

Ashu K. Garg

> Introduction & Meaning

Export-import policy frames rules and regulations for exports and imports of a country. This policy is also known as FOREIGN TRADE POLICY. In this policy, approach of government towards the various types of exports and imports is conveyed to different exporters and importers.

 Prior to 1985, the Government of India used to announce separate policies for exports and imports for the period of one year.

• In the year 1985, the first time joint Export-Import poly (EXIM) was announced for the period of 1985-1988.

• The EXIM policy announced on 31st march 1992 gave the EXIM policy, for the first time a validity of five years (1992-1997).

- This was followed by EXIM policy 1997-2002.
- After that EXIM policy 2002-2007 was announced by Union Minister of Commerce and Industry, Murasoli Maran.
- Sh. Kamal Nath announced the foreign trade policy from 2004-2009 on 31st August, 2004.
- Sh. Anand Sharma announced the foreign trade policy 2009-2014 on 26 August, 2009.
- Latest EXIM policy (2015-2020) was announced by Union Commerce and Industry Minister Mrs. Nirmala Sitharaman on April 01, 2015.

> New (EXIM) Policy 2015-2020

- The new foreign trade policy 2015-2020 was announced on April 01, 2015.
- Its duration is from April 01, 2015 to March 31,2020.
- This policy has provided various incentives for export-oriented units and has laid special emphasis on exports of agriculture sector, handicrafts, handlooms, gems and jewellery, marine sector etc. in keeping with the "Make in India" vision of Hon'ble Prime Minister.

Objectives of New Foreign Trade policy

- To raise India's share in world exports from 2 percent to 3.5 percent.
- To use foreign trade as an instrument of economic growth.
- To generate more employment by focusing on employment oriented sectors like agriculture, handicrafts, handlooms, etc.

- To set up towns of export excellence in the country.
- To increase India's exports of merchandise and services from 465.9 billion \$ in 2013-14 to approximately 900 billion \$ by 2019-20.

Provisions/Features of New Foreign Trade Policy

Provisions for Agriculture Sector.

Since agriculture has the potential for promoting employment and developing rural areas, so special package has been announced for agriculture sector:

- Merchandise Exports from India Scheme (MEIS)
- The import of capital goods for storage and transportation of agriculture goods will be liberalised.



Provisions for Handloom and Handicraft

- More funds have been allocated for Market Development Assistance (MDA) and Market Access Initiative (MAI) schemes for promoting exports of handloom and handicrafts.
- The limit of designated Towns of Export Excellence has been reduced from Rs. 250 crore to Rs.150 crore of exports.
- For handicrafts and handloom sector, machinery and equipment for waste treatment have been exempted from custom duty.

 Handloom and handicrafts products will get all the benefits as are given under Merchandise Exports from India Scheme (MEIS).

> Provisions for Gems and Jewellery

Exporters of gems and jewellery can import duty free inputs for manufacturing jewellery such as gold, silver, platinum, rough gems, diamonds etc. To promote export of gems and jewellery products, the value limits of personal carriage have been increased from US \$ 2 million to US \$ 5 million for participation in overseas exhibition.

 Jewellery parcels upto 20 kgs by weight can be exported through foreign post office also. Provisions for Leather Goods and Footwear

- Duty free import entitlement upto 3% of value of exports of leather goods is allowed.
- Machinery and equipment for Effluent treatment plants will be exempt from custom duty.
- Products from this sector will get all the benefits as are given under Merchandise Exports from India Scheme (MEIS).

- Export Promotion Capital Goods Scheme
- a) Zero Duty EPCG Scheme
- b)3% Duty EPCG Scheme
- Provisions For Marine Sector
- Marine goods will get all the benefits as are given under Merchandise Exports from India Scheme (MEIS).
- Under Export Promotion Capital Goods (EPCG)
 Scheme, fishing sector has been exempted from export obligation.

➤ Special Schemes for Export Promotion

 Merchandise Exports from India Scheme (MEIS)

Service Exports from India Scheme (SEIS)

Market Development Assistance (MDA)

Status Holders

 ASIDE (Assistance to States for Developing Export Infrastructure and Allied Activities)

 Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs).

- Procedural Simplification.
- a)The number of returns and forms used in foreign trade has been reduced and these forms have been simplified.
- b)For speedy redressal of grievances, a new mechanism for grievance-redressal has been formulated. It will substantially reduce litigation time of exporters and importers.

 Online verification of documents under various export promotion schemes has been started.

 Fee for obtaining exporter- importer code number has been reduced.

A single set of common form called 'Aayaat
 Niryaat' form has been launched. This form can
 be used for both exports and imports.



Economic environment is the most important factor which affects the international business firm. An analysis of economic environment enables a firm to know –

how big is the market....? what its nature is?

- □ Through this analysis, a firm can determine whether it should enter a particular foreign market or not.
- ☐ If yes, then what specific strategies should it adopt to become successful.....

WHAT IS ECONOMIC....??

Economic means " the study of the production and consumption of goods and the transfer of wealth to produce and obtain those goods. Economics explains how people interact within markets to get what they want or accomplish certain goals."

WHAT IS ENVIRONMENT....??

Circumstances, influences, stresses, and competitive, cultural, demographic, economic, natural, political, regulatory, and technological factors (called environmental factors) that effect the survival, operations, and growth of an organization.

ECONOMIC ENVIRONMENT

- Those Economic factors which have their affect on the working of the business is known as economic environment.
- It includes system, policies and nature of an economy, trade cycles, economic resources, level of income, distribution of income and wealth etc.
- The economic environment represents the economic conditions in the country where the international organization operates.

• Economic environment is very dynamic and complex in nature. It does not remain the same. It keeps on changing from time to time with the changes in an economy like change in Govt. policies, political situations.

Global/International Economic Environment

If any business enterprise is involved in foreign trade, then it is influenced by not only its own country economic environment but also the economic environment of the country from/to which it is importing or exporting goods.

There are various rules and guidelines for these trades which are issued by many organizations like World Bank, WTO, United Nations etc.

Elements of Economic Environment

It has mainly five main components:-

- Economic Conditions
- Economic System
- Economic Policies
- Economic Legislations
- Economic Development

Economic Condition

- Economic Policies of a business unit are largely affected by the economic conditions of an economy. Any improvement in the economic conditions such as standard of living, purchasing power of public, demand and supply, distribution of income etc. largely affects the size of the market.
- Business cycle is another economic condition that is very important for a business unit. Business Cycle has 5 different stages:-
- 1. Prosperity
- 2. Boom
- 3. Decline
- 4. Depression
- 5. Recovery

Following are mainly included in Economic Conditions of a country:-

- I. Stages of Business Cycle
- II. National Income, Per Capita Income and Distribution of Income
- III. Rate of Capital Formation
- IV. Demand and Supply Trends
- V. Inflation Rate in the Economy
- VI. Industrial Growth Rate, Exports Growth Rate
- VII. Interest Rate prevailing in the Economy
- VIII. Trends in Industrial Sickness
- IX. Efficiency of Public and Private Sectors
- X. Growth of Primary and Secondary Capital Markets
- XI. Size of Market

Hence, if the economic condition of a country is good, then business units may have better opportunities in that country.

On the contrary, a depressed economic condition discourage the business activities.

Economic System

- An Economic System of a nation or a country may be defined as a framework of rules, goals and incentives that controls economic relations among people in a society.
- □ Different countries of a world have different economic systems and the prevailing economic system in a country affect the business units to a large extent.

Economic system of a nation can be of any one of the following type:-

- Capitalist Economy / Market Based Economy.
- Socialist Economy / Centrally Planned Economy.(CPE)
- Mixed Economy.

Capitalist Economy

- The economic system in which business units or factors of production are privately owned and governed is called Capitalism.
- The decision to produce and distribute goods is taken by individual firms based on the forces of demand and supply.
- The profit earning is the sole aim of the business units.
- Government of that country does not interfere in the economic activities of the country. It is also known as free market economy. All the decisions relating to the economic activities are privately taken.
- Examples of Capitalistic Economy: England, Japan, America etc.

Socialist Economy

- Under socialism economic system, all the economic activities of the country are controlled and regulated by the Government in the interest of the public.
- The first country to adopt this concept was Soviet Russia.
- Example China
- The two main forms of Socialism are:-
 - (a) Democratic Socialism.— All the economic activities are controlled and regulated by the government but the people have the freedom of choice of occupation and consumption.
 - (b) Totalitarian Socialism:- This form is also known as Communism. Under this, people are obliged to work under the directions of Government.

Mixed Economy

- The economic system in which both public and private sectors co-exist is known as Mixed Economy.
- Some factors of production are privately owned and some are owned by Government.
- There exists freedom of choice of occupation and consumption. Both private and public sectors play key roles in the development of the country.
- Example the Indian economy represents a mixed economic system.

Economic Policies

- Economic policies are formed by the government and the activities of every business unit are affected by these policies.
- Important economic policies of a country are as follows:-
 - 1. Monetary Policy: The policy formulated by the central bank of a country to control the supply and the cost of money (rate of interest), in order to attain some specified objectives is known as Monetary Policy.

- 2. Fiscal Policy:— It may be termed as budgetary policy. It is related with the income and expenditure of a country. Fiscal Policy works as an instrument in economic and social growth of a country. It is framed by the government of a country and it deals with taxation, government expenditure, borrowings, deficit financing and management of public debts in an economy.
- 3. Foreign Trade Policy:— It also affects the different business units differently. E.g. if restrictive import policy has been adopted by the government then it will prevent the domestic business units from foreign competition and if the liberal import policy has been adopted by the government then it will affect the domestic products in other way.

- 4. Foreign Investment Policy:— The policy related to the investment by the foreigners in a country is known as Foreign Investment Policy. If the government has adopted liberal investment policy then it will lead to more inflow of foreign capital in the country which ultimately results in more industrialization and growth in the country.
- 5. Industrial Policy: Industrial policy of a country promotes and regulates the industrialization in the country. It is framed by government. The government from time to time issues principals and guidelines under the industrial policy of the country.

Economic Legislations

Governments of different countries frame various legislations which regulates and control the business.

Economic Development

- Economic Development means improvement in the level of living of the people of a country.
 Therefore, it means increase in national income as well as per capita income.
- The economic growth and economic development are the two sides of the same coin.
- The different countries can be divided into different segments based on GNP per capita.

- These segments can be :-
 - 1) Low-Income Countries (US\$ 1025 or less)
 - 2) Lower-Middle-Income Countries (US\$ 1026 to \$ 4035)
 - 3) Upper-Middle-Income Countries (US\$ 4036 to \$12475)
 - 4) High-Income Countries (above US\$ 14276)

Classification of Countries is from the World Bank, July 2012, on the basis of 2011 GNI per capita.

World Bank list of economies (July 2012)



Google Docs

- 1 Low income: \$1,025 or less
- 2 Lower middle income: \$1,026 to \$4,035
- 3 Upper middle income: \$4,036 to \$12,475
- 4 High income: \$12,476 or more

Preliminary Economic Indicators

- Whenever a firm moves abroad for international business, it takes into account some preliminary economic indicators of the host country at a particular point of time, as well as over a particular period.
- These economic indicators help the firm know, among other things,
 - 1) The size of demand for its product.
 - 2) The expected cost of production and the net earnings, so as to ascertain its competitive edge.
 - 3)Whether it will be able to smoothly repatriate its earnings back to its home country.

Important economic indicators are:

- Inflation
- Level of Income and its Distribution
- Consumption Behavior
- Availability of Human and Physical Resources
- □ Network of Infrastructure
- ☐ Fiscal, Monetary and Industrial Policies



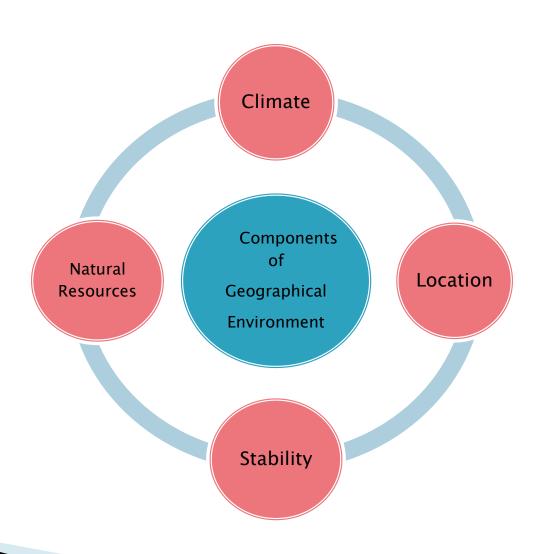
Introduction...

A company can smooth its sales and profits by operating in a number of countries because the different countries have different business cycle. But the geographical environment affects the multinational or international business in a great way.

Meaning of Geographical Environment

- Geographical Environment refers to a country's climate, topography, natural resources and people.
- The business firm, which plans to operate at international level, should study and understand the geographical features of countries in which they are going to enter.
- The knowledge of this environment is must, as it influence the nature and characteristics of a society. Nature and characteristics of society further affect the demand pattern.

Components of Geographical Environment



Climate



EXAMPLE

• Europe and North America profits from fertile land, temperature climate and good rainfall. In Southern atmosphere, there is poor land fertility, high water scarcity and high diseases spreaded. People in those regions have to work twice as hard just to survive and have fewer development opportunities than northern countries.

It mayn't possible to work between 11 to 2 in very hot days. So we have to lose 3 hours. Rain patterns may give you a short growing season, while others can get two harvests in a year.

Cattle producers

Canada is northern country having winter season. American cattle producers have less weather extremes to contend with than Canadian Cattle Producers, therefore it is more costly for Canadian cattle producers to feed their herds. Because it is colder in Canada, you have to feed the cattle more grain because these animals burn more calories in colder weather. Overall, it costs more to bring animals to market due to the challenges of weather and our colder climate.

South Korea

Having a temperature climate with 4 seasons. Winter is usually long, cold and dry. January is the coldest month having temperature from -50 C to - 25C. Summer is hot, humid and short.

Autumn and spring is short.

If the weather is too cold, too hot, too windy, then it affects the production and trade and restricts entry of other countries.

South Korea terrains are mostly consists of mountains which are not arable, it means some of their agricultural products comes from other countries. According to USDA, South Korea is a major food importing country

Location

Location in terms of access to water, has played a big role. Having access to waterways is important for trading, as many nations in the world continue to use ports as a "Trading Grounds" allowing for profits and prosperity. Landlocked countries have added expense in terms of land transportation and lack of defence on water ways.

EXAMPLE

China has world's three busiest ports, so does the U.S. With ports you can raise money through tolls and shipping services. If you have no access to coast, not only do you miss out on these services, you have to transport everything on land, which is more expensive. Afghanistan, Rwanda, Malawi or Bolivia are all hindered by access to ports.

Distance to travel

Canada is much farther away from the markets in Tokyo and Osaka than Australia.

Australia's close distance to Japan gives it an advantage in quoting prices because their shipping costs will be lower and the time the product "is in transit" is less than a Canadian export. If the time in transit is less, then the product is more fresh. Canadian exporters are at a disadvantage because of distance.

Natural Resources

These aren't a permanent factor as they eventually become depleted, it doesn't offer an advantage to a country as resources-rich region.

EXAMPLE

South Africa makes a lot of profits by Gold and Diamonds.

South Korea:

Rich in anthracite, tungsten, graphite and other metals. These are used for ship-building, auto-motives and electronics. South Korea is the 7th largest exporter in world. It is world largest ship-building nation. Famous for having two top brands in electronics industry:

- Samsung
- -LG

Stability

If a nation is located within a radius of known environment danger, such as tornadoes, earthquakes, Tsunamis etc, it must work to protect itself against them, thus lowering the chances to progress.

"Mohammad Yunus" in a book "Banker to the Poor" said, "Bangladesh is a land of natural disasters, so this is unfortunately an important factor in our doing business here."

Topographical Challenges and Advantanges

- Land is steep, which limits the available acrage of arable land so you can't grow enough crops (like in the sides of steep hills or old volcanoes as in case of Japan)
- Land is flat, soil is full of nutrients, like in our prairie provinces of Manitola, Saskatchewan and Alberto.
- Countries which has geographical environmental limitations have to import massive quantities of food, which is expensive to some extent and effects the national sovereignty.

INTERNATIONAL POLITICAL AND LEGAL ENVIRONMENT

ASHU K GARG

POLITICAL AND LEGAL FORCES

The most important considerations for global business firms are the political and legal forces operative in the countries in which they plan to conduct business. Some foreign governments are unstable, that is, there maybe frequent, dramatic and unpredictable regime changes. When this occurs industries may be nationalized; private property maybe seized or destroyed; normal business operations may be suspended, the workforce may go on strike.

MULTIPLICITY OF POLITICAL ENVIRONMENTS:

- Multiplicity of Political Environments The political environment that MNCs face is a complex one because they must cope with the politics of more than one nation. That complexity forces MNCs to consider the three different types of political environment: FOREIGN
- DOMESTIC
- INTERNATIONAL
- Regardless of whether the politics are foreign, domestic, or international, the company should keep in mind that political climate does not remain stationary.

- The political relationship between the USA and a long-time adversary, China, is a prime example.
- In the case of India, the country was a highly regulated, closed economy which discouraged foreign investment. It was not until 1991 that a new government began a reform program which could transform India into one of the world's most dynamic economies.
- On the other hand, serious problems can develop when political conditions deteriorate. A favorable investment climate can disappear almost overnight. In one case, the USA withdrew Chile's duty-free trade status because of Chile's failure to take "steps to afford internationally recognized worker rights."

LEGAL ENVIRONMENT

- Legal system refers to the rules and laws that regulate behavior of individuals and organizations.
- A country's laws regulate business practice, define the manner in which business transactions are to be carried out and set down the rights and obligations of those involved in business deals.
- The legal system in a country is also influenced by its political system

THE LEGAL ENVIRONMENT

Commenting on Contract Law

"In China, the old joke goes, a contract is a pause in the negotiation."

EXAMPLE

- Some governments specify certain standards for the products (including packaging) to be marketed in the country; some even prohibit the marketing of certain products.
- In most nations, promotional activities are subject to various types of controls.
- Media advertising is not permitted in Libya.
- Several European countries restrain the use of children in commercial advertisements.
- In a number of countries, including India, the advertisement of alcoholic liquor is prohibited. Advertisements, including packaging, of cigarettes must carry the statutory warning that "cigarette smoking is injurious to health".
- Similarly, advertisements of baby food must necessarily inform the potential buyer that breast-feeding is the best.

INTERNATIONAL SOCIAL-CULTURE ENVIRONMENT

ASHU K GARG

MEANING OF INTERNATIONAL BUSINESS ENVIRONMENT

The definition of an international business environment is the environment in which international business operate and communicate with each other with trade relationship in order to promote trade and commercial transactions between two regions.

TYPES OF BUSINESS ENVIRONMENT



- Social and culture Environment
- ➤ Political/Govt. Environment
- > Legal Environment
- > Technological Environment
- > Economic Environment
- ➤ Global Environment



- > Public
- **≻**Suppliers
- **≻**Customers
- **≻**Competitors
- >Intermediaries

SOCIO-CULTURE ENVIRONMENT

It can be defined as a combination of social & culture factors in a population. It can also be used to refer to the way people behave in their surrounding.

Social environment:-Social environment consists of

- o religious aspects
- Language
- o customs
- **OBeliefs**
- oTastes & preferences

- living habits
- eating habits
- dressing
- Traditions
- social institutes etc.

Social environment influences the level of consumption.

CULTURE ENVIRONMENT

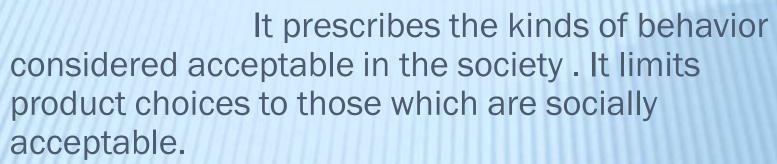
According to E.B. TYLOR-

Culture of civilization is that complex whole which includes knowledge, belief, art, morals, law and other capabilities and habit acquired by man as a member of society.

CHARACTERISTICS OF SOCIAL-CULTURAL

ENVIRONMENT

Prescriptive



Subjective

Culture is subjective in the sense that of different ideas about the same object.

Dynamic

Culture is not immune to change. It goes on changing New ideas are added aim Old idea are dropped.

The present generation youth want to become slim.

> Learned and acquired



Culture is not something which is inherited but is learned and acquired. This feature learning, makes it possible for individual to learn the culture of other place or groups.

Asian countries have been complaining of late how there culture are being affected by the western culture.

➤ Stable and permanent

International social stable and somewhat

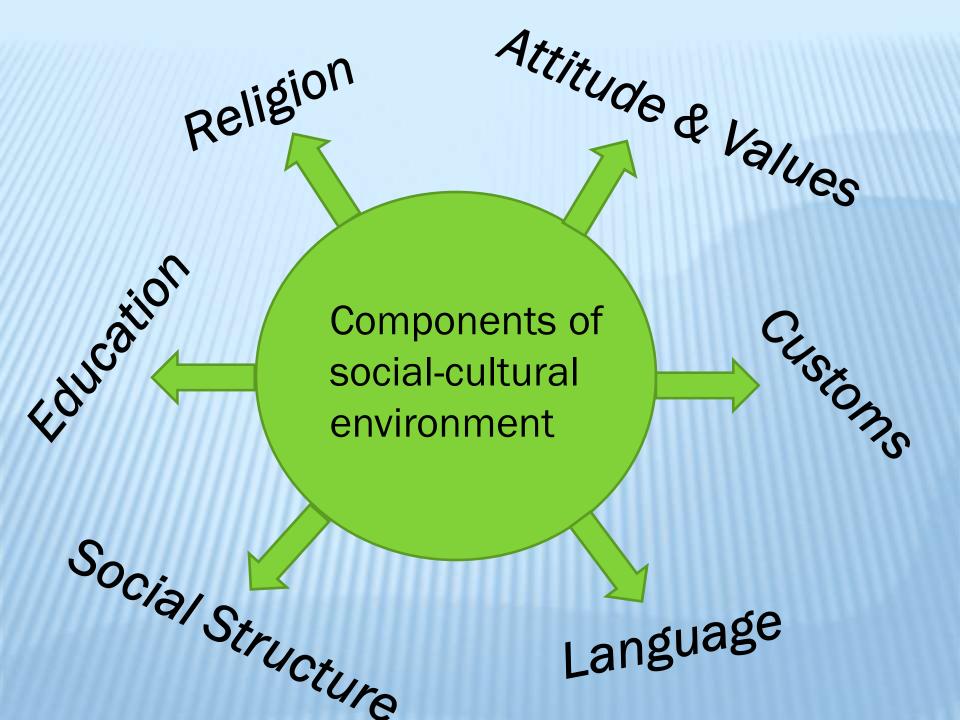
culture environment is relatively stable and somewhat permanent.

Old habit die hard and people tend to maintain their culture value and traditions.

➤ Social interaction and creation ==

Out of

necessity, culture has be socially shared. It can't exist by itself & it has to be based on social interaction. Social values, culture, norms and belief help the individual in hid decision making process.



1.language

verbal

Non-verbal

For Example:-A marketer must be careful even when the same language is used in two or more market such as U.K, USA.

There are significant difference between BRITISH & AMERICAN ENGLISH.

For Example:-Gesturing by forming a circle with thumb and forefinger has more than one meaning. To AMERICAN it means 'ok' or 'Its all Right', to JAPANESE it means 'Money' while it has a vulgar meaning in GREECE & TURKEY.

2.customs

A business firm should also take into account the social custom of the customers. The purchase decisions of consumers are, generally dictated by culture, gender roles, buying patterns of society, family structure etc.

For Example:-In NORTH INDIA, It is customary for people to make their major purchases during DIWALI festival. People keep on postponing their shopping till the festive season.

Thus a firm will have to prepare its marketing strategy to fulfill the demand requirements of festive season.

3.education

Example:-In India people are less educated, so business should prepare advertisement in a simple manner,

Like CIAT tires, give their advertisement earlier in English and after analysis Indian environment they start advertising in Hindi to make it understandable for more

Education

Indian customers.



4.religion

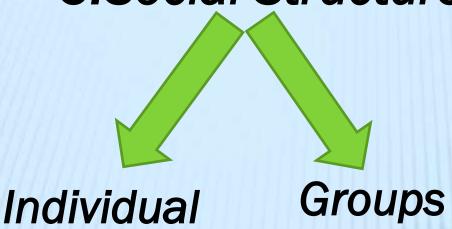
Islam Buddhism



Hinduism

Confucianism

5. Social Structure



Example:-In India there is a changing trend from joint family system to nuclear family system resulting in more demand for consumer durables.



6. Attitude & values

Example:-Indian customer are more price sensitive while European customer are more quality conscious and ready to pay a little high price.

Quality Conscious



Price Conscious



IMPACT OF SOCIAL-CULTURAL ENVIRONMENT



Impact on consumption

Impact on thinking process

Impact of culture on consumer behavior

FOCUS ON MANAGERIAL IMPLICATIONS

OR

STRATEGIES FOR DEALING WITH

CULTURE DIFFERENCES

Making Adjustment,
 Wherever necessary





2.Communication



3.CROSS-CULTURE LITERACY

Cross culture literacy it's a way to protect your self from the danger of being ill formed. This is one of the biggest danger confronting a company that goes abroad for the first time.

CROSS-CULTURE LITERRACY INCLUDES

- > The Study of Value system & Norms
- ➤ The Name of the Product
- >The Tenor of relation b/w Management & Labour
- >The manner in which a product is promoted

OTHER FACTORS

- Family
- Marriage
- → Time & Culture
- Space &Culture
- Gift &Culture
- Preferences, Habit & Beliefs



ASHUK GARG

Introduction:-

- A conference was held at bretton woods in america in 1944.
- The conference was attented by the representative of 44 countries.
- It was decided that two istitutions be set up for economic development of all countries.

IMF [international monetary fund]

IBRD[International bank for reconstruction and development]

Finally, the bank was established on 27 dec 1945.



World bank logo



WORLD BANK HEADQUARTERS Washington, D.C.

Membership of world bank :-

- In july 2016, membership of world bank increased to 189 countries.
- Any country that is a member of IMF will automatically become the member of world bank.
 - Those countries who accepted the membership of IMF in 1945 were also treated as the member of world bank.

LENDING ACTIVITIES OF WORLD BANK

- 1. Bank provides loans to member nations :-
- I. Out of its funds.
- II. Out of fund raised from International market.
- III. By providing guarantee to provide Investors for loan given by them to its member nations.
- 2. Maturity Period and Interest rate:-
- I. Maturity period of loans is sometimes very long.
- II. Some developed loans have maturity **period of 35 years** including **grace period of 10 years**.
- III. Interest rate on special development credit is very less **and** it usually range **from 0.5% to 0.75% p.a**

Purpose of loan:-

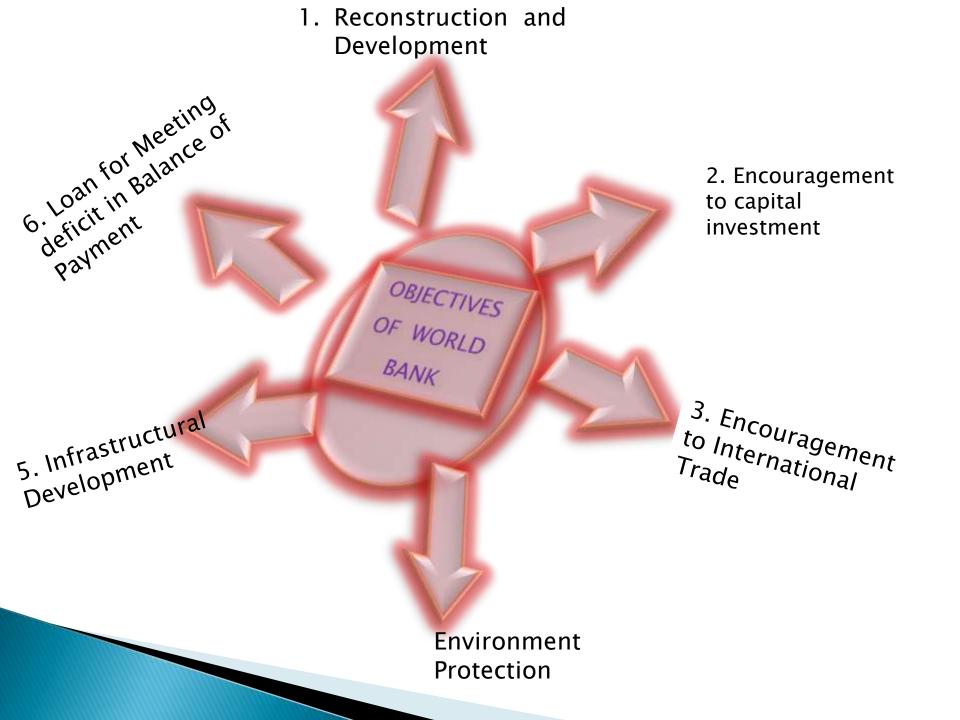
- I. Bank gives loan for Infrastructure (railways &roads, ports etc.)
- II. For human development(education, health care)
- III. For agriculture and rural deelopment
- IV. Power generation.

The bank grants loans as:-

Power sector:- 30% of the total loans.

Transport sector: - 30% of the total loans.

Industrial sector:-40% of the loans.





BOARD OF GOVERNOR BOARD OF EXECUTIVE DIRECTORS

ADVISORY COUNCIL

LOAN COMMITEE

PRESIDENT

WORLD BANK'S
CURRENT
PRESIDENT—JIM
YONG KIM



PREVIOUS
PRESIDENTROBERT
ZOELLICK

FUNCTIONS OF WORLD BANK

1. ADVANCES LOAN

EL DONE WILL

2. TECHNICAL ASSISTANCE

3. IMPART TRAININGS

4. AGRICULTURE & RURAL DEVELOPMENT

5. PROVIDE FINANCIAL ASSISTANCE TO WORLD WELFARE INSTITUTION

6. CONDUCT ECONOMIC RESEARCH

LIMITATIONS OF WORLD BANK

- INADEQUATE FINANCIAL HELP
- DISCRIMINATING BEHAVIOUR
- HIGH RATE OF INTEREST
- DEFECTIVE LOAN POLICY
- LOAN FOR LIMITED OBJECTIVE
- REPAYMENT OF LOAN IN FORIGN CURRENCY
- INTERFERENCE IN DOMESTIC AFFAIRS

AFFILIATES TO WORLD BANK



ESTD.- IN 1960
INTERNATIONAL DEVELOPMENT ASSOCIATION

ESTD.-APRIL 1988

MULTINATIONAL INVESTMENT

GUARANTEE AGENCY



ESTD.JULY 1956
INTERNATIONAL FINANCE CORPORATION



ESTD.-1966

INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES

CONCLUSION

- Though there are many controversies in world bank policies, still it turns rich countries resource in poor countries growth.
- The world bank supports the developing country government in various development programs.



ASHUK GARG

Background...

During great depression of 1930's the international trade was badly affected and various countries imposed the import restrictions for safeguarding their economies.

It resulted in sharp decline in world trade.

IN 1945, USA put forward many proposals for extending international trade and employment.

On Oct, 30th 1947, 23 countries at Geneva signed an agreement related to tariffs imposed on trade.



What is GATT?.....

- □ The General Agreement On Tariff And Trade(GATT), the predecessor of WTO, was born in 1948, as result of the international desire to liberalize trade.
- □ The GATT was transformed into a World Trade Organization(WTO) with effect from January 1995.
- India is one of the founder member of IMF, World Bank, GATT and the WTO.

Points related to GATT.....

- □ The Bretton Wood Conference in 1944, recommended the establishment of an international trade organization and therefore, GATT (General Agreement on Tariffs and Trade) was established in 1947.
- 23 nations signed the original agreement of GATT.
- ☐ It came into force on Jan 1, 1948.
- India was one of the original member (founder)
- Its membership increased to 128 countries as on Dec
 31st, 1994 the it ceased to exists.
- Remained into existence for the period of 46 years.

Objectives...

- > To promote international trade by reducing tariff and non tariff restrictions on imports by member countries.
- > Tariff barriers means imposing import duty
- ➤ Non tariff barriers includes import licensing, quota or banning the imports.
- > To expand world resources and better utilization of world's resources.
- > To increase standard of living of global population.
- > To increase multilateral trade.
- > To increase employment in the members Countries.

PRINCIPLES ADOPTED BY GATT

NON - DISCRIMINATION

- A contracting party's trade policies must treat all GATT members equally.
- No member country shall discriminate between the members of GATT in the conduct of international trade.
- Members of GATT agree to apply the principle of "most favored nations" (MFN) to all export and import duties.
- National Treatment: Foreign goods, services or investments are to be treated "no less favorably" within a nations domestic markets than the competing products and services produced locally.
- GAAT seeks to discourage quantitative restrictions (maximum limits on imports and exports) except :-
- I) Countries having BOP difficulties and to the developed countries.
 - 2) To agriculture and fishery products if domestic production is also subject to restrictions.

CRITICISM OF GATT

- ✓ Before 6th and 7th round, every country followed such agricultural trade policies which were inconsistent with GATT.
- Developed countries abolished many tariff barriers rules.
- ✓ It was a mandatory body and didn't have any mechanism to get it rules implemented contracting parties.

ROUNDS OF GATT NEGOTIATION

Between 1947 and the last year of GATT there were 8 rounds of negotiations between the participating countries.

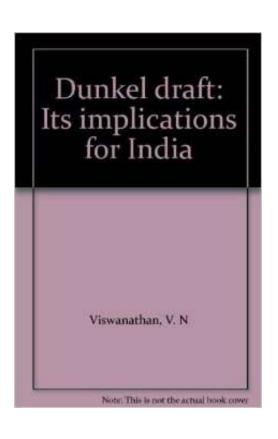
The first 6 rounds were related to curtailing tariff rates. 7th round included the non tariff obstacles. included the non tariff obstacles.

The 8th round was entirely different from the previous rounds because it included a number of new subjects for consideration. This 8th round was included a number of new subjects for consideration.

This 8th round was known as "URUGUAY ROUND".

The discussions at this round only gave birth to WORLD TRADE ORGANISATION (WTO).

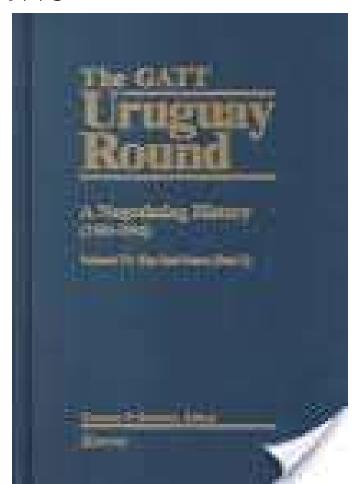
Dunkel Draft / Conversion into WTO



First seven rounds of GATT were aim at promoting international Trade in Goods.

Eight Round or Uruguay Rounds :-

- Sep 1986 Dec 15, 1993
- GATT was replaced by WTO w.e.f. I Jan, 1995
- The final draft of this round prepared by
 Mr. Aurther Dunkel
- Signed by 124 nations on 15thapril, 1994



FROM **GATT** TO **WTO**

Following the UR agreement, GATT was converted from a provisional agreement into a formal international organization called World Trade Organization (WTO), with effect from January 1, 1995

GATT	WTO
GATT was ad hoc and provisional	WTO and its agreements are permanent
GATT had contracting parties	WTO has members
GATT system allowed existing domestic legislation to continue even if it violated a GATT agreement	WTO does not permit this
GATT system was less powerful, dispute settlement system was slow and less efficient, its ruling could easily blocked	WTO is more powerful than GATT, dispute settlement mechanism is faster and more efficient, very difficult to block the rulings.

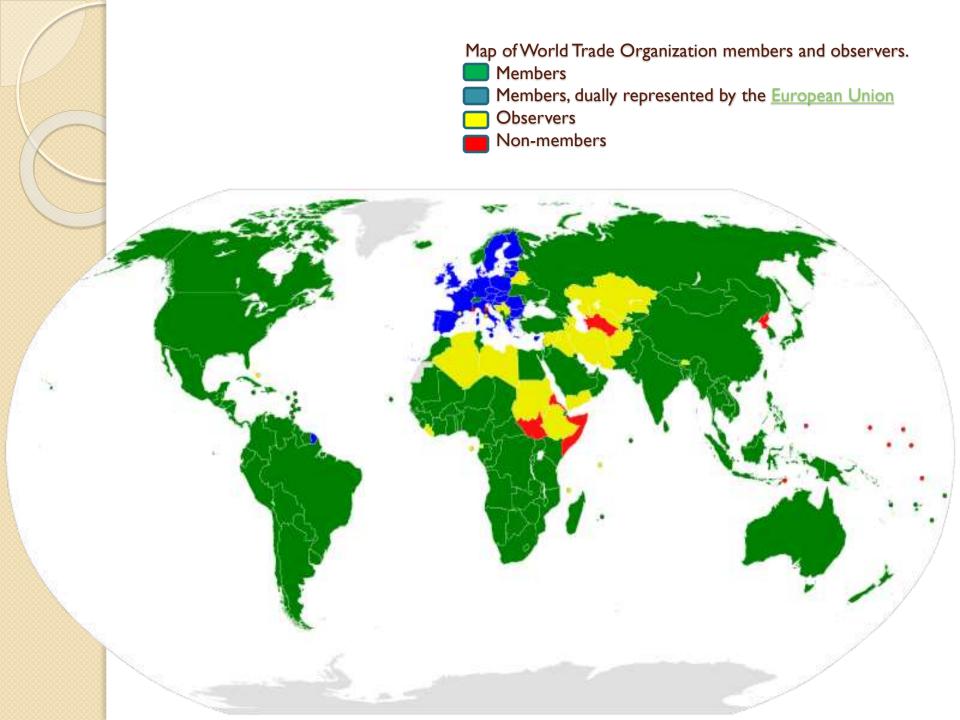
WORLD TRADE ORGANIZATION

What is WTO?.....

The World Trade Organization (WTO) is the International body dealing with the rules of trade between nations. Its goal is to supervise and expand international trade, monitor national trade policies, and provide technical assistance to developing nations. The WTO is a forum for negotiating and formalizing agreements between nations, as well as resolving disputes. The organization grew from the General Agreement on Tariffs and Trade (GATT), which was established shortly after World War II. The WTO officially began in 1995 and now has 163 member countries, representing more than 97% of the world's trade. An additional 30 nations are currently observers seeking membership.

WTO MEMBERSHIP.....

Beginning (I Jan, 1995) – 128 nations At present – 163 member nations



Director General of WTO : Mr. Roberto Azevedo



- □ Consists of a set of 28 multi- lateral agreements.
- WTO is new globally recognized trade organization with the new name succeeding GATT on renewed agreements and having a new vision and strong enforcement power to promote international trade.
- Official Language : English, French, Spanish
- □ It will be directed by the Ministerial Conference that will meet at least once in two years.

Ministerial Conference (Geneva)



So far, I0 ministerial meets of WTO was held.
 8th was in Geneva

□ Headquarter : Geneva (Switzerland)

□ 9th - Bali(2013)



Headquarter :- GENEVA



9th WTO Ministerial Conference - Bali (Indonesia) – 159 members (as on 3-5 Dec, 2013)





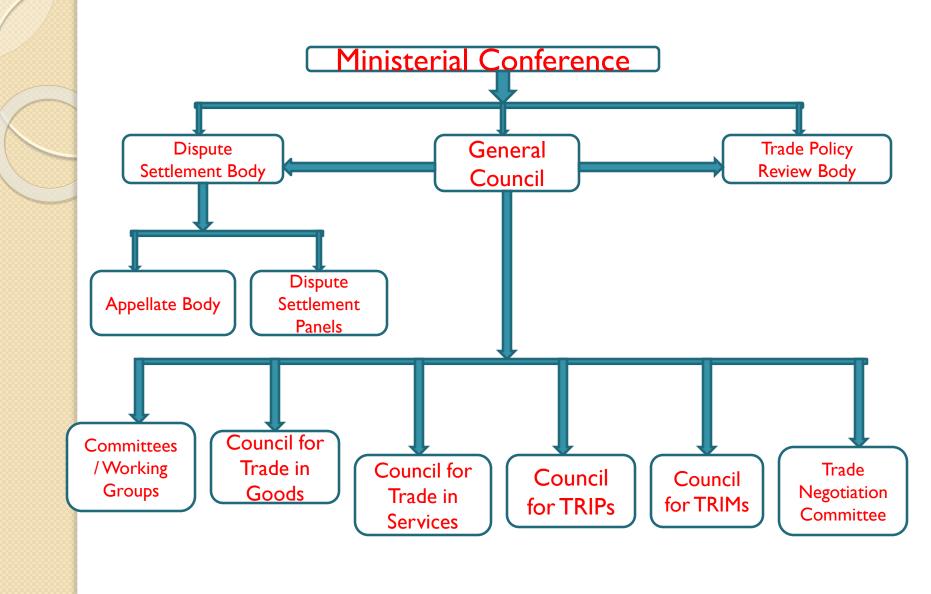
Objectives of WTO

- Primary aim of WTO is to implement the new world trade agreements.
- To promote free trade by abolishing tariff and non-tariff barriers.
- □ To enhance competitiveness among member nations/ trading partners so as to benefit consumers.
- Increase employment, standard of living, productivity and level of production.
- Optimum utilization of world's resources
- To take steps for the development of poorest nations

Functions of WTO

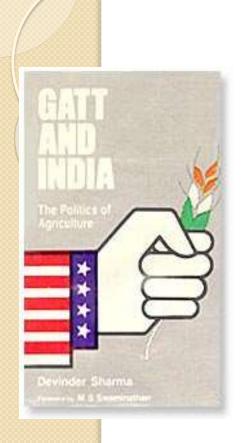
- Provides forum for multi lateral trade negotiations.
- To implement WTO agreements and administrating the international trade.
- Laying down code of conduct aiming at reducing tariff and non tariff barriers in international trade.
- Administer the Trade Review Mechanism.
- Settling Trade related disputes with the help of its dispute settlement body (DSB)
- Providing Technical assistance and guidance related to management of foreign trade.
- Co-operate with other international institutions involved in global economic policy.
- Managing MTA and PTA (pluri lateral)

ORGANISATION STRUCTURE ORGANISATION OF OUT



SCOPE OF WTO

- I) Trade in Agriculture:
 - Reduction in domestic subsidy
 - Reduction in Export subsidy
 - Improvement in Market Access
 - Public Distribution System
- II) Trade in Textile and Clothing:
 - Elimination of MFA(Multi Fibre Arrangement)
 - Reduction in Tariff
 - Safeguard Mechanism
- III) Trade Related Intellectual Property Rights (TRIPs)
- IV) Trade Related Investment Measures (TRIMs)
- V) GATS (General Agreement on Trade in Services)
- VI) Dispute Settlement
- VII) Review Trade Policies of Member Countries
- VIII) Anti- Dumping Agreements







India and WTO Newsletter

December, 2012 - February, 2013 Vol.: 7

> Ministry of Commerce & Industry Government of India



08

WTO DG Contenders Call on Anand Sharma for India's Support

India Poised to be Leading International Trading Hub for Rough Diamonds

WTO AND INDIA

- Advantages
- I. Increase in Foreign Trade.
- 2. Increase in Agricultural Exports.
- 3. Increase in Inflow of Foreign Investment.
- 4. Improvement in Services.
- 5. Benefits for Clothing and Textile Industry.
- 6. Benefits of Multilateral Trade System.
- 7. Inflow of Better Technology and Better quality products.
- 8. Promotion of Research because of patents.
- Benefits of Using Quality Seeds and New Varieties of Plants.
- 0. Restricts Dumping.

Disadvantage



Disadvantage to Agricultural Sector



- Loss to Domestic Industries.
- Patents of Indian Herbs by Foreign Companies.
- Effects on Prices.
- Increased Litigation Cost.
- Issue of Social Cost, Environment Cost and Labour Cost.
- Loss to Regional Groupings
- Disadvantage to Service Sector.
- Increase in Unemployment.

Evaluation of WTO

Still to make progress on the following issues:

- □ The Trade reform process is incomplete in many countries.
- WTO has not done much for the development of nontariff barriers to imports from the under developed countries such as anti dumping duties.
- WTO has been much more beneficial to the developed countries where the benefits of free trade accrue mainly to the under developed countries.
- □ All the WTO members are not equally integrated in the multilateral systems.