

- International Business
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International Business

Concept Explanation:

International Business refers to all commercial transactions, including sales, investments, logistics, and transportation, that take place between two or more countries. It involves the exchange of goods, services, technology, capital, and knowledge across national borders.

Key Definitions / Features:

- **Domestic Business:** Business transactions within the geographical boundaries of a nation.
- **International Business:** Business activities that involve cross-border transactions of goods and services.
- **Geographical Specialisation:** Countries focus on producing goods where they have comparative advantage due to resources or productivity.
- **Differences between Domestic and International Business:**
 - Nationality of buyers and sellers
 - Nationality of other stakeholders
 - Mobility of factors of production
 - Customer heterogeneity across markets
 - Differences in business systems and practices
 - Political systems and risks
 - Business regulations and policies
 - Currency used in transactions

Illustrative Example: India exporting software services to the USA, while importing crude oil from the Middle East.

Practice Set:

- *Level 1:* Define international business and list two differences between domestic and international business.
- *Level 2:* Explain the concept of geographical specialisation with an example.
- *Level 3:* Discuss how political systems and currency differences affect international business operations.

Answer Key:

- International business involves commercial transactions across countries.
- Differences include nationality of buyers/sellers and currency used.
- Geographical specialisation means countries produce goods where they have advantage, e.g., India in IT services.
- Political systems can impose regulations or risks; currency differences affect exchange rates and pricing.

Quick Reference: International business = cross-border trade + investment; differs from domestic business in multiple aspects including regulations and currency.

Glossary:

- **Geographical Specialisation:** Focus on producing goods where a country has advantage.
- **Domestic Business:** Business within a country.
- **International Business:** Business across countries.

Import Trade and Export Trade – Meaning and Procedure

Concept Explanation:

Export trade involves selling goods and services produced in one country to another country. Import trade involves buying goods and services from other countries for domestic use.

Key Definitions / Features:

- **Export:** Sale of domestic goods/services to foreign countries.
- **Import:** Purchase of goods/services from foreign countries.
- **Methods:**
 - Direct Method: Firm handles all export/import formalities directly.
 - Indirect Method: Middlemen like export houses handle the process.
- **Advantages of Exporting/Importing:** Easy market entry, less investment, less involvement.
- **Limitations:** Additional costs, restrictions, less personal contact.

Export Procedure:

1. Receipt of enquiry and sending quotations
2. Receipt of order or indent
3. Assessing importer's creditworthiness and securing payment guarantee
4. Obtaining export license
5. Pre-shipment finance
6. Production/procurement of goods
7. Pre-shipment inspection
8. Excise clearance
9. Certificate of origin
10. Reservation of shipping space
11. Packing and forwarding
12. Insurance of goods
13. Customs clearance
14. Obtaining mate's receipt
15. Payment of freight and issuance of bill of lading
16. Preparation of invoice
17. Securing payment

Import Procedure:

1. Trade enquiry
2. Procurement of import license
3. Obtaining foreign exchange
4. Placing order or indent
5. Obtaining letter of credit
6. Arranging finance
7. Receipt of shipment advice
8. Retirement of import documents
9. Arrival of goods
10. Customs clearance and release

Practice Set:

- *Level 1:* Define export and import trade.
- *Level 2:* List the steps involved in export procedure.
- *Level 3:* Explain the advantages and limitations of exporting/importing.

Answer Key:

- Export: Selling goods/services abroad; Import: Buying goods/services from abroad.

- Export steps include enquiry, order, license, production, inspection, shipping, payment.
- Advantages: Easy market entry, less investment; Limitations: Extra costs, restrictions, less contact.

Quick Reference: Export = selling abroad; Import = buying from abroad; both have defined procedures and documentation.

Glossary:

- **Indent:** Document ordering goods from supplier.
- **Letter of Credit:** Bank guarantee for payment in export/import.
- **Mate's Receipt:** Receipt issued when goods loaded on ship.

Documents Involved in International Trade

Concept Explanation:

International trade requires various documents to ensure smooth transactions, legal compliance, and payment security.

Key Documents in Export Transactions:

- **Goods Related:** Export invoice, packing list, certificate of origin, certificate of inspection.
- **Shipment Related:** Mate's receipt, shipping bill, bill of lading, airway bill, marine insurance policy, cart ticket.
- **Payment Related:** Letter of credit, bill of exchange, bank certificate of payment.

Key Documents in Import Transactions:

- Trade enquiry, proforma invoice, import order/indent, letter of credit, shipment advice.
- Bill of lading, airway bill, bill of entry, bill of exchange, sight draft, usance draft.
- Import general manifest, dock challan.

Practice Set:

- *Level 1:* Name two documents related to goods in export trade.
- *Level 2:* Explain the purpose of a letter of credit.
- *Level 3:* Differentiate between bill of lading and mate's receipt.

Answer Key:

- Export goods documents: Export invoice, certificate of origin.
- Letter of credit guarantees payment from importer's bank to exporter's bank.

- Mate's receipt is proof of goods loaded; bill of lading is evidence of contract and receipt of goods for carriage.

Quick Reference: Documents ensure legal, financial, and logistical clarity in international trade.

Glossary:

- **Bill of Lading:** Document issued by carrier acknowledging receipt of goods.
- **Letter of Credit:** Bank guarantee for payment.
- **Shipping Bill:** Customs document for export permission.

World Trade Organisation

Concept Explanation:

The World Trade Organisation (WTO) is an international body established on 1st January 1995, succeeding the General Agreement on Tariffs and Trade (GATT). It regulates global trade to ensure smooth, predictable, and free trade among member countries.

Key Definitions / Features:

- WTO is a permanent, member-driven, rule-based organisation.
- Decisions are made by consensus among member governments.
- It provides a forum for multilateral trade negotiations and dispute resolution.
- India is a founding member.

Major Objectives of WTO:

- Reduction of tariffs and trade barriers.
- Improvement of living standards, employment, income, and production.
- Optimal use of world resources for sustainable development.
- Promotion of an integrated, viable, and durable trading system.

Practice Set:

- *Level 1:* What is the WTO and when was it established?
- *Level 2:* List two major objectives of the WTO.
- *Level 3:* Explain how WTO helps developing countries.

Answer Key:

- WTO is an international organisation regulating trade, established in 1995.
- Objectives include tariff reduction and promoting sustainable development.
- WTO provides technical assistance and dispute resolution support to developing countries.

Quick Reference: WTO governs global trade rules, promotes free trade, and resolves disputes.

Glossary:

- **GATT:** General Agreement on Tariffs and Trade, predecessor to WTO.
- **Tariff:** Tax on imports or exports.
- **Trade Barrier:** Government-imposed restriction on trade.

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