring compliance with international regulations, and facilitating smooth customs clearance. It's crucial for ensuring products arrive in perfect condition, protecting against physical damage, environmental factors, and theft, and preventing costly returns or replacements.

Key Aspects of Export Packing:

1. **Protection:**

Export packaging aims to protect goods from various hazards during transit, including shock, impact, vibration, stacking pressures, and climatic stresses.

2. **Compliance:**

It ensures compliance with international regulations, including ISPM 15 for wood packaging and labeling requirements of the destination country.

3. **Material Selection:**

Various materials are used, such as corrugated boxes, double-walled cartons, plywood, wooden crates, and metal drums, depending on the type and value of the goods.

4. **Documentation:**

Proper documentation and labeling are essential for smooth customs clearance and efficient handling and storage at the destination.

5. **Handling:**

Export packaging also considers the ease of handling and stacking, reducing potential damage during loading and unloading.

6. **Branding:**

Well-designed export packaging can also enhance the overall presentation of products, making them more appealing to international customers.

Importance of Export Packing:

1. **Product Safety:**

It ensures that products arrive at their destination in good condition, minimizing damage and reducing the risk of returns.

2. **Cost Reduction:**

Proper packaging can help reduce costs associated with damage, replacements, and returns.

3. **Smooth Customs Clearance:**

Compliance with regulations ensures a smoother and quicker customs clearance process.

4. **Enhanced Customer Experience:**

Well-presented and protected products contribute to a positive customer experience.

5. **Brand Image:**

Careful packaging can enhance the brand image and build trust with international customers.

CONTAINERISATION

Containerization is a method of packaging software applications with all their dependencies, like libraries and configurations, into a single, lightweight unit called a container. These containers can then be run consistently across different environments, regardless of the underlying infrastructure, making it easier to deploy and manage applications.

Key aspects of containerization:

1. **Lightweight and Portable:**

Containers are significantly smaller than virtual machines, making them faster to deploy and more resource-efficient.

2. **Isolated Environments:**

Each container has its own isolated runtime environment, preventing conflicts between applications and ensuring stability.

3. **Consistent Deployments:**

Containerized applications can be deployed across different environments (on-premises, cloud, etc.) without needing to reconfigure or install dependencies.

4. **Scalability and Automation:**

Containerization supports microservices architectures and facilitates automated deployments and scaling of applications.

Benefits of containerization:

- **Faster Deployment:**

Containers can be deployed much quicker than virtual machines, reducing deployment times.

- **Improved Resource Utilization:**

Containers are lightweight and can be packed closely together, leading to better resource utilization.

- **Simplified Development:**

Containers provide a consistent development environment, making it easier for developers to collaborate and share code.

- **Enhanced Security:**

Isolation and reduced attack surface of containers improve the overall security of applications.

- **Reduced Operational Costs:**

Containerization can lead to lower infrastructure costs by optimizing resource utilization and enabling faster deployments.

Containerization in the context of freight transport (also called "containerization"):

In the context of freight transport, containerization refers to the use of standardized containers (also known as shipping containers or ISO containers) to move goods across different modes of transport (sea, rail, truck). This system has revolutionized global trade by reducing transportation costs, improving efficiency, and facilitating international commerce. The use of standardized containers allows for a seamless transfer of goods between different modes of transport, streamlining the logistics process.

WORLD SHIPPING

World shipping, also known as international or global shipping, refers to the transportation of goods across national borders. This involves a variety of services, including ocean freight, freight forwarding, customs brokerage, and warehousing, to move cargo from its

origin to its final destination. It's a crucial part of the global economy, facilitating the movement of goods and materials from production to consumption.

- **International Trade:**

World shipping is essential for facilitating international trade, allowing businesses to buy and sell goods across borders.

- **Various Services:**

It encompasses a range of services, including freight forwarding (arranging and managing the shipment), ocean freight (the actual transport by sea), and customs brokerage (handling customs declarations and paperwork).

- **Economic Impact:**

Shipping plays a vital role in the global economy, with a large volume of goods transported by sea each year.

- **Containerization:**

Containerization has revolutionized global cargo shipping, making it more efficient and cost-effective.

- **Global Trade Routes:**

Goods are transported along major trade routes, with container ships, tankers, and bulk carriers being the primary modes of transportation.

- **Trade Associations:**

The World Shipping Council (WSC) is a trade association representing the international liner shipping industry.

In essence, world shipping is the backbone of global trade, enabling the movement of goods and materials across the world.

LINERS AND TRAMPS

Liner and tramp shipping are two main categories in ocean freight, each offering distinct advantages and disadvantages. Liner ships operate on fixed schedules and routes, providing regular, predictable service, while tramp ships offer flexible, ad-hoc transportation.

Liner Services:

- **Fixed Schedules and Routes:**

Liner ships travel along predetermined routes and adhere to published schedules.

- **Regularity and Reliability:**

This predictability makes them ideal for regular, large-scale shipments needing consistent delivery times.

- **Broad Connectivity:**

Liner services aim to connect numerous ports, making them suitable for diverse trade routes.

- **Standardized Containers:**

Liners often use standardized containers for efficient handling and loading.

Tramp Services:

- **Flexibility and Ad-hoc Operations:**

Tramp ships are not bound by fixed schedules or routes, offering greater flexibility in terms of cargo types, vessel selection, and routing.

- **Suitable for Irregular Needs:**

They are well-suited for irregular shipments, smaller loads, or transporting specialized cargo to less-connected locations.

- **Negotiable Rates:**

Tramp shipping often involves negotiated rates, which can be advantageous for specific needs.

- **Direct Connectivity:**

Tramps can be chartered directly to specific destinations, bypassing the need for transfers or connections offered by liner services.

DRY PORTS

A dry port, also known as an Inland Container Depot (ICD), is an inland intermodal terminal connected to a seaport by rail or road. It serves as a transshipment point for sea cargo destined for inland destinations, providing facilities for cargo handling, storage, consolidation, and customs clearance. In essence, it's an extended part of the seaport, allowing for efficient movement of goods without directly relying on the seaport itself.

Key Features and Functions of Dry Ports:

- **Transshipment:**

Dry ports facilitate the transfer of cargo from seaports to inland locations, often utilizing rail or road transport.

- **Cargo Handling:**

They provide infrastructure for loading, unloading, and handling containers and other cargo.

- **Storage:**

Dry ports offer temporary storage facilities for goods awaiting further transport or distribution.

- **Consolidation:**

They can be used to consolidate cargo from multiple shippers into larger units for efficient transport.

- **Customs Clearance:**

Some dry ports provide customs clearance services, streamlining the process for international trade.

- **Intermodal Integration:**

They connect different modes of transport, such as rail, road, and potentially inland waterways, creating a more efficient transportation network.

- **Logistics Efficiency:**

Dry ports can reduce congestion and delays at seaports by handling a portion of the cargo in the hinterland.

Benefits of Dry Ports:

1. **Reduced Congestion at Seaports:**

By handling cargo inland, dry ports can alleviate pressure on seaport terminals and access routes.

2. **Improved Logistics:**

They facilitate smoother cargo flows and reduce transit times, improving overall supply chain efficiency.

3. **Cost Savings:**

In some cases, dry ports can offer lower costs for cargo handling and transport compared to seaports.

4. **Environmental Benefits:**

By reducing the amount of truck traffic at seaports, dry ports can contribute to lower emissions.

Examples of Dry Ports in India:

1. Kapashera, Delhi
2. Hazira, Surat, Gujarat
3. Paiki, Village Motakapaya, Mundra, Gujarat
4. Viramgam, Ahmedabad, Gujarat
5. ICD Attibule, Karnataka
6. ICD Nanjangud, Karnataka
7. ICD Hoskote, Karnataka



Dry ports play a crucial role in connecting seaports with inland regions, facilitating trade and economic development. They are becoming increasingly important as global trade and containerized transport continue to grow.

PROJECT EXPORTS

In international trade, "project export" generally refers to the export of engineering goods or services on deferred payment terms, or the execution of turnkey projects and civil construction contracts abroad. It also includes the export of services like consultancy and technical expertise.

Here's a more detailed breakdown:

1. Engineering Goods:

These are products like machinery, equipment, and materials used in construction or manufacturing.

2. Turnkey Projects:

These are projects where a company designs, builds, and commissions a complete facility for a client, often including the supply of necessary equipment and materials.

3. Civil Construction Contracts:

These involve building infrastructure projects like roads, bridges, and buildings abroad.

4. Service Exports:

This includes the export of services like consulting, technical expertise, operation and maintenance of facilities, and management contracts.

Project exports are often of high value and involve long-term contracts, making them an important component of a country's international trade.

For instance, the Reserve Bank of India (RBI) provides guidelines for project exports in India, and BDO India LLP discusses the benefits of project exports. The Project Exports Promotion Council of India (PEPC) also plays a role in promoting and supporting Indian companies engaged in project exports.

JOINT VENTURES

A joint venture (JV) is a strategic business arrangement where two or more companies collaborate to achieve a common goal, often by pooling resources, expertise, and assets. This collaboration involves sharing risks and rewards, typically resulting in the creation of a new entity to manage the venture. JVs are used for various reasons, including market expansion, new product development, and leveraging shared expertise.

Key aspects of a joint venture:

1. Collaboration:

Two or more companies agree to work together to achieve a specific objective.

2. Resource pooling:

Companies combine their resources, such as capital, expertise, and assets, to support the venture.

3. **Shared risks and rewards:**

The partners in the joint venture share the financial risks and rewards associated with the venture.

4. **New entity:**

A separate legal entity is often created to manage the joint venture, offering protection and limiting liability for the participating companies.

5. **Strategic collaboration:**

JVs are often used to achieve specific strategic goals, such as market expansion, product development, or cost savings.

6. **Examples:**

JVs can be used for various purposes, including international market expansion (e.g., Starbucks and Tata Global Beverages), expertise sharing (e.g., Microsoft and Accenture), or developing new products (e.g., Uber and Volvo).

MARINE INSURANCE

Marine insurance is a type of insurance policy that protects against financial losses resulting from damage or loss to ships, cargo, or other transport means during transit. It's a safety net for businesses involved in shipping and transportation, covering a range of risks like accidents, theft, and natural disasters.

Key aspects of marine insurance:

1. **Coverage:**

It covers various aspects of maritime transportation, including the vessel itself (hull insurance), the cargo being transported (cargo insurance), freight (for the shipping company), and liabilities to third parties.

2. **Risks covered:**

Marine insurance policies can cover a wide range of perils, including fire, explosion, sinking, capsizing, derailment, collision, theft, and even damage due to natural disasters like earthquakes or volcanic eruptions.

3. **Types of coverage:**

- **Hull and Machinery:** Covers the physical damage to the vessel and its machinery.
- **Cargo:** Protects the cargo from loss or damage during transit.
- **Freight:** Covers the loss of income for the shipping company if the cargo is lost or damaged.
- **Liability:** Addresses potential liabilities the insured party may have if their vessel damages another party's property or injures someone.

- **Importance:**

Marine insurance is crucial for businesses involved in shipping, as it helps mitigate financial risks associated with maritime transportation.

- **Customization:**

Marine insurance policies are often customizable, allowing businesses to tailor the coverage to their specific needs and the risks they face.

- **Types of Marine Insurance Clauses:**

Drip Capital outlines three types of marine insurance clauses: Institute Cargo Clauses A, B, and C, with A providing maximum coverage and C offering basic risk coverage.

OVERSEAS MARKETING

International marketing, also known as global marketing, involves distributing, promoting, and advertising a company's products or services across national borders. It's essentially the process of marketing to customers outside of a company's domestic market, with the goal of reaching a wider global audience and expanding business.

Here's a more detailed breakdown:

- **Targeting a global audience:**

International marketing aims to reach customers in foreign countries, potentially impacting various aspects of a business, from production and finance to communications and sales.

- **Adapting to diverse cultures:**

It requires understanding and adapting to the diverse needs, preferences, and language differences of target audiences in different countries, including cultural nuances and regulatory environments.

- **Strategic planning:**

International marketing involves strategic planning, including choosing the right foreign markets to promote products, developing customized marketing strategies, and potentially even adapting products to meet local needs.

- **Potential benefits:**

International marketing can increase customer bases, support revenue growth, diversify a brand's market presence, and potentially lead to greater brand awareness and global recognition.

EXPORT PAYMENT

Export payments involve a buyer in one country paying a seller in another for goods or services. Various methods exist, each with pros and cons, including letters of credit, cash in advance, and open accounts. The most secure option for exporters is cash in advance, while letters of credit offer a good balance of security for both parties.

Here's a more detailed look at common export payment methods:

1. Letters of Credit (L/C):

- A bank (usually the buyer's) commits to paying the seller (exporter) a specific amount if certain conditions are met, such as the proper shipment of goods.
- Provides security for both parties, as payment is tied to the seller's performance and the buyer's commitment.
- Considered one of the most secure ways for international money transfer.

2. Cash in Advance:

- The buyer pays the full amount before goods are shipped.
- Provides the highest security for the exporter, as they receive payment before shipping.
- May discourage buyers who prefer more flexible payment terms.

3. Open Account:

- The exporter ships goods and bills the buyer, who makes payment at a later date.
- Offers the most flexibility for the buyer but exposes the exporter to the highest risk of non-payment.

4. Documentary Collection:

1. The exporter sends shipping documents (e.g., bill of lading) through their bank to the buyer's bank.
2. The buyer's bank releases the documents to the buyer only upon payment or acceptance of payment terms.

5. Cash Against Documents (CAD):

1. A variation of documentary collection where the buyer is required to pay before the documents are released.

6. Consignment:

1. The exporter ships goods to a consignee (agent or distributor) who sells them on the exporter's behalf.
2. The exporter receives payment only after the goods have been sold by the consignee.

7. Other Methods:

1. **Telegraphic Transfer (TT):** An electronic way of transferring funds.
2. **Documents Against Acceptance (DA):** The buyer pays after a specific duration.

Choosing the right method:

1. **Security:**

Cash in advance offers the highest security for the exporter, while L/Cs balance security for both parties.

2. **Flexibility:**

Open accounts offer the most flexibility for the buyer, but expose the exporter to the highest risk.

3. **Cost:**

L/Cs can involve higher fees than some other methods.

4. **Buyer's creditworthiness:**

If the buyer's creditworthiness is uncertain, an L/C or documentary collection may be preferred.

Understanding the different payment options and their implications is crucial for exporters to manage their risks and ensure they receive payment for their goods and services.

DIFFERENT MODES OF PAYMENT AND LETTERS OF CREDIT

Different modes of payment in international trade include cash in advance, letters of credit, documentary collections/drafts, open accounts, and consignment. Letters of credit (L/Cs) are a formal payment method that offers protection to both the buyer and seller, ensuring timely and secure payment.

Modes of Payment:

- **Cash in Advance:**

The seller receives payment before shipping the goods, providing maximum security for the seller but potentially restricting the buyer's flexibility.

- **Letters of Credit (L/Cs):**

A formal payment method where a bank guarantees payment to the seller, based on specific conditions outlined in the L/C.

- **Documentary Collection/Draft:**

The seller's bank holds the goods and releases them to the buyer only upon payment or acceptance of the draft.

- **Open Account:**

The seller ships goods to the buyer on credit, with payment to be made later.

- **Consignment:**

The seller ships goods to the buyer, who then sells them on behalf of the seller and remits the proceeds after deducting their commission.

A letter of credit is an assurance or guarantee to sellers that they will be paid for a large transaction. Letters of credit are particularly common in international or foreign

exchanges. They act as a form of payment insurance from a financial institution or another accredited party to the transaction.

The most common types of letters of credit today are commercial letters of credit, standby letters of credit, revocable letters of credit, irrevocable letters of credit, revolving letters of credit, and red clause letters of credit.

Key Takeaways:

- Letters of credit guarantee sellers that they will be paid for a large transaction.
- Banks and financial institutions typically take on the responsibility of ensuring that the seller is paid.
- Such documents are commonly used in international or foreign exchange transactions.
- Types of letters of credit include commercial letters of credit, standby letters of credit, and revocable letters of credit.
- Other types of letters of credit are irrevocable letters of credit, revolving letters of credit, and red clause letters of credit.

Types of Letters of Credit Depending on Needs

Different types of letters of credit exist to accommodate the diverse needs and preferences of buyers and sellers engaged in international trade. Very broadly speaking, here's why there are different types:

- **Risk Management:** Letters of credit are primarily used to mitigate risks associated with international transactions. Different types of letters offer varying levels of risk protection for both buyers and sellers. For example, irrevocable letters of credit provide a higher level of security for sellers, while revocable letters of credit are less secure but may be preferred by buyers seeking more flexibility. Both the buyer and seller can decide on the appropriate letter based on their risk appetite.
- **Flexibility:** The different types of letters of credit allow parties to tailor the terms and conditions to suit their specific needs beyond risk as well. For instance, transferable letters of credit are useful when there are multiple parties involved in a transaction. These different types of letters of credit can be used depending on the specific circumstances of the trade to promote efficiency and convenience.

- **Cost Considerations:** Different types of letters of credit come with varying costs and fees. Buyers and sellers may choose a particular type of letter of credit based on their budget and the level of financial commitment they are willing to undertake. This notion is especially important to note in relation to the level of risk they're willing to take on (i.e. how much are the buyer or seller willing to spend for incrementally more risk protection?).
 - **Regulatory Requirements:** Legal and regulatory frameworks governing international trade may influence the choice of the type of letter of credit. For example, some countries or industries may have specific regulations or standards requiring use of specific letters of credit.
- Most Common Types of Letters of Credit**

Below are some of the more common types of letters of credit. The list is not meant to be exhaustive.

Irrevocable Letter of Credit

In terms of letters of credit, irrevocable letters of credit are more common than revocable ones. These stipulate that no amendments or cancellations can occur without the consent of all parties involved. Irrevocable letters of credit can either be confirmed or unconfirmed. It cannot be modified or revoked without the agreement of all parties involved, offering a high level of security for both the buyer and the seller.

Revocable Letter of Credit

Alternatively, a revocable letter of credit allows the issuing bank to modify or cancel the credit without the consent of the beneficiary. Revocable letters of credit create leverage for the issuer. It is contractually legal for one party to either amend or cancel the exchange at any time, normally without the consent of the beneficiary. These types of letters are not seen very frequently since most beneficiaries do not agree to them, and the UCP has no provision for them.¹

Confirmed Letter of Credit

A confirmed letter of credit involves the addition of a confirmation by a bank other than the issuing bank, typically the seller's bank. This confirmation serves as a secondary guarantee of payment. This adds an extra layer of security for the seller. The seller can

rely not only on the issuing bank's credit but also on the assurance of payment from the confirming bank. This type might be most suitable usually when the beneficiary does not trust the other party's bank.²

Unconfirmed Letter of Credit

An unconfirmed letter of credit is only guaranteed by the issuing bank and does not involve confirmation from another bank. While this type of letter may be simpler and less expensive for the buyer, it offers less security for the seller. The seller then has to rely solely on the creditworthiness of the issuing bank which may not be sufficient, especially if the seller is unfamiliar with other the other parties.

Standby Letter of Credit

A standby letters of credit work slightly different than most other types of letters of credit. If a transaction fails and one party is not compensated as it should have been, the standby letter is payable when the beneficiary can prove it did not receive what was promised. This is used more as insurance and less as a means of facilitating an exchange. They are commonly used in various scenarios, including construction projects, international trade, and commercial transactions.

Transferable Letter of Credit

A transferable letter of credit allows the seller to transfer all or part of the credit to another party. This flexibility can be beneficial when the seller is unable to fulfill the entire order themselves or when subcontracting certain aspects of the transaction. Transferable letters of credit streamline the payment process and facilitate complex transactions by allowing multiple parties to be involved, such as a small business supplier or construction subcontractor.

Revolving Letter of Credit

A revolving letter of credit is used for multiple shipments over a specified period, allowing the buyer to make multiple drawdowns up to a predetermined limit. This type of letter is useful for ongoing business relationships where there are frequent transactions between the buyer and the seller. An important part here is to realize each party has an ongoing, familiar relationship meaning there is a certain standard of higher trust involved.

Revolving letters of credit simplify the payment process by eliminating the need to open a new credit for each shipment meaning they may be more convenient and efficient.

Red Clause Letter of Credit

Red clause letters of credit include a special clause that allow the seller to receive partial payment in advance of shipment. This advance payment, often referred to as a "red clause advance," can be used by the seller to finance the production or purchase of goods for export. This type of letter of credit can give financial assistance to the seller, particularly in situations where they require funds upfront to fulfill the order. For example, consider scenarios where the seller may need to buy specific, rare, expensive raw materials for production of a custom order.

Fast Fact

Revolving letters of credit are designed for multiple uses. They can be used for a series of payments. These are common among individuals or businesses that expect to do business together on an ongoing basis. There is usually an expiration date attached to these letters of credit, often one year.

How a Letter of Credit Works

Every letter of credit, regardless of type, is written in an official document agreed to by both parties before it is submitted to the guaranteeing financial institution for review.

Before a letter of credit is acquired for any transaction, both parties must clearly communicate with each other before submitting an application. Both parties must review the terms and conditions on the application and be aware of deadlines, including the expiration date of the credit and any time allowance granted between the dispatch and presentation.³

Although most letters of credit involve international exchange, they can be used to help facilitate any type of trade. Before agreeing to back a letter of credit, a financial institution is likely to review the applicant's credit history, assets, and liabilities and attempt to find proof that the seller has a legitimate operation.

The buyer often has an existing relationship with the bank. The bank is, therefore, aware of the party's creditworthiness and general financial status. If the buyer is unable to pay

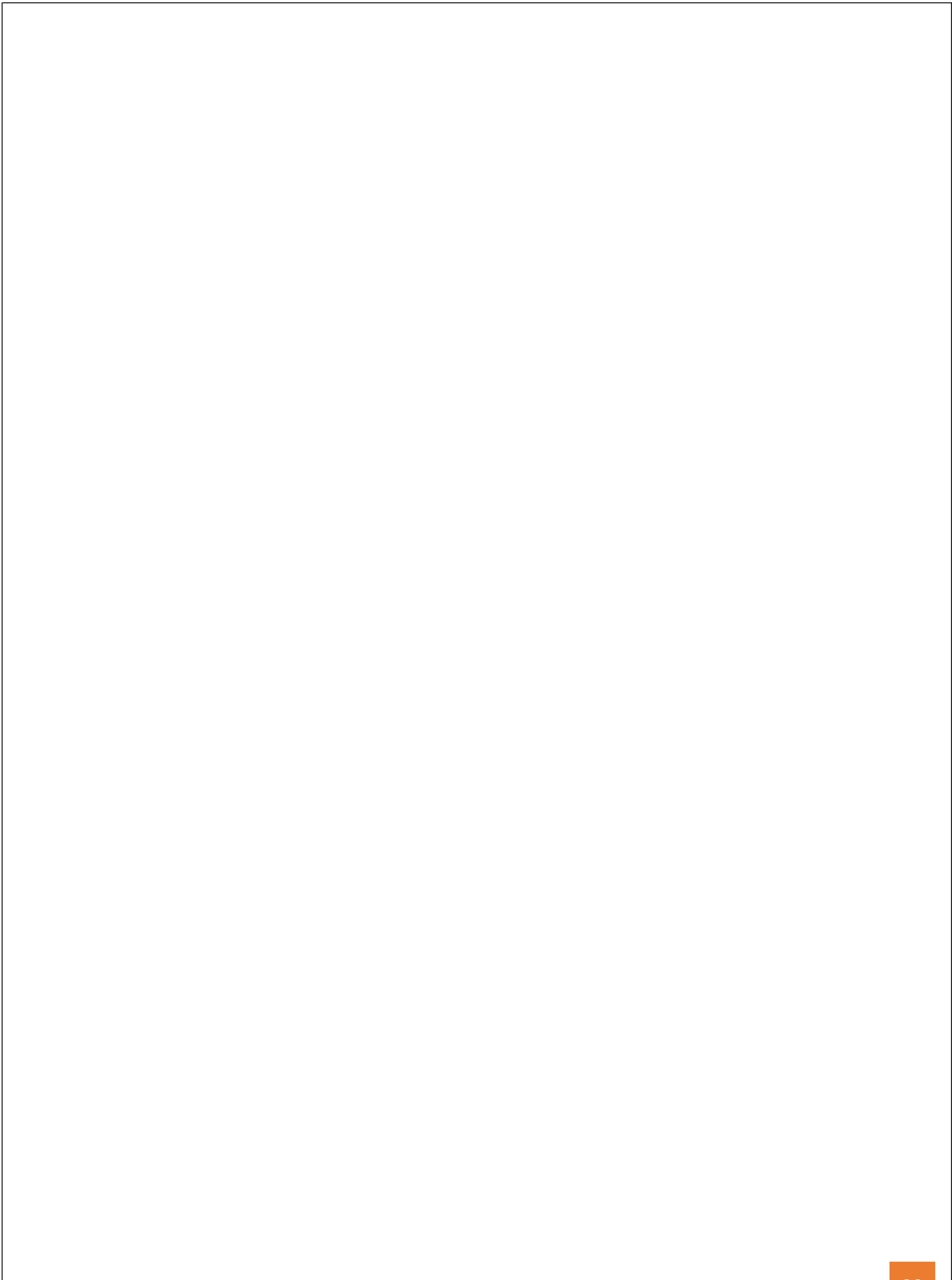
the seller, the bank is responsible for making the full payment. If the buyer has made a portion of the payment, the bank is responsible for paying the remainder.

Let's Sum-Up:

Dear Learners, in this Module we learn, Recent Trends in India's Foreign Trade- India's Commercial Relations and Trade Agreements with other countries, Institutional Infrastructure for Export Promotion in India , Export Assistance , Export Finance, Export Processing Zones (EPZs) , Special Economic Zones (SEZ), Exports by Air, Post and Sea- Small Scale Industries (SSI) and Exports Role of ECGC , Role of EXIM Bank of India , Role of Commodity Boards , Role of State Trading Agencies in Foreign Trade STC, MMTC, etc. **Export Regulations:** Procedure for export of goods, Quality control and Pre-shipment Inspection, Excise and Customs Clearance, Port Formalities Exchange Regulations for Export, Role of Clearing and Forwarding Agents. Procedure for Executing an Export Order, Export and Import Documentation, Export Packing Containerizations ,World Shipping Liners and Tramps ,Dry ports, Project Exports Joint Ventures , Marine Insurance and Overseas Marketing , Export Payment Different Modes of Payment and Letters of Credit

Self-Assessment Questions:

1. Elucidate the recent trends in India's Foreign Trade?
2. Describe ECGC?
3. Explain the functions of C& F Agents.
4. Explain the importance of LC.



UNIT- V

INTRODUCTION

World Trade and India: - Globalization and Role of Multinational Enterprises (MNEs) - Overview of Export- Import Policy of India - Basic Objectives, Role and Functions of Export Promotion Councils.

Unit Module Structuring

- 5.1 World Trade and India:
- 5.2 Globalization
- 5.3 Role of Multinational Enterprises (MNEs)
- 5.4 Overview of Export
- 5.5 Import Policy of India
- 5.6 Basic Objectives
- 5.7 Role of Export Promotion Councils.
- 5.8 Functions of Export Promotion Councils.

Self- Learning Material Development – STAGE- I

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UNIT – V

WORLD TRADE AND INDIA

India is playing an increasingly significant role in global trade, with its export share growing steadily in both merchandise and services. While India's trade volume grew at a compound annual rate of 5.2% between 2019 and 2024, significantly outpacing global growth, it still ranks 13th globally in terms of trade volume. India is also diversifying its export portfolio, focusing on high-value sectors like electronics, pharmaceuticals, and engineering goods. Furthermore, India is leveraging digital infrastructure and technology to enhance international trade prospects.

Here's a more detailed look at India's role in global trade:

Growing Trade Performance:

5. India's share in global merchandise exports increased from 0.9% in 2005 to 1.8% in 2023.
6. Its share in global services exports more than doubled, from 2% to 4.3%.
7. Overall, India's export share grew from 1.2% in 2005 to 2.4% in 2023.
8. India's trade performance in 2024 was particularly strong, with a compound annual trade growth rate of 5.2% from 2019 to 2024, compared to a global growth rate of just 2%.

Key Factors Driving India's Trade Growth:

9. **Diversified Export Portfolio:**

India is expanding its exports beyond traditional sectors like textiles and agriculture, focusing on high-value goods like electronics, pharmaceuticals, and engineering goods.

10. **Improved Infrastructure:**

Substantial improvements in Indian infrastructure and logistics have been made, contributing to smoother trade flows.

11. Policy Initiatives:

Government initiatives like the National Logistics Policy, Production-Linked Incentive (PLI) schemes, and enhanced market access are supporting the growth of exports.

12. Digital Trade:

India is leveraging digital infrastructure, including the Unified Payments Interface (UPI), to facilitate international trade.

13. Internationalization of the Rupee:

India is working towards internationalizing the Indian rupee, allowing for trade settlements in rupees with various countries.

Challenges and Opportunities:

14. Global Trade Disruptions:

Disruptions in global trade, such as those caused by the Red Sea crisis, the Ukraine war, and recent droughts in the Panama Canal, pose challenges.

15. Increased Protectionism:

The rise of protectionist tendencies in some countries and the increased use of Non-Tariff Measures (NTMs) also pose challenges.

16. Focus on Emerging Markets:

India is focusing on tapping into emerging markets to further diversify its trade partners.

17. Improving Business Ease:

India is working to improve ease of doing business, foster competitiveness, and encourage foreign investment.

In conclusion, India's global trade performance is on an upward trajectory, driven by a combination of factors including diversification, improved infrastructure, supportive policies, and a focus on digital trade and emerging markets.

The WTO and its role

The World Trade Organization is an international organisation that was established on 1 January 1995 to help its members uplift their living standards, create employment, and improve people's lives by using trade. It forms the rules and regulations regarding trading across the nations and ensures that the rules are correctly followed to avoid any kind of harm and violence.

The primary role of the WTO is as follows:

18. WTO trade agreement administration.
19. Providing a trade negotiation forum.
20. Resolving trade disputes.
21. Monitoring national trade policies.
22. Helping technical support and training to developing countries.
23. It allows open communication between its members regarding trade.

Effect of the WTO on India

Trading is an excellent weapon for any developing country, and one who uses it rightly wins prosperity and wealth for their country. India, as a developing nation, does the same. India is an agricultural country, and most of its GDP depends upon agriculture, as it exports agrarian products across the world. Trading can play a huge role in developing any nation, if adequately used, because it also has harmful impacts. So, let's take a look at the good and bad impacts of the WTO on India.

Positive impacts of the WTO on India

India is a developing country and has a vast geographical area and population. That's why it needs more capital to feed its citizens. India is good in agriculture, as its

geographical condition is very good for crops, so they are self-sufficient in feeding their people and exporting edible products, but some things are imported. So, it has a perfect balance of imports and exports, and India, as one of the founding members of the WTO, has a very positive impact on it. There are some points listed below that helped in the development of India through the World Trade Organization:

24. India's export competitiveness has been improved by the WTO.
25. The lower tariff has helped integrate with the global economy more efficiently.
26. India's growth and development have been pursued by transferring and exchanging technology and ideas.
27. There is a reduction in cost and time due to market access.
28. The WTO helped better settle trade disputes in a well-defined and structured manner.

Negative impacts of the WTO on India

Every positive impact carries a negative with it. Even after so many positive things, the WTO has also harmed India in some ways, which are listed below:

29. The TRIPs agreement went against the Indian Patents Act (1970).
30. The introduction of product patents in India by MNCs caused a hike in drug prices, which left no generic option for the poor.
31. India and its research institutions have been negatively affected by the extension of intellectual property rights to agriculture.
32. The MFN (most favored nations) clause proved detrimental to India's interests and provided grounds for the Chinese invasion of the Indian market through dumping.
33. India's service sectors are backward compared to those in developed countries.

The World Trade Organization is an international organisation that deals with the rules and regulations of trading worldwide. Currently, it has a total of 159 countries, including India. India has been the founding member of this organisation since 1995. This organisation has helped many countries to develop with the help of trade. It also helped India and still does toward making it a developed country. Trading has a significant impact on any nation's economy, and it is a part of globalization. It also has negative impacts, but they are overshadowed by the positive impacts. So, for India, the WTO seems like a life-uplifting organisation.

GLOBALISATION

Globalization is the process of increasing interdependence and integration among the economies, markets, societies, and cultures of different countries worldwide. This is made possible by the reduction of barriers to international trade, the liberalization of capital movements, the development of transportation, and the advancement of information and communication technologies.¹ The term *globalization* first appeared in the early 20th century (supplanting an earlier French term *mondialisation*). It developed its current meaning sometime in the second half of the 20th century, and came into popular use in the 1990s to describe the unprecedented international connectivity of the post-Cold War world.

The origins of globalization can be traced back to the 18th and 19th centuries, driven by advances in transportation and communication technologies. These developments increased global interactions, fostering the growth of international trade and the exchange of ideas, beliefs, and cultures. While globalization is primarily an economic process of interaction and integration, it is also closely linked to social and cultural dynamics. Additionally, disputes and international diplomacy have played significant roles in the history and evolution of globalization, continuing to shape its modern form. Though many scholars place the origins of globalization in modern times, others trace its history to long before the European Age of Discovery and voyages to the New World, and some even to the third millennium BCE. Large-scale globalization began in the 1820s, and in the late

19th century and early 20th century drove a rapid expansion in the connectivity of the world's economies and cultures. The term *global city* was subsequently popularized by sociologist Saskia Sassen in her work *The Global City: New York, London, Tokyo* (1991).

Economically, globalization involves goods, services, data, technology, and the economic resources of capital. The expansion of global markets liberalizes the economic activities of the exchange of goods and funds. Removal of cross-border trade barriers has made the formation of global markets more feasible. Advances in transportation, like the steam locomotive, steamship, jet engine, and container ships, and developments in telecommunication infrastructure such as the telegraph, the Internet, mobile phones, and smartphones, have been major factors in globalization and have generated further interdependence of economic and cultural activities around the globe.

Between 1990 and 2010, globalization progressed rapidly, driven by the information and communication technology revolution that lowered communication costs, along with trade liberalization and the shift of manufacturing operations to emerging economies (particularly China). In 2000, the International Monetary Fund (IMF) identified four basic aspects of globalization: trade and transactions, capital and investment movements, migration and movement of people, and the dissemination of knowledge. Globalizing processes affect and are affected by business and work organization, economics, sociocultural resources, and the natural environment. Academic literature commonly divides globalization into three major areas: economic globalization, cultural globalization, and political globalization.

Globalization refers to the increasing interconnectedness of the world's economies, cultures, and populations. This phenomenon results from cross-border trade in goods and services, technological advancements, and the movement of investment, people, and information.

While nations have been building economic partnerships for centuries, “globalization” gained widespread recognition in the early 1990s, particularly after the Cold War, as these cooperative arrangements significantly influenced modern daily life. Many factors including the 1991 economic reforms have aided the rise of globalization in India, which has had profound impacts on Indian society, both positive and negative.

Globalization in India Factors and Causes

The present era of globalization is promoted and supported by several factors. A few of Economic Reforms: In 1991, India initiated a series of economic reforms that aimed to liberalize and globalize various sectors of the economy.

This included reducing trade barriers, deregulating industries, and opening up avenues for foreign investment.

Information Technology: India emerged as a global hub for information technology (IT) and software development.

The country’s skilled workforce and proficiency in English made it an attractive destination for multinational companies looking to outsource their IT services.

This led to a significant influx of foreign capital and expertise into the country.

Foreign Direct Investment (FDI): India has actively sought foreign investment by easing restrictions on FDI in various sectors.

This has encouraged multinational corporations to establish a presence in India, bringing in capital, technology, and managerial expertise.

World Trade Organization (WTO): WTO lays out rules concerning global trade and sees that these principles are complied with.

Infrastructure Development: Investments in infrastructure, including ports, airports, and transportation networks, have enhanced India’s connectivity with the rest of the world.

Diverse Workforce: India's diverse and skilled labour force has been a major asset in the Globalization process.

The country's workforce is proficient in various industries, including IT, engineering, healthcare, and other service sectors, making it an attractive destination for global businesses.

Cultural Exchange and Soft Power: India's rich cultural heritage, including its cinema, cuisine, yoga and traditions, has gained international popularity.

This cultural exchange has helped foster global connections and create opportunities for Indian products and services in international markets.

Global Diaspora: The Indian diaspora spread across the globe has played a significant role in globalizing Indian businesses and culture.

They have acted as cultural ambassadors, creating networks that facilitate trade, investment, and cultural exchange.

Globalization Positive Impact on Indian society

Globalization has had a profound positive impact on India across various aspects, including technology, culture, society, education, and women's empowerment.

Economic Impact: India experienced substantial economic growth through the Liberalization, Privatization, and Globalization (LPG) model.

This policy framework led to a remarkable increase in India's GDP (for example it was a 9.7% growth rate in the fiscal year 2007-2008).

India has emerged as the fourth-largest market in the world in terms of market capitalization.

Globalization provides consumers worldwide with access to a broader range of products and services, encouraging industries to innovate and improve quality.

Developing countries like India benefit from an influx of investments originating from developed nations, which play a crucial role in fueling economic growth.

Technological Advancements and Brain Gain: Globalization has spurred significant technological progress.

In developing countries, this progress has led to a reverse brain drain, as skilled professionals return to their home countries to contribute to technological growth and development.

Cultural Impact:

Globalization has led to a significant increase in television and internet access in India. Television access expanded from 20% in 1991 to 90% in 2009.

The Globalization of food chains has brought a wide variety of international cuisines to India. Restaurants serving global dishes have become popular, allowing people to have tastes from around the world within the country.

Indian cities are witnessing the widespread availability of modern technologies, including the Internet. This has empowered people with access to various digital tools and platforms.

The entertainment sector in India, notably Bollywood, has gained global recognition and a broader market presence. It has expanded its reach and popularity on the global stage.

Social Impact:

Globalization has exposed Indians to a wider market, broadening their mindsets and reducing stereotypes about nations, individuals, and communities worldwide.

The advent of information and communication technologies has increased awareness about different countries, cultures, and traditions. However, it has also shifted the focus from traditional values towards consumerism and success.

Globalization has contributed to poverty reduction in India. Economic growth and increased opportunities in sectors like IT have played a role in improving livelihoods.

Impact on Education:

Globalization has played a role in reducing illiteracy rates in India, leading to a higher literacy rate.

It has encouraged collaborations between Indian and foreign universities, enhancing educational opportunities and opening up new paradigms in the education system.

It has bridged the gap between formal and informal learning practices, making education more accessible and versatile.

Impact on Women: Globalization has improved employment conditions for women, offering better wage balance, flexible working hours, and the ability to balance their roles at home and in the corporate world.

Growth of Private or Corporate Sector:

Globalization has led to the growth of the private corporate sector. Indian companies, especially in IT and pharmaceuticals, have expanded their presence in the global market.

Increased competition on the global stage has spurred innovation and efficiency within the private sector.

Globalization Adverse Effects in India

Though globalization has proved to be beneficial in several aspects of Indian society, there are a few negative impacts, posed by globalization, such as:

Erosion of Indigenous Crafts and Traditions: Globalization poses a threat to indigenous crafts, literary traditions, and knowledge systems.

Traditional weavers, for instance, face job losses due to their struggle to adapt to changing consumer preferences.

Cultural Domination and Loss of Identity: Globalization can lead to the dominance of powerful cultures over less powerful ones, resulting in the marginalization and loss of cultural identity among certain communities.

There has been increased objectification of women and crimes against women due to globalization.

Growing Rural-Urban Divide: Globalization has contributed to rapid urbanization, with cities becoming hubs for economic activity and job opportunities. However, this has led to a growing rural-urban divide, with disparities in access to education, healthcare, and employment opportunities.

Income Inequality: It has also exacerbated income inequality. The benefits of Globalization have not been evenly distributed, leading to disparities between different socio-economic groups.

Homogenization of Culture: Cultural globalization can lead to a decline in Indian cultural diversity as various symbols, customs, and beliefs become widespread. This includes the adoption of celebrations like Christmas or New Year even in non-Christian majority countries.

Consumerism: One of the effects of globalization on Indian society is increased consumerism. It has changed the fabric of contemporary Indian society and also contributed to environmental degradation.

McDonaldization, a global culture, en route to transforming traditional eating practices, has solidified its roots in India.

Fragmentation of the Family Unit: Globalization-driven migration can fragment families, causing emotional and psychological stress for those left behind.

The joint family system in India has given way to the nuclear family, impacting social cohesion.

Erosion of Traditional Values: Globalization, particularly the influence of Western norms, can lead to the erosion of traditional family and marriage values. Customs like showing deep respect for elders or treating guests as deities are fading.

Displacement of Tribals: It has led to an increase in cases of tribal displacement, often due to large-scale infrastructure projects. This threatens the habitat and traditional way of life for these communities.

Dominance of Multinational Corporations: There is a concern regarding the immense power exerted by multinational corporations (MNCs) over nations worldwide. This dominance can lead to a form of economic colonization, where the interests of MNCs take precedence over national priorities.

Walmartisation is a phenomenon that economically impacts local businesses when a large company such as Walmart opens a store in the local area. It forces smaller retail firms out of business and reduces wages for competitors' employees. It has impacted the Indian economy as well.

Job Loss: The outsourcing of jobs has led to a significant loss of employment opportunities in developing nations. This trend has had a direct impact on the livelihoods of many individuals in these regions.

Spread of Communicable Diseases: Globalization has facilitated the rapid spread of communicable diseases across nations. Example: Covid 19 disease.

The interconnectedness of the world increases the risk of disease transmission, necessitating robust international health measures.

Globalization Measures for Indian Society

The following are a few ways to navigate through globalisation in a better way in Indian society:

Cultural Heritage and Diversity Preservation: Promote the preservation and celebration of India's rich cultural heritage, traditions, and linguistic diversity.

Encourage cultural exchange programs, heritage conservation, and initiatives that foster intercultural understanding.

Promoting a culture of tolerance and understanding is necessary to create an environment that allows for constructive dialogue.

Sustainable Development Practices: These can be promoted to minimize the negative impact of Globalisation on the environment and communities.

This can include the adoption of eco-friendly technologies and responsible management of natural resources.

Protection of the Vulnerable Sector: While pursuing Globalisation, it's crucial to shield vulnerable sectors, such as agriculture, from adverse impacts. This ensures that economic openness benefits all segments of society.

For instance, India's cautious approach towards joining RCEP is influenced by concerns over an influx of inexpensive Chinese products.

Similarly, New Zealand's robust dairy industry could potentially harm India's domestic sector. Therefore, promoting Globalization should be accompanied by well-considered provisions to protect local interests.

Encourage Innovation and Entrepreneurship: This can include creating policies that support small and medium-sized enterprises, providing funding, etc.

Training in technical and vocational skills should be imparted that are in demand in the global economy.

Inclusive Growth and Poverty Alleviation: Implement targeted policies to ensure that the benefits of economic growth reach all sections of society, particularly marginalized and vulnerable communities.

ROLE OF MULTINATIONAL ENTERPRISES

Multinational enterprises (MNEs), also known as multinational corporations (MNCs), play a pivotal role in international trade. They facilitate trade by exporting and importing goods

and services, transferring technology and knowledge, and influencing global economic policies. MNEs are significant drivers of globalization, contributing to economic growth and development in various countries.

Elaboration:

34. Facilitating Trade:

MNEs actively participate in international trade by exporting products and services to different countries and importing goods and materials from various nations. This dynamic interaction between exporting and importing sustains international trade and fosters economic integration among countries.

35. Transferring Technology and Knowledge:

MNEs play a crucial role in transferring technology and knowledge across borders. This transfer can involve licensing, joint ventures, or direct investment, which helps developing countries gain access to advanced technologies and skills.

36. Promoting Global Economic Policies:

MNEs often have a significant influence on global economic policies and standards. They can lobby for favorable trade agreements, influence regulations, and promote their own interests, which can impact global economic development.

37. Driving Economic Growth:

MNEs contribute to economic growth and development in host countries by creating jobs, investing in infrastructure, and fostering innovation. They can also stimulate local businesses and industries by providing inputs and promoting exports.

38. Access to International Markets:

MNEs provide access to international markets for local businesses and individuals. They can help local firms export their products and services to global markets, which can lead to increased revenue and job creation.

39. Economies of Scale and Scope:

MNEs can benefit from economies of scale and scope, which enable them to produce more at lower costs and offer a wider range of products and services. This can lead to increased efficiency and competitiveness in the global market.

40. Transfer of Knowledge and Technology:

MNEs play a significant role in the international transfer of knowledge and technology. They can transfer specialized knowledge and technology to host countries, which can lead to increased productivity and innovation.

41. Intra firm Trade:

MNEs often engage in intra firm trade, where they trade goods and services between their different subsidiaries or branches. This type of trade can be more prevalent in technology-intensive industries where specialized inputs are needed.

42. Foreign Direct Investment (FDI):

MNEs often invest directly in foreign countries, which can lead to increased production, employment, and economic growth in host countries. FDI can also help transfer technology and knowledge to host countries.

Examples:

43. A multinational corporation like Unilever may establish a manufacturing plant in a developing country to take advantage of lower labor costs and then export its products globally.
44. A pharmaceutical company may invest in research and development in multiple countries, then transfer the resulting technology to other countries through licensing agreements or direct investment.

45. A multinational retailer may establish a presence in a foreign country to expand its market share and then use its global supply chain to source products from various countries.

Definition

A multinational corporation (MNC) is a company based in one country that actively operates and earns revenue in one or more other countries through foreign subsidiaries or branches.

What Is a Multinational Corporation?

A multinational corporation (MNC) is a company that has business operations in at least one country other than its home country and generates revenue beyond its borders.

Chances are the clothes you're wearing, the smartphone in your pocket, and the transportation you take to work all have one thing in common: they were likely manufactured by an MNC, as are 90% of American imports.

Multinationals permeate nearly every aspect of our modern lives while wielding a staggering influence politically and economically, with more than a quarter of American workers employed by one.²

Multinationals have fundamentally shaped the flow of capital, goods, and services in a world that they helped connect, perhaps more than any military, during the centuries-long process of globalization.

Their incredible economic clout has also sparked heated debates around their power, labor practices, environmental impacts, and tax avoidance strategies. In this article, we take you through their history, organizational structures, and complex role in globalization.

Key Takeaways

- A multinational corporation (MNC) has business operations in at least two countries, often with headquarters in one country and subsidiaries, manufacturing plants, and offices in other nations.

- MNCs have expanded rapidly in recent decades because of falling trade barriers, the search for new markets, expanding global supply chains, and outsourcing operations to lower-cost regions.
- Multinational corporations can bring benefits like job creation, infrastructure investment, and improved quality of goods in the countries where they operate, but many are known for disreputable tax, environmental, and labour practices.
- Well-known examples of multinational corporations include Apple Inc. (AAPL), Toyota Motor Corporation (TM), Nestle SA (NSRGY), Exxon Mobil Corp. (XOM), and Coca-Cola Co. (KO).

History of MNCs

The first multinationals were colonial enterprises. The East India Company (formed 1600), the Dutch East India Company (VOC; 1602), and the Hudson Bay Colony (HBC, 1649) stand out as central to imperialist histories whose rapaciousness still haunts anyone with even the vaguest sense of history.

Remarkably, HBC endures, as does its core business model, sourcing clothing and other materials, while holding massive amounts of real estate in one part of the world to sell finished goods to Western consumers.

The MNCs formed more recently have often not equipped themselves much better: Just 57 multinationals were responsible for unleashing 80% of global carbon emissions between 2016 and 2022 (latest information).

Yet, despite their ubiquity in what we wear and even the air we breathe, there is still widespread confusion about what defines a company as "multinational." Is it simply having offices or factories overseas? Selling products internationally? Or is there more to it?

How a Multinational Corporation Works

MNCs operate in at least two countries, with significant business activities and investments spanning across national borders.

Their rise can be traced to the 1600s and colonialism, though the modern corporation took shape with the emergence of large-scale industries such as oil, automobiles, and consumer goods in the late 19th and early 20th centuries.

Companies like Standard Oil, Ford, and Coca-Cola were among the forerunners in expanding their operations globally while amassing revenues on par with entire nations.

Later, the post-World War II era saw their accelerated growth, driven by trade liberalization, advances in shipping and other technologies, and the increasing interconnectedness of global markets.

MNC Characteristics

These companies take different forms, from giant conglomerates with diverse portfolios to specialized firms focusing on specific industries or regions. Here are the main points about their structure:

- **Definition:** MNCs are often formally defined as business entities with one or more foreign affiliates in which the parent company holds at least a 10% ownership stake. Most foreign affiliates are 100% owned by their parents.⁷
- **Structure:** MNCs typically consist of a parent company headquartered in one country, with subsidiaries, branches, or joint ventures in multiple host countries. The parent company maintains strategic control over its global operations, setting overall goals, policies, and standards. Subsidiaries are separate legal entities in the countries where they operate.
- **Governance:** MNCs often have centralized management, with the most important decisions made at the headquarters. However, some adopt a more decentralized approach, giving regional or country-specific management team's greater autonomy. MNCs may also have a matrix-like structure, where employees report to both functional (e.g., marketing, finance) and geographic managers (e.g., country or regional heads).

The specific organizational design of MNCs depends on where they are and their industry. Though the two terms are often used interchangeably, multinational enterprises (MNEs) and MNCs are different. MNEs are entities that engage in foreign direct investment (FDI) and own or control production or material development firms in more than one country.

This is a very broad definition for a reason: MNEs include corporations, partnerships, state-run enterprises, and other types of business structures.

MNEs can be private or state-owned and may operate in various sectors, such as manufacturing, services, or extractive industries. MNCs are a specific type of MNE that takes the form of a corporation. In sum, while all MNCs are MNEs, not all MNEs are MNCs.

Developing an international presence can open up new markets where multinationals can sell goods or produce the same quality of products at lower costs. MNCs can thus reduce prices and increase the purchasing power of consumers worldwide.

They may also take advantage of lower tax rates in countries eager for FDI, and critics point to their propensity for developing monopolies where they operate. This can drive up prices, squelch competition, and inhibit innovation.

Types of Multinational Corporations

- **Decentralized corporation:** This type of MNC maintains a presence in its home country and has autonomous offices and other facilities globally. Each office manages the local business itself, making its own decisions.
- **Centralized global corporation:** A central headquarters is located in the home country. Executive officers and management manage the overseas offices and operations, as well as domestic operations. The subsidiaries must get approval from headquarters for significant activities.
- **International division of a corporation:** This is the part of an MNC responsible for all global operations. They can function independently of domestic operations,

which can pose problems when overall corporate consensus and action are required.

- **Transnational Corporation:** A parent-subsidary structure in which the parent company oversees the operations of subsidiaries in foreign countries and the home country. Subsidiaries can use the parent's assets, such as research and development data. Subsidiaries may be different brands. Though differentiated in the past, the term is now virtually synonymous with MNC

Multinational Corporations and Foreign Direct Investments

The post-World War II era saw a significant acceleration in the growth of MNCs, fueled by advances in transportation, shipping, communication, and trade liberalization. The rise of global brands like Coca-Cola, International Business Machines Corporation (IBM), and McDonald's exhibited the growing reach and influence of MNCs.

These global entities had the power to shape economies, industries, and societies across borders, making them a force to be reckoned with in the modern world. For critics, it seemed that as the armies of Europe receded from their colonies, MNCs stepped in to take their place.

The Contributions of MNCs

Spanning continents and with the ability to mobilize resources larger than many nations' annual revenues, MNCs can drive economic growth and development for millions. Multinationals have attracted praise for their benefits to economic growth and criticism for their potential to exert undue influence over so-called "host" countries—those nations where their subsidiaries set up shop.

The International Monetary Fund (IMF) and other economists generally credit MNCs' positive contributions to global development. Among the most significant is their ability to attract foreign direct investment (FDI), which can inject much-needed capital, technology, and expertise into an economy.

The most common method of FDI is when a multinational acquires a local firm, but it can include foreign joint ventures, constructing new plants, and reinvesting earnings in a foreign subsidiary. Given the natural involvement of MNCs in these investments, it's an indirect measure of their spread into new markets.

Typically, economists analyze inflows for specific nations to see if MNCs and others are finding a country a good place to invest. The more FDI coming into a country, the more jobs it can produce and the more taxes it can collect. FDI inflows don't include portfolio investments like buying bonds, stocks, and other assets in a foreign country without gaining ownership control.

For decades, the IMF argued for countries to increase their FDI inflows through lower taxes and less regulation (hence shrinking the size of the state), which its economists typically couch in the moral language of "macroeconomic discipline."

As such, for much of the post-colonial period, the IMF and other multinational organizations have been pushing developing economies to attract MNCs to set up shop there, making FDI the most significant capital flows into less-developed countries for the decades after decolonization.

Critiques of MNCs

However, this push for increased FDI has not been without its critics, particularly those in developing countries. MNC influence has raised complex questions about the role of foreign investment, the distribution of benefits, and popular and local sovereignty.

Once an MNC moves into an area, it can often sideline local industries and then use its monopolistic hold to gain significant political influence in the country.

Then, in moves reminiscent during the flows of capital during the era of state colonialism, the profits might be repatriated by MNCs to their home country, limiting the benefits of FDI for host countries. These issues have led to various responses from host governments, including protests, restrictions, exclusion, and even expropriation of MNCs.

Meanwhile, it's become clear that many MNCs aren't returning their funds to where they're headquartered. As a percentage of GDP, the highest FDI inflows aren't into the U.S. or newly opened markets but tax havens like the Cayman Islands, which have no corporate income, capital gains, or payroll taxes.

This makes it an attractive destination for multinational corporations to park funds to minimize their taxes in the countries where that wealth was earned.

Critiques of MNCs tend to fall under the following categories:

- **Environmental devastation:** MNCs have been accused of prioritizing profits over environmental protection, leading to deforestation, pollution, and unsustainable resource extraction in the pursuit of cheap inputs.
- **Labor exploitation:** Critics point to poor working conditions, low wages, and lack of worker rights in many places where MNCs operate, amounting to a race to the bottom in labor standards among the countries competing for FDI inflows.
- **Tax avoidance:** Countries worldwide lose billions in tax revenues due to aggressive tax planning strategies that MNCs use to shift profits to low-tax jurisdictions.
- **Crowding out local businesses:** The market power and economies of scale of large MNCs make it difficult for local firms to compete, stifling local entrepreneurs.
- **Political blackmail:** Some argue that the IMF and World Bank's policy prescriptions to attract FDI, such as deregulation and austerity, undermine governments' ability to invest in public services and protect national interests. However, giving up FDI would mean turning away funds needed for local development, leading to Faustian bargains for many developing countries.

The Slowdown in FDI Flows

Below is a chart of the global FDI inflows as a percentage of gross domestic product (GDP) in recent decades. As you can see, the percentage spikes at the turn of the millennium, during the financial crisis, and then immediately after.

This indicates a substantial increase in the flow of foreign capital into economies worldwide, reflecting a growing interest from multinational corporations and investors in expanding their operations and investments abroad.

It could also, of course, suggest moments when capital flowed abroad, when there was significant volatility in the home markets. The largest FDI inflows occur into the U.S. and other developed economies.

Developing countries have encouraged FDI—that is, the expansion of MNCs—to finance infrastructure and create new jobs for local workers. For their part, the MNCs gain from FDI by expanding further into international markets.

Several factors are said to drive increases in FDI inflows, a measure of MNC expansion beyond their home countries' borders:

- **Economic liberalization:** Many countries have opened up their economies to foreign investment by reducing trade barriers, easing restrictions on capital flows, and creating more favorable investment climates.
- **Technological advances:** Improvements in communication and transportation have made it easier for companies to operate across borders and manage global supply chains.
- **Emerging markets:** The rapid growth of emerging markets has created new prospects for foreign investors seeking higher returns in relatively untapped markets.
- **Financial globalization:** The increasing integration of financial markets has made cross-border capital flows possible and made it easier for investors to invest in foreign projects.

Global FDI flows have declined significantly as a share of GDP from a peak of 5.3% in 2007 to 0.7% in 2023 (latest information), and this drop has disproportionately affected emerging markets.

While the percentages and acronyms thrown around in many of these discussions can seem abstract, the consequences are not. These represent millions of jobs, the aspirations of local and regional economies, and massive inequalities worldwide that keep poverty entrenched in some regions of the globe.

The political stakes couldn't be higher. The terms economists use for the recent drop in FDI flows include "global economic fragmentation," which suggests a movement away from a previous era's economic integration and globalization.

The trade wars between the U.S. and China, the pandemic, rising nationalism, and regional wars have upended earlier investment patterns, just as they have billions of lives. We seem to have entered a new chapter, perhaps, in the history of the multinational corporation.

OVERVIEW OF EXPORT

What Is an Export?

Exports are goods and services manufactured or provided by businesses in one country and sold or traded in another. Exports, along with imports, make up international trade. Instead of confining themselves within their geographical borders, countries often intentionally seek external markets around the world for commerce, achieving greater revenue and transactional opportunities.

Key Takeaways

46. Exports are one of the oldest forms of economic transfer and occur on a large scale between nations.
47. Exports can increase a firm's sales and profits, and they may even present an opportunity to capture significant global market share.

48. Companies that export heavily are typically exposed to a higher degree of financial risk.

Understanding Exports

Exports are incredibly important to modern economies because they offer people and firms many more markets for their goods. One of the core functions of diplomacy and foreign policy between governments is to foster economic trade, encouraging exports and imports for the benefit of all trading parties.

Export agreements are often heavily strategic, with countries exchanging agreements to ensure their own country can not only receive the goods they need via imports but can distribute goods for more domestic revenue via exports.

Also, governments may use exports as leverage over political situations. In response to the war in Ukraine, the White House issued an executive order prohibiting both the importation and exportation of certain goods to and from Russia.

A country's net exports is the difference between the dollar values of its total exports minus its total imports. Because net exports are a component of a country's gross domestic product (GDP), exports play a factor in determining a country's financial and economic well-being.

Goods may be sent via direct exporting or indirect exporting. Direct exporting entails working directly with an importer. The exporting company handles all of the client communication; as a result, they do not pay a middleman fee.

Because the direct export method may require teams with specialized knowledge, many companies opt to contract out a third party to facilitate an indirect export.

The Export Process

Most countries actively seek out overseas trading partners. Instead of blindly manufacturing goods and hoping for an international buyer, the export process may start with a deal between two governments to facilitate cross-border trade.

Once an order is placed, the seller in the exporting country must receive clearance from their home government to export goods. This may entail obtaining an export license or meeting other country-specific regulations.

The buyer and exporter must settle several financial matters before shipping the goods. First, the exporter may require a letter of credit from the importer to ensure that they receive compensation. They will also decide who is responsible for the costs of shipping and insurance from the country of origin to the destination.

They will also fix the exchange rate for the conversion from foreign currency to the home currency. Once all is agreed, the exporter will issue an invoice to finalize the sale.

As the order is prepared, formal documents are gathered, including a permit issued by the importer's country, financial documents, such as a bill of lading, and shipping documents. Once received, the importer will also be responsible for paying any duties or tariffs of the destination country.

Trade Barriers and Other Limitations

A trade barrier includes any government law, regulation, policy, or practice that is designed to protect domestic products from foreign competition or to artificially stimulate exports of particular domestic products.

The most common foreign trade barriers are government-imposed measures and policies that restrict or impede the international exchange of goods and services. These can include tariffs on imported goods or export restrictions on sensitive technologies.

Trade barriers present a unique set of challenges. Exporters may incur extra costs to research foreign markets and modify products to meet local regulations.

Companies that export are typically exposed to a higher degree of financial risk. Payment collection methods, such as open accounts, letters of credit, prepayment, and consignment, are inherently complex and take longer to process than payments from domestic customers.

Advantages and Disadvantages of Exports

Advantages

Companies export products and services for a variety of reasons. Exports can increase sales and profits if the goods create new markets or expand existing ones. They may even present an opportunity to capture significant global market share. Companies that export spread business risk by diversifying into multiple markets.

Exporting into foreign markets can often reduce per-unit costs by taking advantage of economies of scale. Finally, companies that export to foreign markets gain new

knowledge and experience that may allow the discovery of new technologies, marketing practices, and insights into foreign competitors.

Disadvantages

To export goods, countries may need to incur high transportation costs and the risk of loss due to the transportation of goods. If ownership of the goods does not pass to the buyer until the goods are received, this may make the exportation unduly risky for the exporter.

Because of logistical and economic constraints, small and medium-sized businesses or governments may find difficulty in exporting goods. In addition, smaller companies often do not have the in-house personnel needed to potentially navigate international trade regulations.

Exporting of goods is much more common for larger bodies with greater resources to seek out these outside markets.

Last, exporting to foreign countries may result in currency risk. Depending on exchange rate agreements at the time of contract, a foreign currency's worth may deteriorate, negatively affecting an exporter.

Consider when one currency strengthens against another; if the exporter is to be paid in the currency whose value has depreciated, their export may be devalued. This devaluation may also occur based on extenuating tariffs or lower export prices.

Example of Exports

The United States is one of the top exporters of automotive vehicles. In addition to producing for the local market, U.S.-made cars are sold and shipped around the world to non-U.S. entities.

In 2024, the Observatory of Economic Complexity reported that the U.S. exported \$59.2 billion of vehicles around the world. The U.S. distributed over \$15.5 billion worth of vehicles to Canada, making up 26% of car exports. Other top importers of U.S.-made vehicles were Germany, China, the United Arab Emirates, and Mexico.³

The U.S. was also the top importer of vehicles in 2024. It imported \$217 billion of cars, most of from Mexico, Japan, South Korea, and Canada.³

BMW Manufacturing led domestic companies by the value of cars exported. In 2024, the group's South Carolina plant alone exported over 225,000 vehicles with a total value of over \$10 billion.

IMPORT POLICY OF INDIA

Export Import Policy, or Exim Policy, is a collection of guidelines and instructions governing the import and export of products. Section 5 of the Foreign Trade (Development and Regulation Act) of 1992 gives the Indian government the authority to announce its Exim Policy for five years. Each year on March 31, import and export policies in India have amendments, enhancements, and new programs take effect on April 1. In collaboration with the Directorate General of Foreign Trade, the Ministry of Finance, and its network of regional offices, the Union Minister of Commerce and Industry announces any changes or amendments to the Exim Policy.

What are the objectives of the Exim Policy?

49. To increase India's export and import growth.
50. To stimulate long-term economic growth by increasing access to intermediates, components, consumables, essential raw materials, and capital goods.

51. To improve the competitiveness of the agriculture industry and services, create new employment opportunities and encourage the attainment of internationally accepted quality standards.
52. To supply high-quality services and goods at an affordable cost. Canalization is a critical component of Exim Policy, as it restricts the import of certain goods to designated agencies. For example, only SBI and a few foreign banks or recognized organizations may import gold in bulk.

Foreign trade's role in economic development

Foreign trade and economic development

Economic development is mainly dependent on trade with other nations. As a result, a country's economic progress is dependent on foreign trade.

Foreign exchange earning

Foreign trade gives foreign exchange for poverty alleviation and other purposes.

Market expansion

Demand plays a vital role in increasing a country's production. As a result of foreign trade, the market for goods and services expands and encourages the producers to increase production.

Increase in investment

Foreign trade promotes investment. As a result, the investment rate rises.

Foreign investment

In addition to promoting local investment, foreign trade encourages foreign investors to invest in countries with a shortage of investment.

Increase in national income

Foreign trade boosts country production and income, and to meet foreign demand, we increase production, which also increases GNP.

Decrease in unemployment

Rising demand for goods increases the country's rate of development and reduces global unemployment.

Price stability

Foreign trade helps to stabilize the price of goods and services. You can import any goods in short supply and whose prices are rising and export any goods you have in excess, thus stopping price fluctuation.

Specialization

The quality and quantity of various production factors vary by country. Each country focuses on producing commodities where it has a comparative advantage. So all trading countries profit from international trade.

Remove monopolies

Foreign trade discourages monopolies. While monopolists raise prices, the government enables imports to lower prices.

Removal of food shortage

Food shortages are also a problem in India. India has imported wheat numerous times to alleviate the country's food shortage. So, we've solved this problem for years due to foreign trade.

Agricultural development

Our economy relies heavily on agricultural development. Our agricultural sector has grown tremendously due to foreign trade. We ship rice, cotton, and fresh fruits and vegetables to countries worldwide every year, and our farmers' incomes rise due to goods exports. It encourages them to grow.

To increase local product quality

Foreign trade improves the quality of local products and expands the market by changing demand and supply.

External economics

Foreign trade can also achieve external economics. Large-scale food producers in India benefit from foreign trade.

Competition with foreign producers

Competition in international trade improves product quality and lowers production costs because we can compete against foreign producers.

Beneficial for world peace

All countries now have trade ties with one another. As a result, foreign trade contributes to global peace and prosperity.

Import of capital goods and technology

In less developed countries, foreign trade has accelerated economic growth by bringing in capital goods and cutting-edge technology.

Import substitution

These countries produce import substitutes, but they also help reduce their countries' balance of payment deficits.

Better understanding

People from different countries can meet, talk, and exchange ideas about their social, economic, and political problems due to foreign trade.

Factors productivity

Trade increases labor, capital, and organizational productivity. Demand makes them mobile on a national and international level, helping developing countries develop and maintain high growth rates.

The impacts of EXIM policy

From the perspective of developing economies, India's foreign trade policy is critical. If we did not have a foreign trade policy, it would be a daunting and costly task. For example, India's Iron and Coal reserves are well-established business opportunities, but we must import technical know-how from countries that pioneered it to expand this sector.

Another area that could bring our country to a standstill is our inability to meet the demand for petroleum products. The absence of a foreign trade policy would severely impede our country's economic growth.

For some time now, India has been one of the world's most important financial and political players. The current trade policies, economic reforms, and India's inherent strengths are all factors that contribute to this rise in global demand for Indian products and services. The country is also investing in infrastructure and technological advancements, which are likely to positively impact the economy in the years to come.

Conclusion

The Foreign Trade Development and Regulation Act, 1992 guides India's export-import policies. India's Foreign Trade Development and Regulation Act regulates and promotes foreign trade. A new Foreign Trade Act replaced the 1947 Imports and Exports Act, and the DGFT is the main governing body for Exim Policy.

India's Export Import Policy, also known as the foreign trade policy, aims to boost export performance, promote foreign trade, and maintain a favourable balance of

payments. Exports and imports from India and policies and procedures for export promotion are part of the Indian EXIM Policy, a collection of various government decisions in foreign trade. The central government prepares and announces trade policy.

ROLES AND FUNCTIONS OF EXPORT PROMOTION COUNCILS

Export Promotion Councils (EPCs) are government-sponsored organizations in India that play a vital role in promoting and supporting exports of goods and services. Their primary functions include facilitating exports, providing market research and information, and advocating for favorable trade policies. EPCs also organize trade fairs, buyer-seller meets, and other events to connect Indian exporters with potential buyers.

Here's a more detailed look at their roles and functions:

1. Promoting and Supporting Exports:

53. Connecting with overseas buyers:

EPCs actively connect Indian exporters, including MSMEs, large industries, and trading firms, with potential buyers in global markets.

54. Strengthening the Global Supply Chain:

They work to strengthen the global supply chain by facilitating exports and ensuring India's reputation as a reliable supplier of quality goods and services.

55. Projecting India's image:

EPCs help project India's image as a reliable and trustworthy exporter of quality goods and services that meet global standards and compliance.

Export Promotion Councils (EPCs) play a crucial role in boosting India's exports by acting as a link between the government and the industry, providing valuable information and

support to exporters, and promoting India's image on the global stage. They offer a range of services, including market research, advisory support, and participation in trade fairs.

Key Roles and Functions of EPCs:

56. Information Dissemination:

EPCs provide exporters with information about government schemes, incentives, subsidies, and other benefits related to international trade.

57. Market Research and Exploration:

They conduct market research, gather intelligence, and analyze global trade trends to help exporters understand foreign markets and identify new opportunities.

58. Advisory Services:

EPCs offer guidance and advice to exporters on various aspects, including technology adoption, quality control, compliance with international standards, and product specifications.

59. Trade Promotion:

They organize trade delegations, fairs, and exhibitions both domestically and internationally to promote India's products and services.

60. Data Collection and Analysis:

EPCs collect and analyze data on export growth, trends, input costs, taxes, and duties to inform government policies and schemes.

61. Bridging the Gap:

They facilitate communication and collaboration between the government and the export industry, ensuring that exporters are aware of government policies and schemes.

62. Promoting International Standards:

EPCs encourage exporters to adhere to international standards and specifications, enhancing the quality of exported goods and boosting the country's reputation.

63. Developing New Exporters:

They conduct seminars and workshops to create awareness and motivation among new entrepreneurs and exporters.

Examples of EPCs in India:

64. **Gem & Jewellery Export Promotion Council (GJEPC):** Promotes the gem and jewellery industry, providing services and advisory support to members and the government.
65. **Council for Leather Exports (CLE):** Focuses on the development of the Indian leather and leather products industry.
66. **Textile Export Promotion Council (TEXPRO):** Promotes the textile and apparel industry.

Let's Sum-Up:

World Trade and India: - Globalization and Role of Multinational Enterprises (MNEs) - Overview of Export- Import Policy of India - Basic Objectives, Role and Functions of Export Promotion Councils.

Self-Assessment Questions:

1. Explain the importance of Globalisation?
2. Describe the role of MNE's?
3. Explain the Export & Import policy of India.
4. Explain the Export Promotion Council importance in World Trade.