FOREIGN TRADE

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BY

Dr.T.Vara Lakshmi

Associate Professors

MASTER OF BUSINESS ADMINISTRATION
INSTITUTE OF AERONAUTICAL ENGINEERING
(Autonomous)
DUNDIGAL, HYDERABAD - 500 043

Course Outcomes (COs)

CO’s	Course Outcomes
CO1	Understand the composition of foreign trade and its contribution for economic development.
CO2	Discuss the various international agreements and foreign capital and BoP statements.
CO3	Demonstrate various legal aspects, purpose, functions and schemes related to EXIM policy
CO4	Analyze the role of various trading policies and Exports services like EOUs/EPZs/SEZs
CO5	Explain the need, general guidance and back group aspects of Inco terms.
CO6	Examine different tariffs, procedures and quantitative restrictions of Inco terms.
CO7	Describe the history, export assistance measures and principle commodities of India’s exports and Imports.
CO8	Enumerate the institutional involvement in export promotion and canalizing agencies and chambers of commerce.
CO9	Introduce the Assessment of Prospects, Products and Markets, Identification of new markets for Indian products, African Market, potential to enter into the SOUTH AFRICA, GHANA, KENYA, NIGERIA, UGANDA, MAIRITIOUS and TAMZANIA.
CO10	Identify the techniques and measurements in Export potential of India, Latin America, an analysis of US commercial office on India for investing in selected sector, Trade Blocks and Regional Economic Cooperation.

UNIT– I
INTRODUCTION TO FOREIGN TRADE

INTRODUCTION TO FOREIGN TRADE

- Definition of foreign trade
- Composition of foreign trade
- Theories of international trade
- Foreign Trade and economic development
- Analysis of India's foreign trade, growth, trends
- Composition and direction
- Foreign capital
- Collaboration of multinational corporations
- Bilateral and multinational trade agreements
- India's trade agreements
- India's balance of payments including invisibles.

Foreign Trade definition

- Foreign/International trade is the exchange of capital, goods, and services across international borders or territories. In most countries, such trade represents a significant share of gross domestic product (GDP).

- While international trade has existed throughout history (for example Uttarapatha, Silk Road, Amber Road, scramble for Africa, Atlantic slave trade, salt roads), its economic, social, and political importance has been on the rise in recent centuries.

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

Foreign Trade Characteristics

- A product that is transferred or sold from a party in one country to a party in another country is an export from the originating country, and an import to the country receiving that product. Imports and exports are accounted for in a country's current account in the balance of payments.

- Trading globally may give consumers and countries the opportunity to be exposed to new markets and products. Almost every kind of product can be found in the international market, for example: food, clothes, spare parts, oil, jewellery, wine, stocks, currencies, and water. Services are also traded, such as in tourism, banking, consulting, and transportation.

Foreign Trade Characteristics

- Advanced technology (including transportation), globalization, industrialization, outsourcing and multinational corporations have major impacts on the international trade system.

- Increasing international trade is crucial to the continuance of globalization. Countries would be limited to the goods and services produced within their own borders without international trade.

Foreign Trade Differences from domestic trade

- International trade is, in principle, not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not.

- However, in practical terms, carrying out trade at an international level is typically a more complex process than domestic trade. The main difference is that international trade is typically more costly than domestic trade. This is due to the fact that a border typically imposes additional costs such as tariffs, time costs due to border delays, and costs associated with country differences such as language, the legal system, or culture (non-tariff barriers).

Composition of foreign trade

- Rapid growth of import of capital goods, technical know-how, raw materials to meet the requirement of industrialization.
- Growing import of petroleum products for meeting industrial and consumption requirement.
- Growing imports of raw materials on the basis of liberalization of import for export promotion.
- Decline in imports of food grains and consumer goods due to adoption of HYV technology in Indian agriculture and growth of consumer durables producing industrial units in the country.

Pattern of Export

- Growth of both traditional and non-traditional items of export.
- Large expansion of engineering goods particularly to the middle-east, which have imported infrastructural projects like road, railways, telecommunication and etc. and turn-key projects like complete industries.
- The price of export items has increased due to increased demand for both traditional and non-traditional exportable items.
- ‘While some commodities have good export potential (handicrafts, engineering product, readymade) other items (sugar, jute, iron and steel) fluctuated considerably.

Direction of India’s Foreign Trade

New Trading Partners:

- Prior to independence, India’s foreign trade was concentrated around U.K. while after independence it has opened id expanded trade channels throughout the length id the breadth of the country. India has also versified its export, with specialization in certain good and securing new market for her products.

Larger Sources of Import:

- The import of India’s industrial products could not be met by U.K or U.S.A. alone. Hence it has to import capital goods from a large number of developed countries furthering aid and grants from some countries willing to help India in her planning effort. The concessional assistance and aid from international monetary institutions helped India to purchase its import from cheaper sources through global tenders.

Direction of India’s Foreign Trade

Larger and Attractive Outlets for Export:

- India has diversified her exports to various new countries in order to match her imports. Germany, Japan along with U.S.A. and U.K. constituted the four major countries absorbing 43% of her export. The demands for both traditional and non-traditional items of exports have increased in these countries over the period. Recently Middle East countries have provided a good market for India’s export and it has absorbed 22% of India’s exportable items.

Scope for Direction

- In order to expand its export in the coming period, India has to design its new export policy.
- The market for traditional goods (jute, sugar, tea, coffee, steel) has to be found in new countries like South America and African countries and the market for non-traditional goods (garments, pearls, precious stones, etc.) has to be increased in the traditional trading countries.
- With the African and South American countries, India has to expand its trade base along with the Middle East Asia in the coming years.

Theories of international trade

1. Introduction to Theories of International Trade
2. Theory of Mercantilism of International Trade
3. Theory of Absolute Advantage
4. Theory of Comparative Advantage
5. Factor Endowment Theory
6. Country Similarity Theory
7. New Trade Theory
8. International Product Life-Cycle Theory
9. Theory of Competitive Advantage of International Trade
10. Implications of International Trade Theories

- The exchange of goods across national borders is termed as international trade.
- Countries differ widely in terms of the products and services traded. Countries rarely follow the trade structure of other nations; rather they evolve their own product portfolios and trade patterns for exports and imports.
- Besides, nations have marked differences in their vulnerabilities to the upheavals in exogenous factors.
- Trade is crucial for the very survival of countries that have limited resources, such as Singapore or Hong Kong (presently a province of China), or countries that have skewed resources, such as those located in the Caribbean and West Asian regions.
- However, for countries with diversified resources, such as India, the US, China, and the UK, engagement in trade necessitates a logical basis.

Theory of Mercantilism of International Trade

- The theory of mercantilism attributes and measures the wealth of a nation by the size of its accumulated treasures.
- Accumulated wealth is traditionally measured in terms of gold, as earlier gold and silver were considered the currency of international trade.
- Nations should accumulate financial wealth in the form of gold by encouraging exports and discouraging imports.
- The theory of mercantilism aims at creating trade surplus, which in turn contributes to the accumulation of a nation’s wealth.
- Between the sixteenth and nineteenth centuries, European colonial powers actively pursued international trade to increase their treasury of goods, which were in turn invested to build a powerful army and infrastructure.

Theory of Absolute Advantage of International Trade

- Economist Adam Smith critically evaluated mercantilist trade policies in his seminal book An Inquiry into the Nature and Causes of the Wealth of Nations, first published in 1776.
- Smith posited that the wealth of a nation does not lie in building huge stockpiles of gold and silver in its treasury, but the real wealth of a nation is measured by the level of improvement in the quality of living of its citizens, as reflected by the per capita income.
- Smith emphasized productivity and advocated free trade as a means of increasing global efficiency. As per his formulation, a country's standards of living can be enhanced by international trade with other countries either by importing goods not produced by it or by producing large quantities of goods through specialization and exporting the surplus.
- An advantage refers to the ability of a country to produce a good more efficiently and cost-effectively than any other country.

Theory of Comparative Advantage of International Trade

- In Principles of Political Economy and Taxation, David Ricardo (1817) promulgated the theory of comparative advantage, wherein a country benefits from international trade even if it is less efficient than other nations in the production of two commodities.

- Comparative advantage may be defined as the inability of a nation to produce a good more efficiently than other nations, but its ability to produce that good more efficiently compared to the other good.

- Thus, the country may be at an absolute disadvantage with respect to both the commodities but the absolute disadvantage is lower in one commodity than another

Factor Endowment Theory of International Trade

- The earlier theories of absolute and comparative advantage provided little insight into the of products in which a country can have an advantage. Heckscher (1919) and Bertil Ohhn (1933) developed a theory to explain the reasons for differences in relative commodity prices and competitive advantage between two nations.
- According to this theory, a nation will export the commodity whose production requires intensive use of the nation's relatively abundant and cheap factors and import the commodity whose production requires intensive use of the nation's scarce and expensive factors.
- Thus, a country with an abundance of cheap labour would export labour-intensive products and import capital-intensive goods and vice versa. It suggests that the patterns of trade are determined by factor endowment rather than productivity

Country Similarity Theory of International Trade

- If two countries have similar demand patterns, then their consumers would demand the same goods with similar degrees of quality and sophistication. This phenomenon is also known as preference similarity. Such a similarity leads to enhanced trade between the two developed countries.
- The demand patterns in countries with a higher level of per capita income are similar to those of other countries with similar income levels, as their residents would demand more sophisticated, high quality, ‘luxury’ consumer goods, whereas those in countries with lower per capita income would demand low quality, cheaper consumer goods as a part of their ‘necessity’.

Country Similarity Theory of International Trade

- Since developed countries would have a comparative advantage in the manufacture of complex, technology-intensive luxury goods, they would find export markets in other high income countries.
- Since most products are developed on the demand patterns in the home market, other countries with similar demand patterns due to cultural or economic similarity would be their natural trade partners.

New Trade Theory of International Trade

- Countries do not necessarily trade only to benefit from their differences but they also trade so as to increase their returns, which in turn enable them to benefit from specialization. International trade enables a firm to increase its output due to its specialization by providing a much larger market those results in enhancing its efficiency.

- The theory helps explain the trade patterns when markets are not perfectly competitive or when the economies of scale are achieved by the production of specific products. Decrease in the unit cost of a product resulting from large scale production is termed as economies of scale.

International Product Life-Cycle Theory of International Trade

- International markets tend to follow a cyclical pattern due to a variety of factors over a period of time, which explains the shifting of markets as well as the location of production. The level of innovation and technology, resources, size of market, and competitive structure influence trade patterns.

- In addition, the gap in technology and preference and the ability of the customers in international markets also determine the stage of international product life cycle (IPLC).

- In case the innovating country has a large market size, as in case of the US, India, China, etc., it can support mass production for domestic sales. This mass market also facilitates the producers based in these countries to achieve cost-efficiency, which enables them to become internationally competitive.

International Product Life-Cycle Theory of International Trade

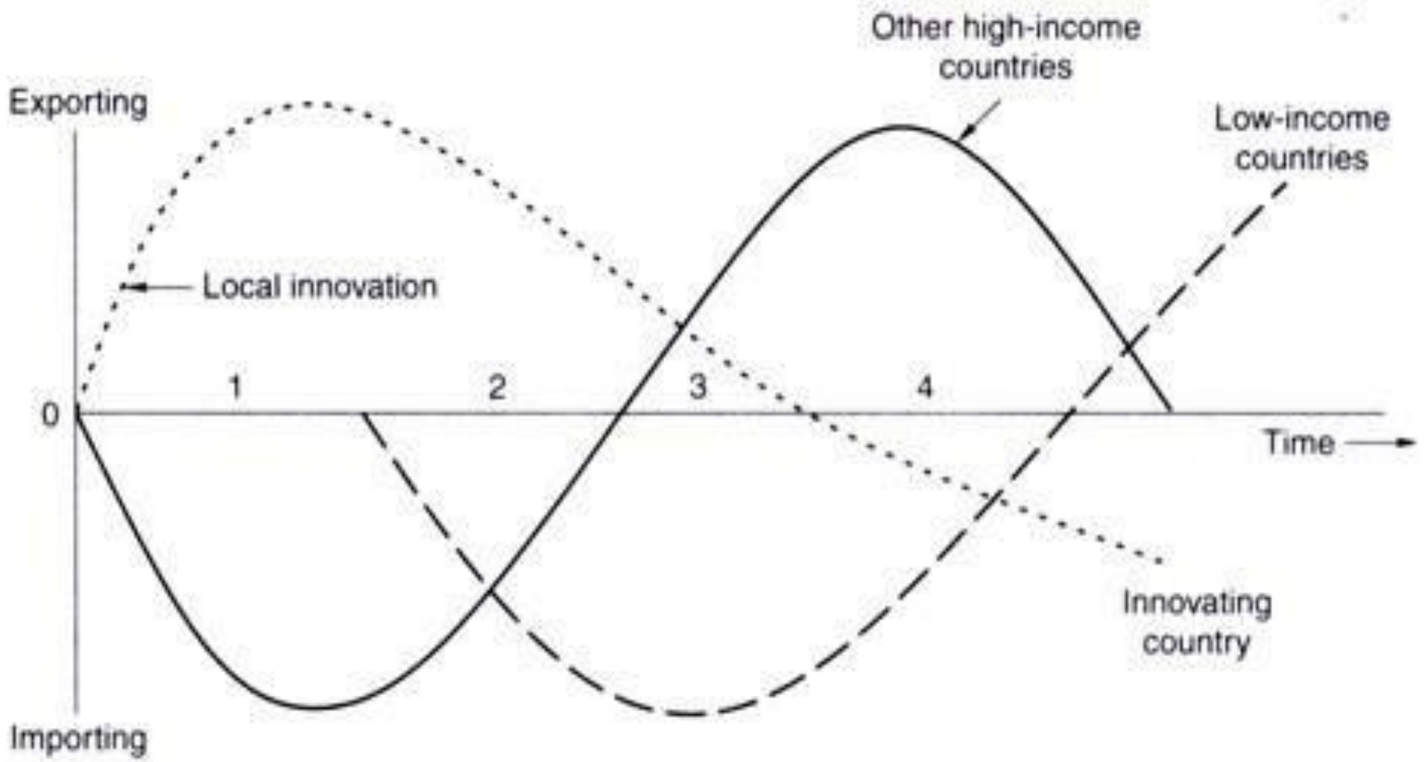


Fig. 2.3 International product life cycle

Theory of Competitive Advantage of International Trade

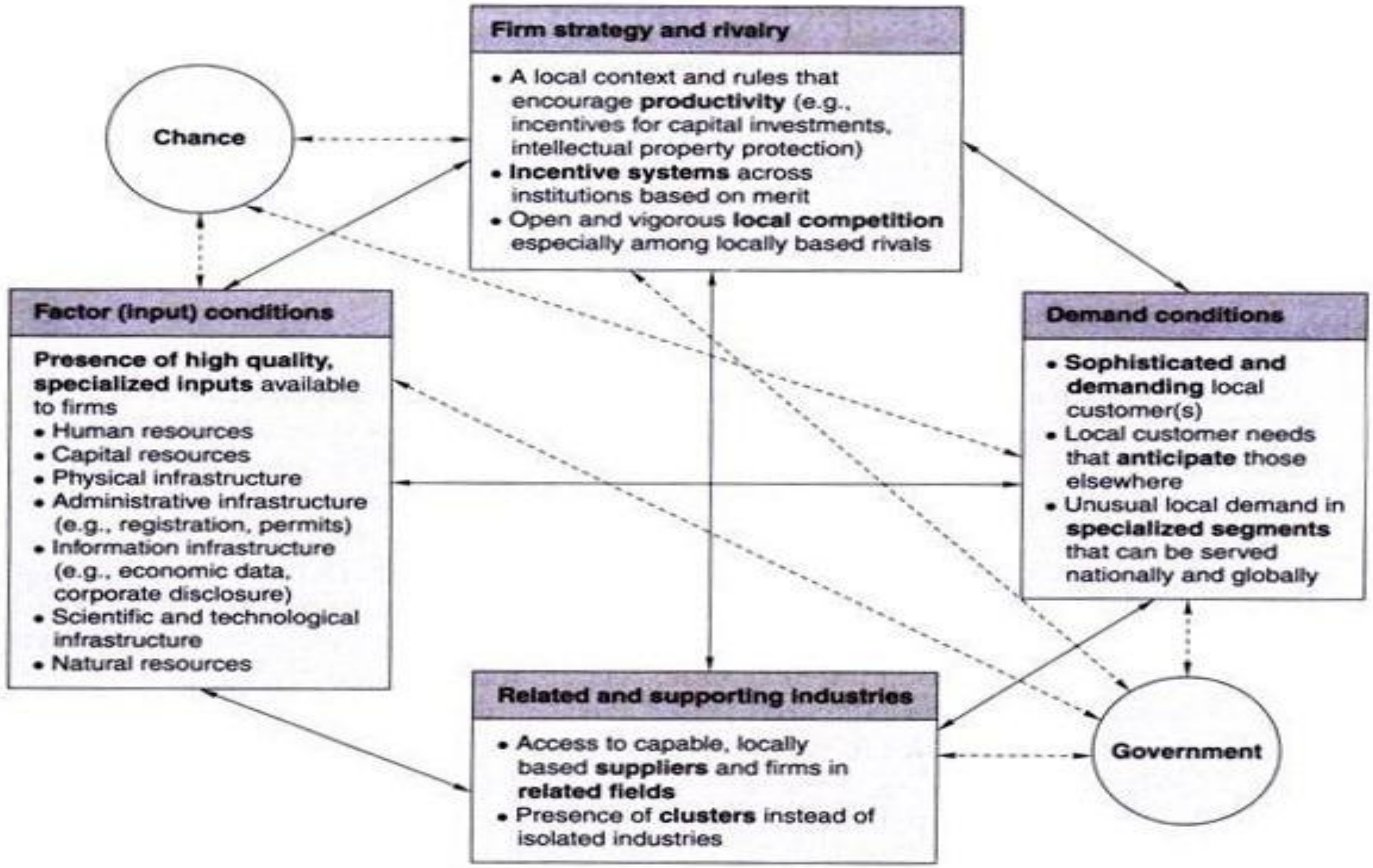


Fig. 2.4 Determinants of competitive advantage

Implications of International Trade Theories

- The trade theories provide a conceptual base for international trade and shifts in trade patterns. This article brings out the significance of developing a conceptual understanding of the trade theories as it deals with the fundamental issues, such as why international trade takes place, trade partners, shifts in trade patterns, and determinants of competitiveness.

- The initial theory of mercantilism was based on accumulating wealth in terms of goods by increasing exports and restricting imports.

Foreign Trade and the Economic Growth of Country

According to Ricardo the source of comparative advantage is difference in labour cost between two countries. Modern economists have extended Ricardo's theory and identified various other sources of comparative advantage, such as differences in factor endowments, tastes and preferences, technological gaps and product cycles. Ricardo's theory is static in nature.

There are the two main sources of growth:

1. Increase in the supplies of resources and
2. Technological progress.

The effect of growth on the volume of trade depends on the rates at which the output of the nation's exportable and importable commodities grow and with the consumption pattern of the nation as its real per capita income increases through growth and trade.

Foreign Trade and the Economic Growth of Country

Prima facie, the demand for food and raw materials is growing much more slowly today than was the case during the 19th century.

There are at least five reasons for this:

1. Low income elasticity of demand
2. Development of synthetics
3. Technological progress
4. Growth of service output
5. Trade restrictions

Foreign Trade and the Economic Growth of Country

On the supply side the following four factors have been identified

1. Factor endowments:
2. Population growth:
3. Factor mobility:
4. Neglect of agriculture:

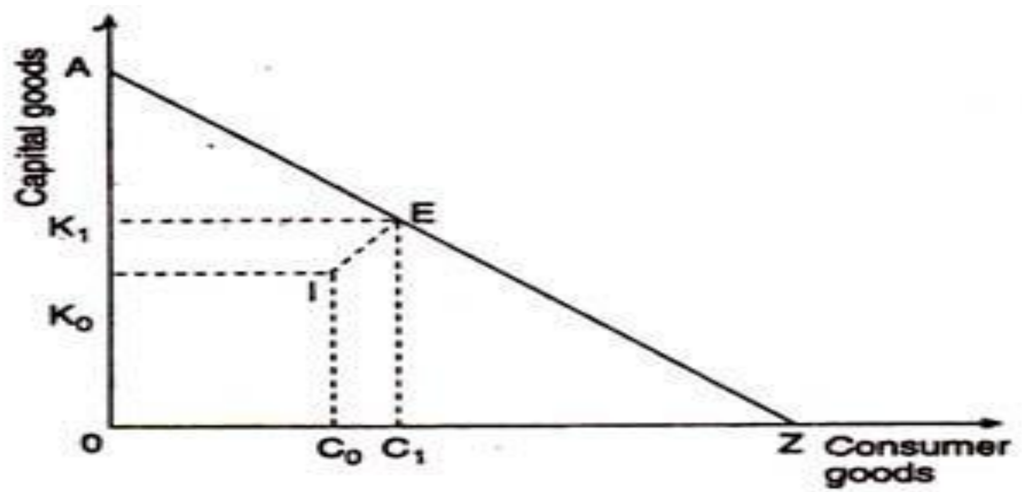


Fig. 8.3. Effect of trade on production

The Contributions of Trade to Development

1. Full utilization of resources
2. Division of labour and specialization
3. Transmission of knowledge
4. Capital inflow
5. Stimulating domestic demand
6. Promoting competition

Analysis of India's foreign trade, growth, trends, composition and direction

Around 100CE

The Periplus of the Eritrean Sea is a document written by an anonymous sailor from Alexandria about 100CE describing trade between countries, including India.

Around 1500

In 1498 Portuguese explorer Vasco da Gama landed in Calicut (modern day Kozhikode in Kerala) as the first European to ever sail to India. The tremendous profit made during this trip made the Portuguese eager for more trade with India and attracted other European navigators and tradesmen.

1991 economic reform

Prior to the 1991 economic liberalization, India was having a closed economy due to the average tariffs exceeding 200 percent and the extensive quantitative restrictions on imports. Foreign investment was strictly restricted to only allow Indian ownership of businesses. Since the liberalization, India's economy has improved mainly due to increased foreign trade

Foreign Trade Policy

- In the Mid-Term Review of the Foreign Trade Policy (FTP) 2015-20 the Ministry of Commerce and Industry has enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS), increased MEIS incentive raised for ready-made garments and made- ups by 2 per cent, raised SEIS incentive by 2 per cent and increased the validity of Duty Credit Scritps from 18 months to 24 months.
- In August 2019, Ministry of Commerce plans to introduce new foreign trade policy aimed at providing incentives and guidelines for increasing export in next five financial years 2020-25.
- As of December 2018, Government of India is planning to set up trade promotion bodies in 15 countries to boost exports from Small and Medium Enterprises (SME) in India.

Foreign Trade Policy continued...

- All export and import-related activities are governed by the Foreign Trade Policy (FTP), which is aimed at enhancing the country's exports and use trade expansion as an effective instrument of economic growth and employment generation.
- The Department of Commerce has announced increased support for export of various products and included some additional items under the Merchandise Exports from India Scheme (MEIS) in order to help exporters to overcome the challenges faced by them.
- The Central Board of Excise and Customs (CBEC) has developed an 'integrated declaration' process leading to the creation of a single window which will provide the importers and exporters a single point interface for customs clearance of import and export goods.

Foreign Trade Policy continued…

- As part of the FTP strategy of market expansion, India has signed a Comprehensive Economic Partnership Agreement with South Korea which will provide enhanced market access to Indian exports. These trade agreements are in line with India's Look East Policy.
- RBI has simplified the rules for credit to exporters, through which they can now get long-term advance from banks for up to 10 years to service their contracts. This measure will help exporters get into long-term contracts while aiding the overall export performance.
- The Government of India is expected to announce an interest subsidy scheme for exporters in order to boost exports and explore new markets.
- In September 2018, Government of India increased the duty incentives for 28 milk items under the Merchandise Export from India Scheme (MEIS).

Composition and Direction of India’s Foreign Trade

1) Increasing Share of Gross National Income
2) Less Percentage of World Trade
3) Oceanic Trade
4) Dependence on a Few Ports
5) Increase in Volume and Value of Trade
6) Change in the Composition of Exports
7) Change in the Composition of Imports
8) Direction of Foreign Trade
9) Mounting Deficit in Balance of Trade
10) Trend towards Globalization
11) Changing Role of Public Sector

Foreign Capital in India: Need and Forms of Foreign Capital

- The need for foreign capital arises because of the following reasons. In most developing countries like India, domestic capital is inadequate for the purpose of economic growth.
- Foreign capital is typically seen as a way of filling in gaps between the domestically available supplies of savings, foreign exchange, government revenue and the planned investment necessary to achieve developmental targets.
- To give an example of this ‘savings-investment’ gap, let us suppose that planned rate of growth output per annum is 7 percent and the capital-output ratio is 3 percent, then the rate of saving required is 21 percent.

Forms of Foreign Capital

1. Foreign Investment includes FDI and FPI. FPI includes the amounts raised by Indian corporate through Euro Equities, GDR's and ADR's.
2. Non-Concessional Assistance mainly includes External Commercial Borrowings (ECB's), loans from governments of other countries/multilateral agencies on market terms and deposits obtained from NRIs.
3. Concessional Assistance includes grants and loans obtained at low rates of interest with long maturity periods. Such assistance is generally provided on a bilateral basis or through multilateral agencies like the World Bank, IMF, and IDA etc. Loans have to be repaid generally in terms of foreign currency but in certain cases the donor may allow the recipient country to repay in terms of its own currency

Collaboration of multinational corporations for foreign trade

1. Agreement with Local Firms for Sale of MNCs Products
2. Setting up of Subsidiaries
3. Branches of Multinational Corporation
4. Foreign Collaboration or Joint Ventures

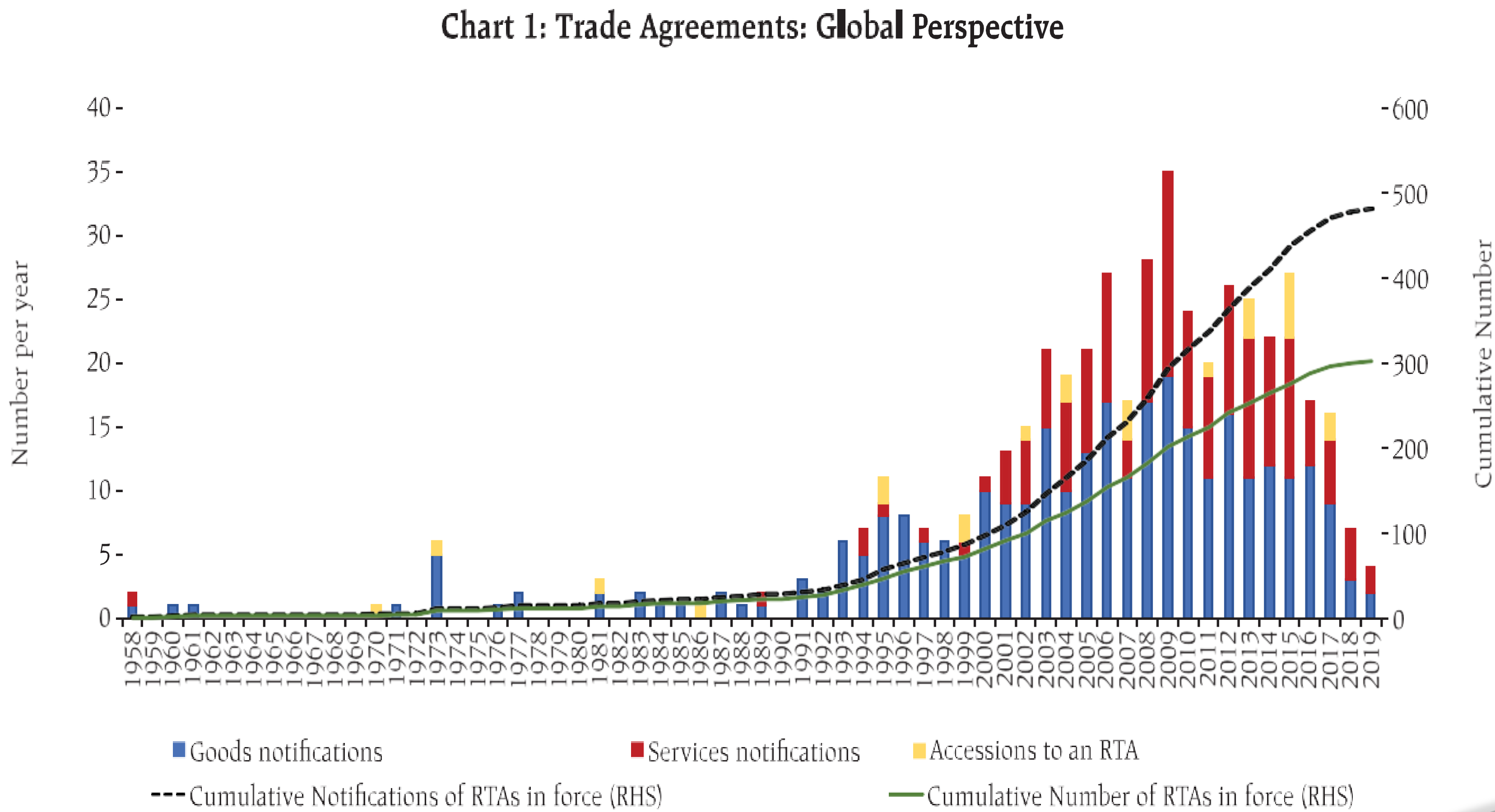
Table I: World's Some Important Non-Financial Multinational Corporations

S.No.	*International Corporation*	*Parent Country*	*Industry of operation*
1.	General Electric	United States	Electronics
2.	Exxon Mobil Corporation	United States	Petroleum (exploring, refining and distributing)
3.	Royal Duch Shell Group	Netherland/UK	-do-
4.	General Motors	United States	Motor Vehicles
5.	Ford Motor Co.	United States	Motor Vehicles
6.	Toyata Motor Co.	Japan	Motor Vehicles
7.	IBM	United States	Computers
8.	BP	United Kingdom	Petroleum (Exp/Ref./Distt.)
9.	Nesle SA	Switzerland	Food/Beverages
10.	Nippon Oil Co.	Japan	Petroleum/Expl., Ref./Distt.
11.	Sieman AG	Germany	Electronics
12.	BMW AG	Germany	Motors Vehicles
13	ABB	Switzerland	Electrical equipment
14.	Sony Corporation	Japan	Electronics
15.	Seagram	Canada	Food/Beverages
16.	Aventis	France	Pharmaceuticals/Chemicals
17.	Roche Group	Switzerland	Pharmaceuticals
18.	Honda Motor Co.	Japan	Motor Vehicles
19.	Phillips Electronics	Netherland	Electronics
20.	Hewlett-Packard	United States	Electronics/Computers

Role of Multinational Corporations in the Indian Economy

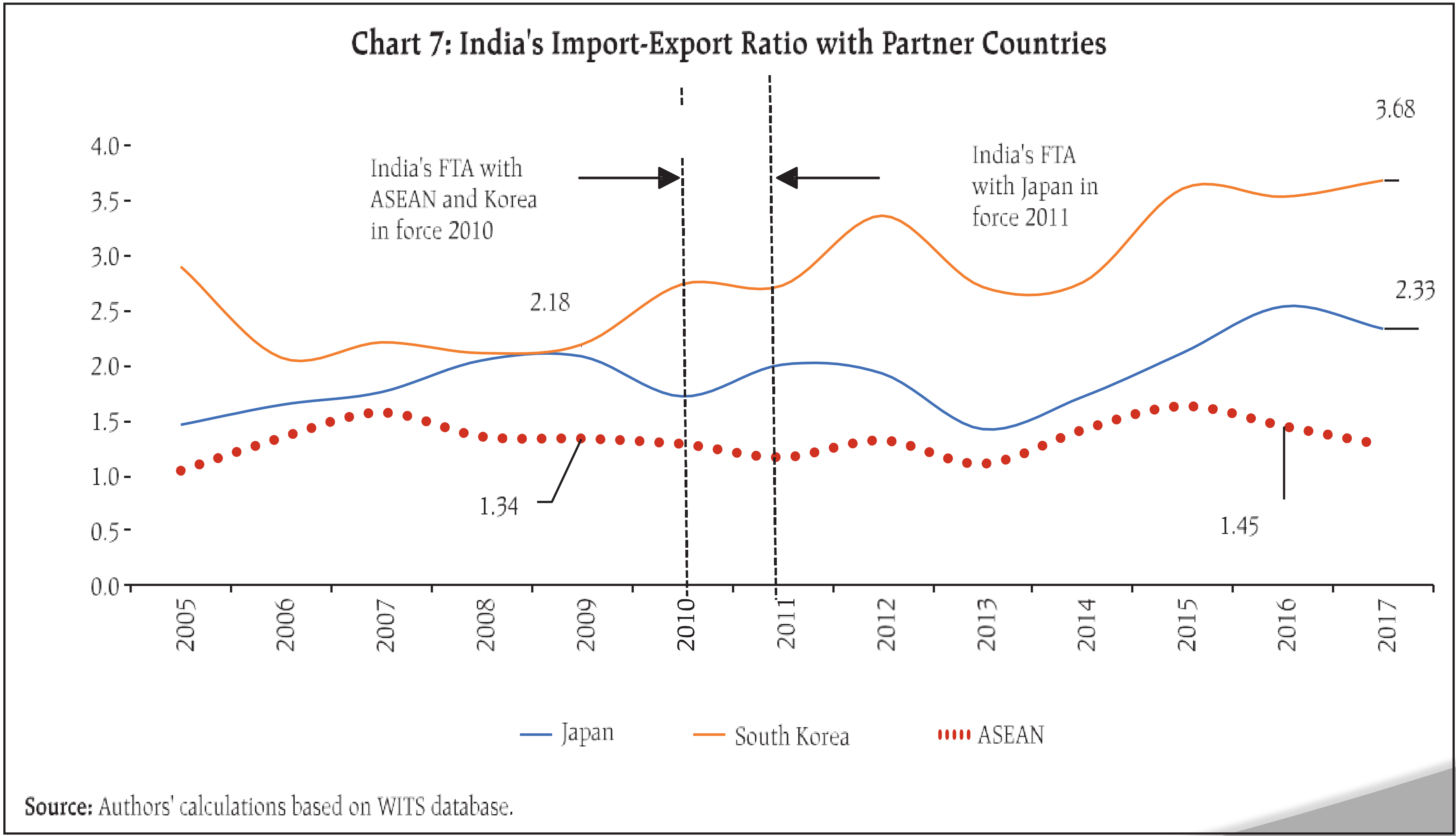
1. Promotion of Foreign Investment
2. Non-Debt Creating Capital inflows
3. Technology Transfer
4. Promotion of Exports
5. Investment in Infrastructure

Foreign Trade bilateral and multinational trade agreements



Source: World Trade Organisation accessed on September 3, 2019.

Foreign Trade bilateral and multinational trade agreements



India's balance of payments including invisibles

Table 2.4. India's Balance of Payments on Current Account (in Billion US $)

S.No.	Items	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Exports	166.2	189.0	182.2	256.2	309.8	306.6
2.	Imports	257.6	307.6	300.6	383.5	499.5	592.2
3.	Trade Balance	–91.5	–118.6	–118.4	–127.3	–189.9	–195.7
		(–7.4)	(–9.8)	(–8.6)	(–7.8)	(–10.1)	(–10.8)
4.	Invisibles (Net)	75.7	89.9	79.9	79.3	111.6	64.9
	(*i*). Non-factor Services	38.9	49.6	35.7	44.1	64.1	–
	(*ii*). Investment Income	–5.1	–4.0	–8.0	–17.9	–16.0	–
	(*iii*). Private Transfers	41.7	44.6	52.3	53.1	63.5	–
5.	Goods and Services Balance	–52.6	–69.0	–83.0	–83.2	–125.7	–130.7
6.	Current Account Balance (Net)	–15.7	–28.7	–38.4	–48.1	–78.2	–87.8
		(–1.3)	(–2.4)	(–2.8)	(–2.7)	(–4.2)	(4.8)

India's balance of payments including invisibles

Table 2.5. India's Balance of Payments on Capital Account (in Billion US $)	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
External Assistance (Net)	2.1	2.6	2.9	4.93	2.3	-
Commercial Borrowing (Net)	22.6	7.0	2.8	11.8	10.3	-
Non-Resident Deposits (Net)	0.2	– 4.3	N.A	3.18	11.9	-
Foreign Investment (Net) of which	43.3	3.5	51.2	44.18	39.3	-
(*i*) FDI net	15.9	17.5	18.8	7.1	22.1	-
(*ii*) Portfolio Investment (Net)	27.4	–15.0	32.4	37.2	17.2	-
(*iii*) Other capital flows (Net)	39.7	-9.7	–13.1	–10.36	-	-
Capital Account Total (Net)	107.9	8.6	53.4	59.7	67.8	-
Use of Exchange Reserves*	-92.2	+20.1*	–13.4*	(–13.1)	(+12.8)	–3.8

UNIT– II
IMPORT POLICY AND EXPORT PROMOTION SCHEMES

IMPORT POLICY AND EXPORT PROMOTION SCHEMES

- Salient features of India‘s export import policy
- Objectives of EXIM/trade policy
- Instruments of trade policy
- Duty exemption schemes ,DBK, DEPB
- Advance license
- Import of capital goods
- Exports/Trading/Star Trading/super star trading house policy EOU‘s/EPZs/SEZs Schemes
- Services Exports

Salient features of India's export import policy

1. Increase in number of Export Items
2. Special Economic Zones
3. Role of Public Sector Agencies
4. Restriction Free Export Policy
5. Liberalization of Export-Oriented Import
6. Convertibility of Rupee
7. Devaluation of Rupee

Objectives of EXIM/trade policy

- To facilitate sustained growth in exports from India and import in India.
- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and capital goods scheme required for augmenting production and providing services.
- To enhance the technological strength and efficiency of Industry Agriculture industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.

Objectives of EXIM/trade policy

- To provide clients with high-quality goods and services at globally competitive rates. Canalization is an important feature of EXIM Policy under which certain goods can be imported only by designated agencies. For an example, an item like gold, in bulk, can be imported only by specified banks like SBI and some foreign banks or designated agencies.
- To create an architecture for India’s global trade engagement with a view to expanding its markets and better integrating with major regions, thereby increasing the demand for India’s product and contributing to the government’s flagship "Make in India" initiative;
- To provide a mechanism for regular appraisal in order to rationalize imports and reduce the trade imbalance.

Objectives of EXIM/trade policy continue….

- The Government of India notifies the EXIM Policy for a period of five years (1997-2002) under Section 5 of the Foreign Trade (Development and Regulation Act), 1992. The current policy covers the period 2002-2007. The Export Import Policy is updated every year on the 31st of March and the modifications, improvements and new schemes became effective from 1st April of every year.
- All types of changes or modifications related to the Exim Policy is normally announced by the Union Minister of Commerce and Industry who co-ordinates with the Ministry of Finance, the Directorate General of Foreign Trade and its network of DGFT regional offices.

Objectives of EXIM/trade policy continue....

- To provide a stable and sustainable policy environment for foreign trade in merchandise and services;
- To link rules, procedures and incentives for exports and imports with other initiatives such as "Make in India", Digital India and Skill India to create an 'Export Promotion Mission' for India;
- To promote the diversification of India's export by helping various sectors of the Indian economy to gain global competitiveness with a view to promote exports;

Instruments of trade Policy

1. Tariffs
   I. Specific tariffs &
   II. Ad valorem tariffs
2. Subsidies
3. Import Quotas
4. Voluntary Export Restraints
5. Local content requirements
6. Administration policy
7. Anti dumping duties

EXPORT PROMOTION SCHEMES

Foreign Trade Policy 2015-20 and other schemes provide promotional measures to boost India’s exports with the objective to offset infrastructural inefficiencies and associated costs involved to provide exporters a level playing field. Brief of these measures are as under:

1. Exports from India Scheme

i. Merchandise Exports from India Scheme (MEIS)

Under this scheme, exports of notified goods/ products to notified markets as listed in Appendix 3B of Handbook of Procedures are granted freely transferable duty credit scripts on realized FOB value of exports in free foreign exchange at specified rate.

Duty exemption schemes continue…..

Such duty credit scripts can be used for payment of basic custom duties for import of inputs or goods.

Exports of notified goods of FOB value up to Rs 5,00,000 per consignment, through courier or foreign post office using e-commerce shall be entitled for MEIS benefit. List of eligible category under MEIS if exported through using e-commerce platform is available in Appendix 3C.

ii. Service Exports from India Scheme (SEIS)

Service providers of notified services as per Appendix 3D are eligible for freely transferable duty credit scrip @ 5% of net foreign exchange earned.

2. DUTY EXEMPTION & REMISSION SCHEMES

These schemes enable duty free import of inputs for export production with export obligation. This scheme consists of:-

2.1 Advance Authorization Scheme

Under this scheme, duty free import of inputs are allowed, that are physically incorporated in the export product (after making normal allowance for wastage) with minimum 15% value addition. Advance Authorization (AA) is issued for inputs in relation to resultant products as per SION or on the basis of self declaration, as per procedures of FTP. AA normally have a validity period of 12 months for the purpose of making imports and a period of 18 months for fulfillment of Export Obligation (EO) from the date of issue. AA is issued either to a manufacturer exporter or merchant exporter tied to a supporting manufacturer(s).

Duty exemption schemes

2.2 Advance Authorization for annual requirement

Exporters having past export performance (in at least preceding two financial years) shall be entitled for Advance Authorization for Annual requirement. This shall only be issued for items having SION.

2.3 Duty Free Import Authorization (DFIA) Scheme

DFIA is issued to allow duty free import of inputs, with a minimum value addition requirement of 20%. DFIA shall be exempted only from the payment of basic customs duty. DFIA shall be issued on post export basis for products for which SION has been notified. Separate schemes exist for gems and jewellery sector for which FTP may be referred.

2.4 Duty Drawback of Customs

The scheme is administered by Department of Revenue. Under this scheme products made out of duty paid inputs are first exported and thereafter refund of duty is claimed in two ways:

i) All Industry Rates : As per Schedule
ii) Brand Rate : As per application on the basis of data/documents

2.5 Interest Equalization Scheme (IES)

The Government announced the Interest Equalization Scheme @ 3% per annum for Pre and Post Shipment Rupee Export Credit with effect from 1st April, 2015 for 5 years available to all exports under 416 tariff lines [at ITC (HS) code of 4 digit] and exports made by Micro, Small & Medium Enterprises (MSMEs) across all ITC(HS) codes. With effect from November 2, 2018, the rate of Interest Equalization for MSME has been increased to 5%. The Scheme has also been extended to Merchant Exporters who will now avail the benefit @ 3% for all exports under 416 tariff lines w.e.f. January 2, 2019.

Duty exemption schemes

3. EPCG SCHEME

3.1 Zero duty EPCG scheme

Under this scheme import of capital goods at zero custom duty is allowed for producing quality goods and services to enhance India's export competitiveness. Import under EPCG shall be subject to export obligation equivalent to six times of duty saved in six years. Scheme also allows indigenous sourcing of capital goods with 25% less export obligation.

3.2 Post Export EPCG Duty Credit Scrip Scheme

A Post Export EPCG Duty Credit Scrip Scheme shall be available for exporters who intend to import capital goods on full payment of applicable duty in cash.

4. EOU/EHTP/STP & BTP SCHEMES

Units undertaking to export their entire production of goods and services may be set up under this scheme for import/ procurement domestically without payment of duties. For details of the scheme and benefits available therein FTP may be required.

5. OTHER SCHEMES

5.1 Towns of Export Excellence (TEE)

Selected towns producing goods of Rs. 750 crores or more are notified as TEE on potential for growth in exports and provide financial assistance under MAI Scheme to recognized Associations.

5.2 Market Access Initiative (MAI) Scheme

Under the Scheme, financial assistance is provided for export promotion activities on focus country, focus product basis to EPCs, Industry & Trade Associations, etc. The activities are like market studies/surveys, setting up showroom/warehouse, participation in international trade fairs, publicity campaigns, brand promotion, reimbursement of registration charges for pharmaceuticals, testing charges for engineering products abroad, etc. Details of the Scheme is available at www.commerce.gov.in

5.3 Status Holder Scheme

Upon achieving prescribed export performance, status recognition as one star Export House, two Star Export House, three star export house, four star export house and five star export house is accorded to the eligible applicants as per their export performance. Such Status Holders are eligible for various non-fiscal privileges as prescribed in the Foreign Trade Policy.

In addition to the above schemes, facilities like 24X7 customs clearance, single window in customs, self assessment of customs duty, prior filing facility of shipping bills etc are available to facilitate exports.

5.4 Gold Card Scheme

The Gold Card Scheme was introduced by the RBI in the year 2004. The Scheme provides for a credit limit for three years, automatic renewal of credit limit, additional 20% limit to meet sudden need of exports on account of additional orders, priority in PCFC, lower charge schedule and fee structure in respect of services provided by Banks, relaxed norms for security and collateral etc,. A Gold Card under the Scheme may be issued to all eligible exporters including those in the small and medium sectors who satisfy the pre-requisite conditions laid by individual Banks.

DUTY DRAWBACK SCHEME

- Under Duty Drawback Scheme (DBK) relief of Customs and Central Excise Duties suffered on the inputs/components used in the manufacture of goods exported is allowed to Exporters.
- The admissible duty drawback amount is paid to exporters by depositing it into their nominated bank account.
- Section 75 of the Customs Act, 1962 and Section 37 of the Central Excise Act, 1944, empower the Central Government to grant such duty drawback.
- Customs and Central Excise Duties Drawback Rules, 1995 have been framed outlining the procedure to be followed for the purpose of grant of duty drawback (for both kinds of duties suffered) by the Customs Authorities processing export documentation.

DUTY DRAWBACK SCHEME

IMPORTANT STATUTORY PROVISIONS, RULES AND CIRCULARS RELATING TO DRAWBACK.

I. STATUTORY PROVISIONS

S.NO	Section Nos	Subject
1	Section 74 of Customs Act, 1962	Drawback on re-export of imported duty paid goods
2.	Section 75 of Customs Act, 1962	Drawback on input materials/services used for manufacture of export goods.

II. DRAWBACK RULES, 1995

S.NO.	Rule Nos	Subject
1	Rule 5	Determination of date from which the amount or rate of drawback is to come into force and the effective date for application of amount or rate of drawback.
2	Rule 8A	Upper Limit of Drawback money or rate
3	Rule 13	Manner and time for claiming drawback on goods exported other than by Post.
4	Rule 15	Supplementary claim
5	Rule 16	Repayment of erroneous or excess payment of drawback and interest.
6	Rule 16A	Recovery of amount of Drawback where export proceeds not realized.

Benefits of DEPB Rates

The benefit of DEPB schemes is available on the export products having extraneous material up to 8% by material up to 5% shall be ignored and the DEPB rate as notified for that export product is to be allowed.

Review of DEPB Rates

The Government of India review the DEPB rates after getting the appropriate an export import data on FOB (shipping) value of exports and Cost, Insurance and Freight (CIF) value of inputs used in the export product, as per SION. Such data and information is usually obtained from the concerned Export Promotion Councils.

DEPB (Duty Entitlement Pass Book)

Implementation of the DEPB Rates

- DEPB rates rationalized to account for the changes in Customs duties.
- Caps fixed on certain items but there would be no verification of Present Market Value (PMV) on such items.
- A number of ports have been added for availing facilities under the Duty Exemption Scheme, including DEPB.
- The threshold limit of Rs. 200 million for fixing new DEPB rates removed.

DEPB (Duty Entitlement Pass Book)

Provisional DEPB Rate

The main objective behind the provisional DEPB rates is to encourage diversification and to promote export of new products. However, provisional DEPB rates would be valid for a limited period of time during which exporter would furnish data on export and import for regular fixation of rates.

Maintenance of Record

It is necessary for Custom House at ports to maintain a separate record of details of exports made under DEPB Schemes.

DEPB (Duty Entitlement Pass Book)

Port of Registration

- The exports/imports made from the specified ports given shall be entitled for DEPB.
- **Sea Ports:** Mumbai, Kolkata, Cochin, Dahej, Kakinada, Kandla, Mangalore, Mormugao, Mundra, Chennai, Nhava Sheva, Paradeep, Pipavav, Sikka, Tuticorin Vishakhapatnam, Surat (Magdalla), Nagapattinam, Okha, Dharamtar and Jamnagar.
- **Airports:** Ahmedabad, Bangalore, Bhubaneshwar Mumbai, Kolkata Coimbatore Air Cargo Complex, Cochin, Delhi, Hyderabad, Jaipur, Srinagar, Trivandrum, Varanasi, Nagpur and Chennai.
- **SEZ :** Santacruz, Kandla, Kochi, Vishakhapatnam, Chennai, FALTA, Surat, NOIDA

DEPB (Duty Entitlement Pass Book)

- **ICDs :** Agra, Ahmedabad, Bangalore, Bhiwadi, Coimbatore, Daulatabad, (Wanjarwadi and Maliwada), Delhi, Dighi (Pune), Faridabad, Guntur, Hyderabad, Jaipur, Jallandhar, Jodhpur, Kanpur, Kota, Ludhiana, Madurai and the land Customs station at Ranaghat Mallanpur, Moradabad, Meerut Nagpur, Nasik, Gauhati (Amingaon), Pimpri (Pune), Pitampur (Indore), Rudrapur (Nainital), Salem Singanalur, Surat, Tirupur, Udaipur, Vadodara, Varanasi, Waluj, Bhilwara, Pondicherry, Garhi-Harsaru, Bhatinda, Dappar, Chheharata (Amritsar), Karur, Miraj and Rewari.
- **LCS:** Ranaghat, Singhabad, Raxaul, Jogbani, Nautanva (Sonauli), Petrapole and Mahadipur.
- The exports made to the following Special Economic Zones (SEZ) are also entitled to DEPB.

Advance license

An Advance License is issued to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts etc. which are consumed in the course of their use to obtain the export product, may also be allowed under the scheme.

Advance License can be issued for

a) **Physical exports**:- Advance License may be issued for physical exports including exports to SEZ to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for import of inputs required for the export product.

Advance license

b) **Intermediate supplies**:- Advance Licensee may be issued for intermediate supply to a manufacturer-exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance License

c) **Deemed exports**:- Advance License can be issued for deemed export to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned in paragraph 8.2 (b), (c), (d) (e) (f),(g) (i) and (j) of the Policy.

Export Obligation

- The period for fulfillment of the export obligation under Advance License shall be as prescribed in the Handbook (Vol.1). Supplies to SEZ would also be counted for fulfillment of export obligation under the Advance License for physical exports.

- Advance License for Annual Requirement

- Advance License can also be issued on the basis of annual requirement for physical exports, intermediate supplies or deemed exports.

- One to Five Star Export House shall be entitled for the Advance License for annual requirement.

Export Obligation

- However, if the status holders are holding the certificate as merchant exporter, they are also entitled to the Advance License for Annual Requirement provided they agree to the endorsement of the name(s) of the supporting manufacturer(s) on the relevant license.

- The entitlement under this scheme shall be up to 200% of the FOB value of export in the preceding licensing year. Such license shall have positive value addition.

Advance Release Orders

- An Advance License holder, holder of advance license for annual requirement and holder of DFRC intending to source the inputs from indigenous sources/State Trading Enterprises/ EOU/SEZ/ EHTP/STP/BTP units in lieu of direct import has the option to source them against Advance Release Orders denominated in foreign exchange/ Indian rupees.
- The transferee of a DFRC shall also be eligible for ARO facility. However, supplies may be obtained against the license from EOU/ EHTP/ BTP/STP/SEZ units, without conversion into ARO.
- Back-to-Back Inland Letter of Credit
- An Advance License holder, holder of advance license for annual requirement and holder of DFRC may, instead of applying for an Advance Release Order, avail of the facility of Back-to-Back Inland Letter of Credit.

Advance license

Prohibited Items

- Prohibited items of imports mentioned in ITC (HS) shall not be imported under the license issued under the scheme.

- Admissibility of Drawback

- In the case of an Advance License, the drawback shall be available in respect of any of the duty paid materials, whether imported or indigenous, used in the goods exported, as per the drawback rate fixed by Ministry of Finance (Directorate of Drawback). The Drawback shall however be restricted to the duty paid materials as mentioned in the license.

Import of capital goods

Import Procedure

- Import trade refers to the purchase of goods from a foreign country.
- The procedure for import trade differs from country to country depending upon the import policy, statutory requirements and customs policies of different countries.
- In almost all countries of the world import trade is controlled by the government.
- The objectives of these controls are proper use of foreign exchange restrictions, protection of indigenous industries etc.
- The imports of goods have to follow a procedure. This procedure involves a number of steps.

Import of capital goods

The steps taken in import procedure are discussed as follows

(i) Trade Enquiry

(ii) Procurement of Import License and Quota

For the purpose of issuing license, the importers are divided into three categories

(a) Established importer,

(b) Actual users, and

(c) Registered exporters, i.e., those import under any of the export promotion schemes.

(iii) Obtaining Foreign Exchange

(iv) Placing the Indent or Order

(v) Dispatching a Letter of Credit

(vi) Obtaining Necessary Documents

There are two types of documentary bills:

(a) D/P, D.P. (or Documents against payment) bills.

(b) D/A, D.A. (or Document against acceptance) bills.

Import of capital goods

(vii) Customs Formalities and Clearing of Goods

(a) To obtain endorsement for delivery or delivery order
(b) To pay Dock dues and obtain Port Trust Dues Receipts
(c) Bill of Entry
(d) Bill of Sight
(e) To pay Customs or Import Duty

There are three types of imported goods

- Non dutiable or free goods,
- Goods which are to be sold within the country or which are for home consumption, and
- Re-exportable goods i.e. goods meant for re-export. If the goods are duty free, no import duty is to be paid at the custom office.

Import of capital goods

(f) Bonded and Duty paid Warehouses

The bonded warehouses are used by the importer when:

- He has no go down of his own.
- He cannot pay the duty immediately.
- He wants to re-export the goods and thereby does not want to pay the duty.
- He wants to pay the duty in installments.

(g) Appointment of clearing Agents

(viii) Making the Payment

(ix) Closing the Transactions

Exports/Trading/Star Trading/super star trading house policy EOU's/EPZs/SEZs Schemes

CHAPTER 12 of EXIM policy EXPORT HOUSES, TRADING HOUSES, STAR TRADING HOUSES AND SUPERSTAR TRADING HOUSES			
Objective	12.1	The objective of the scheme is to recognize established exporters as Export House, Trading House, Star Trading House and Super Star Trading House with a view to building marketing infrastructure and expertise required for export promotion. Such Houses should operate as highly professional and dynamic institutions and act as important instruments of export growth.	
Eligibility	12.2	Merchant as well as Manufacturer exporters, Service providers, Export Oriented Units (EOUs)/ units located in Export Processing Zones (EPZs)/ Special Economic Zone (SEZ's) /Electronic Hardware Technology Parks (EHTPs)/ Software Technology Parks (STPs) shall be eligible for such recognition.	
Criterion for Recognition	12.3	The eligibility criterion for such recognition shall be on the basis of the FOB/NFE value of export of goods and services, including software exports made directly, as well as on the basis of services rendered by the service provider during the preceding three licensing years or the preceding licensing year, at the option of the exporter. The exports made, both in free foreign exchange and in Indian Rupees, shall be taken into account for the purpose of recognition.	
Exports made by Subsidiary Company	12.4	The exports made by a subsidiary of a limited company shall be counted towards export performance of the limited company for the purpose of recognition. For this purpose, the company shall have the majority share holding in the subsidiary company.	
Export Performance Level	12.5	The applicant is required to achieve the prescribed average export performance level subject to the condition that	
		(a)	Deemed exports and exports under paragraph 11.7 shall not be counted for export performance.
		(b)	Deleted
		(c)	Deleted
	The level of export performance for the purpose of recognition shall be as per the table below:		

Exports/Trading/Star Trading/super star trading house policy EOU's/EPZs/SEZs Schemes

Category	Average FOB value during the preceding three licensing years, in Rupees	FOB value during the preceding licensing year, in Rupees	Average NFE earnings made during the preceding three licensing years , in Rupees	NFE earned during the preceding licensing year, in Rupees
(1)	(2)	(3)	(4)	(5)
EXPORT HOUSE	15 crores	22 crores	12 crores	18 crores
TRADING HOUSE	75 crores	112 crores	62 crores	90 crores
STAR TRADING HOUSE	375 crores	560 crores	312 crores	450 crores
SUPER STAR TRADING HOUSE	1125 crores	16 80 crores	937 crores	1350 crores

Service Exports from India Scheme (SEIS)

Service Exports from India Scheme (SEIS) aims to promote export of services from India by providing duty scrip credit for eligible exports. Under the scheme, service providers, located in India, would be rewarded under the SEIS scheme, for all eligible export of services from India. In this article, we look at the Service Exports from India Scheme in detail. Service Exports from India Scheme was earlier termed as Served from India Scheme (SFIS).

Net foreign exchange earnings for the SEIS scheme is calculated as:

Net Foreign Exchange = Gross Earnings of Foreign Exchange – Total Expenses or payment or remittances of Foreign Exchange.

Services Exports

SEIS Scheme Eligibility

- Service Providers of notified services, located in India are eligible for the Service Exports from India Scheme.
- To be eligible, a service provider (Company / LLP / Partnership Firm) should have minimum net free foreign exchange earnings of USD15000 in the preceding financial year to be eligible for duty credit scripts.
- For proprietorships or individual service providers, minimum net foreign exchange earnings of USD10, 000 in the preceding financial year is required to be eligible for the scheme.
- Also, in order to claim reward under the SEIS scheme, the service provider shall have to have an active Import Export Code (IE Code) at the time of rendering such services for which rewards are claimed.

Services Exports

Duty Credit Scrip

- Service providers of eligible services shall be entitled to duty credit scrip at notified rates on the net foreign exchange earned.
- Duty credit scripts can be used for the payment of custom duties, excise duties, service tax on procurement of services, custom duty in case of default in fulfillments of export obligation under Advance Authorization/EPCG, etc., Further, the SEIS scheme has given relaxation to the actual user condition and duty credit scripts and goods imported using duty credit scripts are freely transferable.
- Duty credit scrip would be valid for a period of 18 months from the date of issue

UNIT– III
INCOTERMS

INCOTERMS

- Background and objectives of Inco terms
- Types of Inco terms
- General guidance that are used in Inco terms
- Terminology of Inco terms
- Tariffs
- Quantitative restrictions
- Export-Import Procedures and documentation

Background and objectives of Inco terms

- The Inco terms 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.
- They are widely used in international commercial transactions or procurement processes and their use is encouraged by trade councils, courts and international lawyers.
- A series of three-letter trade terms related to common contractual sales practices, the Inco terms rules are intended primarily to clearly communicate the tasks, costs, and risks associated with the global or international transportation and delivery of goods.

Background and objectives of Inco terms

- Inco terms 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 Inco terms 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.
- "Inco terms" is a registered trademark of the ICC

Background and objectives of Inco terms

- Inco terms are internationally accepted commercial terms, developed in 1936 by the International Chamber of Commerce (ICC) in Paris. Inco terms 2000 define the respective roles of the buyer and seller in the agreement of transportation and other responsibilities and clarify when the ownership of the merchandise takes place.

- These terms are incorporated into export-import sales agreements and contracts worldwide and are a necessary part of foreign trade.

Background and objectives of Inco terms

- Inco terms safeguard the following issues in the Foreign Trade contract or International Trade Contract:
  1. To determine the critical point of the transfer of the risks of the seller to the buyer in the process forwarding of the goods (risks of loss, deterioration, robbery of the goods) allow the person who supports these risks to make arrangements in particular in term of insurance.
  2. To specify who is going to subscribe the contract of carriage that is to say the seller (exporter) or the buyer (importer).
  3. To distribute between the seller and the buyer the logistic and administrative expenses at the various stages of the process.

1. EXW (Ex Works)

- EXW means that the seller fulfills his obligation to deliver when he has made the goods available at his premises to the buyer.
- In particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed.
- The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination.
- This term thus represents the minimum obligation for the seller.

2. FCA (Free Carrier)

- FCA means that the seller fulfills his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point.
- If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge.
- When, according to commercial practice, the seller's assistance is required in making the contract with the carrier the seller may act at the buyer's risk and expense.

3. FAS (Free Alongside Ship)

- FAS mean that the seller fulfills his obligation to deliver when the goods have been placed alongside the vessel on the quay or in lighters 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.

4. FOB (Free on Board)

- FOB means that the seller fulfills his obligation to deliver when he places the goods on board at the port departure.
- This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point.
- The FOB term requires the seller to clear the goods for export.

5. CFR (Cost and Freight)

- CFR means that the seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment.
- The CFR term requires the seller to clear the goods for export.
- This term can only be used for sea and inland waterway transport.

6. CIF (Cost, Insurance and Freight)

- CIF means that the seller delivers the goods on board the vessel or procures the goods already so delivered.
- The risk of loss of or damage to the goods passes when the goods are on board the vessel.
- The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.
- The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage.
- The buyer should note that under CIF the seller is required to obtain insurance only on minimum cover.
- Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

7. CPT (Carriage Paid to)

- CPT means that the seller pays the freight for the carriage of the goods to the named destination.
- The risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier is transferred from the seller to the buyer when the goods have been delivered into the custody of the carrier.
- "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of carriage, by rail, road, sea, air, inland waterway or by a combination of such modes.
- The CPT term requires the seller to clear the goods for export.

8. CIP (Carriage and Insurance Paid To)

- CIP means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.
- The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage.
- The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover.
- Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

9. DAT (Delivered at Terminal)

- DAT means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination.
- “Terminal” includes a place, whether covered or not, such as a key, warehouse, container yard or road, rail or air cargo terminal.
- The seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination.

10. DAP (Delivered at Place)

- DAP means that 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.
- The seller bears all risks involved in bringing the goods to the named place.

11. DDP (Delivered Duty Paid)

- DDP means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination.
- The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

General guidance that are used in Inco terms

The Inco terms rules are standard sets of trading terms and conditions designed to assist traders when goods are sold and transported.

Each Inco terms rule specifies

- The obligations of each party (e.g. who is responsible for services such as transport; import and export clearance etc)
- The point in the journey where risk transfers from the seller to the buyer
  - ✓ So by agreeing on an Inco terms rule and incorporating it into the sales contract, the buyer and seller can achieve a precise understanding of what each party is obliged to do, and where responsibility lies in event of loss, damage or other mishap.

General guidance that are used in Inco terms continue..

- ✓ The Inco terms rules are created and published by the International Chamber of Commerce (ICC) and are revised from time to time. The most recent revision is Inco terms 2020 which comes into force on 1st January 2020.
- The definitive publication on the Inco terms 2020 rules is the ICC publication number 723, which is available from various national bookshops.
- This is essential reading for those with responsibility for setting a corporate policy or negotiating contracts with trading partners or service providers.

Terminology of Inco terms

- **Delivery:** The point in the transaction where the risk of loss or damage to the goods is transferred from the seller to the buyer
- **Arrival:** The point named in the Inco term to which carriage has been paid
- **Free:** Seller has an obligation to deliver the goods to a named place for transfer to a carrier
- **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
- **Freight forwarder:** A firm that makes or assists in the making of shipping arrangements;

Terminology of Inco terms

- **Terminal:** Any place, whether covered or not, such as a dock, warehouse, container yard or road, rail or air cargo terminal
- **To clear for export:** To file Shipper's Export Declare
- **Variation of Inco terms**

  Parties adopting Inco terms 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.

Meaning of Tariffs

- A tariff is a duty or tax imposed by the government of a country upon the traded commodity as it crosses the national boundaries. Tariff can be levied both upon exports and imports.
- The tariff or duties imposed upon the goods originating in the home country and scheduled for abroad are called as the export duties.
- Countries, interested in maximizing their exports generally avoid the use of export duties.
- Tariffs have, therefore, become synonymous with import duties.

Types of Tariffs:

Tariffs are of several types and these can be classified into different groups or sub-groups as below:

(1) Classification on the Basis of Criterion for Imposition:

(a) Specific tariff,

(b) Ad Valorem tariff,

(c) Compound tariff and

(d) Sliding scale tariff.

(2) Classification on the Basis of Purpose for Which Tariff is Imposed:

(a) Revenue Tariff and

(b) Protective Tariff.

(3) Classification on the Basis of Discrimination:

(a) Non-discriminatory and

(b) Discriminatory.

(4) Classification on the Basis of Products:

(a) Import duties and

(b) Exports duties.

(5) Classification on the Basis of Retaliation:

(a) Retaliatory tariffs and

(b) Countervailing tariffs.

Quantitative restrictions

- Quantitative restrictions refer to explicit limits, or quotas, on the physical amounts of particular commodities that can be imported or exported during a specified time period.
- These restrictions may be applied on a selective basis, with varying limits set according to the country of origin or destination.
- Quantitative restrictions are considered to have a greater protective effect than tariff measures and are more likely to distort free trade.
- When a trading partner uses tariffs to restrict imports, it is still possible to increase exports as long as foreign products become price competitive enough to overcome the barriers created by the tariff.
- When a trading partner uses quantitative restrictions, however, it is impossible to export in excess of the quota.

Quantitative restrictions

- Article XI of the GATT generally prohibits quantitative restrictions (QRs) on the importation or the exportation of any product, by stating "no prohibitions or restrictions other than duties, taxes or other charges shall be instituted or maintained by any Member..." One reason for this prohibition is that QRs are considered to have a greater protective effect than tariff measures and are more likely to distort free trade.
- When a trading partner uses tariffs to restrict imports, it is still possible to increase exports as long as foreign products become price competitive enough to overcome the barriers created by the tariff.
- When a trading partner uses QRs, however, it is impossible to export in excess of the quota no matter how price competitive foreign products may be. Thus, QRs are considered to have such a distortional effect on trade that their prohibition is one of the fundamental principles of the GATT.

- Firstly, Exporter/ Importers need to fill the forms, confirm their initial capital, address details, contact details, and other formalities. After some time the company will be established. To establish a company, there also need to pay some government fees.

Note

Before, Exporter/ Importer decide to open a company; suggests to think through export business properly. It is smart to conclude export business plan as well. An export business plan will helps in set right activities and set goals and priorities.

- Secondly, Exporter/ Importer need to go to the local bank with their company corporation docs (if they have a business plan, take that as well) and apply for a bank account. They need again to fill different forms and answer banker questions about their future business activities. After some time, they should have an existing bank account opened. They need international banking service, so they can send and receive money from abroad.
- Thirdly, after they have an existing company with the bank account they need to apply for their export/import license. This is also called as IEC number (export/import license code no. Example, in India IEC, is a CODE which contains 10 digit number issued by General Director of Foreign Trade, Department of Commerce, Government of India.
- So, in order, to apply the application, they need to approach to the Department of Commerce in India, in their local branch.

Application for IEC/e-IEC

a) Application for obtaining IEC can be filed manually and submitting the form in the office of Regional Authority (RA) of DGFT.

- Alternatively, an application for e-IEC may be filed online in ANF 2A, in accordance with Para 2.08 of Handbook of Procedure on payment of application fee of Rs. 500/-, to be paid online through net banking or credit/debit.
- Documents/ details required to be uploaded/ submitted along with the application form are listed in the Application Form (ANF 2A).

b) When an e-IEC is approved by the competent authority, applicant is informed through e-mail that a computer generated e-IEC is available on the DGFT website. By clicking on “Application Status” after having filled and submitted the requisite details in “Online IEC Application” webpage, applicant can view and print his e-IEC.

Application for IEC/e-IEC

(c) Briefly, following are the requisite details /documents (scanned copies) to be submitted/ uploaded along with the application for IEC:

(i) Details of the entity seeking the IEC, as per IMPEX Policy 2015-20

- PAN of the business entity in whose name Import/Export would be done (Applicant individual in case of Proprietorship firms).
- Address Proof of the applicant entity.
- LLPIN /CIN/ Registration Certification Number (whichever is applicable).
- Bank account details of the entity. Cancelled Cheque bearing entity's pre-printed name or Bank certificate in prescribed format ANF2A (I).

Application for IEC/e-IEC

(ii) Details of the Proprietor/ Partners/ Directors/ Secretary or Chief Executive of the Society/ Managing Trustee of the entity:

(1) PAN (for all categories)

(2) DIN/DPIN (in case of Company /LLP firm)

(iii) Details of the signatory applicant as per Export Import Policy 2015-20 (FTP 2015-20):

(1) Identity proof

(2) PAN

(3) Digital photograph

(d) In case the applicant has digital signature, the application can also be submitted online and no physical application or document is required. In case the applicant does not possess digital signature, a print out of the application filed online duly signed by the applicant has to be submitted to the concerned jurisdictional RA, in person or by post.

No Export/Import without IEC

- No export or import shall be made by any person without obtaining an IEC number unless specifically exempted under Import Export Policy 2015-20.
- Exempt categories and corresponding permanent IEC numbers are given in Para 2.07 of Handbook of Procedures.
- Only one IEC against one Permanent Account Number (PAN)
- Contact with buyers and make offers.
- Send samples to your overseas buyers

No Export/Import without IEC

- Confirm the order from buyer and receive money
  - ✓ Price of the goods and total price
  - ✓ shipping date
  - ✓ Description of the goods with HS code
  - ✓ Ordered quantity
  - ✓ Delivery term (EXW; FOB; CIF)
  - ✓ Payment terms (TT, LC, DC)
  - ✓ Inspection and warranty terms
  - ✓ Agreed advance-payment % and balance payment %
  - ✓ Packing details
  - ✓ Required docs provided by exporter

1. Proforma invoice (PI)

- Mandatory Export import document.
- This is a document, which will state the value per unit for the goods. And will show the total value of the goods exported. Also, the exporter and importer details are stated.
- There is no formal format for the proforma invoice, just make sure all the needed data is stated.

2. Sales-purchase contract

- Belongs to mandatory export-import documentation.
- This is the proof of purchase-sale between the parties. You need to present this to your country custom together with the proforma invoice.
- The sales purchase contract needs to be well-crafted and prepared. Entrepreneurs should use the service of professional lawyers.
- It is not wise to use the contract forms that are available on the internet for free! We have included professional international sales-purchase contract form (ready for use and modify) in our premium course.
- Also, you can take a full set of business document templates, which we have packed for you from (here)

3. Export-import agent commission agreement

- If you are working as an export-import agent, you are basically a representation of a supplier. You will be doing marketing and sales for the chosen supplier, against the commission fee, from the sales/transactions you have generated for the supplier.
- In this case, you as an EXIM-agent need the solid commission agreement to be signed with the supplier first. In the commission agreement, you should state all the related and important terms about the business relationship you will have with the supplier. Especially pay attention to state clearly the terms related to your commission fee.

4. NDA agreement

- NDA (Non-disclosure agreement) document, which protects, you as a supplier or export-import agent. It is a tool, protecting your business interests. It prevents the buyer from going directly to your supplier.
- We suggest this document to be signed with both, suppliers and buyers, before entering into business transactions with them.
- NDA sets penalties for the signed parties. If one signee surpasses you as a supplier or agent, then based on the NDA you can take legal actions to get back the profit you lost, because of one side breaking the NDA.

5. Packing list (PL)

- Mandatory export import procedures and documentation
- The packing list states the quantity of the goods exported. Also those packing and weights and CBMs. also, the amount of the packages are stated on the packing list.
- On the packing list, also the product HS code is marked.
- HS code is a code, that all the nations understand the same way.
- This code will determine the import duties and other formalities.

6. Bill of landing/Airway bill/Railway bill

- Crucial Export import document for importers custom.
- After, the goods had been taken on the shipboard, then shipper will issue the Bill of landing (B/L). This document confirms that goods had been taken on the ship and is ready for shipping.
- This is the proof for receivers and banks that the goods are ready for shipment.
- Similarly, if the goods are transported by the airplane, then there is airway bill.
- If goods are transported by Train, then there is railway bill.

7. Certificate of Origin (C/O)

- This is very important doc what is required by countries customs. This doc can lower the import duties in some cases and without this sometimes exporting is impossible. This doc will prove, that the goods are from the country by which the C/O is issued.
- Also, the C/O contains the producer data. This is an official doc what can be issued only by country export and trading authorities.
- Usually, to issue the certificate of origin, this will cost some money.

Documentation in export import business

8. CE certificate

- CE belongs to the export import procedures and documentation if you are exporting to Europe.
- With all the products, the CE certificate is required, in trading with Europe.
- The producer must have been certified by third country to have CE certificate. CE confirms, that the product meets the European Union safety standards.

9. Material safety sheet (MSD)

- Sometimes this document is required by importing country custom. This doc can be issued by the exporter and must confirm that product is not harmful to the humans and nature. This doc is usually required for liquids.

10. Freight insurance certificate

- This doc is not mandatory in export import documentation.
- If the goods are precious then usually the buyer requires that exporter signs insurance-policy for the goods.
- The insurance certificate is issued by companies who provide insurances. Also the international shipping companies like DHL, DSV provide the insurances.
- There are lot more documents and procedures that are required if exporting some specific product.
- For food product example, the exporter needs to provide health inspection certificates and sanitary certificates.

10. Freight insurance certificate

- Some export and import procedure(s) and documentation can turn out to be very costly as well. All costs need to be considered for your export business.
- In order to apply those certificates, special import and export procedure(s) need to be concluded.
- If to export medical products, then the rules are even more strict and special licenses may need to apply. Then import export procedure(s) and documentation could be much more complex and involve special institutions and organizations.
- Sometimes it may come clear, that some docs can’t be issued. Then also the product can’t be an exporter. It is crucial to make all sure at the very beginning

UNIT– IV
INSTITUTIONAL SETUP FOR EXPORT PROMOTION

INSTITUTIONAL SETUP FOR EXPORT PROMOTION

- Export Assistance measures
- Free Trade Zone SEZ‘s and 100%eOUs
- State Trading in India- Principal
- commodities of India‘s export and imports an overview
- Sources and Analysis of foreign Trade Statistics
- Canalizing Agencies and Chambers of Commerce
- Export Organization: Institutions involved in export Promotion: DGFT, FIEO, RBI, CUSTOMS, ITPO, EXIMBANK, ECGC, EPCs, Commercial banks, Commodity Boards.

Export Assistance measures

Export Marketing

Although the intensity and coverage of these measures have undergone change with the liberalization of policy, there does exist a number of schemes for export production as well as marketing. The various export assistance or promotion measures are undertaken through a number of organizations existing both at the Centre and State level.

Export assistance includes facilities for efficient export production and marketing.

1) Export Production Assistance:

Export production assistance is available right from the stage of acquiring land and building, procuring plant machinery, equipments, components, spares, technical guidance/training, to giving finance and credit in time at comparatively cheaper rate.

Export Assistance measures

Export production assistance includes following facilities provided to enhance the assistance:

- Infrastructural Facilities
- Manufacture-in-Bond
- Machinery and Equipments
- Production Inputs
- Technology Up gradation
- Packing Credit
- Back-to-Back Letter of Credit (L/C)

Export Assistance measures

2) Export Marketing Assistance:

- A number of steps have been taken to assist the exporters in their marketing effort.
- These include conducting, sponsoring or otherwise assisting market surveys and research;
- Collection, storage, and dissemination of marketing information, organizing and facilitating participation in international trade fairs and exhibitions;
- Credit and insurance facilities; release of foreign exchange for export marketing activities;
- Assistance in export procedures;
- Quality control and pre-shipment inspection;
- Identifying markets and products with export potential;
- Helping buyer-seller interaction, etc.

Export Assistance measures

2) Export Marketing Assistance:

- Marketing Development Fund (MDF)
- Cash Compensatory Support
- Foreign Exchange
- Trade Fairs and Exhibitions
- Export Risk Insurance
- Finance
- Quality Control and Pre-Shipment inspection
- Institutional Assistance
- Dollar Denominated Credit for Exporters

Special Economic Zones

- Simplified procedures for development, operation, and maintenance of the SEZs and for setting up units and conducting business in SEZs
- Single-window clearance for setting up of SEZ and units in SEZ
- Single-window clearance on matters relating to Central as well as State Governments
- Simplified compliance procedures and documentation with an emphasis on self certification

Administrative Set-up

Board of Approval

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Zonal Development Commissioner(s)

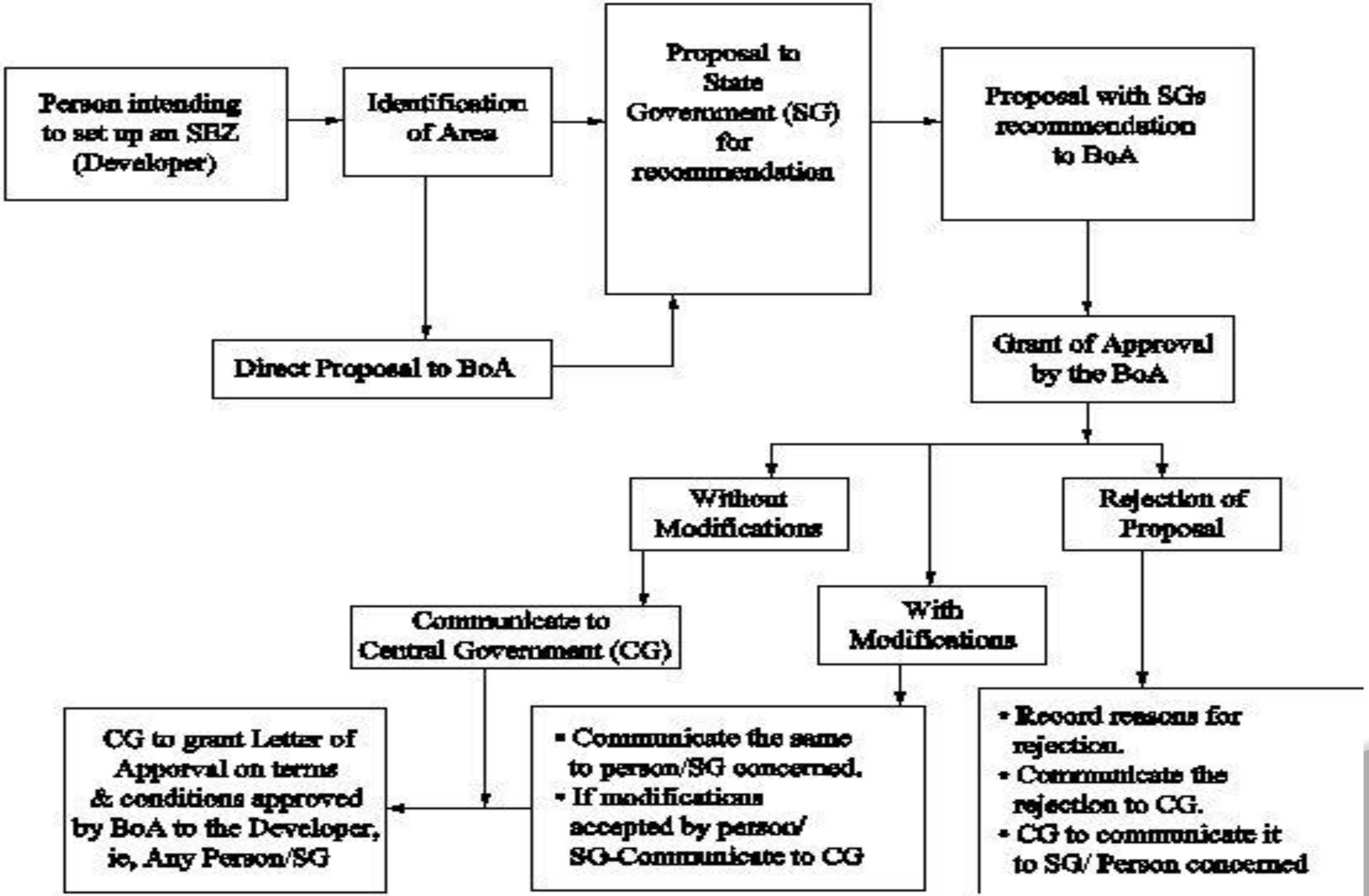
↓

Unit Approval Committee(s)

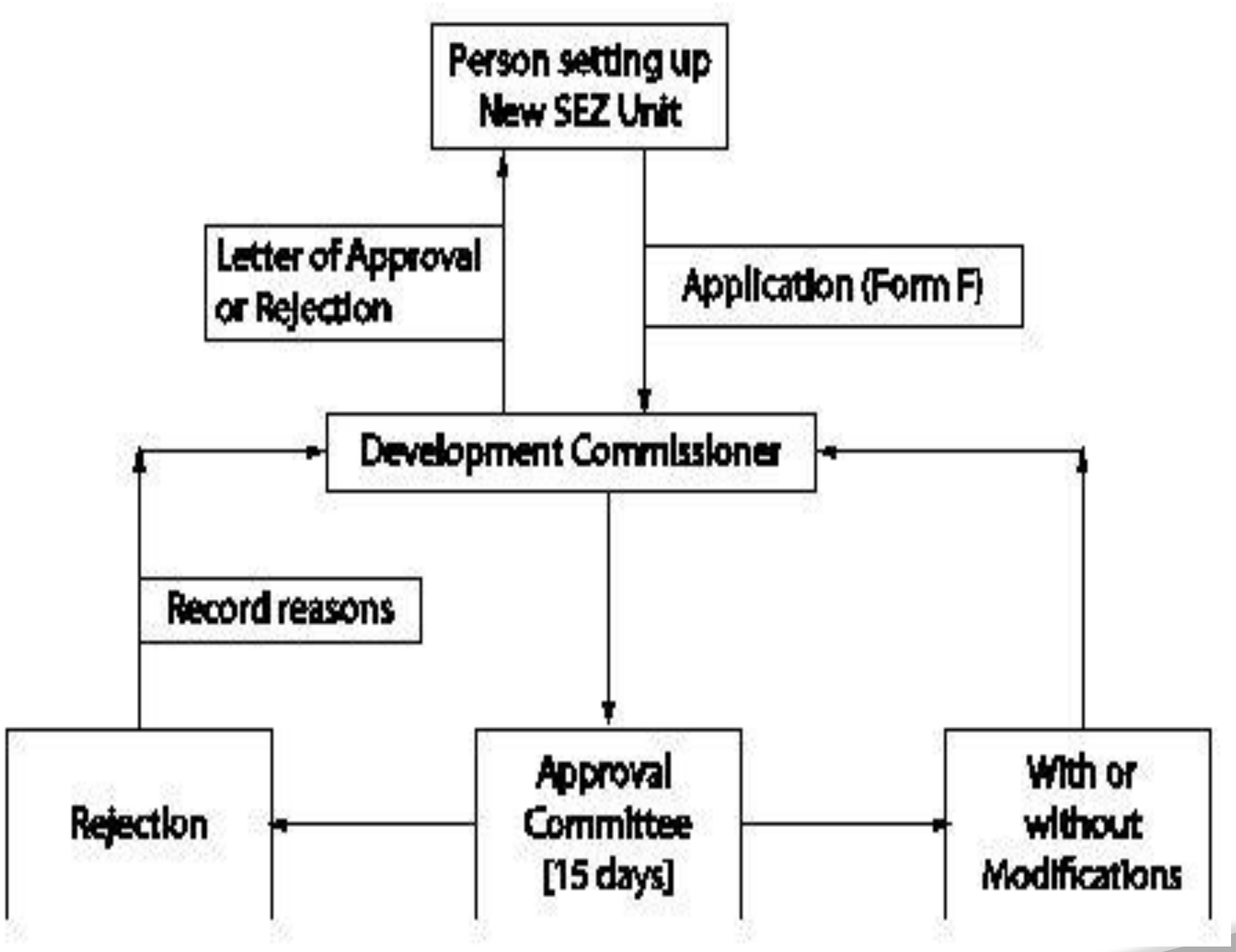
↓

Development Commissioner(s)

Special Economic Zones



Special Economic Zones



The main objects of the STC are as follows:

- To organize and undertake trade in socialist countries as well as other countries in commodities entrusted to the company from time to time by the Government of India and to undertake the purchase, sale and transport of such commodities in India or elsewhere in the world.
- To undertake at the instance of the Union Government of India import and/or internal distribution of any commodity in short supply with a view to stabilizing prices and rationalizing distribution.
- To implement such special arrangement for imports/export, internal trade or distribu-tion of particular commodities as the Union Government may specify in the public interest.

State Trading in India- Principal

The main objects of the STC are as follows:

- To arrest the declining trend in exports or to boost export by introducing new products in new markets.
- To assist small exporters in their export trade.
- To assist export-oriented organizations in their export and financial and organizational activities.

State Trading in India- Principal

Its workings can be evaluated by the facts written below:

1. The Turnover of the STC:

- The turnover of the STC over the years has increased. Before 1971-72 the turnover was quite insignificant but after that the increase was significant.
- The exports reached to the highest peak during 1980-85 and started declining afterwards.
- In the beginning the STC efforts were guided by the policies of the Government.
- But in latter years it has developed the non-canalized exports such as of items marine products, garments, engineering goods and products and textiles.

State Trading in India- Principal

2. Important Products:

- It deals in nearly 3000 commodities including agricultural and consumer items and items of construction materials, software, miscellaneous engineering items, fresh and processed food, leather and leather products, meat and marine products.
- The major imports of STC are edible oils, cement, explosives, natural rubber standard and glazed newsprint.
- Its trade is stretched over 115 countries.

State Trading in India- Principal

The STC has taken various steps in different fields. These are:

- It has diversified its product range and continued to add new items to its export basket like orthopedic shoes, sports shoe; upper compressors. H.D. Pipe etc.
- Trying to spearhead the national effort to identify new markets for Indian commodities and manufactured goods and establish itself in these markets on long-term basis.
- It has established 100 per cent export oriented production units mainly with foreign collaboration and equity participation and 100 per cent buy-back arrangements.
- It has developed a reliable supply base for production of quality goods in association with the state undertakings, co-operative organizations and other in selected and identified sectors. If necessary STC shall undertake investments for development of such production base.
- It has taken steps for improvement in quality grading, packing etc.

State Trading in India- Principal

- The STC also performs serving functions thereby bringing, buyers and sellers together and assisting them in fulfilling business contracts. It assists Government departments and industrial concerns in procuring supplies of plant and machinery from abroad.
- In some cases, it settles trade disputes amicably between Indian and foreign parties.
- The original idea of its setting up was to develop foreign trade with socialist countries. It has therefore improved relations with countries of socialist block but at the same time, its operations are wider with non-communist countries.
- The STC marketing expertise has been of particular advantage to small industries because they are unable to participate in foreign trade without STC support.

Weaknesses of the STC:

1. Weaknesses of the STC, pointed out in a study conducted by Indian Institute of Management, Ahmadabad was:
2. Though the objectives of the STC were quite clear and well defined but it has not taken any major entrepreneurial decision of its own so far.
3. There seems to be no guidelines for the choice of new products to be exported and new markets to sell its products.
4. Not much expertise has been developed to locate and develop sources of supply for exportable products and also for procuring imports from sources of supply abroad.

Weaknesses of the STC:

5. Much of the expertise is in operation as an agent, in processing indents and tenders and transportation and distribution not in merchandising, procurement and marketing.
6. The set back in the exports of non-canalized items can be attributed to the STC's failure to develop an appropriate supply base and take adequate promotional step among importers.

Commodities of India's export and imports an overview

- The country that is one of the so-called BRIC economies is recognized as being one of the major emerging national economies and it is currently the 18th largest export economy in the world.
- The growth has helped create a negative trade balance that has widened steadily in the last fifteen years, moving from a positive trade balance of $340 million at the beginning of that period to a negative trade balance of $88.1 billion in net imports.
- GDP per capita for India is $6,570, ranking it at 72nd out of 89 countries.

Commodities of India's export and imports an overview

India's Top 5 Commodity Exports

1. Diamonds - $9.3 billion
2. Refined Petroleum - $25.4 billion
3. Rice - $5.32 billion
4. Aluminum - $1.57 billion
5. Raw Sugar - $1.45 billion

India's Other Notable Exports

1. Jewelry – $12.6 billion
2. Packaged Medicaments – $11.6 billion
3. Cars – $6.36 billion
4. Frozen Bovine Meat – $3.68 billion
5. Leather Footwear – $1.88 billion

Commodities of India‘s export and imports an overview

- India’s top export destinations are the United States ($42 billion), The United Arab Emirates ($30 billion), Hong Kong ($13.2 billion) and China ($8.92 billion).

India’s Top 5 Commodity Imports

1. Crude Petroleum - $60.7 billion
2. Gold - $22.9 billion
3. Diamonds - $19 billion
4. Palm Oil - $5.6 billion
5. Copper - $2.46 billion

India's Other Notable Imports

1. Telephones – $10.6 billion
2. Semiconductors – $3.57 billion
3. Vehicle Parts – $3.66 billion
4. Cyclic Hydrocarbons – $2.1 billion
5. Special Purpose Ships – $2.54 billion

Diamonds

- India is the leading diamond exporter in the world with an 18.8% market share of an annual export market worth $127 billion.
- The country has a net export surplus of $5.1 billion, which has risen by 243% in the last five years.
- Most Indian diamond mines were depleted several decades ago and the country is no longer considered a source for rough diamonds.
- However, it does still have one state-owned mine in Madhya Pradesh and DeBeers is currently prospecting in five different regions.

More Information on India's Imports/Exports

Refined Petroleum

- India is the fourth-largest exporter with a 5.3% share of a global export market that is worth $504 billion annually. The surplus value of India’s refined petroleum is $23.3 billion after deducting the value of its refined petroleum imports against the export total. This figure has fallen by 51.1% in the last five years.

Rice

- India leads the way when it comes to rice exports and has 26.7% of the annual global total, with closest rival Thailand having 21.9% and the other main exporters all enjoying a single-digit share of the market. India’s rice production has increased three-fold over the last 50 years, although climatic conditions have been known to affect yields. Iran recently lifted the ban on the import of basmati rice from India and this could be a significant development as Iran is the world’s largest importer of aromatic rice.

More Information on India's Imports/Exports

Aluminum

- Major export markets for Indian aluminum are the United States (22%) and the United Arab Emirates (12%). India's aluminum production is predicted to grow at an annual compound rate of 3.5% over the next few years. This is mainly in response to rising domestic demand. Did you know? Although the Indian aluminum industry was first established in 1808, it actually took over 45 years before they managed to make production commercially viable.

Raw Sugar

- India is the third-largest sugar exporter and has a market share of 5.9% of the $25 billion annual market, although, Brazil is the largest exporter by some margin, with 42.4% of the market. The states of Uttar Pradesh and Maharashtra are responsible for more than 70% of the country's sugar production.

A Few Interesting Facts about Indian foreign trading

- India is the world’s largest democracy, with over 1.2 billion people.
- There are a greater percentage of vegetarians in India than any other country in the world.
- India is now the world’s largest producer of milk, having recently overtaken the European Union's production figures.
- Diamonds were first mined in India and the country was the global leader in diamond production until diamonds were subsequently discovered in Brazil during the 18th century.

Sources of Trade Information in WITS

- WITS provide access to information on External Trade from the United Nations (UN) COMTRADE Data Base, The United Nations Conference on Trade and Development (UNCTAD) TRAINS Data Base and the World Trade Organization (WTO) IDB and CTS Data Bases.
- The data is reported by statistical offices of each country to relevant international organizations.
- As a rule, missing country/period data means that the reporting country had not reported data for that specific year.
- No trade information for any given product (or product category) indicates a non-traded product according to the reporting country.

UN COMTRADE:

- Offers the largest country/period coverage of all three databases (from 1962 and virtually all countries).
- Records not only imports but also exports and re-exports.
- But information is not as detailed as in the 2 other databases (HS or SITC nomenclatures for UN COMTRADE, national tariff line level for TRAINS and IDB).
- UN COMTRADE is better fitted for cross-country analysis since information from all countries shares standard international nomenclatures.

TRAINS

- Contains information at the national tariff level which means more details compared with UN COMTRADE.
- Country/Period coverage (from 1988, less than 100 countries) is smaller than in UN COMTRADE.
- Contains only imported flows.
- TRAINS is best fitted for very detailed country or sector analysis with link to market access information;

IDB

- Contains information at the national tariff level which means more details compared with UN COMTRADE.
- Country/Period coverage (from 1996, less than 100 countries) is smaller than in UN COMTRADE.
- Contains only imported flows.
- IDB is best fitted for very detailed country or sector analysis with link to market access information;

History

- The first chamber of commerce was founded in 1599 in Marseille, France as the "Chamber de Commerce".
- Another official chamber of commerce followed 65 years later, probably in Bruges, then part of the Spanish Netherlands.
- The world's oldest English-speaking chamber of commerce and oldest chamber of commerce in North America is the Halifax Chamber of Commerce, founded in 1750.
- The Glasgow Chamber of Commerce was founded in 1783. However, Hull Chamber of Commerce is the UK's oldest, followed by those of Leeds and of Belfast in present day Northern Ireland.

Canalizing Agencies and Chambers of Commerce

History

- As a non-governmental institution, a chamber of commerce has no direct role in the writing and passage of laws and regulations that affect businesses.
- It can, however, lobby in an attempt to get laws passed that are favorable to businesses.

Multilateral chambers

- A multilateral chamber is formed of companies (and sometimes individuals) from different countries with a common business interest towards or in a specific country.
- It can further be active in representing the interests of local and foreign investors in that specific country, achieved through promotion and proactively regarding the general business environment.
- Multilateral chambers of commerce are independent entities strengthening business relations and interactions between all economic players and their members may benefit from a broad range of activities that enhance the visibility and reputation of their business.

Multilateral chambers

- On the basis of direct and indirect methods of exporting, export market organizations in India are classified into the following categories:

(a) Manufacturer Exporters: Manufacturer exporters are the manufacturers who export goods directly to foreign buyers without any intervention from intermediaries. The manufacturer may also appoint agents abroad for selling products.

They enjoy several advantages:

- First hand information about foreign markets.
- Exercise a direct control over marketing activities.
- Enjoy full benefit of export incentives.
- Enjoy greater profits and goodwill in the market.

Multilateral chambers

(b) Merchant Exporters: Merchant exporters are the exporters who purchase goods from the domestic market and sell them in foreign countries.

They enjoy several advantages:

- Limited capital.
- Specialization in marketing.
- Large market share.

Multilateral chambers

(c) Status Holders

- The Government of India introduced the concept of status holders in the in the year 1960.
- Export House (EH) was the first category introduced by the Government with the objective of promoting exports by providing assistance for building marketing infrastructure and expertise required for export promotion.
- Thereafter in the year 1981, Trading Houses were introduced in order to develop new products and new markets, particularly for the products of SSIs and Cottage industries.
- The categorization, their eligibility and nomenclatures have changed since then.
- As per the new Foreign Trade Policy 2009-2014, status holders have been categorized as follows on the basis of their export performance:

(d) Service Export House

- Considering the increasing share of services in the total export from India, the government introduced the concept of Service Export House in the EXIM policy 2002-07.
- As per this policy, the service providers who have achieved a stipulated level of export performance are eligible for recognition of status holder.
- Accordingly they are eligible for all the facilities and incentives, hitherto given to the export and trading houses.
- These facilities include import of capital goods under EPCG scheme, passenger baggage, import of restricted items, etc.
- The above categorization also applies to the service providers.

(e) Canalizing Agencies

- Canalization of import and export means import and export of commodities through specified government agencies such as State Trading Corporation of India (STC), Metals and Minerals Corporation (MMTC).
- The items specified in the canalized list can be canalized only through specified canalizing agency.

(f) Export Consortia

In this case, a number of economically independent manufacturers, voluntarily or under the direction of the government, set up a joint organization for co-ordination of their export activities. This has several advantages, such as;

- Price stabilization;
- Saves unproductive expenditures such as advertising;
- Economies of scale.

Export Promotion Councils (EPC)

- Export Promotion Councils are registered as non -profit organizations under the Indian Companies Act.
- At present there are eleven Export Promotion Councils under the administrative control of the Department of Commerce and nine export promotion councils related to textile sector under the administrative control of Ministry of Textiles.
- The Export Promotion Councils perform both advisory and executive functions.
- These Councils are also the registering authorities under the Export Import Policy, 2002-2007.

Export Organization: Institutions involved in export Promotion

Commodity Boards

- Commodity Board is registered agency designated by the Ministry of Commerce, Government of India for purposes of export-promotion and has offices in India and abroad. There are five statutory Commodity Boards, which are responsible for production, development and export of tea, coffee, rubber, spices and tobacco.

Federation of Indian Export Organizations (FIEO)

- FIEO was set up jointly by the Ministry of Commerce, Government of India and private trade and industry in the year 1965. FIEO is thus a partner of the Government of India in promoting India's exports.

Address: Niryaat Bhawan, Rao Tula Ram Marg, Opp. Army Hospital. Research & Referral, New Delhi 110057

Export Organization: Institutions involved in export Promotion

Indian Institute of Foreign Trade (IIFT)

- The Indian Institute of Foreign Trade (IIFT) was set up in 1963 by the Government of India as an autonomous organization to help Indian exporters in foreign trade management and increase exports by developing human resources, generating, analyzing and disseminating data and conducting research.

Address: B-21 Kutub Institutional Area, Mehrauli Road, New Delhi-110016

Indian Institution of Packaging (IIP)

- The Indian Institute of Packaging or IIP in short was established in 1966 under the Societies Registration Act (1860).
- Headquartered in Mumbai, IIP also has testing and development laboratories at Calcutta, New Delhi and Chennai.
- The Institute is closely linked with international organizations and is recognized by the UNIDO (United Nations Industrial Development Organization) and the ITC (International Trading Centre) for consultancy and training.
- The IIP is a member of the Asian Packaging Federation (APF), the Institute of Packaging Professionals (IOPP) USA, the Institute of Packaging (IOP) UK, Technical Association of PULP AND Paper Industry (TAPPI), USA and the World Packaging Organization (WPO).

Address: B-2, MIDC Area, P.B. 9432, Andheri (E), Mumbai 400096.

Export Organization: Institutions involved in export Promotion

Export Inspection Council (EIC)

- The Export Inspection Council or EIC in short, was set up by the Government of India under Section 3 of the Export (Quality Control and Inspection) Act, 1963 in order to ensure sound development of export trade of India through Quality Control and Inspection.

Address: 3rd Floor, ND YMCA, Cultural Centre Bldg., 1, Jai Singh Road, New Delhi-110001.

Indian Council of Arbitration (ICA)

- The Indian Council for Arbitration (ICA) was established on April 15, 1965. ICA provides arbitration facilities for all types of Indian and international commercial disputes through its international panel of arbitrators with eminent and experienced persons from different lines of trade and professions.

Address: Federation House, Tansen Marg, New Delhi-110001

Export Organization: Institutions involved in export Promotion

India Trade Promotion Organization (ITPO)

- ITPO is a government organization for promoting the country's external trade.
- Its promotional tools include organizing of fairs and exhibitions in India and abroad, Buyer-Seller Meets, Contact Promotion Programmes, Product Promotion Programmes, Promotion through Overseas Department Stores, Market Surveys and Information Dissemination.

Address: Pragati Bhawan Pragati Maidan, New Delhi-10001

Chamber of Commerce & Industry (CII)

- CII play an active role in issuing certificate of origin and taking up specific cases of exporters to the Govt.
- Federation of Indian Chamber of Commerce & Industry (FICCI)
- Federation of Indian Chambers of Commerce and Industry or FICCI is an association of business organizations in India.
- FICCI acts as the proactive business solution provider through research, interactions at the highest political level and global networking.

Address: Federation House, Tansen Marg, New Delhi-110001

Export Organization: Institutions involved in export Promotion

Bureau of Indian Standards (BIS)

- The Bureau of Indian Standards (BIS), the National Standards Body of India, is a statutory body set up under the Bureau of Indian Standards Act, 1986.
- BIS is engaged in standard formulation, certification marking and laboratory testing.

Address: 9, Manak Bhavan, Bahadur Shah Zafar Marg, New Delhi-110002

Textile Committee

- Textile Committee carries pre-shipment inspection of textiles and market research for textile yarns, textile machines etc.

Address: Textile Centre, second Floor, 34 PD, Mello Road, Wadi Bandar, Bombay-400009

Marine Products Export Development Authority (MPEDA)

- The Marine Products Export Development Authority (MPEDA) was constituted in 1972 under the Marine Products Export Development Authority Act 1972 and plays an active role in the development of marine products meant for export with special reference to processing, packaging, storage and marketing etc.

Address: P.B No.4272 MPEDA House, Pannampilly Avenue, Parampily Nagar, Cochin-682036

Export Organization: Institutions involved in export Promotion

India Investment Centre (IIC)

- Indian Investment Center (IIC) was set up in 1960 as an independent organization, which is under the Ministry of Finance, Government of India. The main objective behind the setting up of IIC was to encourage foreign private investment in the country. IIC also assist Indian Businessmen for setting up of Industrial or other Joint ventures abroad.

Address: Jeevan Vihar, 4th Floor, Parliament Street, New Delhi-110001

Directorate General of Foreign Trade (DGFT)

- DGFT or Directorate General of Foreign Trade is a government organisation in India responsible for the formulation of guidelines and principles for importers and exporters of country.

Address: Udyog Bhawan, H-Wing, Gate No.2, Maulana Azad Road, New Delhi -110011

Export Organization: Institutions involved in export Promotion

Director General of Commercial Intelligence Statistics (DGCIS)

- DGCIS is the Primary agency for the collection, compilation and the publication of the foreign inland and ancillary trade statistics and dissemination of various types of commercial in formations.

Address: I, Council House Street Calcutta-700001,

Export Organization: Institutions involved in export Promotion

Commercial Banks

- In 1947, at the time of independence India inherited a weak banking structure with only 640 banks, most of which were small.
- The passing of the Bombay Regulation Act in 1949 was a landmark in the history of commercial banking in India. The Act brought with the system of licensing of banks.
- The RBI was nationalized from 1st January 1949, after this the Imperial Bank of India was nationalized and its name changed to state Bank of India in July 1955.
- The Credit Policy has changed significantly over the period 1951-1982. The entire period may be categorized into two phases (a) pre nationalization of banks period 1951-1968 and (b) post nationalization period after 1969.

Reserve Bank of India

- The objective of RBI is to operate the credit and currency system of India and to ensure monetary stability.
- The functions of RBI being multifaceted include financial regulation and its supervision, banker to the Govt. (Central, State) and banker to the bank's monetary management, Govt. debt management, currency management, current and capital A/c management, foreign exchanges reserves management, foreign exchange management.
- RBI Act was enacted in 1934. RBI frame the regulating policy in banking and non- banking 335 sectors for the purpose of maintaining the financial health of the country, to protect the interest of the depositors, to provide access on the banking system for the people. Banking Regulation Act 1949 empowered RBI to regulate the commercial banks in India.

Export Organization: Institutions involved in export Promotion

Export-Import Bank of India (EXIM Bank) was set up by an Act of the Parliament "THE EXPORT-IMPORT BANK OF INDIA ACT, 1981" for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade and for matters connected therewith or incidental thereto.

The Export Credit Guarantee Corporation of India Limited (ECGC in short) is a company wholly owned by the Government of India. It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce. Government of India had initially set up Export Risks Insurance Corporation (ERIC) in July 1957. It was transformed into Export Credit and Guarantee Corporation Limited (ECGC) in 1964 and to Export Credit Guarantee of India in 1983.

Customs role in foreign trade

- India, the Customs Act, 1962 is the primary law for levy and collection of customs duty on imports and exports of goods from India.
- Apart from earning revenue, customs duty also aims to restrict imports for conserving foreign exchange, prohibit imports and exports of goods for achieving the policy objectives of the Government and regulate exports.
- The Customs Tariff Act, 1975 prescribes the rates of Customs Duty on import and export of various goods.

Customs role in foreign trade

- For the protection of the domestic industry and facilitating trade, a strict import control regime was implemented with the provisions of Custom clearance.
- The Customs Act, 1962 contains provisions of confiscation in respect of export goods.
- The central government has been empowered to make rules in order to carry out the purposes of the Act.
- Several rules have been framed under this Act, such as Customs Valuation Rules, 1988 for valuation of imported goods for calculating custom duty payable, Customs and Central Excise Duties Drawback Rule, 1971 for calculating rates of duties as drawbacks on exports, etc.

UNIT– V
ASSESMENT OF PRODUCTS AND MARKETS

ASSESMENT OF PRODUCTS AND MARKETS

- Assessment of Prospects, Products and Markets
- Identification of new markets for Indian products
- African Market, potential to enter into the SOUTH AFRICA, GHANA, KENYA, NIGERIA, UGANDA, MAIRITIOUS and TAMZANIA
- Export potential of India, Latin America, an analysis of US commercial office on India for investing in selected sector
- Trade Blocks
- Regional Economic Cooperation.

Assessment of Prospects Products and Markets

- Market prospects are a company's potential future performance in a competitive marketplace.
- In other words, a company's market prospects are the company's forecasted ability to compete in a marketplace.
- Both internal and external analysts compare past company performance with current competition and expectations of future products to develop a company's market prospects.
- Market prospects can be good or bad and favorable or unfavorable.

Assessment of Prospects Products and Markets

Process to do a market analysis:

The objectives of the market analysis section of a business plan are to show to investors that:

- To know the target market for identified product
- The market is large enough to build a sustainable business

In order to do that I recommend the following plan:

- Demographics and Segmentation
- Target Market
- Market Need
- Competition
- Barriers to Entry
- Regulation

1. Commit

- It is of foremost importance to clearly identify who you will be selling to.
- This may sound simple, but there is often an overly optimistic need to capture a larger share of a new market.
- A smaller market will make it easier to assess customer requirements and ensure that a larger chunk of a smaller market is obtained rather than an insignificant part of a large share.
- It is also imperative to set a clear timeframe within which the desired target share is to be achieved and results of the move are to be assessed.

2. Identify Entry Points

- Once a clear market is identified, it is necessary to identify potential points of entry.
- To minimize initial investment and maximize future revenues it becomes vital to study key possible entrance points, weigh pros and cons of each and then make an informed decision. The final choice should also ideally allow for future growth possibilities, both inside the new market as well as into adjoining ones.
- Any entrance point chosen should be assessed against a set of criteria, such as, does it allow access to an underserved market? Is there a strong need that can be fulfilled? Are the key decision makers among the target audience accessible and do they have the funding needed to find the new solution attractive? Are there any existing competitors and is the new solution strong enough to counter their resources and knowledge of the market?

3. Define Market Entry Strategy

- All the activity thus far leads right into the roadmap for future steps – the strategy for entry into the market. The first step is to price your product. It needs to strike a balance between affordability for the target audience and feasibility for the business. It also needs to take into consideration existing pricing strategies and how to place the new product within them. Once the price points are defined, the new product or solution can now be positioned accordingly.
- How do you want to be perceived by the customer? With this target perception in hand, the communication strategy comes into play, where the target audiences as well as the methods to be used to reach them are identified and consolidated.

4. Assemble Plan

- Any strategy needs to be followed up with a detailed action plan. This turns a high level plan into an on-ground implementation solution. This should include details of all required marketing plans and campaigns as well as timelines for all these to be set into motion.
- Clearly defined milestones such as sales targets, market share etc need to be decided upon with all the key stakeholders.
- All campaigns and targets need to be communicated to the relevant personnel and clear ownership needs to be assigned for each of these processes to ensure transparency in evaluations.
- Processes also need to be defined and communicated for all activities such as what will be the sales cycle followed and how will leads be pursued and closed.

Identification of new markets for Indian products

5. Research

- A well planned approach following the steps above should ensure that your risk is minimized.
- But to further strengthen and support the plan, some basic research can be carried out on a focus group.
- Identifying a well-balanced cross section of the target audience and approaching them either in person or via an online survey can help provide some basic results that can provide data to make any changes before a full market entry is committed to.

Identification of new markets for Indian products

6. Test

- Another risk mitigation strategy is to run a pilot project in the target market.
- This test needs to be carefully defined so as to ensure that it is big enough to give an accurate depiction of a large scale roll out effort but not so big as to suck in additional resources and commitment.
- By reaching a few key milestones in the pilot study, any remaining issues can be ironed out before full deployment.

7. Ramping Up

- You are now ready for a full scale roll out. Armed with a concrete strategy, a detailed plan of action and results of research and pilot phases, it is now time to grow and try to achieve more market share.
- The goal should be to target increased market share and not just increased revenues.
- A focus on market share will mean increasing both marketing and sales efforts simultaneously.
- As you sell more, the easier it will to sell because there will be more visibility of your brand in the market and general buzz about the new player.

8. Exit Strategy

- The last but extremely important step of this process is to plan for both success and failure.
- What will you do if you achieve phenomenal success? You could commit for the long term or sell while you're ahead and move on to new markets.
- Or if you fail to achieve the milestones set in the specified time, will you try to learn and continue or cut out before further resources and time are wasted.
- In any case, a timely move can only be made if a plan is already in place.

TIPS FOR ENTERING NEW MARKETS

- Choosing the right country or region; if your growth efforts are towards a new country or region, identify where the demand is strong and the supply weak.
- Then pick one country and focus a strong strategy.
- If you plan to target a region, make sure it is one with a similar culture or languages.
- Check cost of doing business; is your new target market mired in unnecessary or exceptionally high taxes? Are there import duties that you need to consider? Are there any hidden costs that may emerge later on? All these need to be factored into the plan for entry and whether you will be able to have a competitive pricing strategy.

TIPS FOR ENTERING NEW MARKETS

- Know the people; before stepping into a new market, try to get into the minds of the people you'll be selling to.
- What are their tastes?
- What do they like to buy?
- How much are they willing to pay for products and services?
- How do they like to shop?
- Know the competition; who is successful and who is just there?
- Try your best to learn from success as well as failure so you don't repeat mistakes.
- If there are too many players already, would it be best to partner up?

TIPS FOR ENTERING NEW MARKETS

- Choose the right partner; if you do decide on a business model that supports partnering up, make sure that they have the same way of work as you do.
- Are they to be trusted? Can you rely on them to do business as you would and ensure that your products/services are marketed and provided as they should?
- Understand the Challenges; Make sure that you approach a new market with the appropriate respect.
- Don’t assume that the target audience and the environment will behave as you are used to.
- Instead, approach each issue as an unpredictable entity and keep an open mind towards solutions

TIPS FOR ENTERING NEW MARKETS

- Know the law; Try your best to work with local experts in understanding the laws that govern business in your new market.
- From personnel laws to taxes and custom duties, there are many different factors to know and learn
- Begin with the right attitude; Begin as you mean to continue with the business.
- Set up collaborative practices, ensure transparent business and be open to changes in your plans.
- Breaking into a foreign market – especially one with strict rules and regulations – can be a very daunting task.
- Often, business owners have the ambition to go international… they're just not quite sure where to start.

Eight strategies to establish a foothold in a new country

1 – Franchising your brand

- Kicking off the list at 1 is franchising. In case you're not familiar with franchising, it works like this:
- You create a successful brand (e.g. a restaurant)
- You allow business owners to open their own branches of your restaurant, aka franchises
- The franchisees pay you a certain fee and sometimes a cut of the profits per year, then they keep the rest
- The good thing about franchising is that it's one of the easier ways to break into new markets.
- The bad thing about franchising is that there is almost always a compromise.

Eight strategies to establish a foothold in a new country

1 – Franchising your brand

- All you have to do is take your existing, successful business model, find a franchisee in your target market, build out the franchise, and open your doors.
- You can scout locations as much as you like, but if you don't have firm brand recognition in the country you're trying to break into, you'll be just another business on the side of the street.
- That's not the end of the world – many individual business are still popular – but it's important to realize that franchising can only be used for certain businesses, and it has a sizeable amount of risk behind it as you're putting your brand in someone's hands!

2 – Direct Exporting

- Direct exporting is the most common of the eight strategies on this list.
- It's pretty simple – you sell directly to the market that you're trying to break into.
- For example, if you want to sell to Japan, you get your product into the appropriate Japanese stores and see how it does.
- Your friends in direct exporting are your agents and distributors.
- These people are the branch between you and the stores.

Eight strategies to establish a foothold in a new country

2 – Direct Exporting

- Trying to get a foothold with a major Japanese store as a foreigner is a lost cause, but with a reliable agent/distributor (and translation services company) on your side, it's not! In fact, it's easy… your agent/distributor have most of the contacts you need to succeed.
- Of course, you'll have to work out shipping logistics and everything else of that nature – but on the surface, direct exporting is very similar to selling products in your domestic market.

3 – Partnering up

- Partnering is a relatively vague term. It can be anything, really – you can get a partner in a foreign country to simply help with marketing (and receive a cut of profits), or, you can get a partner in a foreign country who is just as invested in all facets of your business as you are.
- We're big fans of partnering. Of course, you have to vet your potential partners thoroughly and make sure that you're doing business with someone who will actually help you – not slow you down. But if you can get a good partner, you'll be able to get a grip on your new market much more easily – he or she will know everything that you don't about the new market.

Eight strategies to establish a foothold in a new country

3 – Partnering up

- (In some areas of the world, a partnership is a borderline necessity. For example, in many Asian countries, you simply will not be able to break ground if you're a foreigner – you need a partner in each particular country to help you get by regulations and such.)

4 – Joint Ventures

- A JV (joint venture) is a partnership between two companies or people. They link up and become invested in some sort of business project – the investment is almost always an equal 50/50, and profits are split accordingly.
- Usually, the two companies stay separate from each other, but work together on one particular venture to try and succeed.

5 – Just buying a company

- Buying a company in a foreign land is by far the easiest way to enter a new market.
- You immediately claim market share.
- You have an existing customer base and brand image
- Even if the government has regulations on the industry for newcomers, you can bypass them with relative ease (and these rules and regulations will actually help you by keeping competition low).
- Governments will still treat you as a local firm in most cases in regards to licensing.

5 – Just buying a company

- Of course, there are downsides.
- You're no longer one company, and your foreign operations in that particular market will be somewhat separate from the rest of your brand's image
- It's very expensive, especially if the business you want to buy is thriving
- Due diligence on a foreign company – especially one in a more obscure country – is much harder than on a domestic company

6 – Turnkey solutions or products

- Do you build something? Maybe your business is in construction or engineering. If you do, it’s worth trying to find turnkey projects in foreign countries to bid on.
- “Turnkey” is a pretty apt name – a “turnkey product” is where you build something from the ground up, and whoever you turn the product over to just has to “turn the key” before he or she is ready to go.
- These are some of the best contracts to get because they almost always come from governments.
- On the flip side, everyone knows that these are some of the best contracts to get, and you’ll often be competing with other foreign and domestic firms for the contract.

7 – Piggyback

- In order to piggyback, you need to already be selling product to other domestic companies.
- If those domestic companies have international presences, all you have to do is give them a ring and ask the following:
- “Hi, can you take my products to your international agencies too?”
- Of course, phrase it a bit better than that – but you get the point. You’re jumping on the back of your existing business relationship and trying to make it into international markets that way.

8 – Licensing

- Licensing is somewhat similar to piggybacking, except instead of talking to domestic firms and asking them to carry the product, you talk to foreign firms and ask them to temporarily own the product.
- So for example, if you have a great widget that you feel fits in perfectly with a company's inventory in your new market, all you'd have to do is contact that company and ask.
- We consider licensing to be one of the easiest ways to get started, but it's not necessarily an "easy process" overall. You first have to convince the firm that your product is right for them.

8 – Licensing

- Then, you need to convince them that it will sell.
- Then, you need to deal with governments and lawyers to iron out all of the legal aspects of the “sale” of the license.
- You don’t lose control of your product – it’s not the same as selling the rights to your product.
- You’re merely licensing the rights to your product to a foreign company for a limited amount of time.

African Market

- African market places are primarily used for one to do their marketing and trading.
- The market place is the exact location where buyers and sellers meet. People visit the market for many reasons other than to buy and sell goods.
- They provide a place to buy needs and sell produce, meet a significant other, settle a legal dispute, catch the latest news, or for religious activities.

The principle

The market principle is the way that many buyers and sellers work together, bargaining, until an agreement is reached on the price. Supply and demand may create instability on any given item. At least one member of any basic group must sell a portion of the production (produce of work or land) in order for his family to be cared for.

Marketing and Trading

- Marketing occurs when a producer takes some of his product to market to exchange for other goods.
- When an entrepreneur purchases and item with the intent of selling it in another market or in the same market at a later time, it is called trading.
- Most transactions in African markets involve plenty of "haggling."
- To haggle means "to dispute, especially about a price or the terms of a bargain."

African Market

Goods sold

- Items at market vary upon location. Because the African economy is mainly agriculture, that is what is usually sold.
- Many items pass through these markets such as: local produce, craft products, livestock, cloth - everything that is needed to live and provide society with.
- Produce and products are sold at a rate of supply and demand. What is found in one market place would not necessarily be found in another.
- The people of North Africa are skilled in pottery-making and carpet-weaving, so on roadsides they display what they have made for passersby to purchase.
- In Tangier locally produced oranges, and other fruits and vegetables, are for sale. Melons, peppers, and other exotic fruits and vegetables are sold at an outdoor market in Senegalese.

Measures and Weights

- Weights and measures are more or less nonexistent, but in the last few decades - quart beer bottles, standard-size cigarette tin and four gallon kerosene tin, and an empty 30-30 shell casing have all been used as measures.
- There are also some nonstandard units of measurement.

Money

- In our society, money is used to pay fines and taxes.
- We also use it as a method to compare and contrast goods of different kinds, to facilitate exchange, and to store wealth.
- Our money is used for general purposes, and is considered "general purpose money." An example of general purpose money in some places in Africa is cowrie shells. Most African money is "special purpose money." An example is the metal "hoes" of the coast of Guinea and Liberia that were used mainly for bride wealth.

African Market

Maintenance

- In many traditional market places, a shrine can be found which indicates that the market place was consecrated- a religious act.
- The purpose of the shrine is to maintain the peace in the market place.
- All markets are policed by someone. These places in Africa are almost as important politically as socially.
- Special deputies (or policemen of the local government, special appointees, kinsmen of a chief, or special groups designated by the elders to carry out the task) maintain the market place and keep the peace.
- Committees of elders took this on as a civic duty to maintain the market place to keep their part of the world on the map. In some parts of Africa, the market administrators use quality control. Unsatisfactory goods, such as rotten meat, cannot be sold. Some authorities are paid a salary by the local government.

African Market

Atmosphere and Status

- Market places are a great source of entertainment, especially in West Africa and Congo.
- Each market has its own type of fair or carnival atmosphere. Many parties occur in these settings: work parties, wedding parties, christening parties, and spur-of-the-moment parties.
- They all come to dance and sing and announce good news to a large crowd.
- Prices of items sold at market vary according to the status of the individual.
- The richer the customer is, the more he is expected to pay - he would be embarrassed to do otherwise.
- Prices in other areas have been strictly under the control of the king's bureaucracy or of guilds of producers.

Potential to enter into the SOUTH AFRICA

- Since the end of apartheid foreign trade in South Africa has increased, following the lifting of several sanctions and boycotts which were imposed as a means of ending apartheid.
- South Africa is the second largest producer of gold and is the world's largest producer of chrome, manganese, platinum, vanadium and vermiculite, the second largest producer of limonite, palladium, rutile and zirconium.
- It is also the world's third largest coal exporter. Although, mining only accounts for 3% of the GDP, down from around 14% in the 1980s. South Africa also has a large agricultural sector and is a net exporter of farming products.
- Principal international trading partners of South Africa—besides other African countries—include Germany, the United States, China, Japan, the United Kingdom and Spain.

Potential to enter into the SOUTH AFRICA

- Chief exports include corn, diamonds, fruits, gold, metals and minerals, sugar, and wool.
- Machinery and transportation equipment make up more than one-third of the value of the country’s imports.
- Other imports include chemicals, manufactured goods, and lots more, mainly found in other hot country mainly Spanish countries. Principal international trading partners of South Africa—besides other African countries—include Germany, the United States, China, Japan, the United Kingdom and Spain.
- During apartheid, South Africa's foreign trade and investment were affected by sanctions and boycotts by other countries ideologically opposed to apartheid.

Potential to enter into the SOUTH AFRICA

- In 1970, the United Nations Security Council, adopted resolution 282 imposing a voluntary arms embargo upon South Africa, and which was extended by subsequent resolutions 418 and 591, declaring the embargo mandatory.
- In 1978, South Africa was prohibited loans from the Export-Import Bank of the United States which was later followed by a prohibition on IMF loans in 1983.
- An oil embargo was imposed by OPEC in 1983 which was strengthened by Iran in 1979.

Potential to enter into the GHANA

- The economy of Ghana has a diverse and rich resource base, including the manufacturing and exportation of digital technology goods, automotive and ship construction and exportation, and the exportation of diverse and rich resources such as hydrocarbons and industrial minerals.
- These have given Ghana one of the highest GDP per capita in West Africa. Owing to a GDP re basement, in 2011 Ghana became the fastest-growing economy in the world.
- The Ghanaian domestic economy in 2012 revolved around services, which accounted for 50% of GDP and employed 28% of the work force. Besides the industrialization associated with minerals and oil, industrial development in Ghana remains basic, often associated with plastics (such as for chairs, plastic bags, razors and pens). 53.6% of Ghana's workforce were employed in agriculture in 2013.

Potential to enter into the GHANA

- Ghana embarked on a currency re-denomination exercise, from Cedi (₵) to the new currency, the Ghana Cedi (GH₵) in July 2007. The transfer rate is 1 Ghana Cedi for every 10,000 Cedis.
- Ghana is Africa's second-biggest gold producer (after South Africa) and second-largest cocoa producer.
- It is also rich in diamonds, manganese ore, bauxite, and oil. Most of its debt was canceled in 2005, but government spending was later allowed to balloon.
- Coupled with a plunge in oil prices, this led to an economic crisis that forced the government to negotiate a $920 million extended credit facility from the IMF in April 2015.

Potential to enter into the KENYA

- The economy of Kenya is a market-based economy with a liberalized external trade system and a few state enterprises. Major industries include agriculture, forestry, fishing, mining, manufacturing, energy, tourism and financial services.
- As of 2019, Kenya had an estimated GDP of $99.246 billion and per capita GDP of $2,010 making it the 62nd largest economy in the world.
- The government of Kenya is generally investment-friendly and has enacted several regulatory reforms to simplify both foreign and local investment, including the creation of an export processing zone.
- An increasingly significant portion of Kenya's foreign financial inflows are remittances by non-resident Kenyans who work in the US, Middle East, Europe and Asia.

Potential to enter into the KENYA

- As of September 2018, economic prospects were positive with above 6% GDP growth expected, largely because of expansions in the telecommunications, transport and construction sectors, and a recovery in agriculture.
- These improvements are supported by a large pool of highly educated professional workers.
- There is a high level of IT literacy and innovation, especially among young Kenyans.
- In 2018, Kenya ranked 61st in the World Bank ease of doing business rating, up from 80th in 2017 (of 190 countries).
- Compared to its neighbors, Kenya has a well-developed social and physical infrastructure.

Potential to enter into the NIGERIA

- The economy of Nigeria is a middle-income, mixed economy and emerging market, with expanding manufacturing, financial, service, communications, technology and entertainment sectors.
- It is ranked as the 27th-largest economy in the world in terms of nominal GDP, and the 22nd-largest in terms of purchasing power parity.
- Nigeria has the largest economy in Africa; its re-emergent manufacturing sector became the largest on the continent in 2013, and it produces a large proportion of goods and services for the West African subcontinent.
- In addition, the debt-to-GDP ratio is 16.075 percent as of 2019.

Potential to enter into the NIGERIA

- Nigerian GDP at purchasing power parity (PPP) has almost tripled from $170 billion in 2000 to $451 billion in 2012, although estimates of the size of the informal sector (which is not included in official figures) put the actual numbers closer to $630 billion.
- Correspondingly, the GDP per capita doubled from $1400 per person in 2000 to an estimated $2,800 per person in 2012 (again, with the inclusion of the informal sector, it is estimated that GDP per capita hovers around $3,900 per person).
- Population increased from 120 million in 2000 to 160 million in 2010.
- These figures were to be revised upwards by as much as 80% when metrics were to be recalculated subsequent to the rebasing of its economy in April 2014.

Potential to enter into the NIGERIA

- Although oil revenues contribute 2/3 of state revenues, oil only contributes about 9% to the GDP. Nigeria produces only about 2.7% of the world's oil supply (in comparison, Saudi Arabia produces 12.9%, Russia produces 12.7% and the United States produces 8.6%).
- Although the petroleum sector is important, as government revenues still heavily rely on this sector, it remains a small part of the country's overall economy.
- The largely subsistence agricultural sector has not kept up with rapid population growth, and Nigeria, once a large net exporter of food, now imports some of its food products, though mechanization has led to a resurgence in manufacturing and exporting of food products, and the move towards food sufficiency.

Potential to enter into the NIGERIA

- In 2006, Nigeria came to an agreement with the Paris Club to buy back the bulk of its debts owed from them for a cash payment of roughly US$12 billion.
- According to a Citigroup report published in February 2011, Nigeria will have the highest average GDP growth in the world between 2010 and 2050.
- Nigeria is one of two countries from Africa among 11 Global Growth Generators countries.

Potential to enter into the UGANDA

- The economy of Uganda has great potential and appeared poised for rapid economic growth and development.
- Uganda is endowed with significant natural resources, including ample fertile land, regular rainfall, and mineral deposits.
- Chronic political instability and erratic economic management since the implementation of self-rule has produced a record of persistent economic decline that has left Uganda among the world's poorest and least-developed countries.
- The informal economy, which is predominantly female, is broadly defined as a group of vulnerable individuals without protections in regards to their work.

Potential to enter into the UGANDA

- Women face a plethora of barriers specific to gender when attempting to access the formal economy of Uganda, and research showing prejudice against lending to women in the informal sector.
- The national energy needs have historically been more than domestic energy generation, though large petroleum reserves have been found in the country's west.
- After the turmoil of the Amin period, the country began a program of economic recovery in 1981 that received considerable foreign assistance.

Potential to enter into the UGANDA

- From mid-1984 onward, overly expansionist fiscal and monetary policies and the renewed outbreak of civil strife led to a setback in economic performance.
- The economy has grown since the 1990s; real gross domestic product (GDP) grew at an average of 6.7% annually during the period 1990–2015, whereas real GDP per capita grew at 3.3% per annum during the same period.
- During this period, the Ugandan economy experienced economic transformation: the share of agriculture value added in GDP declined from 56% in 1990 to 24% in 2015; the share of industry grew from 11% to 20% (with manufacturing increasing at a slower pace, from 6% to 9% of GDP); and the share of services went from 32% to 55%.

Potential to enter into the MAURITIUS

- Mauritius has strong and friendly relations with the West, as well as with South Asian countries and the countries of southern and eastern Africa.
- It is a member of the World Trade Organization, the Commonwealth of Nations, La Francophone, the African Union, the Southern Africa Development Community, the Indian Ocean Commission, COMESA, and the recently formed Indian Ocean Rim Association.
- Her Majesty Elizabeth II was the head of state of Mauritius.
- Trade, commitment to democracy and the country's small size are driving forces behind Mauritian foreign policy.

Potential to enter into the MAURITIUS

- The country's political heritage and dependence on Western markets have led to close ties with the European Union and its member states, particularly the United Kingdom and France.
- Mauritius' only immediate neighbor is Reunion Island, an overseas department of France that is also part of the European Union.
- Considered part of Africa geographically, Mauritius has friendly relations with other African states in the region, particularly South Africa, by far its largest continental trading partner.
- Mauritian investors are gradually entering African markets, notably Madagascar and Mozambique.

Potential to enter into the MAURITIUS

- Mauritius coordinates much of its foreign policy with the Southern Africa Development Community and the Organization of African Unity.
- The country is also a member of the Port Management Association of Eastern and Southern Africa (PMAESA).
- Relations with France and India are strong for both historical and commercial reasons.
- Foreign embassies in Mauritius include Australia, South Korea the United Kingdom, People's Republic of China, Egypt, France, India, Madagascar, Pakistan, Russian Federation, Bangladesh and the United States.
- Mauritius is also a member of the International Criminal Court with a Bilateral Immunity Agreement of protection for the US-military (as covered under Article 98).

Potential to enter into the TAMZANIA

- Tanzania’s 51-million population consists of mostly young people aged between 0-14 years old and middle-aged people from 25-54 years old.
- This nation’s latest Gini Index recorded in 2007 was 37.6 with ‘0’ representing perfect income distribution and ‘100’ standing for total inequality.
- Tanzania’s lowest earning 10% share only 2.8% of the national income while the highest earning 10% enjoy almost 30% of it.
- 31.6% of Tanzania’s total population are living in urban areas, with the country having a 5.36% annual rate of urbanization. DAR ES SALAAM, Tanzania’s capital city, and Mwanza are

Potential to enter into the TAMZANIA

Products import into Tanzania

- Consumer goods
- Machinery and transportation equipment
- Industrial raw material
- Crude oil
- Tanzania’s favourite import partners (percentage of total imports)
- China (27.6%)
- India (24.5%)

Potential to enter into the TAMZANIA

Tanzania's top shipping ports

- All sea trades are monitored through Tanzania's seaports and lake ports, which are managed and operated by the Tanzania Ports Authority located in Dar es, Salaam.
- Dar es Salaam also happens to be the country's principal port, accounting for 95% of the total sea trade, and with other main ports being the Tanga and Mtwara ports.
- Tanzania also has three small seaports, namely Kilwa, Lindi, and Mafia, and eleven lake ports distributed throughout Lake Victoria, Lake Tanganyika, and Lake Nyasa.

Potential to enter into the TAMZANIA

Tanzania's top cargo airports

- The Tanzania Airports Authority operates all airports except the Kilimanjaro International, which is owned by the Kilimanjaro Airport Development Company.
- The main airport of the country, however, is the Julius Nyerere International Airport, which handled a total of 21.2 million tons of cargo in 2014.

Tanzania's top import regulations

- Imports from these seaports and airports have certain rates of the tariff, as exacted upon by the East African Community Customs Union.
- Raw materials, capital goods, agricultural imports, and certain medicines and medical equipment are at 0%, intermediate goods, and other essential industrial imports are at 10%, and finished goods are at 25%.

Potential to enter into the TAMZANIA

Tanzania's top import regulations

- Certain commodities are considered as free-import goods, and these include (for over 16 year-olds) 200 cigarettes, 50 cigars, 250 grams of tobacco, 1 imperial pint of spirits, foreign currency, and any noncommercial amount of gifts and other items for personal use.
- On the other hand, local currency (the Tanzanian shilling) and products such as narcotics, pornography, and such other counterfeit items are prohibited.
- Other items that are allowed to be imported but have certain restrictions and requirements such as health certificates, permission from the embassy and bonds include live animals, plants, foodstuff, seeds, weaponry, ammunition, medication, video equipment, radios, tape recorders, and musical instruments.

Potential to enter into the TAMZANIA

Tanzania's top import regulations

- What are Tanzania's import tax, duties, and tariffs
- Import duties in Tanzania are calculated based on the CIF value which means the sum of the value of imported goods plus the cost of shipping and insurance. Added to duty, there is also Sales tax and Excise duty.
- Tanzania abides by the duty and tariff systems East African Community Common External Tariff.
- Customs duty is on an average rated at 25%. The standard VAT rate when importing to Tanzania is 18% of the CIF value, duty, and other taxes.
- Excise is charged on alcoholic beverages and tobacco.

Potential to enter into the TAMZANIA

Tanzania's top import regulations

- A steady growth in Tanzania's disposable income shows a trend towards citizens shifting towards purchasing beyond their basic necessities.
- This has enabled rapid growth in the retail sector with shopping malls sprouting rampantly in the urban areas.
- But while the country moves into the next phase of its economic revolution, open markets and corner shops are still a common feature.
- Today, Tanzania has the 9th largest economy in Sub-Saharan Africa.

Potential to enter into the TAMZANIA

Tanzania's top import regulations

- Based on market research, with the country's significantly reduced inflation rate during the previous years and its steadily increasing GDP, many different businesses from countries around the world are starting to recognize Tanzania's growing business potential.
- In this dynamic business environment, it's important to identify the correct distribution channels for a product to reach its target consumer apart from knowing other local nuances.
- Tanzania's business appeal also depends on its air transport system, political stability, free market economy, and strategic location.

Export potential of India

- Before independence, India used to export tea, jute, cloth, leather, iron and spices.
- Now India exports machines, engineering goods, chemicals, chemical products, readymade garments, gems, processed foods and handicrafts.
- The share of traditional exports like tea, jute and textiles in total exports was 55% in year 1950-51 and decreased to 12% in year 2003-04.
- The share of manufactured goods increased from 25% in 1951 to 7.6% in 2003-04.

Export potential of India

The chief exports of India are given below

The following are the main exports

Apparels and Cloth

- India exports cotton cloth and apparels. Cotton cloth worth Rs. 14475 crore were exported in 2004-05.
- Apparels worth Rs. 27810 crore were exported in 2004-05.
- Main buyers are Australia, Eastern Africa, Sri Lanka, Malaysia, Sudan etc.

Coffee

- India exports coffee to USA, Italy and Yugoslavia. Coffee worth Rs. 1009 crore was exported in 2004-05.

Export potential of India

Cashew Kernels

- India exports cashew kernels to Russia, USA and Japan. In 2004-05 Cashews worth Rs. 2350 crore were exported.

Computer and Software

- Computer and software are exported in countries like USA, Germany, Japan, Canada, Kuwait and Sri Lanka. In 2004-05, computer software with Rs. 57050 crore were exported.

Engineering goods

- India exports engineering goods to Sri Lanka, Saudi Arabia, Burma, Nigeria etc. Engineering goods worth Rs. 76650 crore were exported in 2004-05.

Export potential of India

Handicrafts

- Handicrafts made of cottage and small scale industries are exported to USA, Germany, Arab countries. Handicrafts worth Rs. 4205 Crore were exported in 2004-05.

Gems and Jewellery

- Gems are exported to countries like Hong Kong, U.S.A., Japan and Belgium. Gems worth Rs. 61711 crore were exported.

Jute Products

- Jute products are exported to U.S.A., Japan, Belgium, Russia, Britain and Canada. In 2004-05 Jute Products worth Rs. 980 crore were exported.

Export potential of India

Leather and Leather products

- India exports leather, shoes and leather products to their countries. The main buyers are U.K., USA, France, Germany and Russia.
- In 2004-05, leather worth Rs. 10440 crore were exported.

Metallic ores

- India exports ores like manganese, mica and iron to other countries.
- These ores are exported to USA and Japan.
- In 2004-05 iron ore worth Rs. 13950 crores and mica worth Rs. 65 crore and Manganese ore worth Rs. 45 crore were exported in 2004-05.

Export potential of India

Oil Cakes

- India exports oil cakes to Japan, Netherlands and Britain.
- Oil cakes worth Rs. 3125 crore were exported in 2004-05.

Tea

- India occupies first position in the export of Tea. Britain, U.S.A., Canada, Egypt, Iran & Japan etc. are main buyers.
- Tea worth Rs. 1795 crore was exported in 2004-05.

Tobacco

- India exports tobacco to U.K., Japan, Russia and Nepal.
- Tobacco worth Rs. 1245 crore was exported in 2004-05.

Spices

- Various spices like black pepper, Cardamon and chilies are exported. U.K., Germany, Italy, Japan and Russia are main customers.
- In 2004-05 spices worth Rs. 1796 crore were exported.

Trade Blocks

- A trade bloc is a type of intergovernmental agreement, often part of a regional intergovernmental organization, where barriers to trade (tariffs and others) are reduced or eliminated among the participating states.
- Trade blocs can be stand-alone agreements between several states (such as the North American Free Trade Agreement) or part of a regional organization (such as the European Union).
- Depending on the level of economic integration, trade blocs can be classified as preferential trading areas, free-trade areas, customs unions, common markets, or economic and monetary unions.

Trade Blocks

Use

- Historic trading blocs include the Hanseatic League, a Northern European economic alliance between the 12th and 17th centuries, and the German Customs Union, formed on the basis of the German Confederation and subsequently the German Empire from 1871.
- Surges of trade bloc formation occurred in the 1960s and 1970s, as well as in the 1990s after the collapse of Communism. By 1997, more than 50% of all world commerce was conducted within regional trade blocs.
- Economist Jeffrey J. Schott of the Peterson Institute for International Economics notes that members of successful trade blocs usually share four common traits: similar levels of per capita GNP, geographic proximity, similar or compatible trading regimes, and political commitment to regional organization.

Trade Blocks

Use

- Many advocates of global free trade are opposed to trading blocs.
- Trade blocs are seen by them to encourage regional free trade at the expense of global free trade.
- Those who advocate for it claim that global free trade is in the interest of every country, as it would create more opportunities to turn local resources into goods and services that are both currently in demand and will be in demand in the future by consumers.
- However, scholars and economists continue to debate whether regional trade blocs fragment the global economy or encourage the extension of the existing global multilateral trading system.

Terminology

- A common market is seen as a stage of economic integration towards an economic union or possibly towards the goal of a unified market.
- A single market is a type of trade bloc in which most trade barriers (for goods) have been removed

Advantages

- **Competition**: Trade blocs force the manufacturers in participating countries to compete with each other. Increased competition creates pressures for greater efficiency within firms, which results in lower prices for consumers. Home producers have to work with greater efficiency to ensure survival of their goods against the low price imported goods since tariffs are removed. Overseas producers tend to increase their production of goods as they realize that the low price goods that they produce have a better chance of competing with home-produced goods in the market.

Trade Blocks

Advantages

- **Economies of scale**: The larger markets created by trade blocs permit companies to take advantage of economies of scale. Since the average cost of each good produced tends to fall as production increases, this results in lower prices for consumers.
- **Improved Market Efficiency**: Increased competition and the removal of tariffs, which may act as a price floor, drive down prices and allow for increased consumption. This reduces deadweight loss and hence improves market efficiency.
- **Increased foreign direct investment**: An increase in foreign direct investment may result from the creation of trade blocs. This can benefit the economies of participating nations by creating jobs in new or expanded businesses.

Trade Blocks

Advantages

- **Trade Effects:** Trade blocs eliminate tariffs, which drives down the cost of imports. As a result, consumers can save money by buying imported goods when cheaper than locally produced ones—they can then spend those savings on other goods. Reducing the cost of imports also reduces the cost of locally produced goods that use imported parts or components.

Disadvantages

- **Concessions**: No country wants to let foreign firms gain domestic market share at the expense of local companies without getting something in return. Any country that wants to join a trading bloc must be prepared to make concessions.

Trade Blocks

Disadvantages

- **Interdependence:** Because trading blocs increase trade among participating countries, those countries become increasingly dependent on each other. A disruption of trade within a trading bloc as a result of a natural disaster, conflict or revolution may have severe consequences for the economies of all participating countries.
- **Loss of Sovereignty:** A trading bloc, particularly when it is coupled with a political goal, is likely to lead to at least partial loss of sovereignty for its participants. For example, the European Union, started as a trading bloc in 1957 by the Treaty of Rome, has transformed itself into a far-reaching political organization that deals not only with trade matters, but also with human rights, consumer protection, greenhouse gas emissions and other issues which are only marginally related.

Trade Blocks

Disadvantages

- **Regionalism vs. Multinationals:** Trading blocs inherently favor their participating countries. For example, among NAFTA partners, the United States, Canada and Mexico, trade has risen to more than 80 percent of Mexican and Canadian trade and more than a third of U.S. trade, according to a 2009 report by the Council on Foreign Relations. However, regional economies establish tariffs and quotas that protect intra-regional trade from outside forces, according to the University of California Atlas of Global Inequality. Rather than pursuing a global trading regime within the World Trade Organization, which includes the majority of the world's countries, regional trade bloc countries contribute to regionalism rather than global integration.

Regional Economic Cooperation

- The term Regional economic cooperation is an evolutionary process consisting of several stages.
- India is a significant discourse partner of the ASEAN-10. The projections for a new two-way wave of investment cooperation between the SAARC and the ASEAN would certainly improve in future, with the expansion of ASEAN-6 to ASEAN-9 by the inclusion of Lao PDR, Myanmar, Vietnam and Cambodia.
- India has past relationship with countries in the Greater Mekong Sub-region. This requires that SAARC countries achieve speedy economic growth, with greater orientation towards external trade and foreign direct investment.
- Hence, the prerequisite for developing successful inter-regional economic linkages between the SAARC and other regions would be predicted on the success of regional economic cooperation within the SAARC itself.

Regional Economic Cooperation

- Regional Economic Cooperation among developing countries is generally considered as to make an important contribution toward their economic development.
- The rationale for Regional Economic Cooperation is based on numerous factors.
- First, it enables the participating countries to overcome small size of their domestic market which is particularly important for small economies that faced with the problem of achieving threshold in many economic and technological activities.
- Regional Economic Cooperation help the member countries in achieving larger economies of scale in production and attain specialization.

Regional Economic Cooperation

- Second, Regional Economic Cooperation enables participating countries to make much fuller use of underutilized economic potential in terms of human, natural and technological resources. Regional Economic Cooperation provides scope for participating countries to expand existing industrial activities and also to start new ones.
- This helps in industrial diversification and in reducing economic dependence.
- Third, Regional Economic Cooperation enables participating countries to exploit the potential of complementarities and also to establish strategic alliance between enterprises with a view to improve their competitiveness in global market.

Regional Economic Cooperation

- Fourth, Regional Economic Cooperation produces spillover effects in other areas in terms of increased level of cooperation among service enterprises, academic and research institutes, professional and technical experts and the common people.
- In this way, Regional Economic Cooperation gives cooperation for in areas such as art, culture, sports and education which enhance quality of human life in participating counties. .
- Finally, Regional Economic Cooperation increase trade.
- Regional cooperation is now reflected the way to augment economic development and providing economic security within the regions.
- Trade among ASEAN members accounted for more than 23% of all trade by member nations in 1994, topping that of any of the group's major trading associates.

Regional Economic Cooperation

- Regional cooperation provides a competitive model to invite investment and technology.
- Such growth areas will have to be flexible to change where necessary, innovative, and always attentive to the needs of the investors and the businessmen.
- They also have to be aware that they are competing with much larger countries such as China and India, whose capacities for attracting investors are much greater than their own" (Kruger 1996, 17).
- Asian capital markets are now observing the global economy, and big companies recognize their need to be involved in this fastest growing region in the world.

Regional Economic Cooperation

Guidelines for promoting Regional Economic Cooperation

- Cooperation should be based on equality, equity and mutual benefit taking fully into account the economic social disparity as well as the differences in the level of development among countries in the region.
- Cooperation should involve commitment towards the common goals on the part of all participating countries with equal respect for each other.
- Cooperation should be based on consultation, deliberation, and consensus on all economic and other related issues.
- Cooperation should complement and build upon existing bilateral and other kind of arrangements among member countries.
- Cooperation should be based on modalities of economic openness and interdependence and should be consistent with principles of multilateral trading system established by GATT.