10 International Trade

What will you learn in this chapter

10.1 Concept of International Trade
10.2 Importance
10.3 Incentives for Export Trade
10.4 Import Procedure
10.5 Export Procedure
10.6 Role of GATT & WTO (World Trade Organisation)
10.7 Problems of International Trade

Introduction

Natural resources have been distributed unequally among the different countries of the world. As a result of this, people have to depend upon the other countries to fulfil their needs. If it is not possible to produce an item in a paritcular country or the production of that item is lesser than, its requirement and at the same time the other country has an adequate amount of that item, then such items can be bought from that country through international trade. In additional to this, if some items can be manufactured in a country with less equipments, less labour and less expenses and with better quality then such items can be sent to other conutries then utilisation of the natural resources of world can be done in the best way. If the developed countries have industries and under developed countries have raw materials then, the trade between such countries become necessary. We can not imagine the world without international trade. International trade is an ancient system.

10 1 Concept of International Trade

When the people or institutions of a country do trading with the people or institutions of another country, such trading activity is called International Trade or Foreign Trade.

According to Thomas "Exchange of the products of one country with the another country means Foreign Trade".

10 2 Importance

(1) Benefits of Division of Labour and Specialization : As the natural resources of different countries have been distributed unequally, all demanding items cannot be produced in only one country. In a country where the production of a particular item is suitable, such can be manufactured easily and with low cost and can be exported to another country. In the same way some demanding items can be imported from foreign country. Due to International trade, both the importing country as well as the exporting country get benefit of division of labour and specialization.

(2) Development of Under Developed Countries : A under developed country can import things like foreign technology, modern administrative knowledge, researches and foreign capital. Less developed countries can make development possible by entering into the contract of co operation in industries and business with other countries.

(3) Maximum Utilization of the Resources : Maximum utilization of the resources of different countries is made possible due to international trade. Every country import the technology, machines and human labours as per its requirements and utilizes its resources maximum. People living in different countries use the natural resources of their country by means of their skills and increase the production. Such surplus production is exported.

(4) Development of Auxiliary Services : The auxiliary services have developed commerce related services such as bank, insurance, warehouse, communication, agency etc. Due to import and export in international trade.

(5) To Maintain Price Stability : Easily available items of a country can be exported and to over come price fall and highly demanding items can be imported to control the price hike, and this way the price level can be stable by means of international trade.

(6) High Standard of Living: Competition can be seen among different countries in international trade. Just to stand in competition each producer tries to lower the price and higher the quality of its product. The standard of living of people can be improved when they get good quality at low price.

(7) Exchange of Culture, Fashion and Knowledge : Different countries come into contact with one another by means of international trade and can get information about one another and understand one another's culture. So that, international co-operation and harmony can be maintained over a period of time. Thus culture, fashion and knowledge are exchanged among different countries.

(8) Helpful in Calamities : International trade gains more importance whenever there is disruption in supply of goods due to manmade or natural calamities such as drought, earthquake, epidemic, cyclone etc. In country like India, agriculture mainly depends upon rain. Agriculture fails when there is inadequate rain. In such condition, grains can be imported and the natural calamity like drought can be overcome.

(9) World as a Market : Industrially developed and prosperous nations use superior technology and produce things on large scale. They are always trying to find out the potential market for surplus productions accross their borders. As a result of this international market is developed. This ways many countries of the world enter the international market. Hence the world becomes a market.

10 3 Incentives for Export Trade

A country has to import things to maintain the supply of inevitable items, for the security of the nation and the economical development. Imported products and services have to be paid in the form of foreign exchange. Export has to be made in order to gain foreign exchange and for the stability and security of economy. In this situtation, every country provide incentives for export trade. Any incentive provided to the exporters who export the products of high quality at cheaper rate and make it available their when it is demanded in their country and export them to the importers is called as incentives for export trade. Usually Government is responsible to provide export incentives. The Government performs as a media for providing incentives.

Different Media of Export Incentives

Trade Agreements	Financial and Economic Encourage-ment Reward	Collective and Systematic Economic Encourage-ment	Financial Facilities and Services	Non-Economic Facilities	Special Economic Zone	Export Processing Zone

(1) Trade Agreements : Export is encouraged by means of trade agreements. These trade agreements are made by the medium of the politicians who are politically favourable to each other. As per trade agreements one or more countries imports product or services or give it a priority.

(2) Financial and Economic Encouragement Reward : Export encouragement is provided by means of financial and economical encouragement.

This medium has been widely used for a long time.

As per this scheme -

(a) To give direct reward to the exporter at pre-determind rate.

(b) No collection or less collection of sales-tax and excise duty on exported products.

(c) To give full or partial exemption in the income-tax on export income.

(d) Encouragement is given by providing the raw material, other equipments and electricity at the lower rates to the products for export.

(3) Collective and Systematic Economic Encouragement : In this scheme, the pre-decided amount or products are exported than right of import is assigned up to the amount equivalent to the proportionate amount of foreign exchange earned. In return of export guarantee, the following encouragements are provided.

(a) Allotment of land at subsidised rates to produce items for export purpose.

(b) Benefit of establishment of factories.

(c) Encouragement to establish factories in free trade zones which are free from taxes and other regulations on obligation to export total production or as per predecided ratio.

(4) Financial Facilities and Services : Export encouragements are provided by means of financial facilities and services such as;

(a) To make arrangement for the exporter to get the billing amount on the same day when they export the products.

(b) To provide protection against the fluctuation in exchange rate.

(c) To make arrangement for the importer to receive the goods easily.

(d) To provide services as the guarantor of the importer after assessing the financial soundness of the importer.

(5) Non-Economic Facilities : Encouragement is provided by means of non-economic facilities instead of direct economic aid to the exporters such as;

(a) To provide necessary information for the export.

(b) To train and prepare men power required for the production of export worthy products.

(c) To promote a competition among the exporters and give award to one who exports the most.

(d) To provide information about the export markets.

(e) Declaring strike and lock out as an illegal activities of the factories; in which export products are produced. Such Non-economic encouragements are provided.

(6) Special Economic Zone : A law about special economic zone was passed in the parliament in the year 2005 and was implemented from 10th February 2006

Special economic zone is such a geographical area where the economical laws of the country are more liberal. Many special zones are covered under Special Economic Zone such as,

(a) Export Processing Zone (b) Free Trade Zone (c) Free Ports and (d) Industrial Zones etc. The main aim of this is to attract domestic and direct foreign capital investments.

Necessary encouragemernts like exemption from customs duty, central excise, service tax, central sales tax and security transaction tax are being provided for the export growth of the products of industrial units located in special economic zones. To invite domestic and foreign capital investement and to develop infrastructural facilities in such areas are etc. the encouragements.

(7) Export Processing Zone : The Government of India has established export processing zone in different areas of the country in order to encourage export trade. It is an attempt to obtain foreign exchange on large scale by way of export promotion. Export processing zone and free Trade zone are synonyms to each other. Under the policy declared by the Government of India; free trade zones have been established at different places like Kandla, Santa Cruz (Mumbai), Falta, Noida, Cochin, Chennai, Vishakhapattannam, Kosindra near Dwarka and Dahej near Bharuch.

In free trade zones excise duties, regulations of financial transactions inside the country and foreign country and some labour laws are liberal in order to encourage exports. Assurances are given for the primary facilities such as roads, electricity, water supply, communication facilities and continuous supply of high quality raw materials in order to run the industries in such zones.

The Government provides the latest and various information about exports to the exporters of export processing zones. Information are provided related to the position of market of different products in foreign countries, political situation for export, available transport facility etc.

10 4 Import Procedure

Interntional trade means trade of import and export. When goods are sent to foreign countries from India, it is called **'Export'** for India and when goods are bought from a foreign country, it is called **'Import'** for India. The process of import and export trade is different. The import procedure in different countries is also different. The procedure to import goods in India is as follows :

(1) Obtaining Import Licence : If the importer wants to import the goods listed in the list of required items and services published by the Government, he has to obtain an Open General Licence(OGL), which is easier. But, if the importer wants to import the goods excluded from the list, he has to apply to Comptroller of import trade. In this application name of the importer, address, details of the goods, economic condition of the importer, name of exporting country etc. are mentioned.

If the officer is satisfied with the details of the application then only he issues the import licence. If the quota method is prevailing, the importer is given a quota certificate describing the fix quota.

(2) Obtaining Foreign Exchange : When goods are to be imported from a foreign country, the payment has to be made in foreign currency/exchange. The Reserve Bank of India has control over foreign exchange. First an application is to be sent to the bank permitted by the government for foreign exchange trade before applying the Reserve Bank of India. The bank makes an endorsement on the application form of the importer on the basis of import licence. Then the Reserve Bank sanctions the foreign exchange. In the application form, how much foreign currency is required and of which country is to be shown in US Dollars.

(3) Placing an Order : After the completion of the procedure of import licence and foreign exchange, the importer collects information of different manufactures and exporters for the details of the goods, price and other conditions. The importer gives the order to the exporter or manufacturer whose terms and condition seem suitable to him. Importer places the order for the import of the goods is called **"Indent"** The details regarding the goods, price, packing, insurance, the name of the transport company etc, are mentioned clearly in indent.

(4) Dispatching Letter of Credit : Letter of Credit means a document assuring the exporter regarding the payment of the goods on behalf of importer. The exporter demands for letter of credit to know the finacial capabilities of the importer. The importer has to obtain the Letter of Credit from his bank and has to send it to the exporter. The exporter is assured about getting his money on receiving the letter of credit.

(5) Receipts of Documents : The exporter sends all required documents to the importer through his bank. Generally he sends documents through **'Documents against Acceptance' (D/A)** or through **D/P (Documents aginst Payment)** which are released by the importer.

(6) To Obtain the Order of Receiving Goods : Bill of lading is one of the documents received by the importer showing the ownership of the goods. The exporter makes endorsement on this document for the transfer of ownership of goods in favour of importer.

This document is to be presented to the office of the shipping company. The possession of the goods is with shipping company. If the freight is to be paid by the importer, after receiving freight shipping company makes an endorsment on the Bill of Lading giving order to captain of ship to release goods in favour of importer.

(7) Paying the Import duty/Excise : The importer has to pay import duty on the imported goods. The goods are not allowed to bring outside the port untill the import duty is paid or exemption of duty certificate is produced. On the basis of consular invoice and the certificate of origin of the goods, if less excise duty is to be paid a bill of entry form has to be prepared. In this form complete informations of the name of the ship, name of the port of the foreign country from where the goods had been loaded on the ship, name of the exporter and address, name and address of the importer and total details of the goods are mentioned. Excise is determined on the basis of the details of this form. When the decided duty is paid, the excise officer makes an endorsement on the bill of entry and hand over it to the importer. The goods on which excise duty is not paid are kept in bonded warehouses.

(8) Payment of Dock Charges : The importer has to pay a certain kind of charges for using the place where the vehical arrives; either by airway, roadway or seaway. Such charges are known as dock charges. Dock charges includes all expenses related to the equipments of that place,

facilities available till the importer gets possession of the goods after boarding the goods from the vehicle. A receipt is issued after payment of dock charges is called dock receipt.

(9) Getting Possession of the Goods : After completing all the formalities on the part of the importer, the importer gets the possession of the goods. The possession of the goods has to be moved out from the bonded warehouse within a certain time limit. If the goods are not moved but from the bonded warehouse within the certain time limit, then the rent and the demurrage have to be paid for using bonded warehouse for excess time.

10.5 Export Procedure

When a trader of a country sends goods to a trader of a other country, it is said that he has exported goods. Export procedure is different in different countries. Export procedure from India is as under. :

(1) Getting an Order : The exporter is given the order of goods by the importer. In the orders details of the goods, quantity, prices as decided, type of packing, date of dispatch of goods, details of insurance, detail of transportation services through which the goods have to be sent, mode of payment of bill and terms and conditions decided are mentioned. Before receiving the order, the exporter gets the information about the financial capabilities, creditability and relevant matters of the importer.

(2) Obtaining Export Licence : The exporter has to obtain an export licence in order to export the goods which come under the import-export control laws. The other items, apart from these can be freely exported, but for this, a general licence has to be obtained. To obtain licence, an application is to be made in prescribed form to the trade department of Government. It is necessary to give clear identity of the exporter, details of the exporter and assurance of regular payment of the income tax and the other taxes in the application. Those professionals who export regularly are called **'Export House'**.

(3) Collecting Goods : The exporter collects the goods as per the importer's order after obtaining the export licence. If the exporter is the manufacture, he starts manufacturing the goods as per the order and if the exporter is a trader, he starts collecting the goods as per the order.

(4) Foreign exchange Activity : Many controls related to foreign exchange have been liberalized after economic reform of 1991. The importers make payment to the exporters, amount of bill either in the exporters currency or in U.S. $. The Reserve Bank and its appointed banks and institutions, keep control over foreign exchange. Therefore the exporter has to make an application to the Reserve Bank of India with a view to convert the foreign exchange received from the importer into the currency of his country. The exporter has to provide the complete details in this application regarding how much foreign exchange he is going to earn. The exporter has to submit a copy of this application to the bank or institution through which he makes transactions.

(5) Obtaining Letter of Credit : The exporter checks the finacial capability of the importer before exporting the goods for the securities of the amount of his bill. For which the exporter writes a letter to the importer to demand a letter of credit from his bank. Sometimes the bank of the exporter assigns this task to its own branch, working in the foreign countries or get it through other sources. The exporter, the certificate of credit of the importer mentioning that the creditability of the importer is reliable. This is known as the **Letter of Credit.**

(6) Obtaining Shipping Order : The exporter has to contact a shipping company if the goods are to be exported through seaway. An application is made to the company which assures about readiness to reach the goods on a certain date. The details of goods such as the quantity, weight, size, the date of sending the goods, the price etc. are mentioned in this application. In short, shipping order means an order issued to the captain of the ship by the shipping company to accept the goods. In the case when the exporter wants to export the goods in a large quantity and wants to book the whole ship, it is called a **'Charter'**. The agreement between the shipping company and the exporter to keep the whole ship on the rent is called **'Charter Party Agreement'**.

(7) Payment of Excise Duty : Each exporter has to pay the duty. The exporter has to obtain the certificate from the duty officer if the duty is not to be paid. Then a prescribed form containing a public notification certifying that the goods is duty free. If the goods are excisable, the exporter has to prepare a shipping bill in which the details like the name of the importer, address, price of the goods, quantity, weight, the name of the port where the goods is to be boarded, the name of the ship and shipping company etc. should be described. The excise officer calculates the duty on the basis of the price of the goods, quantity etc. The excise officer determines the amount of duty after checking the shipping bill and inspecting the goods by himself, if necessary. When the exporter pays the amount of the excise duty, he gets the permission to carry the goods on the port.

(8) Packing and Marking of Goods : Packing is very important in international trade. The goods are to be transported for a long distance therefore it should be packed in such a way that it dose not get damaged due to transportation or due to humidity in the atmosphere. Sometimes, shipping companies also consider the size of the packing while determining the fare. The packing must be done as per the packing instructions mentioned by the importer in the order. Marking of some important details related to the goods on the packing is also necessary. Details like the name and address of the importer and exporter, the name of the destination port, weight of the goods etc. are mentioned in the marking.

(9) Getting Insurance of the Goods : In the order to protect the goods against the possible risks in the sea like cyclone, damage in goods due to weather, due to pirates etc. the goods has to be insured to get economic return especially it is to be transported through the seaway. An agreement is made with the insurance company regarding this. The exporter obtains the **'Cover Note'** after paying the premium determined by the insurance company. The insurance company issues the policy against the cover note.

(10) Obtating Carting Order : Carting order means permission of boarding goods on the ship. The Exporter has to make an application to the port authority from where the goods are to be exported in order to obtain carting order. In this application, all the details of shipping bill along with the details of the payment of excise duty are mentioned. When the exporter pays the port expenses like the charge of transfer of the goods and the charge of boarding the goods on the ship, he obtains the carting order.

(11) Mate Receipt : The goods is boarded on the ship on the basis of carting order. The representative of the captain of the ship is known as **'Mate'**. Mate checks whether the goods are as per the shipping bill or not. When the goods are loaded on the ship, a receipt is issued by either the captain of the ship or by his representative certifying the acceptance of goods is called **'Mate Receipt'**. The captain of the ship checks the packing of the goods. If the captain finds the packing improper and the goods is not suitable for transportation, it is remarked in the receipt, such remarked receipt is know as 'Foul Receipt' If all the matters are proper, then a Clean Receipt is issued. If the mate's receipt is foul, it means that the goods which have been loaded on the ship are not properly packed as specified in the order and if the goods are damaged during the transportation, the shipping company is not responsible for that.

(12) Obtaining Bill of Lading : Mate receipt is a receipt of goods loaded on the ship. It is not agreement of transporting the goods. The exporter obtains Bill of Lading from shipping company after producing the mate receipt to the shipping company. Bill of lading is an agreement between the shipping company and the exporter by which the shipping company gives assurance to transport the goods from one port to another. Details like the name of the exporter, the name of the ship, freight, details of the goods, quantity of the goods, price, weight, name of the exporting port, terms and conditions of transportation etc. are discribed in this agreement. Bill of lading is an important document. Three copies are prepared. One copy remain with shipping company. The remaning two copies are sent to the exporter out of which the exporter sends one copy to the importer. The importer receives goods on the basis of this copy.

(13) Certificate of Origin : The certificate describing the details where the goods were produced is called the certificate of origin. According to the agreement made by different countries, respected countries provide relief on import excise. In order to get relief under this agreement, a certificate of origin for that particular goods is required. Such certificate can be obtained from Trade Association, Chamber of Commerce or the Government.

(14) Consular Invoice : When the exported goods reaches in the country of the importer, excise on that goods has to be paid. To make the payment of excise simple, consular invoice is an important document. The consular of importing country is working in the exporting country. The exporter obtains a certificate about the price of the goods from the consular is called Consular Invoice. The details like quantity of the goods and price are mentioned in it and the excise is collected on the basis of this.

(15) Sending Documents : The exporter send the important documents like invoice, insurance, policy or cover note, bill of lading, certificate of origin, consular invoice and bill of exchange etc. to the importer's bank through his bank.

(16) Collection of Money : The exporter gives the advice to the bank for the collection of the money. The exporter writes bill of exchange to the importer in order to collect the amount mentioned in the invoice. This bill of exchange may be Documents against Acceptance (D/A) or Document against Payment (D/P). In D/A the bank of the exporter presents the bill of exchange to the importer. The bank release the documents of the goods; once the bill of exchange is accepted by the importer but if it is D/P, the bank gives the documents only after the full payment of bill of exchange is made. The bank collects the money as per the maturity date of the bill of exchange in D/A. Where as in D/P, the amount is sent to the exporter.

10 6 Role of WTO and GATT

After the second world war, political, equations at international level have been changed. The nations have been involved in the war became weaker economically. In such new political condition, the necessity emerged to establish an organization in order to create harmony among the different countries in the field of trade and other fields. As a result of this General Agreement on the Trade and Tariff (GATT) was made. Each country created some restrictions or limit as per its requirements but no development could be achieved due to this and the necessity of liberalization emerged and World Trade Organization was formed.

(1) World Trade Organisation (WTO) : WTO maintains international trade relationship so that there can be a common place for the international trade and the path to globalization can be widen and spread. The world's 104 countries have signed in suppor of this organization. This organization started its work officially from 1st January, 1995. India is a member of this organization from the beginning. Service sectors have got rapid growth due to the work and administration of WTO. Boundary lines were erased in the field of insurance, banking and transportation and the entire world has become a global village. World market is developed along with world trade. Due to this organization, products related to agriculture, industries, health related facilities can be produced at a larger scale and exports of such things are promoted. In the field of education, foreign universities have got the opportunities to enter India. Countries like America, Canada and Australia have arranged their campus in Gujarat and other various states of India.

(2) General Agreement on Trade and Tariff (GATT) : The Government of India has made different agreements with different countries in order to join its industries with the foreign stream. It is called GATT.

In 1948 an agreement among 23 nations was made at Geneva. The basic aim of this agreement was to bring international trade in the direction of free trade and to enhance the international trade and to encourage the division of regional labour. GATT is a free trade policy suitable to globalization. The administration system is also favourable and the material facilities have also been increasing. Modern streams in trade world are taking shapes.

10 7 Problems of International Trade

Trade taking place among the different countries of the world is called **'International trade'**. Different countries have different restrictions in international trade. They are known as the problems of international trade. They are as under :

(1) Problems of Currency : Different countries have different currencies. So it becomes difficult to settle a deal due to currency problem. The importer and exporter face problems due to lack of adequate knowledge about foreign exchange.

(2) Diversity of Language : Each country of the world has different language. So diversity of language is also a problem in international trade. However English language gets rid of this problem to some extent, even though dealing with some backward countries creates this problem.

(3) The Problem of Distance : Due to very long distance between two countries in international trade, a lot of problems in communications and transportation of goods are created.

(4) Restrictions and Controls : Different countries impose different restrictions on international trade as per their political and economical policies. International trade gets barrier due to too much restrictions imposed by the government.

(5) Risk : Most of the international trade is transported via searoute, it involves risks like damage of goods due to bad weather, sinking of the goods and robbery of the goods by the pirates etc.

(6) Difference in Laws : Different countries have different trade laws. It becomes a problems to understand them easily.

(7) Lack of Trader's Contact : The contact with trader is very rare in international trade. The traders are quite unfamiliar with each other when there is a great distance between two countries. It creates a problems in payment when there is no direct contact between the importer and the exporter.

(8) Problem of Weighing Scale : Sometimes different countries have a problem regarding weighing scale as, they have different weighing scale.

Differences between Internal and International Trade

Sr. No.	Points of difference	Internal Trade	International Trade
(1)	Meaning	Trade taking place within geographical boundaries of a country means internal trade e.g. Trade from Gujarat with the other states of India.	Trade taking place outside the boundries of country means international trade, e.g. Trade between India and other countries of the world.
(2)	Currency	No problem is created in the payments and accounts due to the same currency in the whole country.	Problems in terms of payments and accounts are created due to different currencies.
(3)	Laws	Trade laws are similar in the whole country.	Different countries have different trade laws.
(4)	Problems of language	Language doesn't create any problems.	Language creates problem.
(5)	Government Control	There are less Government controls.	There are more Government controls.
(6)	Risk ratio	Risk ratio is low.	Risk ratio is high.
(7)	Distance	Distance is short because the work field is limited upto a country.	Distance is long because the work field is spread over more than one country.
(8)	Insurance	It is not compulsory to get insurance.	It is compulsory to get insurance.
(9)	Payment of excise	It is easy to pay the excise and the rate of excise is low.	The process of payment of excise is complicated and the rate of excise is high.
(10)	Market	Market is limited.	Market is wide.

What did you learn in this chapter

Concept of International Trade : When the people or institution of a country do trading with the people or institutions of another country, such trade is called International Trade.

Importance : (1) Benefits of division of labour and specialization (2) Development of under developed countries (3) Maximum utilization of resources (4) Development of auxiliary services (5) Maintains price stability (6) High standard of living (7) Exchange of culture, fashion and knowledge (8) Helpful in calamities (9) World as a market.

Incentives for Export Trade : Any incentive provided to the exporters who export the product of high quality at a cheaper rate and make it avilable when demanded in their country and export them to their importers is called as incentives for export trade. Incentives for Export trade can be provided by different media, such as; (1) Trade Agreements (2) Financial and economic encouragement (3) Collective and systematic economic encouragement (4) Financial facilities and services (5) Non-economic facilities (6) Special economic zone (7) Export processing zone.

Import Procedure : When goods are bought in India from a foreign country it is called **'Import'.** The person who imports is called an Importer and the procedure to be followed is called Import Procedure. (1) Obtaining Import Licence (2) Obtaining Foreign Exchange (3) Placing an order (4) Dispatching Letter of Credit (5) Receipts of Documents (6) To obtain the order of receiving goods (7) Paying the Import duty/Excise (8) Payment of Dock Charges (9) Getting Possession of the Goods.

Export Procedure : When goods are sent to foreign countries from India, it is export. The exporter does the following procedure to export goods. :

(1) Getting an order (2) Obtaining export licence (3) Collecting goods (4) Foreign exchange activity (5) Obtaining letter of credit (6) Obtaining shipping order (7) Payment of duty/excise (8) Packing and marking of goods (9) Insurance of the goods (10) Obtaining carting order (11) Mate receipt (12) Obtaining bill of lading (13) Certificate of origin (14) Consular invoice (15) Sending documents (16) Collection of money

WTO and GATT : WTO maintains international trade relationship so that there can be a common platform for the international trade and the path to globalization can be widen and spread, 104 countries of the world have signed, supporting the organization.

The Government of India has made different agreements with different countries in order to join its industries with the other foreign stream. It is called GATT.

Problems of International Trade : (1) Problems of currency (2) Diversity of language (3) The Problem of distance (4) Restrictions and controls (5) Risk (6) Difference in laws (7) Lack of trader's contact (8) Problems of weighing scale.

Differences between Internal and International Trade : (1) Meaning (2) Currency (3) Laws (4) Problems of language (5) Control of the Government (6) Risk Ratio (7) Distance (8) Insurance (9) Payment of excise (10) Market

EXERCISE

1. Select the correct alternative and write answers to the following questions :

(1) What is the trade of a country with another country ?

(a) Local Trade (b) Regional Trade (c) National Trade (d) International Trade

(2) What is the letter known as on which the importer describers the details of the order ?

(a) Input (b) OGL (c) L/C (d) Indent

(3) By which type of trade, foreign exchange can be received ?

(a) Export trade (b) Import trade (c) Internal trade (d) Regional trade

(4) Who issues the Bill of Lading to the exporter ?

(a) Insurance company (b) Shipping company (c) The captain of ship (d) Bank

(5) Name the certificate that states the country in which the goods were produced.

(a) Consular invoice (b) Certificate of origin

(c) Shipping order (d) Letter of credit

(6) Who issues the Shipping Order ?

(a) The captain of ship (b) Shipping company

(c) Owner of the ship (d) Central bank

(7) Which bank holds the control over foreign exchange in India ?

(a) Local Bank (b) Merchant Bank (c) Reserve Bank (d) Agriculture Bank

(8) What kind of receipt does the captain of the ship issue to the exporter when, there is no proper packing of the goods ?

(a) Foul receipt (b) Clean receipt (c) Incomplete receipt (d) Torn out receipt

(9) Which of the following media provides export incentives ?

(a) World Bank (b) Merchant Bank (c) Merchant Agreement (d) Marchants

(10) Name the document that the bank issues to the importer against the payment of the bill as per the instructions given by the exporter.

(a) D/A (b) D/P (c) OGL (d) LOC

(11) Name the agreement made between shipping company and exporter to book the whole ship on the rent ?

(a) Internet agreement (b) Credit agreement (C) Charter party agreement (d) Export agreement

Answer : (1) (d) (2) (d) (3) (a) (4) (b) (5) (b) (6) (b) (7) (c) (8) (a) (9) (c) (10) (b) (11) (c)

2. Answer the following questions in one sentence each :

(1) What is International Trade ?

(2) What is import ?

(3) What is Export ?

(4) Explain the terms :

OGL, WTO, GATT, SEZ, EPZ, D/A, D/P.

3. Answer the following questions in short :

(1) What is Bill of Lading ?

(2) What is called Consular Invoice ?

(3) Why the certificate of origin is required in foreign trade ?

(6) What is Mate Receipt ?

(5) What is Charter Party Agreement ?

(6) What is the Shipping Order ?

4. Answer the following questions in brief :

(1) Explain briefly the different incentives for export trade.

(2) Explain the role of World Trade Organization (WTO) in international Trade.

(3) Write a note on General Agreement of Trade and Tariff (GATT) in International Trade.

(4) "Sometimes the captain of the ship issues a foul receipt". Explain the statement.

(5) Explain 'world - a global village'.

5. Answer the following questions in detail :

(1) Give the meaning of Foreign Trade and explain its importance.

(2) Describe Import procedure.

(3) Explain steps of Export procedure.

(4) Describe the problems of International Trade.

(5) State the difference between Internal and International Trade.

Full Form of Abbreviations

SEZ	:	Special Economic Zone
EPZ	:	Export Processing Zone
OGL	:	Open General Licence
L/C	:	Letter of Credit
D/A	:	Documents against Acceptance
D/P	:	Documents against Payment
WTO	:	World Trade Organisation
GATT	:	General Agreement on Trade and Tariff
FTZ	:	Free Trade Zone
M/A	:	Memorandum of Association

•