



INTERNATIONAL TRADE & TERMINOLOGIES

TIME EDUCATION PVT . LTD







Capricornus

regiones circuli
antarctici sunt
duae in hoc la-
titudine Quae

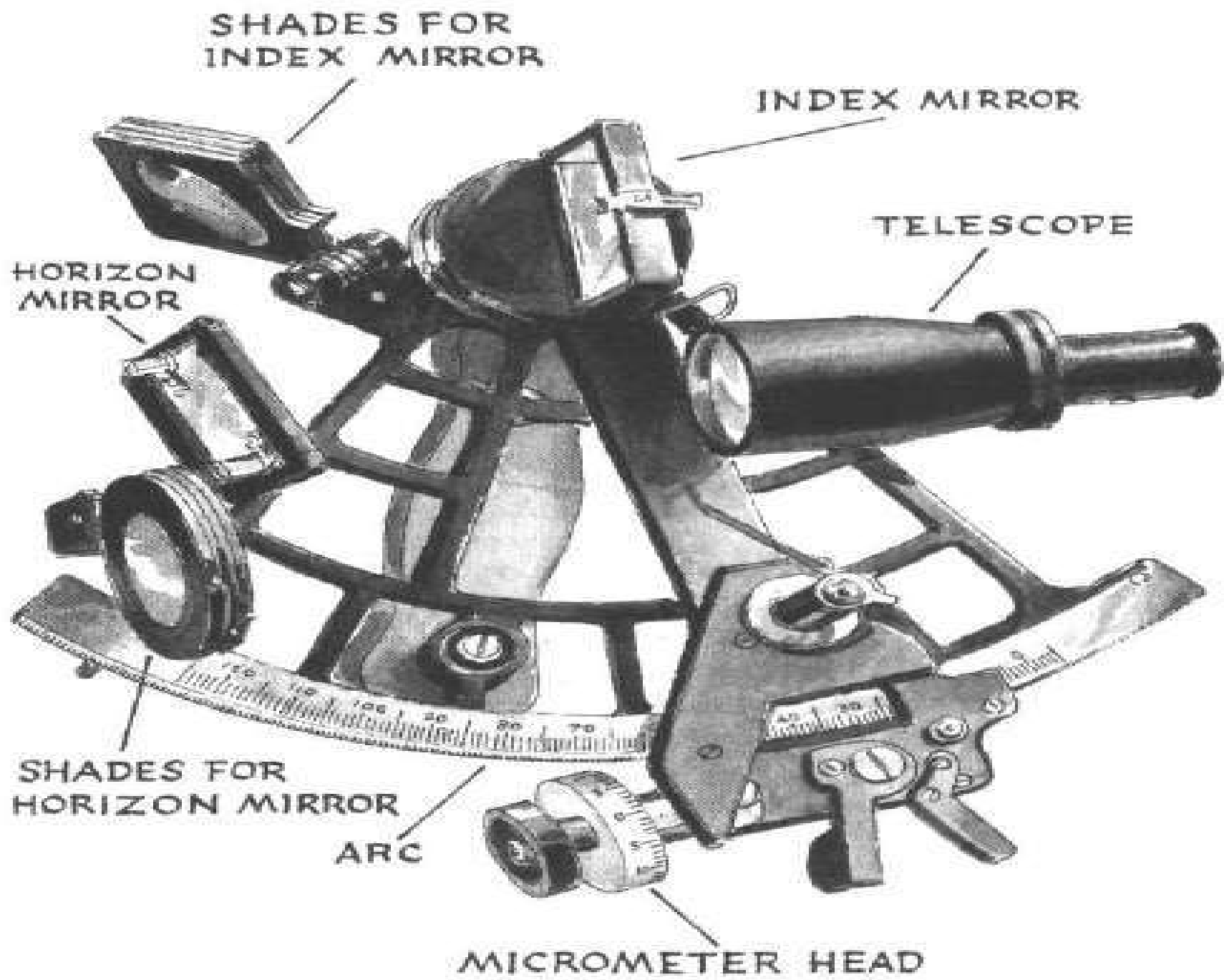
MAGALLANUS

Antarcticus

Terra del Fuego







SHADES FOR
INDEX MIRROR

INDEX MIRROR

TELESCOPE

HORIZON
MIRROR

SHADES FOR
HORIZON MIRROR

ARC

MICROMETER HEAD



Outline

- Trade
 - What
 - Why
 - Advantages
 - How
 - Evolution
 - Barriers
- International Bodies
- Problems in Trade
- Indian Trade Scenario
- Terminology

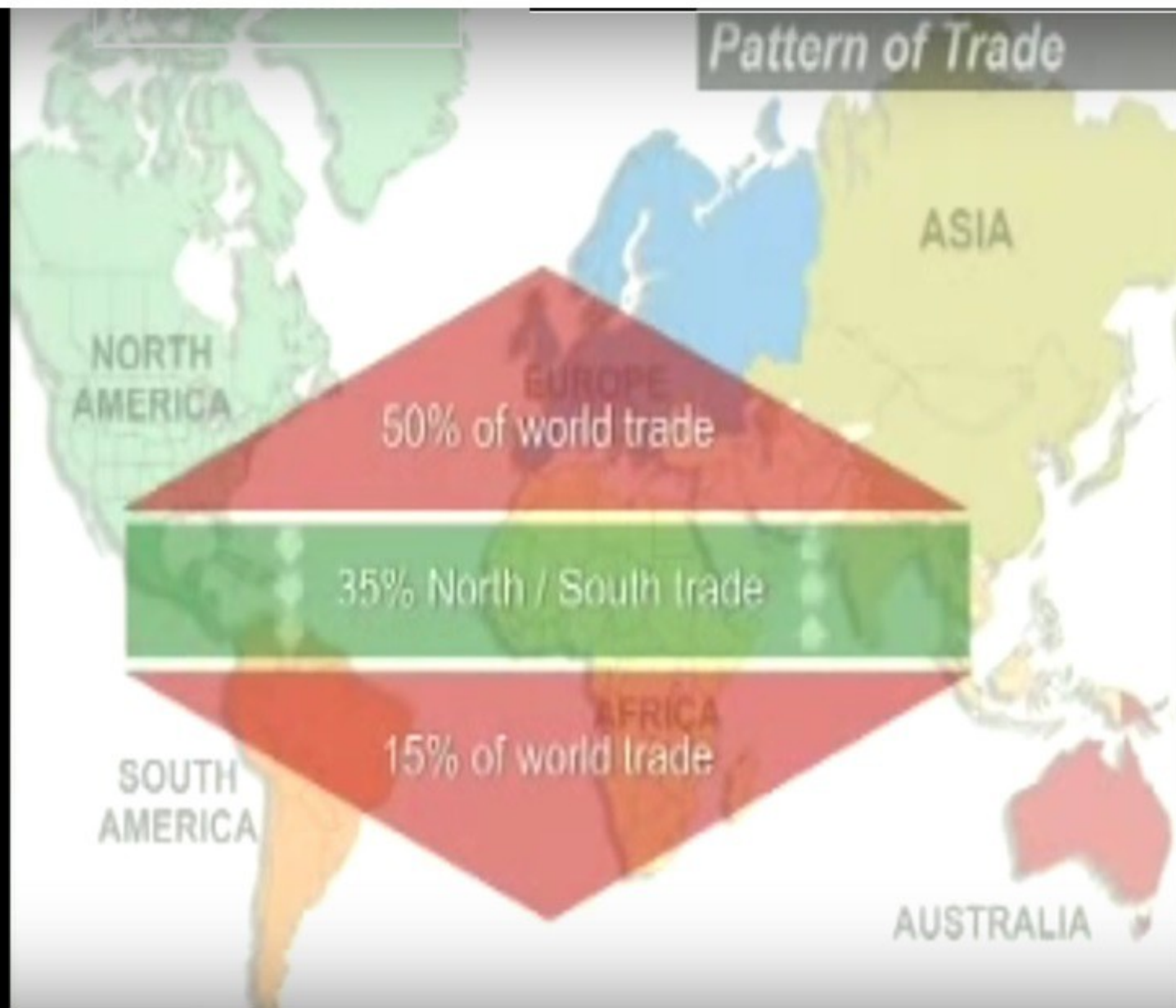
TRADE

Trade involves the transfer of the ownership of goods or services from one person or entity to another in exchange for other goods or services or for money.

International Trade has been in existence since ages(Silk Road, Amber Road), its economic, social and political importance has been on the rise in recent times



Pattern of Trade

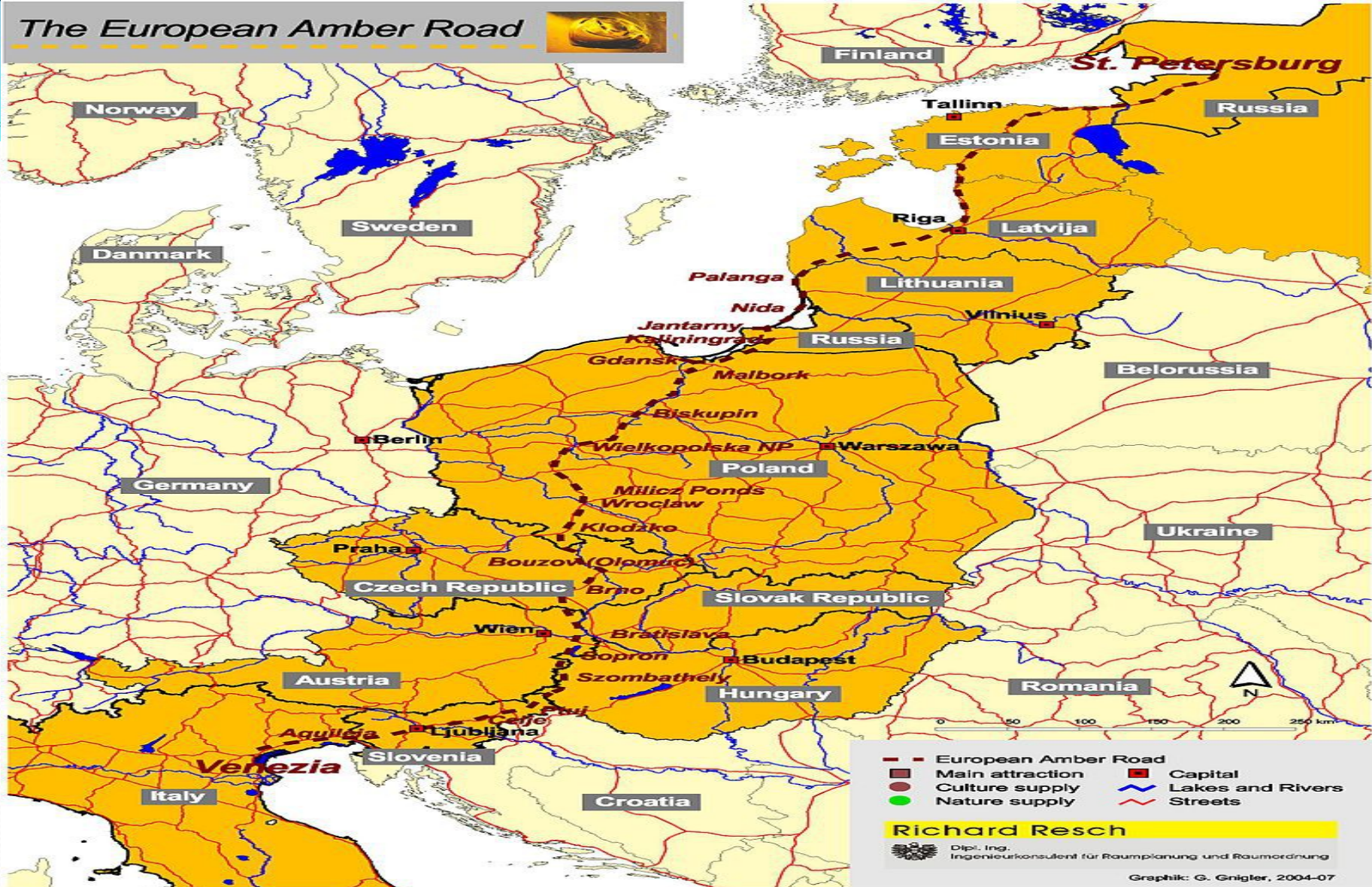




How?



The European Amber Road



The Amber Road was an ancient trade route for the transfer of amber from coastal areas of the North Sea and the Baltic Sea to the Mediterranean Sea





- Zhang Qian –Diplomat/envoy
- The ‘Silk Route’ is a special term which describes the Trade Route between Central Asia and China
- Chinese people would exchange Silk, Tea and other products for Horses from small kingdoms in west of China
- It was an Important connecting link between Asia and Europe, 5000 Miles long
- Around the same time, a sea route was added along with the ‘Silk Route’ land route
- Sea Route began at the mouth of the Red river, through Southeast Asia to Sri Lanka and India, then to Persia, Axum and Rome.



- In the earlier times, Trade used to happen on Horses, Camels, Cattle etc.
- The Invention of Ships brought a Sea change in the Quantity of Goods traded
- Most of the World Trade is via the Sea route



Trade Barriers

- There are two School of Thoughts(As we always have!)
- One school of thought for and the other Against
- The Arguments in favor of Restrictions are
 - Domestic Job Protection
 - Level Playing Field for local Producers
 - Govt. Revenue creation
 - Infant Industry Argument
 - Export Promotion
 - Anti-Dumping
- The Arguments against Restrictions
 - Mis-allocation of Resources
 - Trade – Wars
 - Higher Prices in Domestic markets
 - Job losses in Down-stream Industries
 - Reduced Export competitiveness



Types of Restri

- Tariff
- Quota
- VER (Voluntary Export Restraints)
- Health & Safety Restrictions



Image — a quota system

- **Trade Blocs** – A group of Countries(belonging to same Geographical Area) agreeing to reduce/eliminate trade barriers among members

| | PTA | FTA | Custom Unions | Common Markets | Economic Union | Full Inte-gration |
|---------------------------|-----|-----|---------------|----------------|----------------|-------------------|
| Lower Barriers | Yes | NA | NA | NA | NA | NA |
| Eliminate Barriers | - | Yes | Yes | Yes | Yes | Yes |
| Common External Barriers | - | - | Yes | Yes | Yes | Yes |
| Free flow Of Resource | - | - | - | Yes | Yes | Yes |
| Uniform Economic Policies | - | - | - | - | Yes | Yes |
| Entities behave as one | - | - | - | - | - | Yes |

- Preferential Trade Area – Example Indo-Nepal, Indo-Chile
- Free Trade Area – Example NAFTA
- Customs Union – Example Russia, Kazakh, Belarus formed a Customs Union
- Common Market – Example Mercosur(Arg, Bra,Para,Uru)
- Economic Union –EU is an Example
- Full Integration - USA

International Bodies

WTO(Formerly GATT)

- Smoot-Hawley Bill
- Around 1930s, the average tariff rate was 70% which came down to 2-3% by late 1980s
- For the first time Trade in services was brought in Uruguay round
- This gave way to WTO in 1995



Roles of WTO

- The main objective of **WTO** is to increase world trade and thereby employment
- **GATT** was created to reduce the tariff barriers
- **WTO** is not only focussed on eliminating Tariff barriers but also non-Tariff barriers like Quota
- The major roles are
 - Administration of Agreements
 - Implementation of Reduction of Trade Barriers
 - Examination of Member's Trade Policies
 - Collection of Foreign Trade Information
 - Settlement of Disputes
 - Consultancy Services
 - Forum for Negotiation

123RF®



123RF®

123RF®

123RF®

123RF®

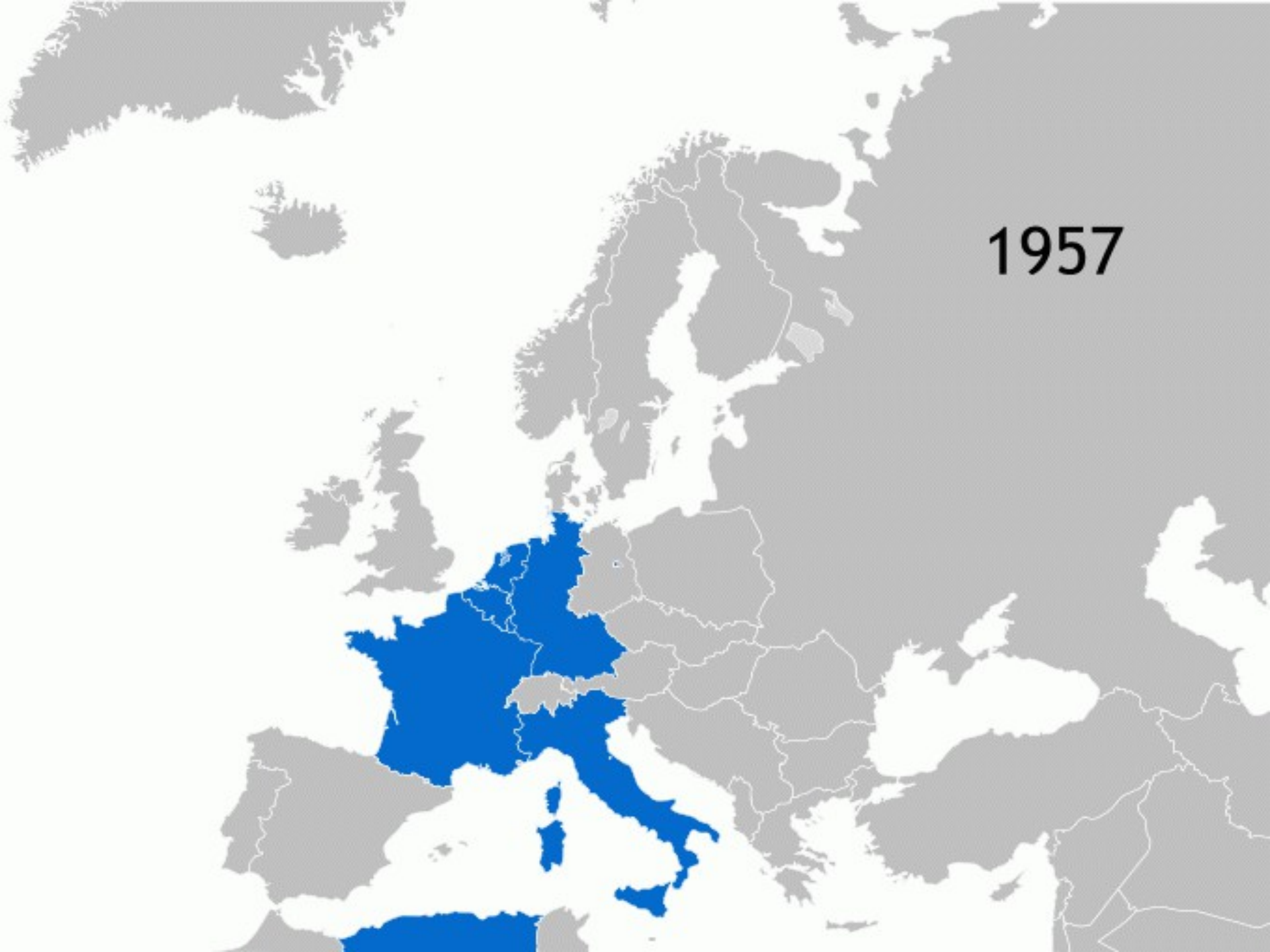
123RF®



European Union

- EU
 - Economic & Political Union of 28 member states
 - 500 Mn citizens
 - GDP - \$18Tn and 20% of total world output
 - Free movement of people, goods, services & capital
 - Schengen – Free movement – Abolition of passport controls
 - Treaty of Maastricht – 1st Nov 1993
 - Salient Features
 - Common Currency - Euro
 - European Monetary Union

1957





South Asian Free Trade Area (SAFTA)

SAFTA

- Trade and investment among member-countries of the SAARC compared poorly with those within ASEAN or the EU
- The Agreement was reached in Jan, 2004, but came into force from Jan, 2006
- This is a Successor to SAPTA, which was limited in scope
- Agreement requires the Trade duties of the Developing Countries come down to 20% initially
- Finally reduced to Zero
- Purpose of SAFTA is to encourage and elevate Trade Relations among Countries
- The agreement originally dealt with trade in goods, but later included Services too



Mercosur(Argentina,Brazil, Bolivia,Paraguay,Uruguay
and
Venezuela)

- It was established in 1991 by Treaty of Asuncion
- It is a sub-Regional Bloc
- Its Purpose is to enable fluid flow of Goods, People and Currency
- Its Official Language are Spanish, Portuguese and Guarani
- It is now a full Customs union
- Latest member is Venezuela
- Coordination of macroeconomic and sectorial policies of member states
- Reduction of Trade Barriers, Free transit of Goods, Services and Factors of Production



BRICS(Brazil, Russia, India, China and South Africa)

- BRIC was introduced as a Buzz word by Goldman Sachs in 2001
- The first Formal meeting took place in 2009 in Russia
- South Africa is the latest entrant, it joined in 2010
- The Bilateral relations among the BRICS nations is on the basis of non-interference, Equality and Mutual Benefit
- The 5 Nations represent 42% of World Population, 30% of world area and 20% of World GDP

| Nation | Pop'n(in Mn) | GDP(in \$) | Exp(in \$) (2014) | Imp(in \$) (2014) |
|--------------|--------------|----------------|----------------------|----------------------|
| Brazil | 204 | 2.00 Trillion | 266 Bn | 318 Bn |
| Russia | 143 | 1.20 Trillion | 563 Bn | 429 Bn |
| India | 1300 | 2.30 Trillion | 319 Bn | 448 Bn |
| China | 1380 | 11.38 Trillion | 2545 Bn | 2261Bn |
| South Africa | 54 | 0.35 Trillion | 109.4 Bn | 116 Bn |

NAFTA(North American Free Trade Agreement)



- It was envisioned at least 30 years ago to
 - Reduce Trading Cost
 - Increase Business Investment
- The Impetus for NAFTA was received by President Ronald Reagan who campaigned for NA common market

● Purpose of NAFTA

- Grant the signatories Most Favored Nation status
- Eliminate barriers to trade
- Promote conditions of fair competition
- Increase investment opportunities
- Provide protection and enforcement of intellectual property rights
- Create procedures for the resolution of trade disputes

● Objectives fulfilled

- Eliminated Trade Barriers
- Increased Investments
- Trade dispute Resolution

Myths Vs Realities

- NAFTA has not achieved its core goals of expanding trade and investment between Canada, the United States, and Mexico.
- NAFTA has resulted in job losses

Risks in Trade

- Distance
- Risk in Transit
- Buyer Insolvency
- Import Export Restrictions
- Documentation
- Problems in Payment
- Currency Fluctuations

INDIAN TRADE

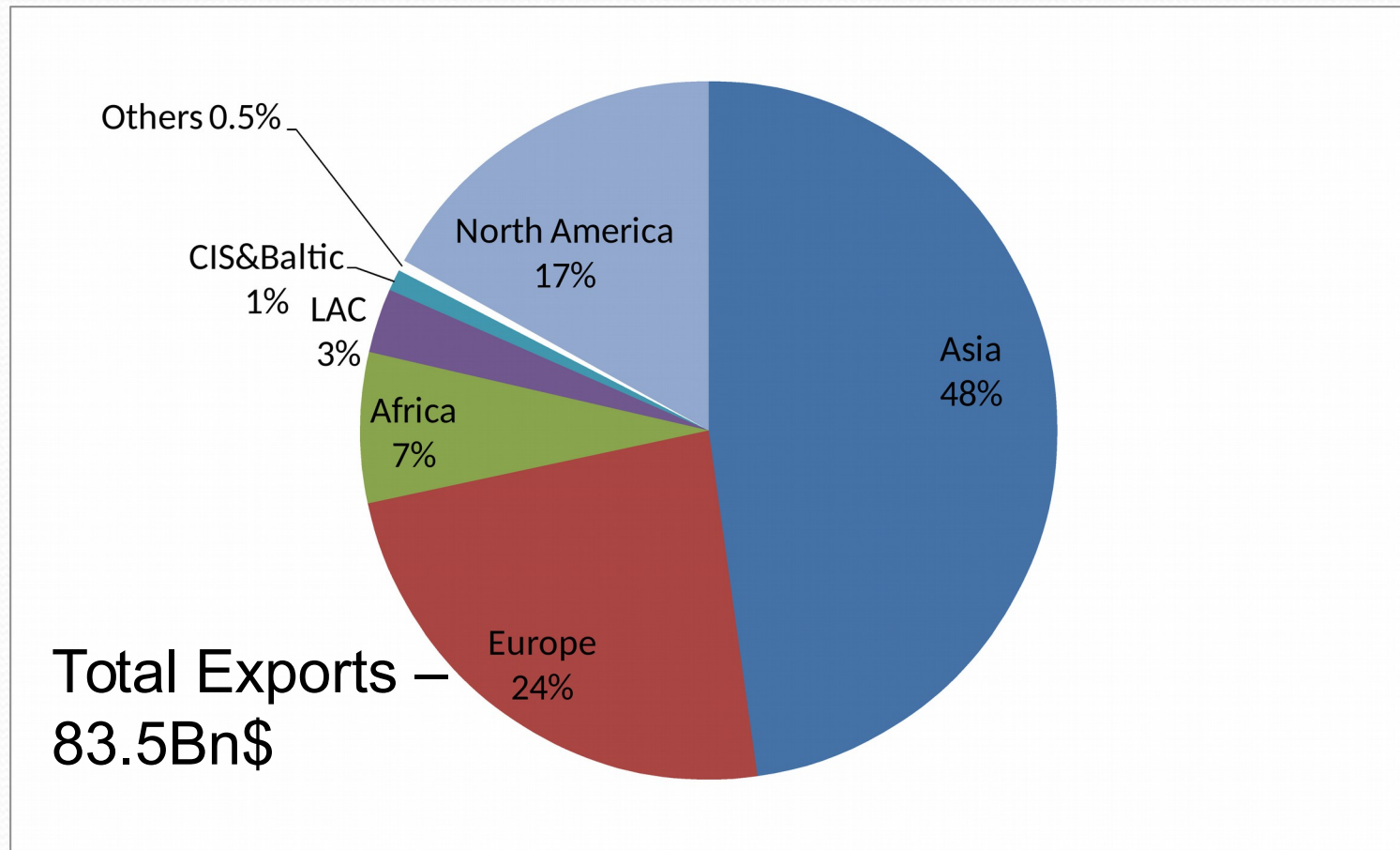


Exports

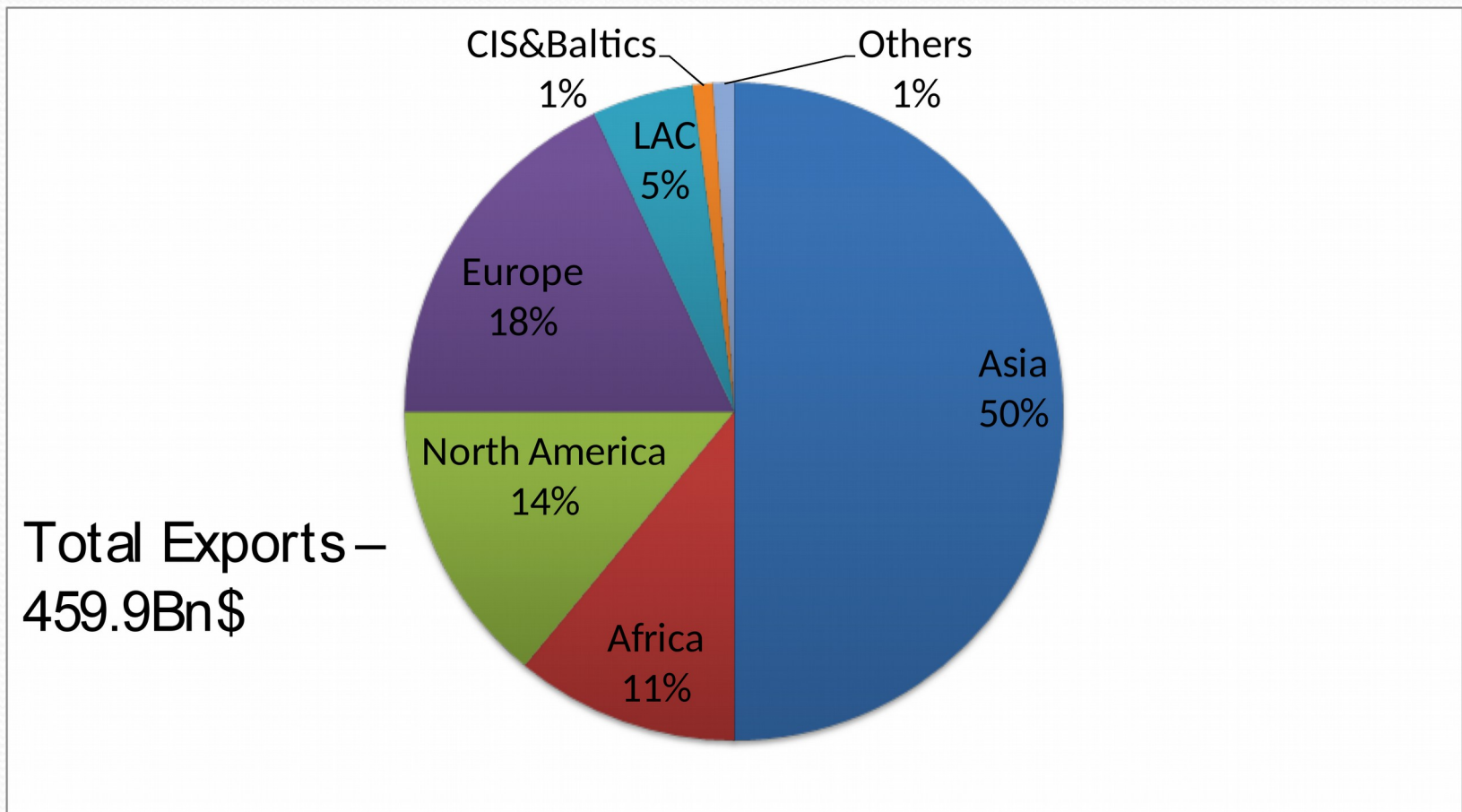
- Indian Exports Comprise of Engineering and Textile products, Precious stones, Petroleum products, Jewelry, Sugar, Zinc and Leather products
- Most of the above exports are exempt from Export duties
- We also export services
- We are the largest exporter of Services



INDIA EXPORTS(2004-05)



INDIA EXPORTS(2014-15)

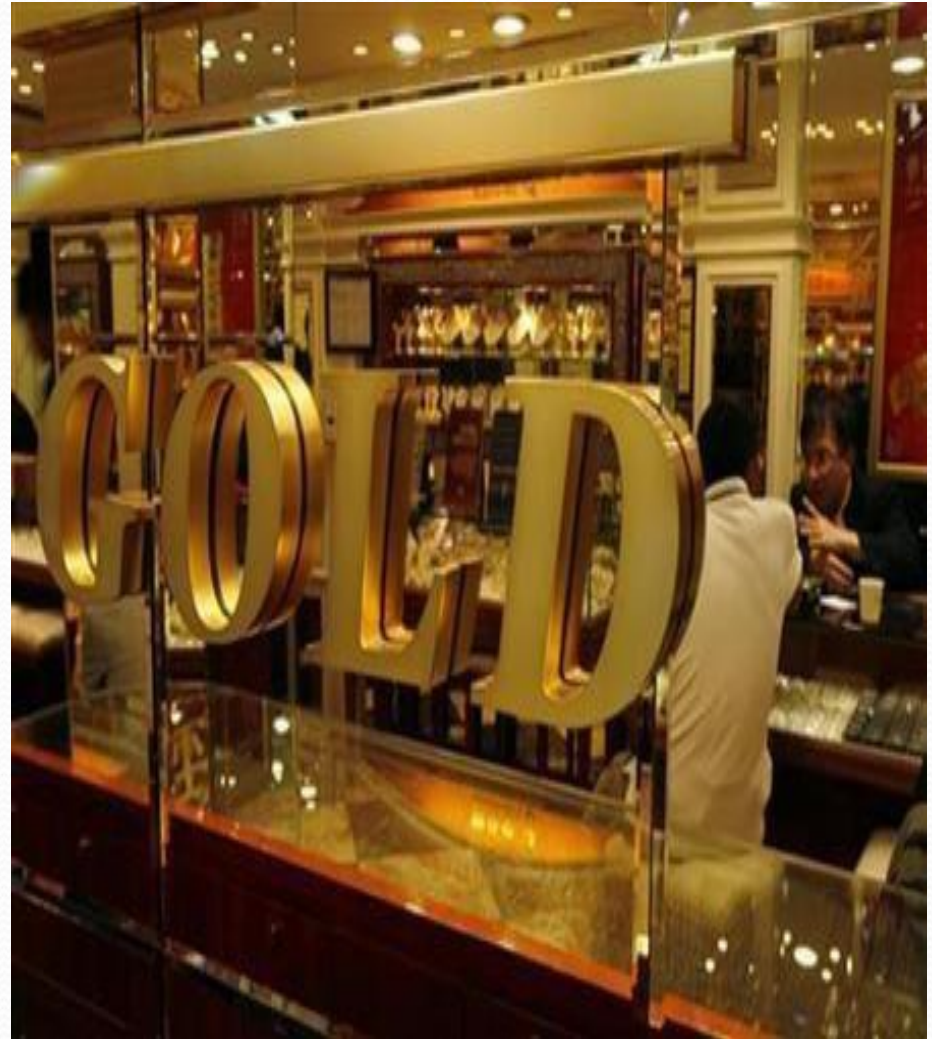


Imports

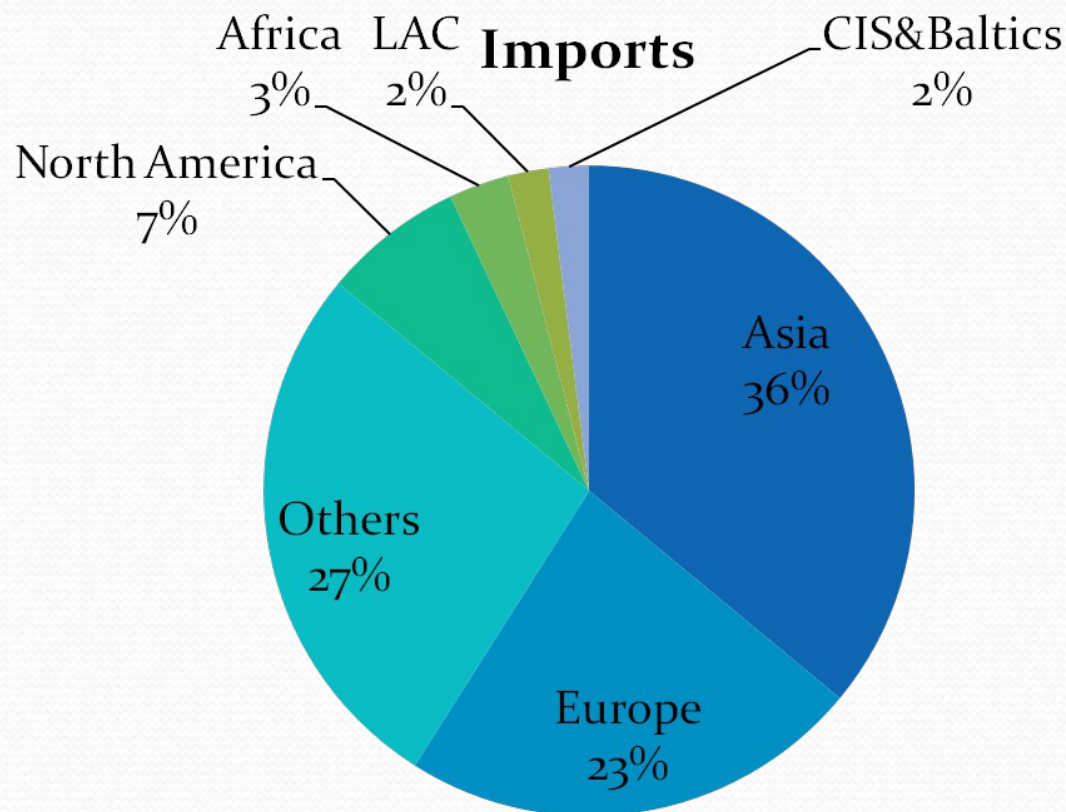
- India's major Imports comprises of Crude Oil, Machinery, Military Products, Fertilizers, Chemicals, Gems etc.

The Imports are divided into the following categories

- Freely Importable
- Canalized Items
- Prohibitive Items

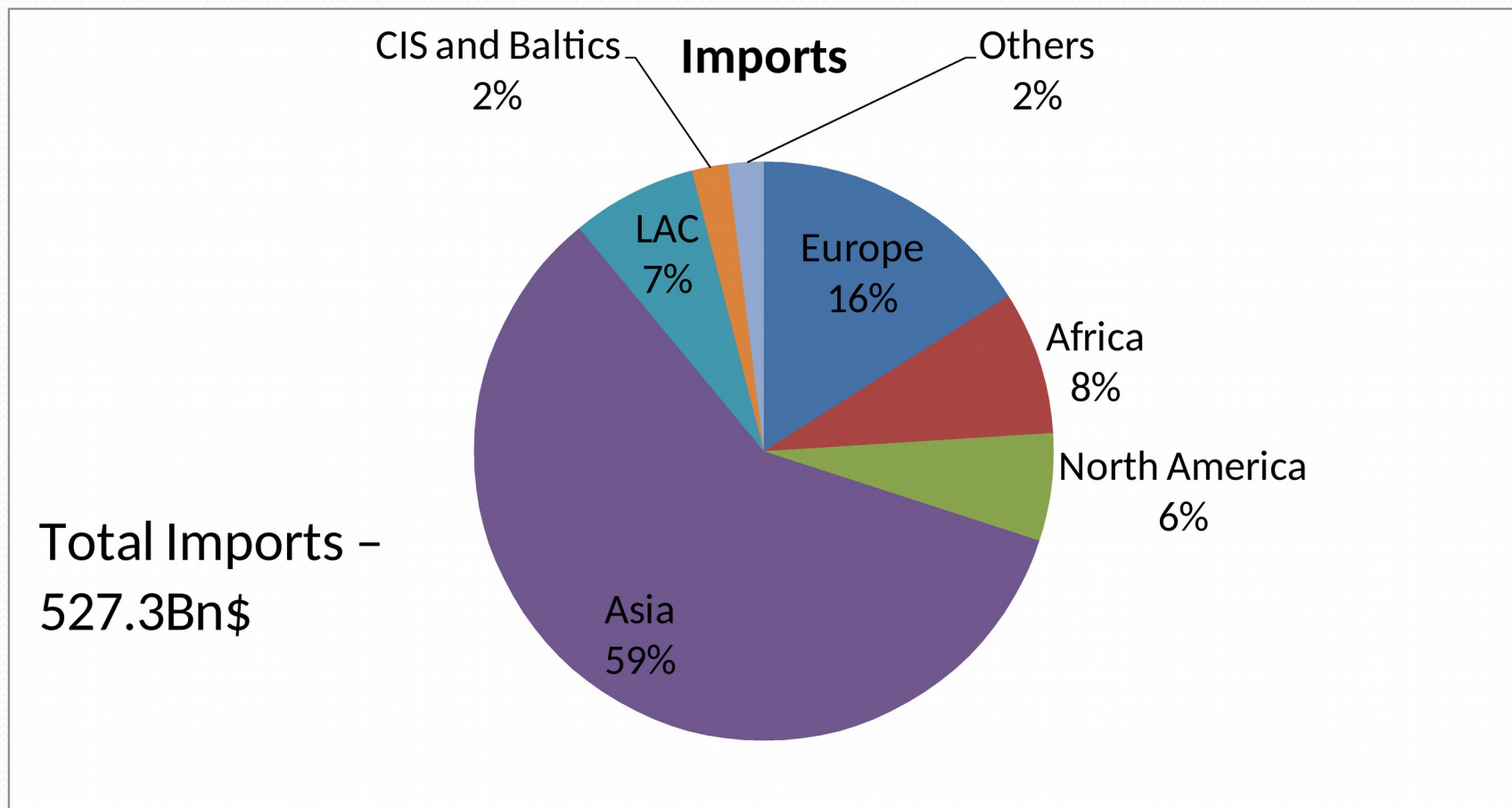


Indian Imports(2004-05)



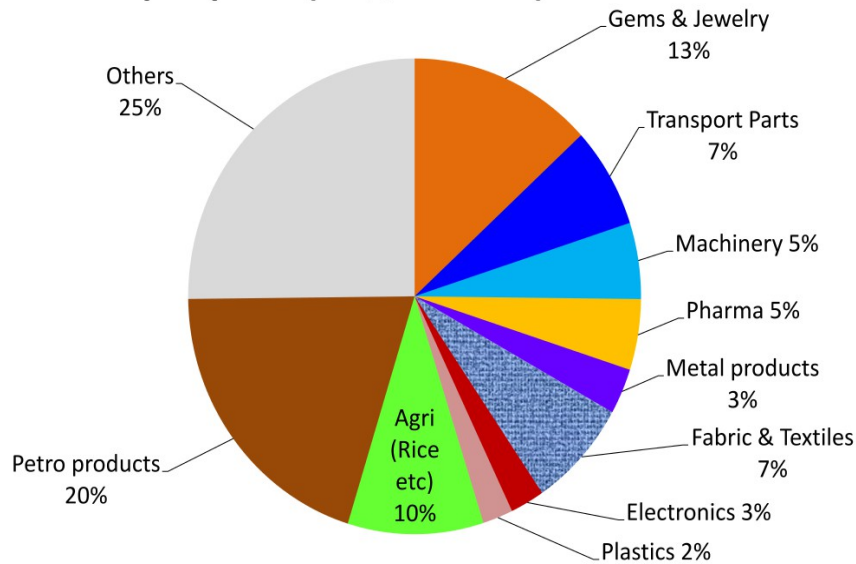
Imports –
111.5Bn\$

Indian Imports(2014-15)

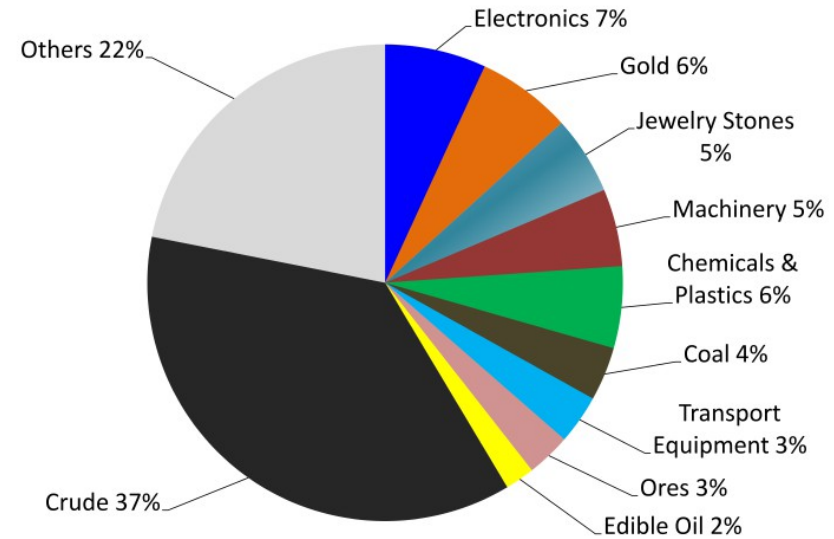


Composition of Trade

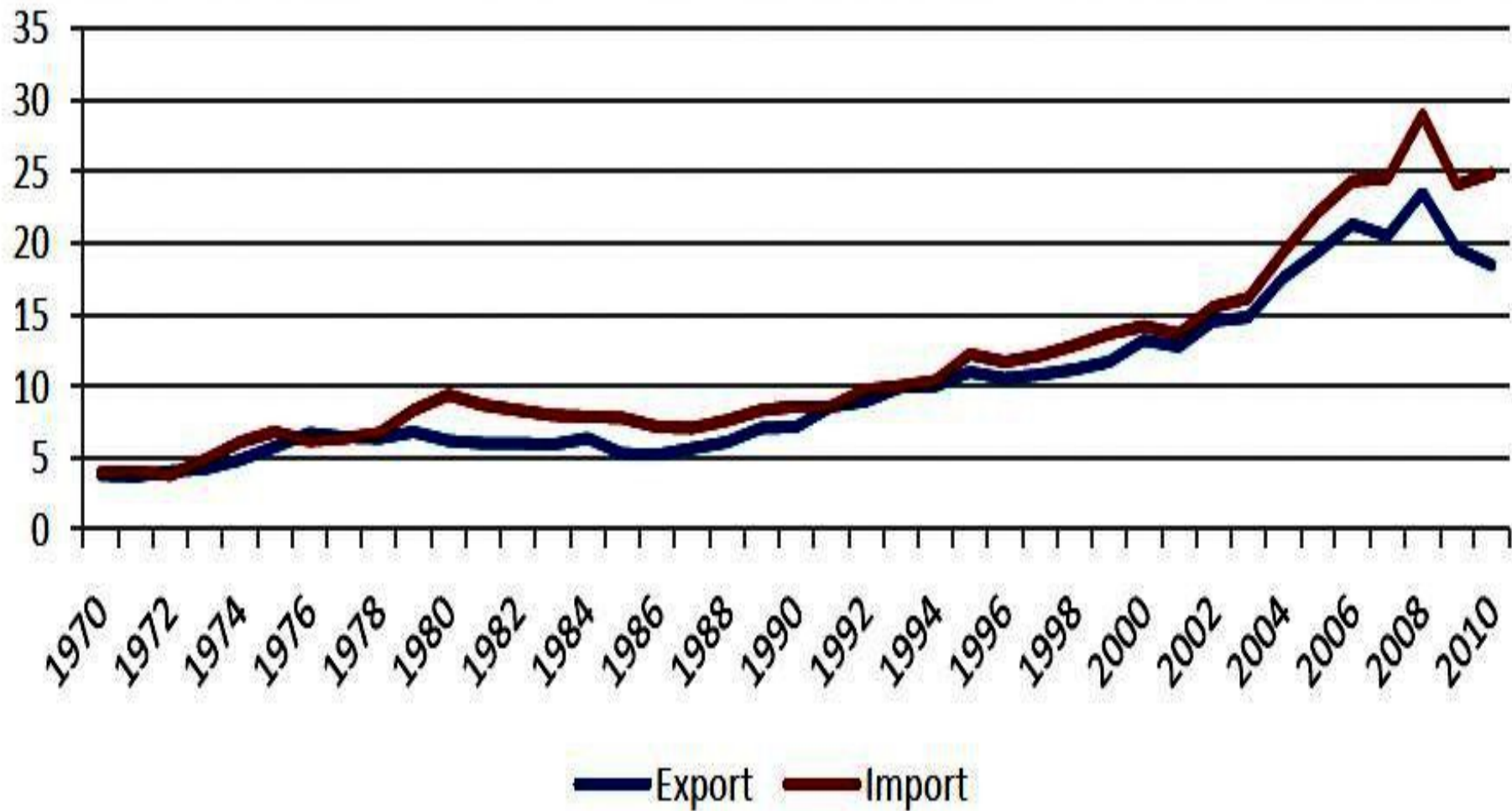
India's Top Exports (US\$, 2013-14)



India's Top Imports (US\$, 2013-14)



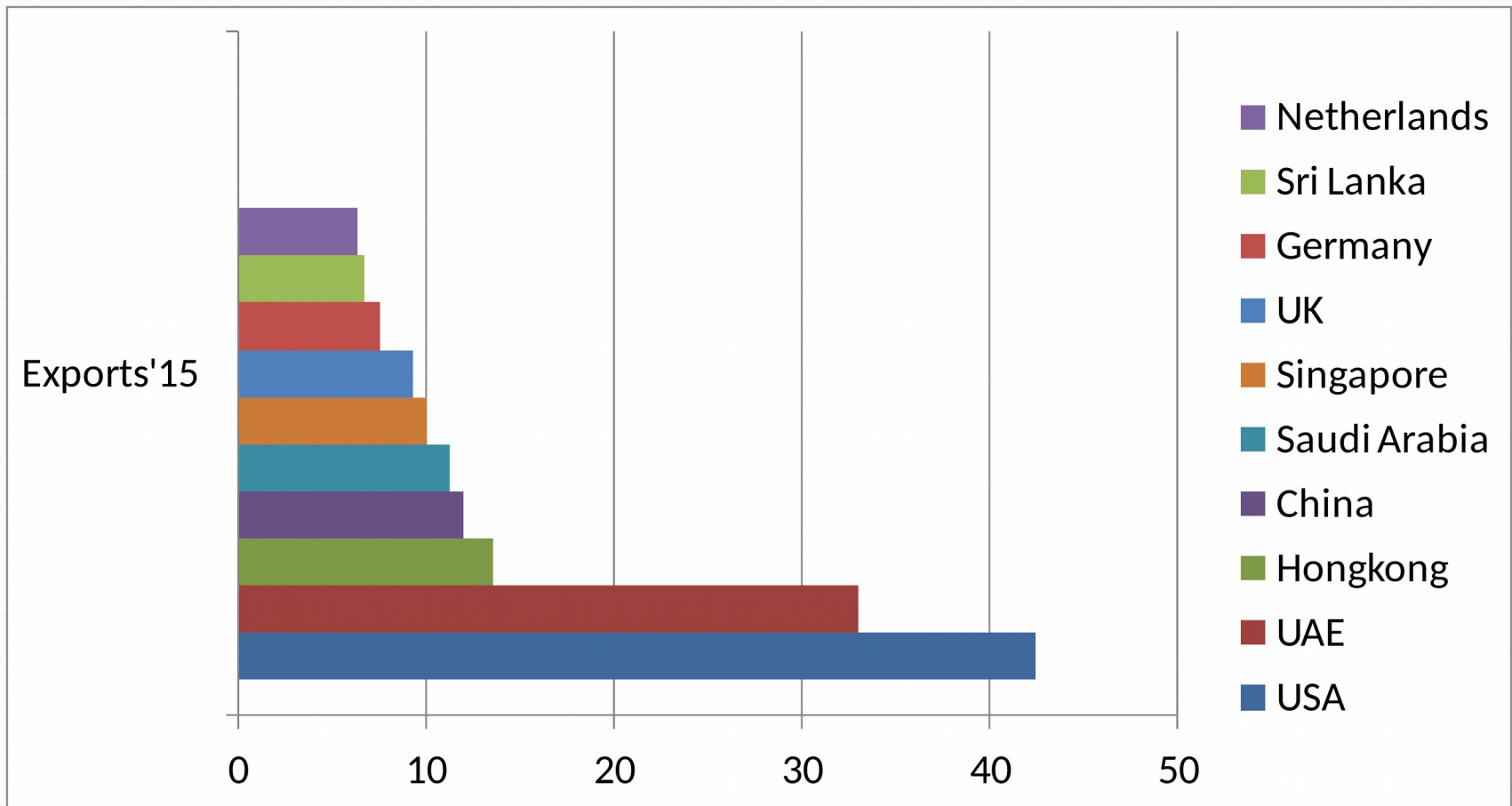
Export/Import Share of India as (%) of GDP



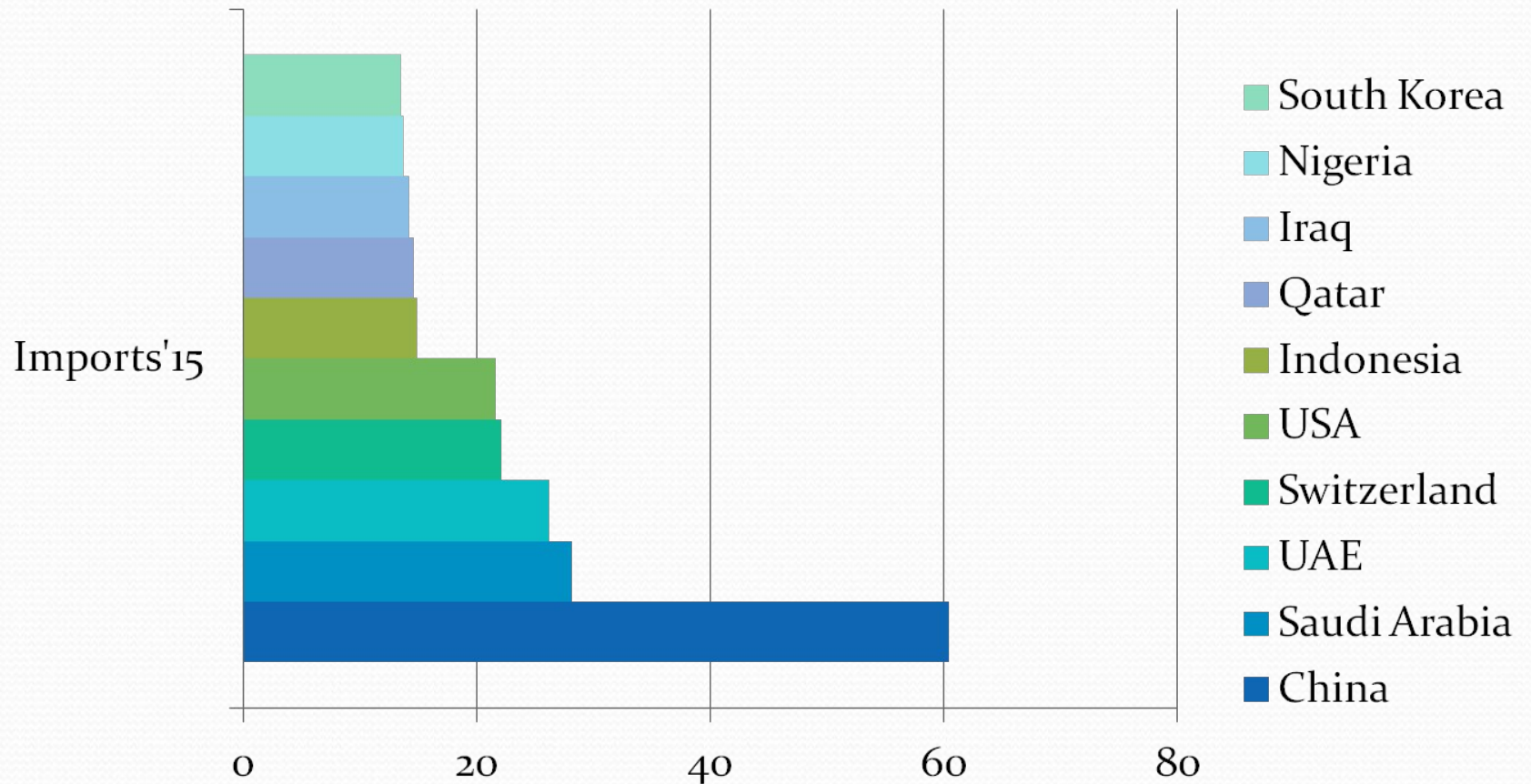
Direction of India's Trade



Major Trading Partners(Exports in Bn \$)



Major Trading Partners(Imports -in Bn \$)



TRADE POLICY

Trade policy refers to the complete framework of laws ,regulations ,international agreements, and, negotiating stances adopted by a government to achieve legally binding market access for domestic firms.

-Walter Goode

STRATEGIC OPTIONS FOR TRADE POLICY

- A **Free trade policy** is one which does not impose any restriction on the exchange of goods and services between different countries. A free trade policy involves complete absence of tariffs, quotas, exchange restrictions, taxes and subsidies on production, factor use and consumption.
- A **Protective trade policy** pursued by a country seeks to maintain a system of trade restrictions with the objective of protecting the domestic economy from the competition of foreign products

- **An Inward looking trade policy(import substitution)** stresses the need for a country to evolve its own style of development and to be the master of its own fate, with restrictions on the movement of goods, services and people in and out of the country. An inward looking trade policy encourages the development of indigenous technologies appropriate to a country's resource endowment.
- **An Outward looking trade policy (export-led growth)** encourages not only free trade but also the free movement of capital, workers, enterprises and students, a welcome to the multinational enterprise, and an open system of communications.

Indian Trade Policy

- Pre-Independence, India did not have a clear trade policy
- It was after the independence, that a trade policy, as a part of general economic policy of development was formulated
- Post Independence, Indian Trade Policy could be divided into
 - Pre 1991 era – Import Substitution Strategy
 - Post 1991 era – LPG Reforms

Committees on EXIM policy

- PC Alexander committee (1978)
 - Liberalization of Trade import policies began
- Abid hussain committee(1984)
 - Trade Policy reforms



Government of India
Department of Commerce
Ministry of Commerce And Industry

Release of Foreign Trade Policy (2015-2020)



प्रवीर कुमार
PRAVIR KUMAR

राजीव खेर
RAJEEV KHER

निर्मला सीतारमण
NIRMALA SITHARAMAN

शक्ति
SHAKTI

Highlights of Foreign Trade policy 2015 - 2020

- Increase exports to \$900 billion by 2019-20, from \$466 billion in 2013-14.
- Raise India's share in world exports from 2% to 3.5%.
- Merchandise Export from India Scheme (MEIS) and Service Exports from India Scheme (SEIS) launched.
- For grant of rewards under MEIS, the countries have been categorized into 3 Groups, whereas the rates of rewards under MEIS range from 2 per cent to 5 per cent. Under SEIS the selected Services would be rewarded at the rates of 3 per cent and 5 per cent.
- FTP to be aligned to Make in India, Digital India and Skills India initiatives.
- Export promotion mission to take on board state Governments
- Unlike annual reviews, FTP will be reviewed after two-and-Half years.
- Higher level of support for export of defence, farm Produce and eco-friendly products.
- Nomenclature of Export House, Star Export House, Trading House, Premier Trading House certificate changed to 1,2,3,4,5 Star Export House.
- 108 MSME clusters have been identified boost exports. 'Niryat Bandhu Scheme' - 'Skill India'.
- One of the major objective of new FTP is to move towards paperless working in 24x7 environment.

Trade Terminology

- Trade vs Commerce
- Exports
- Imports
- Trade Surplus/Deficit
- Balance of International Payments
- Absolute/Comparative Advantage
- Autarky
- Quota
- Tariff
- Documentary Credit
- Bank Guarantee
- Export Finance
 - Pre
 - Post
- Bill Discounting
- Bill of Exchange
- Bill of Lading
- Customs
- Excise
- Current Account Deficit
- ECGC

Additional Points

- Taiwan's exports make up for 50% of its GDP- Open Economy
- Uganda's Exports make up for 12% of its GDP – Loathed Exports
- India's Policy was Import substituting Industrialization
- Brazil's Exports make up for a mere 7% of its GDP.
- South Korea's Merchandise Trade was 35% of GDP in 2003 compared to 10% in 70's

Thank You

Maake Asante Shukria Dhanyavadagalu Manana Dankon

Kam Sah Hammida ار كاش Maururu Biyan

Dank Je Dankscheen 감사합니다 Djalch i Chi Terima Kasih Matondo

Blagodaram Спасибо Taiku Tack

Dziękuje Juspaxar Arigato Chokrane Grazie

Bedankt D'akujem Mochchakkeram

Ua Tsaug Rau Koj धन्यवाद Gracías Tingki

Suksama D'ekuji Niringrazzjak Gracías Tibi

Misaotra Rahmat Matur Nuwun 谢谢 Di Ou Mèsi Kia Ora Obrigado

Welalin Merci Go Raibh Maith Agat ありがとう

Danke Eskerrik Asko

Salamat ขอขอบคุณคุณ Najis Tuke