

## **2. Global Framework for Export Marketing**

- Trade Barriers
- Types of Tariff Barriers and Non-Tariff Barriers
- Distinction between Tariff and Non-Tariff Barriers
- Major Economic Groupings of the World
- Positive and Negative Impact of Regional Economic Groupings
- Agreements of World Trade Organization (WTO)
- Need for Overseas Market Research
- Market Selection Process
- Determinants of Foreign Market Selection

## Trade Barriers

Trade barriers are government policies which place restrictions on international trade.

Trade barriers can either make trade more difficult and expensive (tariff barriers) or prevent trade completely.

A government imposed restriction on the free international exchange of goods or services.

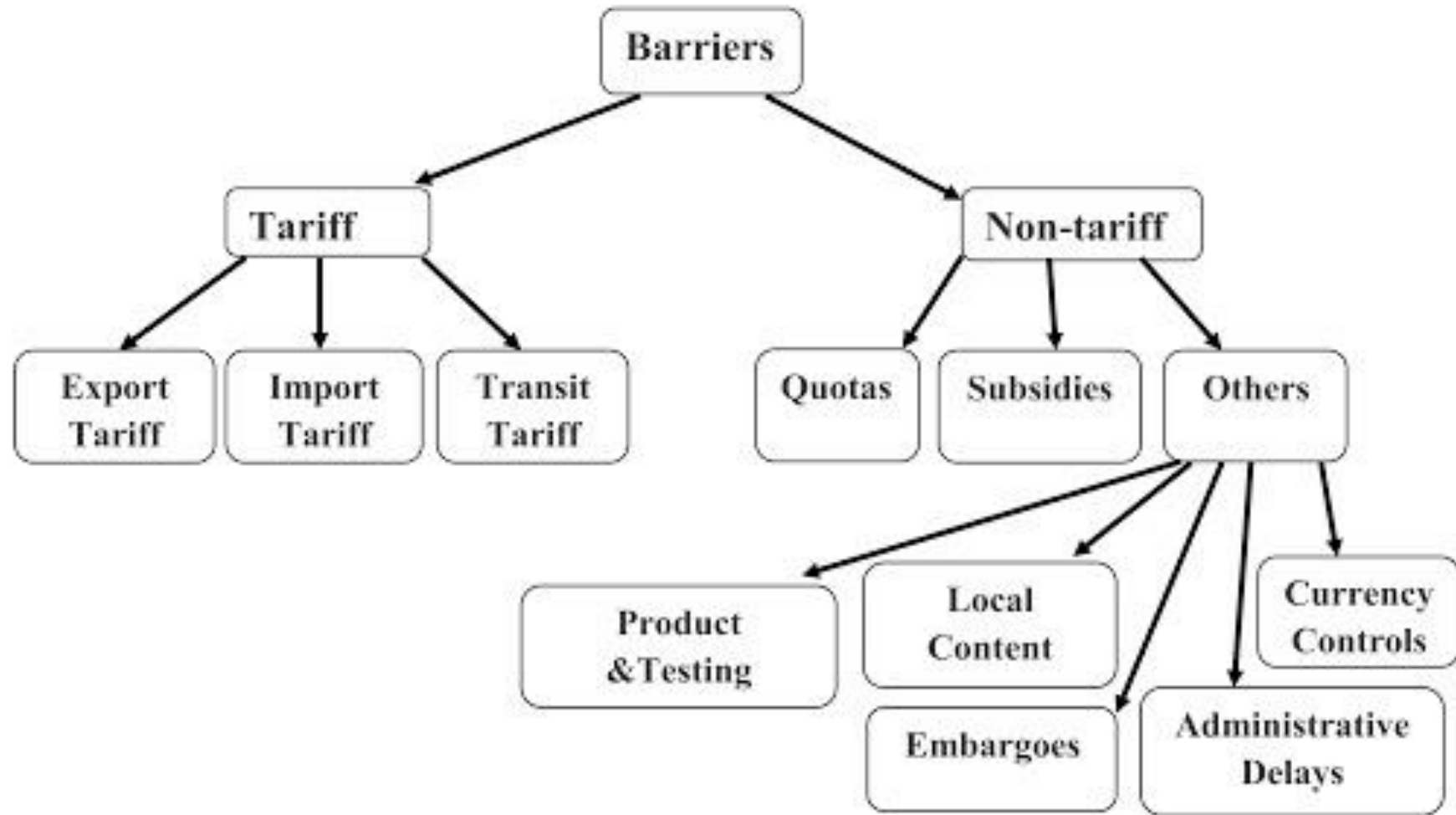
Trade barriers can be defined as restrictions imposed on movement of goods and services between countries. Trade barriers are imposed not only on imports but also on exports



# Free Trade Vs. Trade Barriers

- **Free Trade:** Nothing hinders or gets in the way from two nations trading with each other.
  - **Trade Barriers:** Trade is difficult because things get in the way.
- 
- There are costs and benefits related to free trade as well as trade barriers.

## Barriers to Trade





## **Tariff Barriers**

- 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
- (2) Classification on the Basis of Purpose for Which Tariff is Imposed
- (3) Classification on the Basis of Discrimination
- (4) Classification on the Basis of Products
- (5) Classification on the Basis of Retaliation

## **(1) Classification on the Basis of Criterion for Imposition**

These can be of such types as:

- (a) Specific tariff
- (b) Ad Valorem tariff
- (c) Compound tariff
- (d) Sliding scale tariff



(a) Specific Tariff:

- Specific tariff is the fixed amount of money per physical unit or according to the weight or measurement of the commodity imported or exported.
- Such duties can be levied on goods like wheat, rice, fertilizers, cement, sugar, cloth etc. Specific duties are quite easy to administer, as they do not involve the evaluation of the goods.

(b) Ad Valorem Tariff:

- 'Ad Valorem' is the Latin word that means 'on the value.' When the duty is levied as a fixed percentage of the value of the traded commodity, it is called as valorem tariff.
- Such duties are levied on the products the value of which is higher compared to their physical characteristics such as weight or measurement.



(c) Compound Tariff:

- The compound tariff is a combination of specific and ad valorem tariff.
- The structure of compound tariff includes specific duty on each unit of the commodity plus a percentage of ad valorem duty.

(d) Sliding Scale (Seasonal) Tariff:

- The import duties which vary with the prices of the commodities are termed as sliding scale duties. These may either be on specific or ad valorem basis.
- In practice, these are generally on a specific basis.



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

These can be of two types

(a) Revenue Tariff

(b) Protective Tariff



(a) Revenue Tariff:

- The tariff, which is imposed primarily for generating more revenues for the government is called as the revenue tariff.
- In advanced countries, the introduction and diversification of direct taxes has reduced the importance of tariff as a source of government revenues. But in the less developed countries, there is still much reliance of the governments on this source of revenue.

(b) Protective Tariff:

- The tariff may be imposed by the government to protect the home industries from the cut-throat competition from the foreign produced goods.
- The higher the tariff, greater may be the protective effect of tariff. A perfect protective tariff is likely to prohibit completely the import from abroad.




### **(3) Classification on the Basis of Discrimination**

There can be two types of tariffs

(a) Non-discriminatory

(b) Discriminatory





(a) Non-Discriminatory Tariff:


- If the uniform tariff rates are applicable to all the commodities irrespective of the country of origin, these are known as non-discriminatory tariffs.
- Such a system of nondiscriminatory tariff is called as single column tariff. This system of tariff is easy and simple to administer.

(b) Discriminatory Tariff:

- In case of discriminatory tariff, the varying tariff rates exist for different commodities. The products originating from favoured countries are subject to a lower tariff rate than those of other countries. The discriminatory tariffs can be double or multiple column tariffs.
- In case of the double column tariff, two different rates of duty exist for all or some commodities.



**The double column tariff can be further classified as:**

- (i) General and conventional tariff
  - (ii) Maximum and minimum tariff
- 



(i) General and Conventional  
Tariff:

- The general tariff schedule is determined by the state legislature. It also makes provision for the adjustment in tariff rates as and when required to fulfill the obligations of international commercial agreements.
- The conventional tariff schedule is evolved through the commercial agreements of the home country with other countries.

(ii) Maximum and Minimum Tariff:

- Under this system, a country has maximum and minimum tariff rates for every commodity.
- The minimum tariff rates are applied to the products originating from the countries treated as 'The Most Favoured Nations'.
- The maximum tariff rates are applied for the purpose of improving the bargaining position of the home country vis-a-vis the foreign countries.



### (iii) Multiple Column Tariff:

- The multiple column tariff consists of three different rates of tariff – a general rate, an international rate and a preferential rate.
- The general and international tariff rates can be considered equivalent to the maximum and minimum tariff rates.
- The preferential tariff rate is kept lower than the general rate of tariff.
- For instance, the goods imported by India from Britain before independence were subjected to a lower tariff or duty free on account of Imperial Preferences. On the other hand, the goods imported from other countries such as Japan, Germany and others were subject to higher rates of tariff.



#### **(4) Classification on the Basis of Products**

On this basis, the tariffs can be of the types of:

(a) Import duties

(b) Exports duties



(a) Import Duties:

- If the home country imposes tariff upon the products of the foreign countries as they enter its territory, the tariff is known as import tariff or import duty.

(b) Export Duties:

- If the products of the home country become subject to tax as they leave its territory to be sold in the foreign market, the tax or duty is called as export tariff or export duty.



## **(5) Classification on the Basis of Retaliation**

On this basis, the tariffs can be of the types of

- (a) Retaliatory tariffs
- (b) Countervailing tariffs
- (c) Anti – dumping duty



### (a) Retaliatory Tariffs:

- If a foreign country has imposed tariffs upon the exports from the home country and the latter imposes tariffs against the products of the former, the tariffs resorted to by the home country will be regarded as the retaliatory tariffs.
- The home country, while adopting this measure does not either has the object of raising revenues or protecting home industries but of acting in retaliation.

### (b) Countervailing Tariffs:

- If the foreign country has been exporting large quantities of its products in the market of the home country on the strength of export subsidies, the home country can neutralize the 'unfair advantage' enjoyed by foreign products through imposing duties upon them as they enter the territory of the home country.



(c) Anti-dumping duty:

- ▶ Anti-dumping duty is a tariff imposed on imports manufactured in foreign countries that are priced below the fair market value of similar goods in the domestic market.
- ▶ The government imposes anti-dumping duty on foreign imports when it believes that the goods are being “dumped” – through the low pricing – in the domestic market.
- ▶ Anti-dumping duty is imposed to protect local businesses and markets from unfair competition by foreign imports.

## NON-TARIFF BARRIERS

- Non-tariff barriers are the government policies other than tariffs that tend to distort trade.
- **Non-tariff barriers to trade (NTBs)** or sometimes called "**Non-Tariff Measures (NTMs)**" are trade barriers that restrict imports or exports of goods or services through mechanisms other than the simple imposition of tariffs.
- The Southern African Development Community (SADC) defines a non-tariff barrier as "any obstacle to international trade that is not an import or export duty. They may take the form of import quotas, subsidies, customs delays, technical barriers, or other systems preventing or impeding trade."
- According to the World Trade Organization, non-tariff barriers to trade include import licensing, rules for valuation of goods at customs, pre-shipment inspections, rules of origin ('made in'), and trade prepared investment measures.

## Licenses

- The license system allows authorized companies to import specific commodities that are included in the list of licensed goods.
- Product licenses can either be a general license or a one-time license. The general license allows import and export of permitted goods for a specified period.
- The one-time license allows a specific product importer to import a specified quantity of the product, and it specifies the cost, country of origin, and the customs point through which the import will be carried out.

## Embargoes

- Embargoes are total bans of trade on specific commodities and may be imposed on imports or exports of specific goods that are supplied to or from specific countries.
- They are considered legal barriers to trade, and governments may implement such measures to achieve specific economic and political goals.

## Voluntary Export Restraints (VERs)

- VERs are bilateral agreements instituted to restrain the rapid growth of exports of specific goods.
- Essentially, the government of country X asks the government of country Y to reduce its companies' exports to country X voluntarily to help the importing country X to protect its domestic industry

## Local Content Requirement

- A local content requirement is a requirement that some fraction of the product must be produced locally or in the domestic market.
- E.g: **The domestic content requirement (DCR)** category, **the** mandate for **solar** projects **in** India to utilize domestically manufactured **solar** modules and cells, was instituted **in the Jawaharlal Nehru National Solar Mission (JNNSM)**.

## “By Local” Legislation

- Under this form of trade policy the government makes its purchases from domestic producers only.
- This legislation forbids the government departments to make use of imported goods.
- However, the government may at times permit the use of imported products only if the price is below that of the domestic producer.

## Labelling and Testing Standards

- Some countries require that goods entering into their boundaries must meet certain requirements in terms of packaging, labeling and testing standards.
- Such countries allow sale of only those goods which satisfy these standards.

## Sanitary and Phytosanitary (SPS) measures

- These measures are taken to protect against risks linked to food safety, animal health and plant protection or to prevent or limit damage within the territory of a country from the entry, establishment and spread of pests from a foreign country.

## Specific Permission Requirements

- This measure requires that potential importers or exporters secure permission from governmental authorities.
- This involves the issuing of import or export licenses which may be costly and time consuming.



## Counter trade

- ▶ The exchange of goods with goods between countries is referred to as countertrade.
- ▶ This practice is common in case of aerospace and defense industries whereby the importer country may not have enough foreign currency to pay for imports.

## Administrative Barriers to Trade

- ▶ Administrative barriers to trade are a special category of non-tariff barriers and their main sources are administrative regulations and procedures that have a restrictive effect on international trade.
- ▶ Delays may be made with respect to issue of licences, customs valuation, and clearance of consignment of goods and so on.
- ▶ **E.g: Anti-dumping**



## Consular Formalities

- ▶ A number of countries demand that the shipping documents should include consular invoice certified by their consulate stationed in the exporting country.

## Preferential Arrangements

- ▶ Some nations form trading groups for preferential arrangements in respect of trade amongst themselves.
- ▶ Imports from member countries are given preferences, whereas those from other countries are subject to tariffs and other restrictions.

# Quotas

- ▶ Under this system, the maximum quantity of different commodities which would be allowed to be imported over a period of time from various countries is fixed.
- ▶ The quota system can be divided into following categories:
- ▶ Tariff / customs Quota, Unilateral Quota, Bilateral Quota, Multilateral Quota

## Tariff Barriers v/s Non-Tariff Barriers

Basis	Tariff Barriers	Non-Tariff Barriers
<b>Meaning</b>	Tariff barriers refer to duties and taxes imposed by the govt. on the goods imported from abroad.	Non tariff barriers are various quantitative and exchange control restrictions imposed in order to restrict imports.
<b>Types</b>	Tariff barriers include import duties, specific duties, and valorem duties protective duties, etc.	Non tariff barriers includes import licensing , import quota, consular formalities and so on

Basis	Tariff Barriers	Non-Tariff Barriers
<b>Flexibility</b>	Tariffs are not flexible. They can be imposed quickly but it is difficult to remove due to the opposition of powerful vested interests.	Quotas (non tariff barriers) tend to be more flexible more easily imposed and more easily remove.
<b>Effects On Imports</b>	Tariff barriers restrict imports indirectly.	Non tariff barriers restrict imports directly.
<b>Revenue Earning Capacity</b>	Provide huge revenue to the government	Non tariff barriers do not provide additional revenue to the government.

Basis	Tariff Barriers	Non-Tariff Barriers
<b>Formation Of Monopolies</b>	Tariff barriers do not facilitate the formation of monopolistic group of production.	Non tariff barriers encourage the formation of the monopolistic group of procedures for their benefit.
<b>Effect On Price</b>	Tariff barriers affect (increase) the prices of imported items	Non tariff barriers normally do not lead to rise in the prices of imported items.
<b>Time Required For Effects</b>	Changes in tariff are quick and give immediate effect in terms of import reduction.	Non tariff barriers take longer time for introduction of changes. The effects on imports are also slow

<b>Basis</b>	<b>Tariff Barriers</b>	<b>Non-Tariff Barriers</b>
<b>Effectiveness</b>	Tariff barriers are not very effective as they arise the price but the effect on demand may be limited.	As a protective measure, non tariff barriers are more effective as they restrict imports within the required limits.
<b>Nature Of Protection:</b>	Tariff barriers do not offer direct protection to home industries.	Non tariff barriers can offer direct protection to home industries.
<b>Preferences</b>	Many countries prefer tariff barriers as they give more revenue and are easy to introduce	Not preferred as they do not provide additional revenue and need complicated procedure

## Regional Economic Groupings

- European Union
- Association of South East Asian Nations (ASEAN)
- South Asian Association for Regional Cooperation (SAARC)
- North American Free Trade Agreement (NAFTA)

## What is economic integration & why go for it?

Economic integration refers to trade unification between different states by the partial or full abolishing of customs tariffs on trade taking place within the borders of each state.

The objective of this integration is to increase the combined economic productivity of the countries – easier access of goods and services

**Other by-product of integration is competitiveness.**

If 4-5 countries come together to form a closely knit family, they would create barriers to entry of an external (possibly much larger player) to disrupt the region with cheaper goods

## What is a trade agreement?

A trade agreement is a contract/agreement/pact between two or more nations that outlines how they will work together to ensure mutual benefit in the field of trade and investment.

**This can be bilateral (2 countries) or multilateral (2+ countries).**

**Once a trade agreement is finalized, there comes into existence Trade Blocs** – a type of intergovernmental agreement, where regional barriers to trade, (tariffs and non-tariff barriers) are reduced or eliminated among the participating states.

## Types of Economic Integration:

- Preferential Trade Agreement
- Free trade Area
- Customs Union
- Common Market
- Economic Union

## 1. PTA – Preferential trade agreement

A preferential trade agreement, is a trading bloc that gives preferential access to certain products from the participating countries.

This is done by reducing tariffs but not by abolishing them completely. A PTA can be established through a trade pact. **It is the first stage of economic integration.**

**Example :** SAPTA

Type	Removal of Trade Barriers	Common External Barriers	Free Movement of Labour and Capital	Common Economic Policies
PTA	Yes (Partly)	No	No	No

## 2. FTA – Free trade agreement

A free-trade area is a trade bloc whose member countries have signed a free-trade agreement (FTA), which eliminates tariffs, import quotas, and preferences on most (if not all) goods and services traded between them.

- Evolution of SAPTA to SAFTA (South Asian PTA to FTA)
- ASEAN FTA (Trade agreement within the Southeast Asian nations)
- NAFTA

Type	Removal of Trade Barriers	Common External Barriers	Free Movement of Labour and Capital	Common Economic Policies
FTA	Yes	No	No	No

### 3. Customs Union

An agreement among countries to have free trade among themselves and to adopt common external barriers against any other country interested in exporting to these countries.

Some examples:

**Southern Common Market – Mercosur** (Argentina; Bolivia; Brazil; Paraguay; Uruguay; and Venezuela)

**Gulf Cooperation Council (GCC)** – Its member states are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates

**East African Community (EAC)** – composed of 5 countries in the African Great Lakes region in eastern Africa: Burundi, Kenya, Rwanda, Tanzania, and Uganda

Type	Removal of Trade Barriers	Common External Barriers	Free Movement of Labour and Capital	Common Economic Policies
Customs Union	Yes	Yes	No	No

## 4. Common Market

A type of custom union where there are common policies on product regulation, and free movement of goods and services, capital and labour.

Eg: European Common Market (Later converted to European Union)

Type	Removal of Trade Barriers	Common External Barriers	Free Movement of Labour and Capital	Common Economic Policies
Common Market	Yes	Yes	Yes	No

## 5. Economic Union

An economic union is a type of trade bloc which is composed of a common market with a customs union.

The participant countries have both common policies on product regulation, freedom of movement of goods, services and the factors of production (capital and labour) and a common external trade policy.

Eg: European Union (27 member countries)

Type	Removal of Trade Barriers	Common External Barriers	Free Movement of Labour and Capital	Common Economic Policies
Economic Union	Yes	Yes	Yes	Yes

## Features of Economic Groupings:

Type	Removal of Trade Barriers	Common External Barriers	Free Movement of Labour and Capital	Common Economic Policies
PTA	Yes (Partly)	No	No	No
FTA	Yes	No	No	No
Customs Union	Yes	Yes	No	No
Common Market	Yes	Yes	Yes	No
Economic Union	Yes	Yes	Yes	Yes

## Govt to Identify Electronic Items For Export Thrust, Says Goyal

Commerce and Industry Minister Piyush Goyal said his ministry was looking at identifying select electronic items that could be manufactured in India on a large scale.

Trade with Bangladesh opens doors for India's non-basmati rice exports

India witnessed its first monthly merchandise trade surplus since January 2002 in June, as export contracted by just 12.4% y-o-y to \$21.91 billion, while imports collapsed by 47.6% to \$21.11 billion, mirroring a Covid-induced domestic demand compression. Exports of iron ore, chemicals and farm products, including rice, spices, oilseeds and oil meals, rose.

Government lifts export ban on non-woven fabric used for making masks and coveralls



Member States of the European Union (2020)



Candidate countries and potential candidates

## EUROPEAN UNION

The European Union is a unique economic and political union between **27 EU countries** that together cover much of the continent.

The predecessor of the EU was created in the aftermath of the Second World War. The first steps were to foster economic cooperation: the idea being that countries that trade with one another become economically interdependent and so more likely to avoid conflict.

The result was the European Economic Community (EEC), created in 1958, and initially increasing economic cooperation between six countries: Belgium, Germany, France, Italy, Luxembourg and the Netherlands.

Since then, 22 other members joined and a huge single market (**also known as the 'internal market'**) has been created and continues to develop towards its full potential.

**On 31 January 2020 the United Kingdom left the European Union.**

What began as a purely economic union has evolved into an organization spanning policy areas, from climate, environment and health to external relations and security, justice and migration.

**A name change from the European Economic Community (EEC) to the European Union (EU) in 1993 reflected this.**


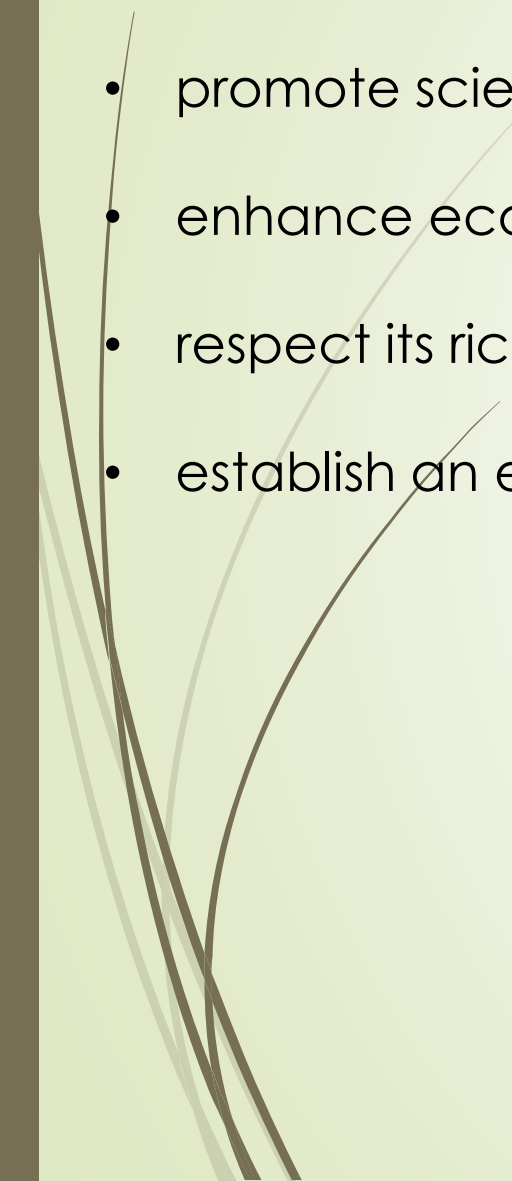
## The 27 member countries of the EU

Belgium	Ireland	Sweden	Malta
France	United Kingdom (left on 31 January 2020)	Cyprus	Poland
Germany	Greece	Czechia	Slovakia
Italy	Portugal	Estonia	Slovenia
Luxembourg	Spain	Hungary	Bulgaria
Netherlands	Austria	Latvia	Romania
Denmark	Finland	Lithuania	Croatia

## Goals

The goals of the European Union are:

- promote peace, its values and the well-being of its citizens
- offer freedom, security and justice without internal borders
- sustainable development based on balanced economic growth and price stability, a highly competitive market economy with full employment and social progress, and environmental protection
- combat social exclusion and discrimination

- 
- promote scientific and technological progress
  - enhance economic, social and territorial cohesion and solidarity among EU countries
  - respect its rich cultural and linguistic diversity
  - establish an economic and monetary union whose currency is the euro
- 

# The EU in the world

## Trade

The European Union is the largest trade block in the world. It is the world's biggest exporter of manufactured goods and services, and the biggest import market for over 100 countries. Free trade among its members was one of the EU's founding principles. This is possible thanks to the single market. Beyond its borders, the EU is also committed to liberalizing world trade.

## Humanitarian aid

The EU is committed to helping victims of man-made and natural disasters worldwide and supports over 120 million people each year. Collectively, the EU and its constituent countries are the world's leading donor of humanitarian aid.

## Diplomacy and security

The EU plays an important role in diplomacy and works to foster stability, security and prosperity, democracy, fundamental freedoms and the rule of law at international level.

## Regional policy

### Regional investment and solidarity

The EU invests locally through its regional policy. Addressed to all EU regions and cities, it contains measures to boost economic growth and jobs and improve quality of life through strategic investment. Thanks to this active form of EU solidarity, people in less developed regions can seize the opportunities raised by the largest market in the world.

EU regional policy works to make a difference in 5 key areas:

- investing in people by supporting access to employment, education and social inclusion opportunities
- supporting the development of small and medium size businesses
- strengthening research & innovation through investment and research-related jobs
- improving the environment through major investment projects
- modernizing transport and energy production to fight against climate change, with a focus on renewable energy and innovative transport infrastructure

## Single market

### **A single internal market without borders**

The EU aims to enable EU citizens to study, live, shop, work and retire in any EU country and enjoy products from all over Europe.

To do this, it ensures free movement of goods, services, capital and persons in a single EU internal market. By removing technical, legal and bureaucratic barriers, the EU also allows citizens to trade and do business freely.

The EU is also building a capital markets union, to make it easier for small businesses to raise money and to make Europe a more attractive place to invest. In addition, the digital single market will digitalize the EU's single market freedoms, with EU-wide rules for telecommunications services, copyright and data protection.

Some barriers within the single market remain, and the EU is working to further harmonize:

- fragmented national tax systems
- separate national markets for financial services, energy and transport
- varied e-commerce rules, standards and practices between EU countries
- complicated rules on the recognition of vocational qualifications

## EU, India move closer to free trade deal (15<sup>th</sup> July, 2020)

Following an online summit between the European Union and India, the two powers have announced plans to set up a "high-level dialogue" on investment and trade. Details of any potential free trade pact remain uncertain.

India and the European Union have vowed to deepen trade ties on Wednesday (15<sup>th</sup> July, 2020), with the two sides agreeing to set up a high-level ministerial dialogue on trade and investment.

**"The high-level dialogue will aim at fostering progress on the trade and investment agreements, addressing trade irritants and improving conditions for traders and investors on both sides as well as discuss supply chain linkages," a joint statement said after the talks.**

The summit was led by Indian Prime Minister Narendra Modi, European Council President Charles Michel and European Commission President Ursula von der Leyen.



# India and EU finalise civil nuclear pact, to unveil roadmap for boosting ties during online summit today

Officials said both sides are also expected to finalise an agreement between Europol and CBI on having a working arrangement to deal with organised crime and terrorism.

Press Trust of India | July 15, 2020 08:13:10 IST



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# India Played Significant Role In Combating Coronavirus Pandemic: European Union

The views were expressed at the 15th India-EU virtual summit by European Council President Charles Michel and European Commission President Ursula von der Leyen.

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Home / Business / Commodities / India's edible oils export rises 54% to 80,765 tonnes in 2019-20, trade body says

# India's edible oils export rises 54% to 80,765 tonnes in 2019-20, trade body says

In value terms, the edible oil shipments increased 52.36 per cent to Rs 955.51 crore, against 52,490 tonnes valued at Rs 627.11 crore in 2018-19, trade body SEA said in a statement.



By: PTI | New Delhi | Published: July 16, 2020 5:22:09 pm



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Business News > News > Politics and Nation > Huge potential between India & the EU to take economic partnership to next level: Germany's Envoy

# Huge potential between India & the EU to take economic partnership to next level: Germany's Envoy

By Dipanjan Roy Chaudhury, ET Bureau • Last Updated: Jul 19, 2020, 02:04 PM IST

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**Synopsis**  
At the July 15 India-EU summit the two sides decided to work towards balanced, ambitious and mutually-beneficial trade and investment agreements.



The 5th Indo-German Inter Governmental Commission (IGC), was held in Delhi on November 1 during which 21 MoUs/Agreements were signed.

Germany, which holds the current six-month EU Presidency, is optimistic that mechanisms created at last week's India-EU Summit will enable it to conclude trade and investment pacts opening a new era of business partnership between India and the European Union.

"Germany as the biggest economy of

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## North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement (NAFTA) was implemented in order to promote trade between the U.S., Canada, and Mexico.

The agreement, which eliminated most tariffs on trade between the three countries, went into effect on January 1, 1994. Numerous tariffs—particularly those related to agriculture, textiles, and automobiles—were gradually phased out between January 1, 1994 and January 1, 2008.

## Objectives

- a) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties;
- b) promote conditions of fair competition in the free trade area;
- c) increase substantially investment opportunities in the territories of the Parties;

d) provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory;

e) create effective procedures for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes; and

f) establish a framework for further trilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement.



**In September 2018**, the United States, Mexico, and Canada reached an agreement to replace NAFTA with the **United States–Mexico–Canada Agreement (USMCA)**, and all three countries had ratified it by March 2020.

NAFTA remained in force until USMCA was implemented.

In April 2020, Canada and Mexico notified the U.S. that they were ready to implement the agreement.

**The USMCA took effect on July 1, 2020, replacing NAFTA with a modernized agreement.**

## **Modernizing NAFTA into a 21st Century Trade Agreement**

The United States, Mexico, and Canada have reached an agreement to modernize the 25-year-old NAFTA into a 21st century, high-standard agreement. The new United States-Mexico-Canada Agreement (USMCA) will support mutually beneficial trade leading to freer markets, fairer trade, and robust economic growth in North America.

Chapters with Key Achievements include:

- **Intellectual Property**
- **Digital Trade**
- **De minimis** ( a valuation ceiling for goods, including documents and **trade** samples, below which no duty or tax is charged and clearance procedures, including data requirements, are minimal.)
- **Financial Services**
- **Environment**

## ***Strengthening North American Trade in Agriculture***

While agriculture has generally performed well under NAFTA, important improvements in the agreement will enable food and agriculture to trade more fairly, and to expand exports of American agricultural products.

Key Achievements include:

- **Expanded Market Access for American Dairy, Poultry & Egg Products**
- **Mechanism for Cooperation on Ag Biotechnology, Including New Technologies such as Gene Editing**
- **Significant Commitments to Avoid Trade-Distorting Policies**
- **Fair Treatment in Quality Grading for American Wheat**
- **Non-Discrimination and Transparency Commitments Regarding the Sale and Distribution of Alcohol Beverages**



# SAARC


## South Asian Association for Regional Cooperation

The South Asian Association for Regional Cooperation (SAARC) was established with the signing of the SAARC Charter in Dhaka on **8 December 1985**.

SAARC comprises of eight Member States: **Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka**.

## The objectives of the Association as outlined in the SAARC Charter are:

- to promote the welfare of the peoples of South Asia and to improve their quality of life;
- to accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realize their full potentials;
- to promote and strengthen collective self-reliance among the countries of South Asia;
- to contribute to mutual trust, understanding and appreciation of one another's problems;

- 
- to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;
  - to strengthen cooperation with other developing countries;
  - to strengthen cooperation among themselves in international forums on matters of common interests;
  - to cooperate with international and regional organizations with similar aims and purposes.

## **SAPTA (South Asian Preferential Trade Agreement)**

As a step towards trade liberalization among SAARC member nations, SAPTA was signed on April 11, 1993.

The SAPTA agreement came into force in December 1995.

SAPTA contains provisions for giving special and favorable treatment to the LDCs in the SAARC region.



## **SAFTA (South Asian Free Trade Agreement)**

In 2004, the SAARC countries signed SAFTA.

This agreement has provided a boost to trade growth within the region.

The SAFTA came into operation with effect from January 1, 2006.



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## ESTABLISHMENT


The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely **Indonesia, Malaysia, Philippines, Singapore and Thailand**.


**Brunei** then joined on 7 January 1984, **Viet Nam** on 28 July 1995, and **Myanmar** on 23 July 1997, and **Cambodia** on 30 April 1999, making up what is today the ten Member States of ASEAN.

## AIMS AND PURPOSES

As set out in the ASEAN Declaration, the aims and purposes of ASEAN are:

- To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations;
- To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;

- 
- To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;
  - To collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications facilities and the raising of the living standards of their peoples;
  - To promote Southeast Asian studies;

- 
- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
  - To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.

## FUNDAMENTAL PRINCIPLES

In their relations with one another, the ASEAN Member States have adopted the following fundamental principles, as contained in the Treaty of Amity and Cooperation in Southeast Asia (TAC) of 1976:

- Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations;
- The right of every State to lead its national existence free from external interference, subversion or coercion;
- Non-interference in the internal affairs of one another;
- Settlement of differences or disputes by peaceful manner;
- Renunciation of the threat or use of force; and
- Effective cooperation among themselves.

RELATED TAGS: Rice, Vietnam, India, Asean

## Vietnam and India are competing for ASEAN rice trade post-COVID-19, with the former having gained advantage due to support from traditional partner Philippines, and the latter having come out ahead with Malaysia in terms of price.

The Philippines is the world's largest importer of rice (between 7% and 14% of its requirements) and had initially announced a government-to-government (G2G) deal in May this year to buffer national stockpiles, with Department of Agriculture (DA) Secretary William Dar saying that discussions were in progress with Asia's biggest rice producers Myanmar, Vietnam, Thailand, India and Cambodia.

Government agency Philippine International Trading Corp (PITC) issued a tender earlier this month for white rice imports with bids from India, Thailand, Vietnam and Myanmar, and Myanmar had been in the lead to supply some 75,000 tonnes to the Philippines based on its bids whereas India and Thailand bids were rejected.

However, the Philippines later announced in a June 24 statement that these import plans would be cancelled given Vietnam's resumption of rice exports in May.

*"[The G2G deal is] no longer necessary under the current situation [as supply issues] has been properly*

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# US, Japan, India, Australia & ASEAN To Join Hands To Counter A 'Belligerent' China

Published 3 weeks ago on June 28, 2020

By EurAsian Times Desk



Japan has laid out plans to strengthen collaboration with India, Australia and ASEAN nations while China continues to make headlines for its increasing hostile presence in the East China Sea attracting conflict with Tokyo.

In an attempt to advance regional strategy with the US, India and Australia, Japan's Ministry of Defence has intended to establish a new team solely responsible for the Indo-Pacific affairs.

It is reported that the change expected to be implemented by next month will also see the ministry assigning another international affairs officer to its Bureau of Defence Policy, which will eventually double its staff for coordination with countries other than the US.

The primary focus of the new official in the bureau's International Policy Division will be to focus on cooperation with quasi-allies India and Australia, as well as Southeast Asian nations. It is also reported that the U.S. has also been looking speed-up country's cooperation with the Quad that involves Australia India and Japan

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Economy

# India's iron ore exports rise to 8-year high on China's 20 million-tonne purchase till June

China relies heavily on imported iron ore to fulfil more than two-thirds of its demand, and purchases have jumped on robust demand from steel mills.

ALPANA SARMA and SWANSY AFONSO 29 July, 2020 4:40 pm IST

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The government on Tuesday permitted export of 40 million surgical masks and 2 million medical goggles every month as country is producing these protective gears in excess to their domestic demand, a top official said.

“Following PM @NarendraModi ji’s mantra of Aatmanirbhar Bharat [Self-reliant India], in a momentous decision to promote Make in India & Industrial growth, Govt. permits export of 4 crore 2/3 Ply Surgical Masks & 20 lakh Medical Goggles every month, along with restriction-free export of Face Shields,” commerce and industry minister Piyush Goyal said in a tweet.

**Piyush Goyal** @PiyushGoyal  
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# New Education Policy 2020 Highlights: School and higher education to see major changes

New Education Policy 2020 Highlights: Union Cabinet on Wednesday approved the National Education Policy 2020, paving way for transformational reforms in school and higher education sector in the country.

hindustantimes.com | Edited by Nandini | Jul 29, 2020 22:06 IST



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India logs 1 million recoveries in 150 days, 53% from 3 states



The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations.

At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments.

**The goal is to ensure that trade flows as smoothly, predictably and freely as possible.**

## Birth of the WTO

In 1947, 23 countries including India signed the general Agreement on Tariffs and Trade (GATT). GATT was formed to reduce global depression and to liberalize the world trade by reducing tariff barriers. In 1995, WTO replaced GATT.

The WTO's creation on 1 January 1995 marked the biggest reform of international trade since the end of the Second World War. Whereas the GATT mainly dealt with trade in goods, the WTO and its agreements also cover trade in services and intellectual property. The birth of the WTO also created new procedures for the settlement of disputes.

**Members** :164 members since 29 July 2016



## Work of WTO

While the WTO is driven by its member states, it could not function without its Secretariat to coordinate the activities. The Secretariat employs over 600 staff, and its experts — lawyers, economists, statisticians and communications experts — assist WTO members on a daily basis to ensure, among other things, that negotiations progress smoothly, and that the rules of international trade are correctly applied and enforced.

- Trade negotiations
- Implementation and monitoring
- Dispute settlement
- Building trade capacity
- Outreach



## WTO stands for

The WTO agreements are lengthy and complex because they are legal texts covering a wide range of activities. But a number of simple, fundamental principles run throughout all of these documents.

These principles are the foundation of the multilateral trading system.

- Non-discrimination
- More open
- Predictable and transparent
- More competitive
- More beneficial for less developed countries
- Protect the environment

## TRADE MONITORING

WTO report shows members moving to facilitate imports even as trade restrictions remain high

While import-restrictive measures introduced by WTO members continued to affect a growing share of global trade, the Director-General's latest mid-year report on trade-related developments presented to members on 24 July also indicates a shift towards import-facilitating measures, including products related to the COVID-19 crisis.

Between mid-October 2019 and mid-May 2020, WTO members implemented 363 new trade and trade-related measures, 198 of them trade-facilitating and 165 trade-restrictive. Most of them, 256 (about 71 per cent) were linked to the pandemic.



The Uruguay round was launched at Uruguay in 1986. (The **Uruguay Round** was the 8th round of multilateral trade negotiations (MTN) conducted within the framework of the General Agreement on Tariffs and Trade (GATT), spanning from 1986 to 1993 and embracing 123 countries as "contracting parties")

It was the last round as far as GATT was concerned because at the end of this round, it was decided by the participating countries to replace GATT by WTO from 1st January 1995.

The main highlight of Uruguay Round are

**Trade in services:** For the first time in the history of GATT, trade in services like banking, insurance, travel etc. has been brought under multilateral agreement. The inclusion of services in the agreement reflects the growing importance of services in the world economy. The GATTs agreement introduces a number of general obligations in the services.

**TRIPs (Trade-Related Aspects of Intellectual Property Rights):** At the Uruguay round, the TRIPs agreement was signed. The TRIPs agreement provides protection of intellectual property rights including patents, trade marks, copyrights, etc. This agreement is expected to boost research and development and investment in property rights.

**TRIMs (Trade-Related Investment Measures):** At the Uruguay round, the TRIMs agreement was signed. The TRIMs agreement introduces a number of measures by member countries to treat foreign investments on par with domestic investments and also removal of QRs on imports. Certain measures that discriminate against foreign investments were to be withdrawn by member nations, such as dividend balancing requirements.

**Agreement on Agriculture:** The main objectives to increase market access to agriculture items in member nations. The member nations have to change or remove their non-tariff barriers like quotas on agriculture items.

# Supply of services by “intermediaries” outside India is not an export, should be taxed at 18%: HC

By Sachin Dave, ET Bureau • Last Updated: Jul 30, 2020, 06:28 PM IST

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## Synopsis

The High Court in a ruling on Thursday, however, asked the revenue department to consider the representations made by the petitioners in this regard. Indenting agents of foreign clients had filed a writ petition in the Gujarat High Court challenging the applicability of 18 per cent IGST on export services.



MUMBAI: In a major setback to many BPOs, exporters, captive units of multinationals that supply services to other companies outside India, the **Gujarat High Court** said that the **GST** levied on these is constitutional. This would mean that these entities will have to cough up 18% additional GST, like any other domestic companies on

such services provided to companies based outside India.

The High Court in a ruling on Thursday however asked the revenue department to consider the representations made by the petitioners in this regard. Indenting agents of foreign clients had filed a writ petition in the Gujarat High Court challenging the applicability of 18 per cent **IGST** on export



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Exports incentive scheme MEIS inefficient, failed to deliver, to be wound up by year end

unsustainable level”.



The commerce department has blocked the online system for exporters to apply for tax incentives under the scheme from July 23.

New Delhi: Merchandise Export from India Scheme (MEIS), a key incentive scheme for exports, will be wound up by December 31, 2020 as the government has found it to have failed to deliver and not yield the desired result of boosting exports which have hovered around \$300 billion in the last five years despite its liberal application across sectors.

Government sources said the liability under MEIS ballooned from Rs 20,000 crore to about Rs 45,000 crore in FY20 “reaching an unsustainable level”.

The department of revenue has asked the department of commerce to review the coverage of MEIS tariff lines and rates to bring down the incentive level to Rs 9,000 crore this year as post Covid-19, the government faces a fiscal constraint and the limited resources are to be used optimally.

The commerce department has blocked the online system for exporters to apply for tax incentives under the scheme from July 23.

Shipments to Iran because of delay in payments linked to the Islamic nation running out of dollars.

India's [basmati rice](#) exports to [Iran](#) may decline 20 per cent this financial year as the West Asian nation fails to make payment due to US economic sanctions, said a study.

[Iran](#) ordered nearly 30 per cent of India's total [basmati rice](#) exports in financial year 2019-20, buying 1.3 million tonnes. The US economic sanctions have paralysed business in Iran, which is battling the crisis for a year now.

Indian exporters said they have cut shipments to [Iran](#) because of delay in payments linked to the Islamic nation running out of dollars.

"Iran, which imports around 1.3 million tonne annually, is expected to register 20 per cent lower volume from [India](#) as payment-related issues continue from last fiscal because of US sanctions," said a Crisil study.

## The Agriculture Agreement: New Rules and Commitments

The objective of the Agriculture Agreement is to **reform trade in the sector and to make policies more market-oriented**. This would improve predictability and security for importing and exporting countries alike.

The new rules and commitments apply to:

- Market access — various trade restrictions confronting imports
- Domestic support — subsidies and other programmes, including those that raise or guarantee farmgate prices and farmers' incomes
- Export subsidies and other methods used to make exports artificially competitive.



## Impact of AOA

- Reduction in Tariff duties
  - Increase in Market Access
  - Reduction in Export Subsidies
  - Reduction in Domestic Support
- 



# Positive Impacts

## Reduction in Tariff Duties

- Reduction in Tariff duties on has made import of agricultural products cheaper.
- The consumers thus are benefited with better quality agricultural produce at lower price.

## Increase in Market Access

- Increase in Market Access has increased the availability of quality farm products to the consumers



## Reduction in Export Subsidies

- Reduced export subsidies enable the exporters to compete effectively on global markets.

## Reduction in domestic support

- Less domestic support from government compels the farmers to use latest technology to improve quality and reduce costs.



# Negative Impact

## Reduction in tariff duties

- This makes agricultural imports cheaper.
- The domestic farmers are thus affected as consumers prefer imported products.

## Increase in market access

- Increase in market access affects domestic farmers as consumers may prefer imported agricultural items which are considered to be of better quality.



## Reduction in Export Subsidies

- Reduction in export subsidies may affect the exporters of developing countries as their prices are higher in global markets.
- The exporters of developed countries quote lower price as a result of subsidies that they receive from their government.

## Reduction in domestic support

- In absence of domestic subsidies, the farmers and exporters from developing countries quote a higher price for their products in the global market.

## What is the main purpose of the GATS?

The creation of the GATS was one of the landmark achievements of the Uruguay Round, whose results entered into force in January 1995.

The GATS was inspired by essentially the same objectives as its counterpart in merchandise trade, the General Agreement on Tariffs and Trade (GATT):

- creating a credible and reliable system of international trade rules;
- ensuring fair and equitable treatment of all participants (principle of non-discrimination);
- stimulating economic activity through guaranteed policy bindings; and
- promoting trade and development through progressive liberalization.

## What services are covered?

The GATS applies in principle to all service sectors, with two exceptions.


GATS excludes “**services supplied in the exercise of governmental authority**”. These are services that are supplied neither on a commercial basis nor in competition with other suppliers. Cases in point are social security schemes and any other public service, such as health or education, that is provided at non-market conditions.

**Air transport services:** At present, most of the air transport sector is excluded from GATS' coverage.

## Is it true that the GATS not only applies to cross-border flows of services, but additional modes of supply?

The GATS distinguishes between four modes of supplying services: cross-border trade, consumption abroad, commercial presence, and presence of natural persons.

- **Cross-border supply** is defined to cover services flows from the territory of one member into the territory of another member (e.g. banking or architectural services transmitted via telecommunications or mail)
- **Consumption abroad** refers to situations where a service consumer (e.g. tourist or patient) moves into another member's territory to obtain a service

- 
- **Commercial presence** implies that a service supplier of one member establishes a territorial presence, including through ownership or lease of premises, in another member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains)
  - **Presence of natural persons** consists of persons of one member entering the territory of another member to supply a service (e.g. accountants, doctors or teachers). The Annex on Movement of Natural Persons specifies, however, that members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis.



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Last Updated : Aug 01, 2020 04:51 AM IST | Source: Moneycontrol.com

# Restrictions on import of colour TVs into India unlikely to impact prices significantly

In FY20, TVs imported into India stood at \$781 million. Of this, \$428 million was from Vietnam and \$293 million was from China

Kamalika Ghosh @GhoshKamalika



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Restrictions on import of colour TVs into India unlikely to impact...

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On July 30, the government restricted import of colour TVs in a move that is being viewed as a move to boost domestic manufacturing and reduce inbound shipments of non-essential items from countries like China.

In FY20, TVs imported into India stood at \$781 million. Of this, \$428 million was from Vietnam and \$293 million was from China. This includes a number of relatively unknown brands as well as known brands like Xiaomi's Mi TV range, Samsung's LED TVs and more.

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"Import policy of colour TVs.....is amended from free to restricted," a notification from the Directorate General of Foreign Trade (DGFT) read. The curbs are imposed on TV sets of all screen sizes, ranging from up to 36 cm to over 105 cm. Liquid crystal display (LCD) television sets of screen size below 63 cm are also covered under the restrictions.

China is the largest exporter of TV sets in India, followed by countries like Vietnam, Malaysia, Hong Kong, Korea, Indonesia, Thailand, and Germany. In FY19, imports from Vietnam and China stood at \$428 million and \$293

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**ENG 7:40 AM**

# DGFT imposes restrictions on Colour TV import to India, will help boost local manufacturing

By **Raunak Saha** - August 2, 2020

The Indian government is taken some major decisions recently, from banning apps to imposing restrictions on Chinese equipment in the telecom sector. To boost the Indian smartphone production, the government has introduced the improvised PLI scheme that has attracted major smartphone giants as well.

Now the Directorate General of Foreign Trade (DGFT) has imposed restrictions on import of color TVs in India and marked the import policy from "free" to "restricted" which is indeed the step to maximize production of color TVs in the country.

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DGFT has vide Notification No. 22/2015-2020 dated

Import Policy of colour

So all of the TVs with HS codes 8528 7211 to 8528 7219 will have to be made in the country whether its a small 24-inch one or a 65-inch one:

Exim Code	Item Description	Present Policy	Revised Policy
8528 72	Other, colour:		
8528 72 11	Television set of screen size upto 36 cm	Free	Restricted
8528 72 12	Television set of screen size exceeding 36 cm but not exceeding 54 cm	Free	Restricted
8528 72 13	Television set of screen size exceeding 54 cm but not exceeding 68 cm	Free	Restricted
8528 72 14	Television set of screen size exceeding 68 cm but not exceeding 74 cm	Free	Restricted
8528 72 15	Television set of screen size exceeding 74 cm but not exceeding 87 cm	Free	Restricted
8528 72 16	Television set of screen size exceeding 87 cm but not exceeding 105 cm	Free	Restricted
8528 72 17	Television set of screen size exceeding 105 cm	Free	Restricted
8528 72 18	Liquid crystal display television set of screen size below 63 cm	Free	Restricted
8528 72 19	Other	Free	Restricted

This is mostly due to the fact that 35% of color TV sets sold in the country are imported, as of the year ending 31 March 2020, India has imported color TVs worth \$781 million. Among that total, \$400 million worth of imported TVs were came from Vietnam while \$300 million worth of TVs getting imported from China.

In India there are hardly any company who makes display panels in the country expect the

model in...



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July 18, 2020



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## **Why was it necessary to introduce, apart from the traditional concept of cross-border trade, three additional modes of supply?**

- The supply of many services often involves the simultaneous physical presence of both producer and consumer.
- There are thus many instances in which, in order to be commercially meaningful, trade commitments must extend to cross-border movements of the consumer, the establishment of a commercial presence within a market, or the temporary movement of the service provider.



# Benefits of services liberalization

## Economic performance:

- ▶ An efficient services infrastructure is a precondition for economic success.
- ▶ Services such as telecommunications, banking, insurance and transport supply strategically important inputs for all sectors, goods and services.

## Development:

- ▶ Access to world-class services helps exporters and producers in developing countries to capitalize on their competitive strength, whatever the goods and services they are selling.
- ▶ Services liberalization has thus become a key element of many development strategies.



### 3. Consumer savings:

- ▶ There is strong evidence in many services, that liberalization leads to lower prices, better quality and wider choice for consumers.
- ▶ Such benefits, in turn, work their way through the economic system and help to improve supply conditions for many other products.

### 4. Faster innovation:

- ▶ Countries with liberalized services markets have seen greater product and process innovation.

## 5. Greater transparency and predictability:

- ▶ A country's commitments in its WTO services schedule amount to a legally binding guarantee that foreign firms will be allowed to supply their services under stable conditions.
- ▶ This gives everyone with a stake in the sector—producers, investors, workers and users—a clear idea of the rules of the game.

## 6. Technology transfer

- ▶ Services commitments at the WTO help to encourage foreign direct investment (FDI).
- ▶ Such FDI typically brings with it new skills and technologies that spill over into the wider economy in various ways.



**UNCTAD (United Nations Conference on Trade and Development) declares that "There is no empirical evidence to link any significant increase in FDI flows to developing countries with the conclusion of GATS.**

*Liberalization of services poses serious dangers for policy autonomy, development as well as the quality and access of services, especially for the poor.*

Here are some of the risks:

**Exclusion for public services?**

Despite WTO assurance that "we're not after your public services," many countries have already made extensive commitments to liberalize hospital, medical and dental services, health insurance, and higher education under GATS. Thus, assurances that the Agreement protects government services have already been proven false.



## **Irreversibility.**

Where GATS has jurisdiction over a service, it "locks in" sectors as they are liberalized, thereby making liberalization practically irreversible.

Indeed, the WTO states that "because unbinding is difficult, [government] commitments [to a sector] are virtually guaranteed . . ."

This means that if subsequent events reveal serious negative social or economic effects, it may be too late to take corrective action.

## **Development impact.**

GATS rules could adversely affect local interests in two ways. First, under the national treatment rule, foreign corporations must be treated at least as favorably as domestic companies, which may prevent governments from promoting local service businesses.

Second, under the market access rule, foreign service providers must be granted virtually unrestricted entry into the sector. They can set up as many operations as they want, which may undercut environmental and social goals.



## **Constraining state autonomy.**

- The WTO's dispute settlement mechanism functions as a judiciary that hears complaints and establishes binding judgments.
- When it finds a government in violation of its rules, a tribunal can compel a member nation to strike down its own laws and enact WTO-compliant rules.
- Its power to enforce economic sanctions may cause governments to back away from implementing even potentially non-compliant regulation, regardless of its social or economic utility.

# Trade-Related Aspects of Intellectual Property Rights

## **What are intellectual property rights?**

Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.

Intellectual property rights are customarily divided into two main areas:

**(i) Copyright and rights related to copyright.**

**(ii) Industrial property.**

## **(i) Copyright and rights related to copyright.**

The rights of authors of literary and artistic works (such as books and other writings, musical compositions, paintings, sculpture, computer programs and films) are protected by copyright, for a minimum period of 50 years after the death of the author.

Also protected through copyright and related (sometimes referred to as “neighbouring”) rights are the rights of performers (e.g. actors, singers and musicians), producers of phonograms (sound recordings) and broadcasting organizations.

The main social purpose of protection of copyright and related rights is to encourage and reward creative work.

## (ii) Industrial property.

**Industrial property can usefully be divided into two main areas:**

**One area** can be characterized as the protection of distinctive signs, in particular trademarks (which distinguish the goods or services of one undertaking from those of other undertakings) and geographical indications (which identify a good as originating in a place where a given characteristic of the good is essentially attributable to its geographical origin).

**Other types of industrial property** are protected primarily to stimulate innovation, design and the creation of technology. In this category fall inventions (protected by patents), industrial designs and trade secrets.

## The TRIPS Agreement covers five broad areas:

- how general provisions and basic principles of the multilateral trading system apply to international intellectual property
- what the minimum standards of protection are for intellectual property rights that members should provide
- which procedures members should provide for the enforcement of those rights in their own territories
- how to settle disputes on intellectual property between members of the WTO
- special transitional arrangements for the implementation of TRIPS provisions.



## Positive implications of TRIPS:

- **TRIPS and Patents:**
- TRIPs Agreement gives protection to patented products.
- The patented products get exclusive marketing rights.
- For instance Pharma Companies get EMR are for a period of 15 to 20 years. Only the company that holds the patent can produce and market such product.
- Thus TRIPs agreement gives boost to research and development to innovate new products



- **TRIPs and Public Health:**

- At the Doha conference (November 2001), member countries of WTO agreed that the firm's from developing countries can produce generic version of patented Pharma product and sell in their own country or in third world countries at lower price in the interest of Public Health.

- **TRIPs and Geographic Indication Status:**

- WTO provides GIS for certain items which are unique to a particular country.
- Once a country gets GIS the firms only from that country can use the generic brand name.
- For instance India has received GIS for Darjeeling tea and other items.



## Negative Implications of TRIPS

- **TRIPS and Developed Nations:**
- The TRIPS agreement of WTO favours the developed countries as compared to the developing countries.
- Under the TRIPs agreement, protection is given to Intellectual Property Rights such as patents trademarks layout design etc.
- The TRIPs agreement favours the developed Nations as they hold a large number of patents.



- **TRIPS and Agriculture:**

- The TRIPS agreement is also applicable to agriculture.
- The firms from developed countries patent a variety of seeds, plants etc. and sell in developing countries at higher price.

- **TRIPS and microorganisms:**

- The TRIPS agreement is applicable to the development of microorganisms.
- The microorganism increasingly used in Pharma, agriculture and Biotechnology.
- MNCs from developed countries develop and Patent and a variety of microorganisms which they sell in developing countries at a very high price



## Agreement on Trade-Related Investment Measures (TRIMs)

The Agreement on Trade-Related Investment Measures (TRIMS) recognizes that certain investment measures can restrict and distort trade.

It states that WTO members may not apply any measure that discriminates against foreign products or that leads to quantitative restrictions, both of which violate basic WTO principles.

The TRIMS Committee monitors the operation and implementation of the Agreement and allows members the opportunity to consult on any relevant matters.

## Positive implication

- **Foreign Direct Investment:** Due to removal of restrictions on foreign investment the FDI has increased countries in member countries of WTO.
- **Consumer Welfare:** The TRIMs Agreement results in consumer welfare because on account of competition the consumers can get quality goods at low prices
- **Competition Benefits:** TRIMs Agreement result in competition between the foreign forms and local forms. Therefore the local firm are forced to improve the efficiency through research and development, training and Technology upgradation.



## Negative Implications

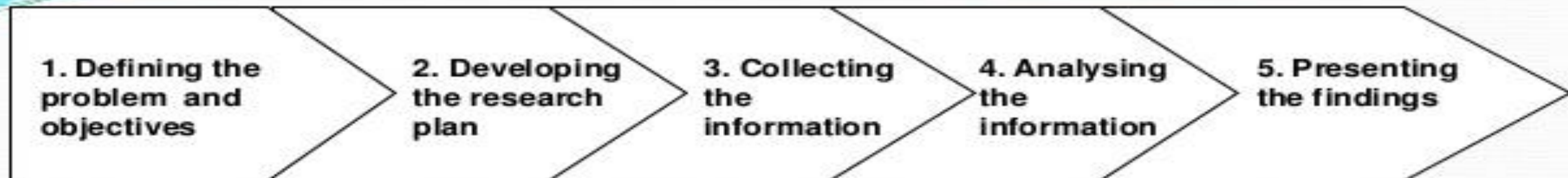
- **Interference in domestic affairs:** Critics point out that MNCs interfere in domestic affairs. They influence the government officials in framing policies which protects their own interest. This may adversely affect the domestic firms.
- **Effect on small firms:** The WTO insists on member Nations to remove reservations for small firms. Therefore in India most of the items from the reserved list of items for MSEs have been. Thus, small firms find difficult to compete with medium and large firms.
- **Outdated technology:** Critics point out that foreign firms transfer outdated technology to firms in developing countries with whom they have a tie up. However this criticism is not justified because foreign firms transfer relevant technology to gain highest share of profit.

## Overseas Market Research

According to **American Marketing Association (AMA)**, “**Marketing Research** is the systematic gathering, recording and analyzing of data about problems relating to the **marketing** of goods and services.”

- **Market research** is the process of determining the viability of a new service or product through **research** conducted directly with potential customers.
- **Market research** allows a company to discover the target **market** and get opinions and other feedback from consumers about their interest in the product or service.

# The Market Research Process



## Steps

Distinguish between the research type needed e.g.

- exploratory
- descriptive
- causal

Decide on

- budget
- data sources
- research approaches
- research instruments
- sampling plan
- contact methods

Information is collected according to the plan ( it is often done by external firms)

Statistical manipulation of the data collected (e.g. regression) or subjective analysis of focus groups

Overall conclusions to be presented rather than overwhelming statistical methodologies

## Comments

If a problem is vaguely defined, the results can have little bearing on the key issues

The plan needs to be decided upfront but flexible enough to incorporate changes/ iterations

This phase is the most costly and the most liable to error

Significant difference in type of analysis according to whether market research is quantitative or qualitative

Can take various forms:  

- oral presentation
- written conclusions supported by analysis
- data tables

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Home BIZ WRAP Economy and Politics Story

# Global Times goofs up in calling 'Boycott China' a flop

Mere increase in exports only indicate that the unlock phase of Indian economy is at work, and demand for raw materials from China and elsewhere is beginning to rise

Joe C Mathew | August 9, 2020 | Updated 00:31 IST



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Chinese state-affiliated publication Global Times has hinted that despite all the talks of boycotting Chinese products, India may be importing more. The publication's hypothesis could simply fall flat, despite Chinese customs data showing that exports from that country to India increased to \$5.6 billion in July, up from \$4.78 billion in June.

Here is the reason.

First of all, there is no official boycott of Chinese products. Swadeshi groups who have called for a boycott are focussing on products for which there is an alternative, or are non-essential in nature. Electronic goods is one such product sector, toys will be another. Mere increase in exports only indicate that the unlock phase of Indian economy is at work, and demand for raw materials from China and elsewhere is beginning to rise. Unless more segregated product specific data is available for a longer period, such suggestions carry no value.

to



India-China trade crashes 7% amid cold vibes - steepest fall in 7 years: monthly deficit at



How India c deficit with itself



## **Need and Importance of Marketing Research!**

The most important task of a marketer is to get the right product at the right place with the right price to the right person.

Besides, it was also necessary to go back and find whether consumer is getting optimum satisfaction, so that consumer remains loyal.

**These aspects made it imperative for the marketers to conduct marketing research**



## 1. Identifying problem and opportunities in the market:

- ▶ It helps in identifying new market opportunities for existing and new products.
- ▶ It provides information on market share, nature of competition, customer satisfaction levels, sales performances and channel of distribution.

## 2. Formulating market strategies:

- ▶ Manufactures find it difficult to contact customers and control distribution channels. Competition is equally severe. The consumer needs are difficult to predict.
- ▶ The marketing intelligence provided through marketing research helps in framing and implementing the market strategies.



### 3. Determining consumer needs and wants:

- ▶ Marketing has become customer-centric.
- ▶ Marketing research helps in collecting information on consumers from structured distribution research and helps in making marketing customer oriented.

### 4. For effective communication mix:

- ▶ In an era of micro- rather than mass-marketing, communication plays a vital role.
- ▶ Marketing research uses promotional research to study media mix, advertising effectiveness and integrated communication tools.
- ▶ Research on such aspects will help in promoting effectively a company's product in the market.



## 5. Improving selling activities:

- Marketing research in identifying sales territories.
- Such information helps the companies in identifying areas of shortcoming in sales.
- It also examines alternative methods for distribution of goods

## 6. For sales forecasting:

- The most challenging task for any production manager is to keep optimum levels of inventory.
- Marketing research helps in sales.
- This can also help in fixing sales quotas and marketing plans.

## 7. To revitalize brands:

- Marketing research is used to study and find out the existing brand position.
- It explores the possibilities of brand extension or prospects of changing existing brand names.
- Marketing research helps in developing techniques to popularize and retain brand loyalty.

## 8. To facilitate smooth introduction of new products:

- Marketing research helps in finding out consumer response to new product and develop a suitable marketing mix.
- It reveals the problems of the customers regarding new products.
- Thus, it controls the risk involved in introducing a new product



## 9. Determine export potentials:

- Marketing research helps in conducting market survey for export.
- It collects information on marketing environment prevailing in a country.
- By collecting data on consumers from different countries, it indicates export potentials.

## 10. Managerial decision-making:

- Marketing research supplies relevant, up-to-date and accurate data to the decision-makers.
- Managers need up-to-date information to access customer needs and wants, market situation, technological change and extent of competition.



## Determinants of foreign market selection

- **External Factors**
  - **Internal Factors**
- 

# External Factors

## Market Size:

- ▶ Countries with a large market size justify the modes of entry with long-term commitment requiring higher level of investment, such as wholly owned subsidiaries or equity participation.

## Market Growth:

- ▶ From the perspective of long-term growth, firms invest more resources in markets with high growth potential.

## Government Regulations:

- The governments of most of the Gulf countries have made it mandatory for foreign firms to have a local partner.
- For example, the UAE is a lucrative market for Indian firms but most firms operate there with a local partner.

## Level of Competition:

- Presence of competitors and their level of involvement in an overseas market is another crucial factor in deciding on an entry mode so as to effectively respond to competitive market forces.
- This is one of the major reasons behind auto companies setting up their operations in India and other emerging markets so as to effectively respond to global competition.



## Physical Infrastructure:

- The level of development of physical infrastructure such as roads, railways, telecommunications, financial institutions, and marketing channels is a pre-condition for a company to commit more resources to an overseas market.

## Level of Risk:

- Political Risk
- Economic Risk
- Operational Risk
- Production and Shipping Costs
- Lower Cost of Production:

# Internal Factors:

## Company Objectives:

- Companies operating in domestic markets with limited aspirations generally enter foreign markets as a result of a reactive approach to international marketing opportunities.
- In such cases, companies receive unsolicited orders from acquaintances, firms, and relatives based abroad, and they attempt to fulfill these export orders.

## Availability of Company Resources:

- Venturing into international markets needs substantial commitment of financial and human resources.
- Therefore, choice of an entry mode depends upon the financial strength of a firm.



## Level of Commitment:

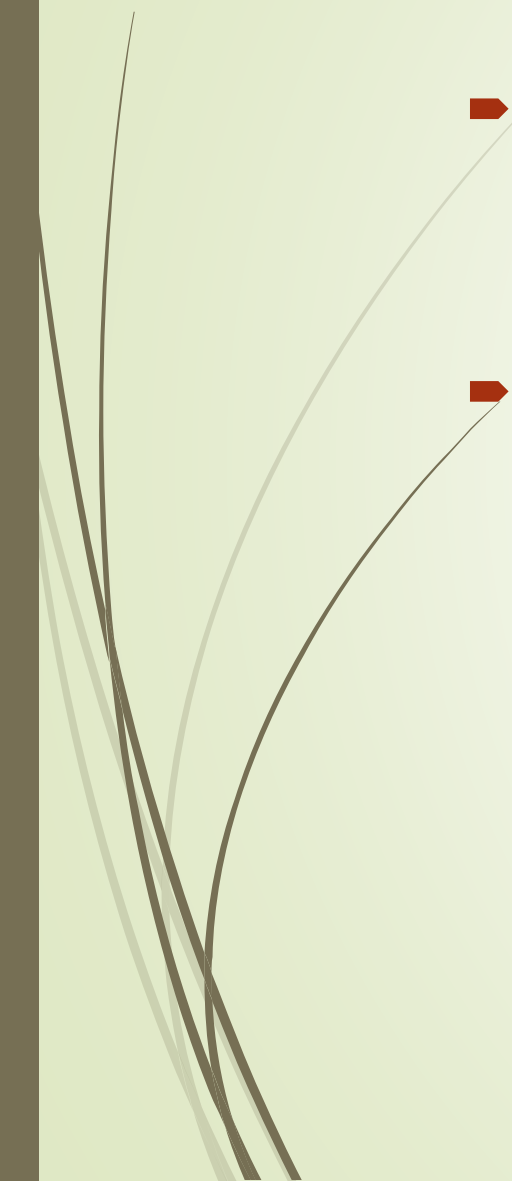
- ▶ Companies need to evaluate various investment alternatives for allocating scarce resources.
- ▶ However, the commitment of resources in a particular market also depends upon the way the company is willing to perceive and respond to competitive forces.

## International Experience:

- ▶ A company well exposed to the dynamics of the international marketing environment would be at ease when making a decision regarding entering into international markets.



## Flexibility:

- ▶ A market which presently appears attractive may not necessarily continue to be so, say over the next 10 years.
  - ▶ It could be due to changes in the political and legal structure, changes in the customer preferences, emergence of new market segments, or changes in the competitive intensity of the market.
- 

## International Market Selection Process:

### (a) International Marketing Objectives:

- The first step in market selection process is to determine or ascertain the export marketing objectives of the organization.
- The market selected to serve a particular international marketing objective need not necessarily be the best suited to achieve some other international marketing objective.

### (b) Parameters for Selection:

- For proper evaluation and selection of the markets, it is essential to clearly lay down the parameters and criteria for evaluation.
- The different parameters for the selection of a market are firm's resources, international environment, market situation, nature of competition, government policy, etc.



### (c) Preliminary Screening:

- The objective of the preliminary screening is to eliminate the markets which are not potential.
- The parameters used for the preliminary screening may vary from product to product.
- However, parameters like the size of population, per capita income, structure of the economy, infrastructural factors and political conditions are commonly used.

### (d) Short Listing of Markets:

- Preliminary screening enables to eliminate markets which obviously do not meet consideration at the very outset.
- There would be a large number of markets left even after the preliminary screening.
- They are further screened with the help of more information than was used at the preliminary screening stage

## (e) Evaluation and Selection:

- ▶ The short listed markets are further evaluated with reference to the cost-benefit analysis and feasibility study.
- ▶ They are then, ranked on the basis of their overall attractiveness.
- ▶ Of the markets, the best one is chosen for the launching of product considering the company's resources and external environment

## (f) Test Marketing:

- ▶ Initially, the market is tested on a smaller scale by launching the product in a part of the markets
- ▶ This provides a feedback to the producer about the market.
- ▶ At the same time, it helps the producer in assessing overall response of the consumers from a specific market, after tested success, the production can be undertaken on a mass scale.




## (g) Commercial Production:

- ▶ Once the product is tested "in the selected market, the company goes ahead with mass production.
- ▶ Minor modifications, if any, are introduced in the product mix during this stage.

## Advantages of Trading Blocs


**Foreign Direct Investment** – Trade blocs give results to a rise in foreign direct investment. This further is beneficial for the economies of the nations participating. Creation of large markets is been found which results in lower costs for manufacturing goods locally.

**Economies of Scale** – Markets which are larger and developed with the help of trade blocs permit or allows economies of scale. If too much production is allowed then the real average cost of production reduces at a greater extent.



**Competition** – Positive effect of trade blocs is that lot many manufacturers of different countries come together to work closely. Of course, this result to high rate of competition between them. It is said that increased competition raise to greater efficiency within the firms.

**Trade Effects** -There is no inclusion of tariffs and so takes imports cost downward. Because of this, change of demand is been seen. The customers do purchases on the basis of low prices and allows the firms with a benefit in production to prosper.



**Market Efficiency** – An upward direction for consumption experienced with the demand changed further gives a combination of huge amount of goods being produced resulting into an efficient market.

**Free trade within the bloc**

Knowing that they have free access to each other's markets, members are encouraged to specialize. This means that, at the regional level, there is a wider application of the principle of comparative advantage.



## **Market access and trade creation**

Easier access to each other's markets means that trade between members is likely to increase. **Trade creation** exists when free trade enables high cost domestic producers to be replaced by lower cost, and more efficient imports. Because low cost imports lead to lower priced imports, there is a 'consumption effect', with increased demand resulting from lower prices.

## **Jobs**

Jobs may be created as a consequence of increased trade between member economies.

## **Protection**

Firms inside the bloc are protected from cheaper imports from outside.

## Disadvantages of trading blocs

### **Loss of benefits**

The benefits of free trade between countries in different blocs is lost.

### **Distortion of trade**

Trading blocs are likely to distort world trade, and reduce the beneficial effects of specialization and the exploitation of *comparative advantage*.



## **Inefficiencies and trade diversion**

Inefficient producers within the bloc can be protected from more **efficient** ones outside the bloc. For example, inefficient European farmers may be protected from low-cost imports from developing countries. **Trade diversion** arises when trade is diverted away from efficient producers who are based outside the trading area.

**Increased interdependence on economic performance in other countries in trading block.** If Eurozone goes into recession, it will affect all countries in the Eurozone. However, this is almost inevitable even if countries are not formally in a trading block due to a close relationship between trade cycles in different countries.



**Joining a customs union may lead to increased import tariffs** – which leads to trade diversion.

**Loss of sovereignty and independence.** A trading block needs to make decisions for the whole area. This may go counter to the particular wishes of a country.

**Increased influence of multinationals.** Free trade may come at the price of allowing free movement of capital. This can have benefits in terms of inward investment. But, can also have costs for higher-cost domestic producers. Free trade can lead to structural unemployment as resources shift from uncompetitive industries to newer industries.

# India exported 23 lakh personal protection equipment to 5 countries in July: Health Ministry

PTI • Last Updated: Aug 14, 2020, 05:28 PM IST

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**Synopsis**  
According to the ministry, the 'Make in India' spirit "embedded in the Atmanirbhar Bharat Abhiyaan has resulted in providing resilience and self-sufficiency" to the country for various medical equipment including PPE.



NEW DELHI: India exported 23 lakh personal protection equipment to five countries including the US, the UK and the UAE in July, after the government relaxed export norms and this has substantially helped the country to position itself in the global market of these kits, the Union Health Ministry said.