GLOBAL BUSINESS NOTES

MBA-III-SEMSTER

UNIT-I

International Business: It is defined as the process of extending the business activities from domestic to any foreign country with an intention of targeting international customers.

It is also defined as the conduction of business activities by any company across the nations

It can also be defined as the expansion of business functions to various countries with an objective of fulfilling the needs and wants of international customers

Features of International Business

1. Large Scale Operations
2. Intergration of Economies of Many Countries
3. Dominated by Developed Countries and MNCs
4. Benefits to Participating Countries
5. Keen Competition
6. Special Role of Science and Technology
7. International Restrictions
8. Sensitive Nature

1. **Process of Internationalization**

- **Domestic company :**Most international companies have their origin as domestic companies. The orientation of a domestic company essentially is ethnocentric. A purely domestic company operates domestically because it never considers the alternative of going international. A domestic company may extend its products to foreign markets by exporting, licensing and franchising
- **International companies** are importers and exporters, they have no investment outside of their home country.

- **Multinational companies** have investment in other countries, but do not have coordinated product offerings in each country. More focused on adapting their products and service to each individual local market.

- **Global companies** have invested and are present in many countries. They market their products through the use of the same coordinated image/brand in all markets. Generally one corporate office that is responsible for global strategy. Emphasis on volume, cost management and efficiency.

- **Transnational companies** are much more complex organizations. They have invested in foreign operations, have a central corporate facility but give decision-making, R&D and marketing powers to each individual foreign market.

- **Multinational Corporation** In a report of the International Labour Organisation (ILO), it is observed that, "the essential of the MNC lies in the fact that its managerial headquarters are located in one country (home country), while the enterprise carries out operations in a number of the other countries (host countries)."

A "multinational corporation" is also referred to as an international, transactional or global corporation. Actually, for an enlarging business firm, multinational is a beginning step, as it gradually becomes transnational and then turns into a global corporation. For, transnational corporation represents a stage where in, the ownership and control of the concerned organization crosses the national boundaries.

Features of MNCs :

1. MNCs have managerial headquarters in home countries, while they carry out operations in a number of other (host) countries.

2. A large part of capital assets of the parent company is owned by the citizens of the company's home country.

3. The absolute majority of the members of the Board of Directors are citizens of the home country.

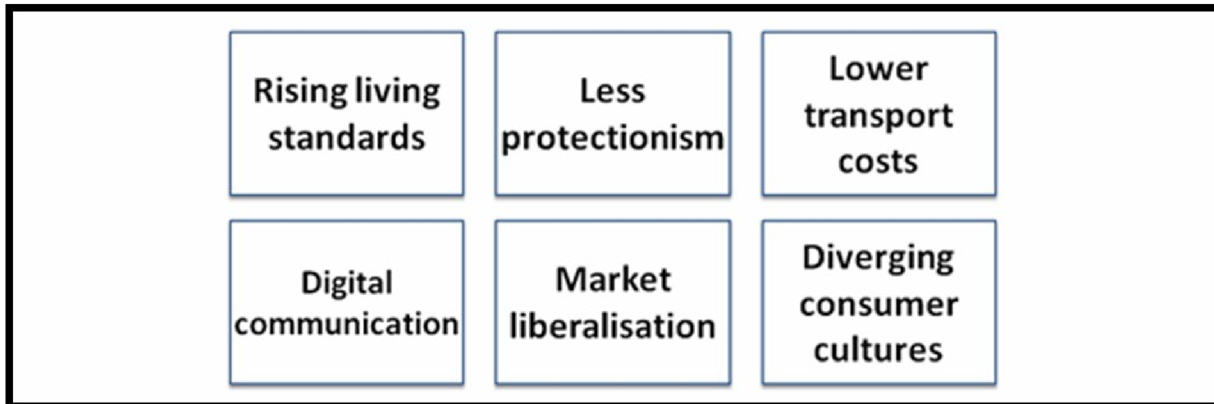
4. Decisions on new investment and the local objectives are taken by the parent company.

5. MNCs are predominantly large-sized and exercise a great degree of economic dominance.

6. MNCs control production activity with large foreign direct investment in more than one developed and developing countries.

7. MNCs are not just participants in export trade without foreign investments.

Main Drivers of Globalization [International Business]



Cost driver companies consider the various lifestyle of the country before considering the price of the product and services to rendered

Technology driver : increasing technology system, transportation, advancing in the level of world trade system

Government driver: reducing trade tariffs and non trade tariffs, reducing the role of political policies

Competition driver: organization becoming a global center, shift in open market system, Privatization, Liberalization

Approaches in International Business

1. ETHNOCENTRIC ORIENTATION:

The ethnocentric orientation of a firm considers that the products, marketing strategies and techniques applicable in the home market are equally so in the overseas market as well. In such a firm, all foreign marketing operations are planned and carried out from home base, with little or no difference in product formulation and specifications, pricing strategy, distribution and promotion measures between home and overseas markets. The firm generally depends on its foreign agents and export-import merchants for its export sales.

2. REGIOCENTRIC ORIENTATION :

In regiocentric approach, the firm accepts a regional marketing policy covering a group of countries which have comparable market characteristics. The operational strategies are formulated on the basis of the entire region rather than individual countries. The production and distribution facilities are created to serve the whole region

with effective economy on operation, close control and co-ordination.

3. GEOCENTRIC ORIENTATION :

In geocentric orientation, the firms accept a world wide approach to marketing and its operations become global. In global enterprise, the management establishes manufacturing and processing facilities around the world in order to serve the various regional and national markets through a complicated but well co-ordinate system of distribution network. There are similarities between geocentric and regiocentric approaches in the international market except that the geocentric approach calls for a much greater scale of operation.

4. POLYCENTRIC OPERATION :

When a firm adopts polycentric approach to overseas markets, it attempts to organize its international marketing activities on a country to country basis. Each country is treated as a separate entity and individual strategies are worked out accordingly. Local assembly or production facilities and marketing organisations are created for serving market needs in each country. Polycentric orientation could be most suitable for firms seriously committed to international marketing and have its resources for investing abroad for fuller and long-term penetration into chosen markets. Polycentric approach works better among countries which have significant economic, political and cultural differences and performance of these tasks are free from the problems created primarily by the environmental factors.

Theories of International Business

1. Theory of Absolute Advantage

The Scottish economist Adam Smith developed the trade theory of absolute advantage in 1776. A country that has an absolute advantage produces greater output of a good or service than other countries using the same amount of resources. Smith stated that tariffs and quotas should not restrict international trade; it should be allowed to flow according to market forces. Contrary to mercantilism Smith argued that a country should concentrate on production of goods in which it holds an absolute advantage. No country would then need to produce all the goods it consumed. The theory of absolute advantage destroys the mercantilistic idea that international trade is a zero-sum game. According to the absolute advantage theory, international trade is a positive-sum game, because there are gains for both countries to an exchange. Unlike mercantilism this theory measures the nation's wealth by the living standards of its people and not by gold and silver.

There is a potential problem with absolute advantage. If there is one country that does not have an absolute

advantage in the production of any product, will there still be benefit to trade, and will trade even occur? The answer may be found in the extension of absolute advantage, the theory of comparative advantage.

2. Theory of Comparative Advantage

The most basic concept in the whole of international trade theory is the principle of comparative advantage, first introduced by David Ricardo in 1817. It remains a major influence on much international trade policy and is therefore important in understanding the modern global economy. The principle of comparative advantage states that a country should specialize in producing and exporting those products in which is has a comparative, or relative cost, advantage compared with other countries and should import those goods in which it has a comparative disadvantage. Out of such specialisation, it is argued, will accrue greater benefit for all.

In this theory there are several assumptions that limit the real-world application. The assumption that countries are driven only by the maximization of production and consumption, and not by issues out of concern for workers or consumers is a mistake.

3.Heckscher-Ohlin Theory

In the early 1900s an international trade theory called factor proportions theory emerged by two Swedish economists, Eli Heckscher and Bertil Ohlin. This theory is also called the Heckscher-Ohlin theory. The Heckscher-Ohlin theory stresses that countries should produce and export goods that require resources (factors) that are abundant and import goods that require resources in short supply. This theory differs from the theories of comparative advantage and absolute advantage since these theory focuses on the productivity of the production process for a particular good. On the contrary, the Heckscher-Ohlin theory states that a country should specialise production and export using the factors that are most abundant, and thus the cheapest. Not produce, as earlier theories stated, the goods it produces most efficiently.

The Heckscher-Ohlin theory is preferred to the Ricardo theory by many economists, because it makes fewer simplifying assumptions. In 1953, Wassily Leontief published a study, where he tested the validity of the Heckscher-Ohlin theory. The study showed that the U.S was more abundant in capital compared to other countries, therefore the U.S would export capital- intensive goods and import labour-intensive goods. Leontief found out that the U.S's export was less capital intensive than import.

4.Product Life Cycle Theory

Raymond Vernon developed the international product life cycle theory in the 1960s. The international product

life cycle theory stresses that a company will begin to export its product and later take on foreign direct investment as the product moves through its life cycle. Eventually a country's export becomes its import. Although the model is developed around the U.S, it can be generalised and applied to any of the developed and innovative markets of the world.

The product life cycle theory was developed during the 1960s and focused on the U.S since most innovations came from that market. This was an applicable theory at that time since the U.S dominated the world trade. Today, the U.S is no longer the only innovator of products in the world. Today companies design new products and modify them much quicker than before. Companies are forced to introduce the products in many different markets at the same time to gain cost benefits before its sales declines. The theory does not explain trade patterns of today.

5.Theory of Mercantilism

According to Wild, 2000, the trade theory that states that nations should accumulate financial wealth, usually in the form of gold, by encouraging exports and discouraging imports is called mercantilism. According to this theory other measures of countries' well being, such as living standards or human development, are irrelevant. Mainly Great Britain, France, the Netherlands, Portugal and Spain used mercantilism during the 1500s to the late 1700s.

Mercantilistic countries practiced the so-called zero-sum game,[situation in which one participant's gains result only from another participant's equivalent losses. The net change in total wealth among participants is zero; the wealth is just shifted from one to another.] which meant that world wealth was limited and that countries only could increase their share at expense of their neighbors. The economic development was prevented when the mercantilistic countries paid the colonies little for export and charged them high price for import. The main problem with mercantilism is that all countries engaged in export but was restricted from import, prevention from development of international trade.

6. Porters Daimond Model

The Porter Diamond, properly referred to as the Porter Diamond Theory of National Advantage, is a model that is designed to help understand the competitive advantage that nations or groups possess due to certain factors available to them, and to explain how governments can act as catalysts to improve a country's position in a globally competitive economic environment. The model was created by Michael Porter, a recognized authority on corporate strategy and economic competition, and founder of the Institute for Strategy and Competitiveness at the Harvard Business School.

The Porter Diamond suggests that countries can create new factor advantages for themselves, such as a strong technology industry, skilled labor, and government support of a country's economy. The Porter Diamond is visually represented by a diagram that resembles the four points of a diamond. The four points represent four interrelated determinants that Porter theorizes as the deciding factors of national comparative economic advantage. These four factors are firm strategy, structure and rivalry; related supporting industries; demand conditions; and factor conditions. These can in some ways also be thought of as analogous to the eponymous forces of Porter's Five Forces model of business strategy.

Firm strategy, structure, and rivalry refer to the basic fact that competition leads to businesses finding ways to increase production and to the development of technological innovations. The concentration of market power, degree of competition, and ability of rival firms to enter a nation's market are influential here. This point is related to the forces of competitors and barriers to new market entrants in the Five Forces model.

Related supporting industries refer to upstream and downstream industries that facilitate innovation through exchanging ideas. These can spur innovation depending on the degree of transparency and knowledge transfer. Related supporting industries in the Diamond model correspond to the suppliers and customers who can represent either threats or opportunities in the Five Forces model.

Demand conditions refer to the size and nature of the customer base for products, which also drives innovation and product improvement. Larger, more dynamic consumer markets will demand and stimulate a need to differentiate and innovate, as well as simply greater market scale for businesses.

The final determinant, and the most important one according to Porter's theory, is that of factor conditions. Factor conditions are those elements that Porter believes a country's economy can create for itself, such as a large pool of skilled labor, technological innovation, infrastructure, and capital.

INTERNATIONA BUSINESS ENVIRONMENT

FOREIGN ENVIRONMENT:

The home-based or the domestic export expansion measures are necessarily related to the conditions prevailing in possible markets. An Exporter has to overcome various constraints and adapt plans and operations to suit foreign environmental conditions. The main elements of foreign environment affecting marketing activities of a firm in a foreign country consist of the following.

A) POLITICAL DIMENSION:

Nations greatly differ in their political environment. Govt. policies, regulations and control mechanisms regarding the countries, foreign trade and commercial relations with other countries or groups of countries. At least four factors should be considered in deciding whether to do business in a particular country. They are

1. **Attitudes towards International Buying:**

   Some nations are very receptive, indeed encouraging, to foreign firms, and some others are hostile. For e.g.: Singapore, UAE and Mexico are attracting foreign investments by offering investment incentives, removal of trade barriers, infrastructure services, etc.

2. **Political Stability:** A country's future and stability is another important issue. Government changes hands sometimes violently. Even without a change, a region may decide to respond to popular feeling. A foreign firm's property may be seized; or its currency holdings blocked; or import quotas or new duties may be imposed. When political stability is high one may go for direct investments. But when instability is high, firms may prefer to export rather than involve in direct investments. This will bring in foreign exchange fast and currency convertibility is also rapid.

3. Monetary Regulations:

Sellers want to realise profits in a currency of value to them. In best situations, the Importer pays in the seller's currency or in hard world currencies. In the worst case they have to take the money out of the host country in the form of relatively unmarketable products that they can sell elsewhere only at a loss. Besides currency restrictions, a fluctuating exchange rate also creates high risks for the exporter.

4.Government Bureaucracy:

It is the extent to which the Government in the host country runs an efficient system for assisting foreign companies: efficient customs handling, adequate market information, etc. The problem of foreign uncertainty is thus further complicated by a frequently imposed "alien status", this increases the difficulty of properly assessing and forecasting the dynamic international business. The political environment offers the best example of the alien status.

A foreign political environment can be extremely critical; shifts in Government often means sudden changes in attitudes that can result in expropriation, expulsion, or major restrictions in operations. The fact is that a foreign company is foreign and thus always subject to the political whim to a greater degree than a domestic firm.

CULTURAL ENVIRONMENT:

The manner in which people consume their priority of needs and the wants they attempt to satisfy, and the manner in which they satisfy are functions of their culture which moulds and dictates their style of living. This culture is the sum total of knowledge, belief, art, morals, laws, customs and other capabilities acquired by humans as members of the society. Since culture decides the style of living, it is pertinent to study it especially in export marketing. e.g. when a promotional message is written, symbols recognizable and meaningful to the market (the culture) must be used. When designing a product, the style used and other related marketing activities must be culturally acceptable.

ECONOMIC ENVIRONMENT: In considering the international market, each Exporter must consider the importing country's economy. Two economic characteristics reflect the country's attractiveness as an export market. They are the country's industrial structure and the country's income distribution by employment industrialization and socio economic justices.

LEGAL ENVIRONMENT:

The legal dimension of international Business environment includes all laws and regulations regarding product specification and standards, packaging and labeling, copyright, trademark, patents, health and safety regulations particularly in respect of foods and drugs. There are also controls in promotional methods, price control, trade margin, mark-up, etc., These legal aspects of marketing abroad have several implications which an exporting firm needs to study closely.

Regional Strategy:

In international business the regional strategy is explained as business strategy directed in doing business for a specific country, region in international business is one nation, large scale business operators will have to design the business strategy based on each nation and which ultimately affects the international business

Companies can source goods, technology, information, and capital from around the world, but business activity tends to be centered in certain cities or city regions in a few parts of the world

Global strategy

Global strategy is the ability of an organization to apply a replicable and systematic methodology to the unique challenges that are faced by the organization. A sound global strategy addresses questions such as, how to build necessary global presence and what should be the optimal locations for various value chain activities. Any company which implements the global strategy will have the following aspects as its features

- Product is the same in all countries.
- Centralized control - little decision-making authority on the local level
- Effective when differences between countries are small
- Advantages: cost, coordinated activities, faster product development

Global Business

II-Unit

TRADE BARRIERS

Trade barriers may be (i) Tariff Barriers and (ii) Non Tariff Barriers or protective barriers.

i) **TARIFF BARRIERS:** Tariff barriers have been one of the classical methods of regulating international trade. Tariffs may be referred to as taxes on the imports. It aims at restricting the inward flow of

goods from other countries to protect the country's own industries by making the goods costlier in that country. Sometimes the duty on a product becomes so steep that it is not worthwhile importing it. In addition, the duty so imposed also provides a substantial source of revenue to the importing country. In India, Customs duty forms a significant part of the total revenue, and therefore, is an important element in the budget. Some countries use this method of imposing tariffs and Customs duties to balance its balance of trade. A nation may also use this method to influence the political and economic policies of other countries. It may impose tariffs on certain imports from a particular country as a protest against tariffs imposed by that country on its goods.

Specific Duties, imposed on the basis of per unit of any identifiable characteristic of merchandise such as per unit volume, weight, length, etc. The duty schedules so specified must specify the rate of duty as well as the determining factor such as weight, number, etc. and basis of arriving at the determining factor such as gross weight, net weight or tare weight.

Ad valorem Tariffs are based on the value of imports and are charged in the form of specified percentage of the value of goods. The schedule should specify how the value of imported goods would be arrived at. Most of the countries follow the practice of charging tariffs on the basis of CIF cost or FOB cost mentioned in the invoice. As tariffs are based on the cost, sometimes unethical practices of under invoicing are adopted whereby Customs revenue is affected. In order to eliminate such malpractices, countries adopt a fair value (given in the schedule) or the current domestic value of the goods as the basis of computing the duties.

NON - TARIFF MEASURES (BARRIERS)

To protect the domestic industries against unfair competition and to give them a fair chance of survival various countries are adopting non-tariff measures. Some of these are :

Quantity Restrictions, Quotas and Licensing Procedures:-

Under quantity restriction, the maximum quantity of different commodities which would be allowed to be imported over a period of time from various countries is fixed in advance. The quota fixed normally depends on the relations of the two countries and the needs of the importing country. Here, the Govt. is in a position to restrict the imports to a desired level. Quotas are very often combined with licensing system to regulate the flow of imports over the quota period as also to allocate them between various importers and supplying countries.

Foreign Exchange Restrictions -Exchange control measures are used widely by a number of developing countries to regulate imports. Under this system an importer has to ensure that adequate foreign exchange is available for imports by getting a clearance from the exchange control authorities of the country.

Technical Regulations -

Another measure to regulate the imports is to impose certain standards of technical production, technical specification, etc. The imported commodity has to meet these specifications. Stringent technical regulations and standards beyond international norms, expensive testing and certification, and complicated marking and packaging requirements.

Voluntary Export Restraint:

The agreement on 'voluntary' export restraint is imposed on the exporter under the threat of sanctions to limit the export of certain goods in the importing country. Similarly, establishment of minimum import prices should be strictly observed by the exporting firms in contracts with the importers of the country that has set such prices.

In case of reduction of export prices below the minimum price level, the importing country imposes anti-dumping duty which could lead to withdrawal from the market. Voluntary export restraints mostly affect trade in textiles, footwear, dairy products, cars, machine tools, etc.

Local Content Requirement:-

A local content requirement is an agreement between the exporting and the importing country that the exporting country will use some amount or, content of resources of the importing country in its process of production. If the exporting country agrees to do that only then the importing country will import their goods.

Embargo:- Embargo is a specific type of quota prohibiting trade. Like quotas, embargoes may be imposed on imports, or exports of particular goods, regardless of destinations, in respect of certain goods supplied to

specific countries, or in respect of all goods shipped to certain countries. Although the embargo is usually introduced for political purposes, the consequences, in essence, could be economics

Tariff	Non-Tariff
1. Govt. receives revenue	1. No revenue receipts but only protection of domestic industry
2. Customs authorities dovaluation procedures and Classification	2. No such problem
3. Since import duty levied monopolistic organisations are curbed	3. Monopolistic organisations command high prices through low output
4. Subject to legislative enactment under terms of GATT and inflexible	4. Flexible and discussed at officials levels only
5. Importers exploitation of more profits curbed	5. Importers make more profits and exploit the market
6. Simple to operate administratively	6. More official involved and less simple
7. Favours efficiency of firms	7. Discriminates against new comers

Difference between Tariff and Non-Tariff Barriers

Anti - Dumping

Anti dumping is a new weapon in the trade war. Anti dumping is one policy which is creating a non tariff barrier, hindering free trade.

If a company exports a product at a price lower than the one charged in its home market, it is said to be dumping. If the importing company succeeds, its country will levy an anti dumping duty on the product exported by the Indian Co. to him. This adds to the landed cost of the product and reduces the Indian exporter's competitiveness.

Trade Bloc

An agreement between states, regions, or countries, to reduce barriers to trade between the participating regions Trading blocs are a form of economic integration, and increasingly shape the pattern of world trade.

Economic integration is the unification of economic policies between different states through the partial or full abolition of tariff and non-tariff restrictions on trade taking place among them prior to their integration

The degree of economic integration can be categorized into five stages:

1. Preferential trading area
2. Free trade area,
3. Customs union,
4. Common market
5. Economic union,

Stages/types / Forms/ of economic integration

Preferential Trade Area

Preferential Trade Areas (PTAs) exist when countries within a geographical region agree to reduce or eliminate tariff barriers on selected goods imported from other members of the area. This is often the first small step towards the creation of a trading bloc.

Free Trade Area

Free Trade Areas (FTAs) are created when two or more countries in a region agree to reduce or eliminate barriers to trade on all goods coming from other members.

Customs Union

A customs union involves the removal of tariff barriers between members, plus the acceptance of a common (unified) external tariff against non-members. This means that members may negotiate as a single bloc with 3rd parties, such as with other trading blocs, or with the WTO

Common Market

A 'common market' is the significant step towards full economic integration, and occurs when member countries trade freely in all economic resources – not just tangible goods. This means that all barriers to trade in goods, services, capital, and labour are removed.

The main advantages for members of trading blocs[this can be written for any trade bloc]

Free trade practices
Market access and trade creation.

Trade creation and trade diversion

Economies of scale

lowering costs and lower prices for consumers.

Jobs creation and employment opportunities

Protection of individual interests of member countries.

NAFTA

North American Free Trade Agreement (NAFTA) established a free-trade zone in North America; it was signed in 1992 by Canada, Mexico, and the United States and took effect on Jan. 1, 1994. NAFTA immediately lifted tariffs on the majority of goods produced by the signatory nations. It also calls for the gradual elimination of all trade barriers between these three countries.

Goals of the NAFTA

- to reduce barriers to trade
- to increase cooperation for improving working conditions in North America
- to create an expanded and safe market for goods and services produced in North America

- to establish clear and mutually advantageous trade rules
- to help develop and expand world trade and provide a catalyst to broader international cooperation

NAFTA structure

Free Trade Commission*:* Made up of ministerial representatives from the NAFTA partners.

NAFTA Coordinators: Senior trade department officials designated by each country.

NAFTA Working Groups and Committees: Over 30 working groups and committees have been established to facilitate trade and investment and to ensure the effective implementation and administration of NAFTA.

NAFTA Secretariat : Made up of a "national section" from each member country. Responsible for administering the dispute settlement , Maintains a tri-national website containing up-to-date information on past and current disputes.

Commission for Labor Cooperation : Created to promote cooperation on labor matters among NAFTA members and the effective enforcement of domestic labor law. www.naalc.org.

Commission for Environmental Cooperation : Established to further cooperation among NAFTA partners in implementing the environmental side accord to NAFTA and to address environmental issues of continental concern, with particular attention to the environmental challenges and opportunities presented by continent-wide free trade.

European Union (EU)

Comprising 28 European countries and governing common economic, social, and security policies. Originally confined to Western Europe, the EU undertook a robust expansion into central and eastern Europe in the early 21st century. The EU was created by the Maastricht Treaty, which entered into force on November 1, 1993.

Structure of EU

1. The EU Council sets the policies and proposes new laws. The political leadership, or Presidency of the EU, is held by a different leader every six months.
2. The European Parliament debates and approves the laws proposed by the Council. Its members are elected every five years.

3. The European Commission staffs and executes the laws. José Manuel Barroso is the President who serves under 28 Commissioners.

Objectives of EU

- an area of freedom, security and justice without internal frontiers;
- an internal market where competition is free and undistorted;
- sustainable development, based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment;
- the promotion of scientific and technological advance;
- the combating of social exclusion and discrimination, and the promotion of social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child; the promotion of economic, social and territorial cohesion, and solidarity among Member States.

South Asian Association for Regional Cooperation (SAARC)

South Asian nations, which was established on 8 December 1985 when the government of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka formally adopted its charter providing for the promotion of economic and social progress, cultural development within the South Asia region and also for friendship and co-operation with other developing countries. It is dedicated to economic, technological, social, and cultural development emphasizing collective self-reliance. Afghanistan joined the organisation in 2007. Meetings of heads of state are usually scheduled annually

Objectives of SAARC

- to promote the welfare of the people 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 realise their full potential ;

- to promote and strengthen selective 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 co-operation with other developing countries;
- to strengthen co-operation among themselves in international forums on matters of common interest; and
- to co-operate with international and regional organisations with similar aims and purposes.

SAARC organizational structure:

1. SAARC Council: At the top, there is the Council represented by the heads of the government of the member countries.

2. Council of Minister: It is to assist the council. It is represented by the foreign ministers of the member countries.

3. Standing Committee: It is comprised by the foreign secretaries of the member government.

4. Programming Committee: It consist of the senior official of the member governments.

5. Technical Committee: It consist of the represented of the member nations.

6.Secretaria: The SAARC secretariat is located in Nepal.

ASEAN

On 8 August 1967, five leaders - the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand - sat down together in the main hall of the Department of Foreign Affairs building in Bangkok, Thailand and signed a document. By virtue of that document, the Association of Southeast Asian Nations (ASEAN) was born.

ASEAN STRUCTURES AND MECHANISMS

- ASEAN Summit, ASEAN Coordinating Council
- ASEAN Community Councils , ASEAN Sectoral Ministerial Bodies

- Committee of Permanent Representatives , National Secretariats
- Committees Abroad , ASEAN Chair
- ASEAN Secretariat, The highest decision-making organ of ASEAN is the Meeting of the ASEAN Heads of State

PRINCIPLES of ASEAN

- 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

Objectives : 1.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. **2.** to promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations

General Agreement On Tariffs And Trade

The General Agreement on Tariffs and Trade (GATT) was created after World War II to aid global economic recovery through reconstructing and liberalizing global trade. GATT's main objective was to reduce barriers to international trade through the reduction of tariffs, quotas and subsidies. It has since been superseded by the creation of the World Trade Organization (WTO).

The General Agreement on Tariffs and Trade (GATT) was formed in 1947 with a treaty signed by 23 countries, and signed into international law on January 1, 1948. GATT remained one of the focal features of international trade agreements until it was replaced by the creation of the World Trade Organization on January 1, 1995. By this time, 125 nations were signatories to its agreements, which covered about 90% of global trade.

The aim behind GATT was to form rules to end or restrict the most costly and undesirable features of the pre-war protectionist period, namely quantitative trade barriers such as trade controls and quotas. The agreement also provided a system to arbitrate commercial disputes between nations, and the framework enabled a

number of multilateral negotiations for the reduction of tariff barriers. GATT was regarded as a significant success in the post-war years.

Objectives:

The General Agreement on Tariff and Trade was a multilateral treaty that laid down rules for conducting international trade. The preamble to the GATT can be linked to its objectives.

- To raise the standard of living of the people,
- To ensure full employment and a large and steadily growing volume of real income and effective demand.
- To tap the use of the resources of the world fully.
- To expand overall production capacity and international trade.

GATT Rounds:

Between 1947 and 1995 there were 8 rounds of negotiations between the participating countries. The first 6 rounds were related to curtailing tariff rates, 7th round included the non-tariff obstacles.

The 8th round was entirely different from the previous rounds because it included a number of new subjects for consideration. This 8th round known as "Uruguay Round" became most controversial. The discussions at this round only gave birth to World Trade Organization (WTO).

Name of the Round or Location	Dates	Value of Trade Involved *(roughly)*	No. of Countries Participating	Notable Outcomes
Geneva	1947	$10 billion	23	45,000 tariff cuts -- average 35 percent cut
Annecy (France)	1949	n/a	13	tariff reductions
Torquauy (England)	1950-51	n/a	38	tariff reductions
Geneva	1956	$2.5 billion	26	tariff reductions
Dillon Round	1960-61	$4.9 billion	26	tariff reductions
Kennedy Round	1962-67	$40 billion	62	35 percent average cut on industrial goods; commitments on use of anti-dumping laws
Tokyo Round	1973-79	$155 billion	102	34 percent average cut on industrial goods; commitments on non-tariff measures
Uruguay Round	1986-93	$3.7 trillion	123	services trade and intellectual property included; "built-in agenda" on agriculture, WTO institution created

World Trade Organization (W T O) : Location: Geneva, Switzerland, Established: 1 January 1995, Created by: Uruguay Round negotiations (1986-94) , Membership: 159 countries on 2 March 2013 , Budget: 197 million Swiss francs for 2013, Secretariat staff: 640, Head: Director-General

WTO is an organization comprising of developed, developing and least developed countries, under the UN Umbrella, headquartered in Geneva. Its aim is to promote trade amongst member nations, especially after globalization of trade, arrange aid technically and in other forms for growth of trade amongst member countries, creating all possible facilitation measures. Main Functions of WTO To facilitate the implementation, administration and further operations of the agreement establishing the WTO**.**

Functions:

• Administering WTO trade agreements

• Forum for trade negotiations

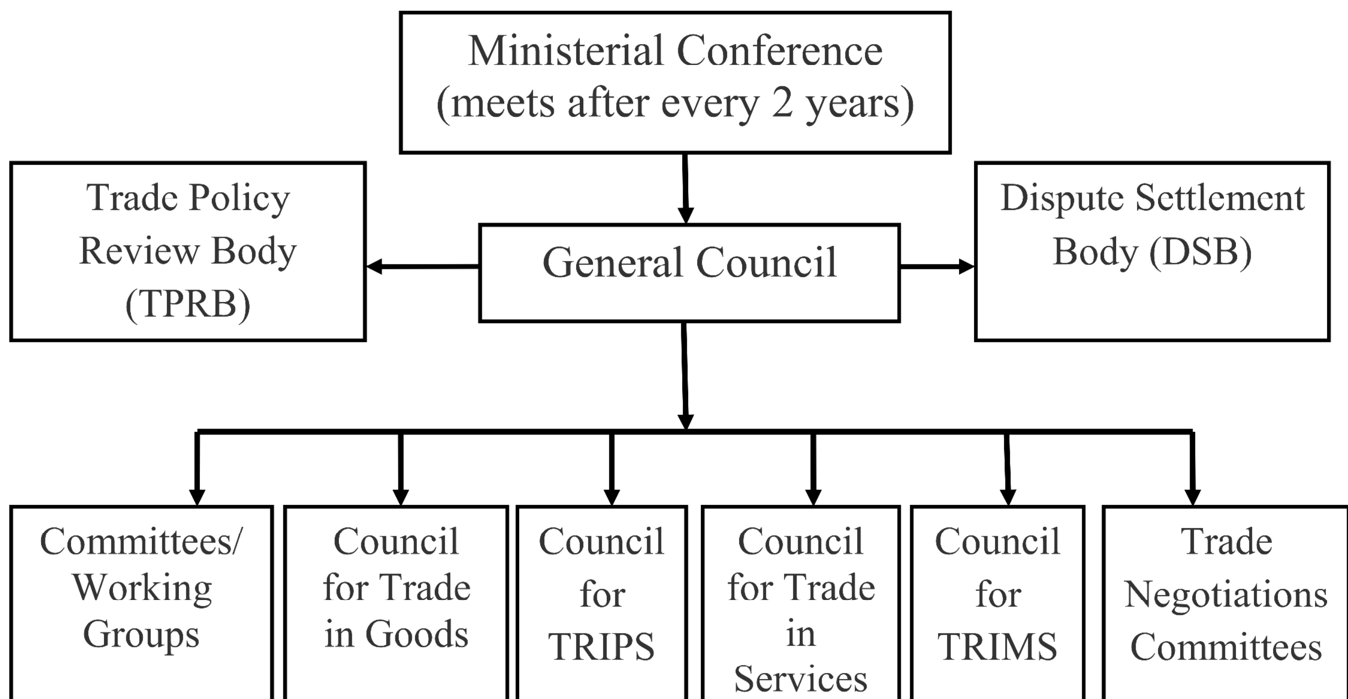
• Handling trade disputes

• Monitoring national trade policies

• Technical assistance and training for developing countries

• Cooperation with other international organizations

WTO Organizational structure



Council for Trade in Goods : There are 11 committees under the jurisdiction of the Goods Council each with a specific task. All members of the WTO participate in the committees. The Textiles Monitoring Body is separate from the other

committees but still under the jurisdiction of Goods Council. The body has its own chairman and only 10 members. The body also has several groups relating to textiles.

Council for Trade-Related Aspects of Intellectual Property Rights : Information on intellectual property in the WTO, news and official records of the activities of the TRIPS Council, and details of the WTO's work with other international organizations in the field.

Council for Trade in Services: The Council for Trade in Services operates under the guidance of the General Council and is responsible for overseeing the functioning of the General Agreement on Trade in Services (GATS). It is open to all WTO members, and can create subsidiary bodies as required.

Trade Negotiations Committee: The Trade Negotiations Committee (TNC) is the committee that deals with the current trade talks round. The chair is WTO's director-general. As of June 2012 the committee was tasked with the Doha Development Round

TRIMS and TRIPS : The WTO administers the implementation of a set of agreements, which include the General Agreement on Tariffs and Trade, other agreements in the goods sector (e.g., agriculture, textiles, sanitary and psycho-sanitary measures, Trade Related Investment Measures-TRIMs, anti-dumping, etc.), and in addition, agreements in two other areas, viz., trade in services, and Trade Related Intellectual Property Rights (TRIPs) , TRIPs deals with the following IPRs

- Copyright and related rights;
- Patents, Trademarks, Geographical indications, including appellations of origin;
- Industrial designs, Integrated circuit layout-designs;
- Protection of undisclosed information, Control of anti-competitive practices in contractual licenses
- Term of patents 20 years, Limited compulsory licensing, no license of right
- Almost all fields of technology patentable. Only area conclusively , excluded from patentability is plant varieties; debate regarding some areas in agriculture and biotechnology, Very limited scope for
- governments to use patented inventions

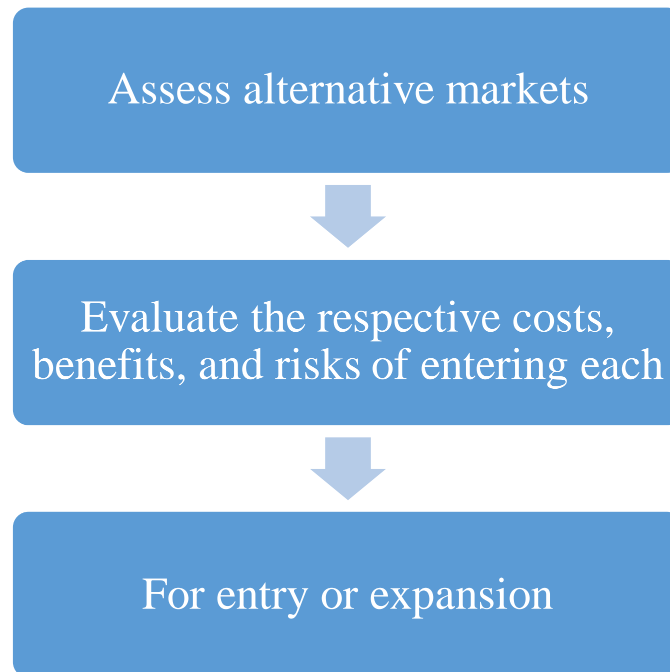
TRIMS : Trade Related Investment Measures (TRIMs) are rules that apply to the domestic regulations a country applies to foreign investors, often as part of an industrial policy. The agreement was agreed upon by all members of the World Trade Organization. The agreement was concluded in 1994 and came into force in 1995

The Agreement on Trade-Related Investment Measures TRIMs Agreement, one of the Multilateral Agreements on Trade in Goods, prohibits trade-related investment measures, such as local content requirements, that are inconsistent with basic provisions of GATT 1994.

The General Agreement on Trade in Services addresses foreign investment in services as one of four modes of supply of services

UNIT-III

Modes of foreign Market Entry

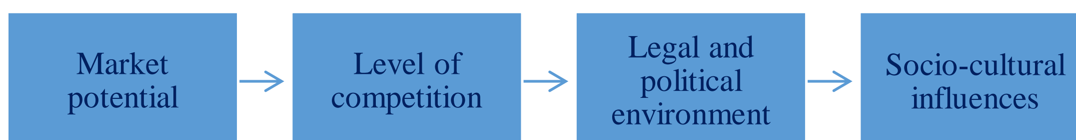


Assess New Market Opportunities

Factors

- Product-market dimensions
- Major product-market differences
- Structural characteristics of national market
- Competitor analysis
- Potential target markets
- Relevant trends
- Explanation of change
- Success factors
- Strategic options

Steps

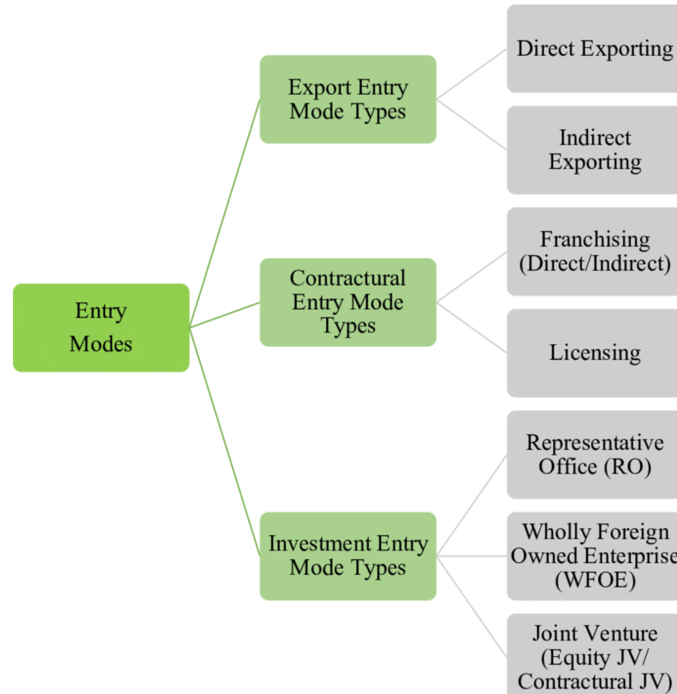


Evaluate the respective costs, benefits, and risks of entering each

- **Costs:** *Direct* costs and *opportunity* costs
- **Benefits:** *Expected sales and profits* from the markets. Lower acquisition and manufacturing costs, foreclosing of markets to competitors, competitive advantage, access to new technology, and the opportunity to achieve synergy with other operations.

- **Risks:** Risk of *exchange rate fluctuation*, *additional operating complexity*, *direct financial losses*

There are various modes for a business to enter into the global markets. They are explained as follows



Direct export.

The organization produces their product in their home market and then sells them to customers overseas

Advantages

- Control over selection of foreign markets and choice of foreign representative companies
- Good information feedback from target market
- Better protection of trademarks, patents, goodwill, and other intangible property
- Potentially greater sales than with indirect exporting.

Disadvantages

- Higher start-up costs and higher risks as opposed to indirect exporting
- Greater information requirements
- Longer time-to-market as opposed to indirect exporting.[7]

Indirect export

The organizations sells their product to a third party who then sells it on within the foreign market.

Advantages

- Fast market access
- Concentration of resources for production
- Little or no financial commitment. The export partner usually covers most expenses associated with international sales
- The management team is not distracted
- No direct handle of export processes.

Disadvantages

- Higher risk than with direct exporting
- Little or no control over distribution, sales, marketing, etc. as opposed to direct exporting
- Inability to learn how to operate overseas

Licensing

Another less risky market entry method is licensing. Here the Licensor will grant an organization in the foreign market a license to produce the product, use the brand name etc in return that they will receive a royalty payment.

Advantages and reasons to use an international licensing

- Obtain extra income for technical know-how and services
- Reach new markets not accessible by export from existing facilities
- Quickly expand without much risk and large capital investment
- Pave the way for future investments in the market

Franchising

Franchising is another form of licensing. Here the organization puts together a package of the 'successful' ingredients that made them a success in their home market and then

franchise this package to oversee investors.

The Franchise holder may help out by providing training and marketing the services or product. McDonalds is a popular example of a Franchising option for expanding in international markets.

Advantages of the international franchising mode: Low political risk , Low cost, Allows simultaneous expansion into different regions of the world ,Well selected partners bring financial investment as well as managerial capabilities to the operation.

Disadvantages of the international franchising mode:

- Franchisees may turn into future competitors
- Demand of franchisees may be scarce when starting to franchise a company, which can lead to making agreements with the wrong candidates
- A wrong franchisee may ruin the company's name and reputation in the market

Turnkey projects

A turnkey project refers to a project in which clients pay contractors to design and construct new facilities and train personnel. A turnkey project is way for a foreign company to export its process and technology to other countries by building a plant in that country. Industrial companies that specialize in complex production technologies normally use turnkey projects as an entry strategy. One of the major advantages of turnkey projects is the possibility for a company to establish a plant and earn profits in a foreign country especially in which foreign direct investment opportunities are limited and lack of expertise in a specific area exists.

Advantages

- Technology exchange
- Global competition
- Industry convergence
- Economies of scale and reduction of risk
- Alliance as an alternative to merger

Choose a Mode of Entry

Decision Factors:

- Ownership advantages
- Location advantages
- Internalization advantages
- Other factors
    - Need for control
    - Resource availability
    - Global strategy

Global strategic planning process involves these steps

(1) Analyzing external environment by means of SWOT, PESTLE analysis

(2) Analyzing internal environment

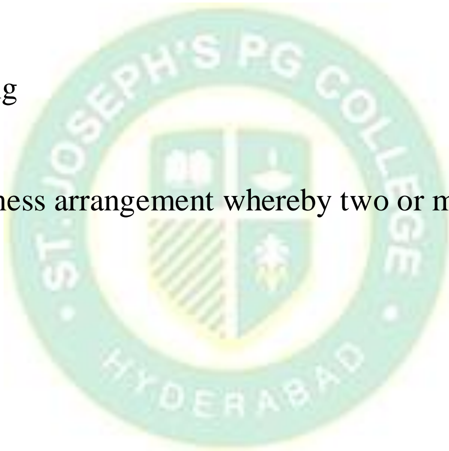
(3) Defining the business and its mission statements

(4) Setting corporate objectives

(5) Quantifying goals

(6) Formulating strategies

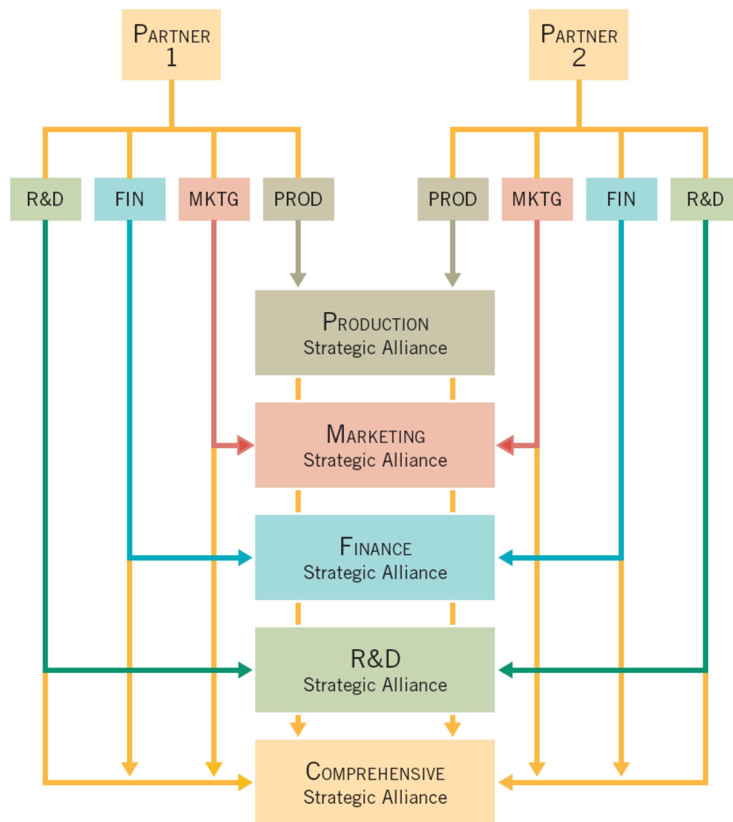
(7) Making tactical planning



Strategic Alliances

A strategic alliance is a business arrangement whereby two or more firms choose to cooperate for their mutual benefit

The Scope of Strategic Alliances



Types of Strategic Alliance

There are four types of strategic alliances: joint venture, equity strategic alliance, non-equity strategic alliance, and global strategic alliances.

1. **Joint venture** is a strategic alliance in which two or more firms create a legally independent company to share some of their resources and capabilities to develop a competitive advantage.
2. **Equity strategic alliance** is an alliance in which two or more firms own different percentages of the company they have formed by combining some of their resources and capabilities to create a competitive advantage.
3. **Non-equity strategic alliance** is an alliance in which two or more firms develop a contractual- relationship to share some of their unique resources and capabilities to create a competitive advantage.
4. **Global Strategic Alliances** working partnerships between companies (often more than two) across national boundaries and increasingly across industries, sometimes formed between company and a foreign government,

or among companies and governments.

Potential Benefits of Strategic Alliances

- Ease of Market Entry
- Shared Risk
- Shared Knowledge And Expertise
- Synergy and Competitive Advantage

Pitfalls of Strategic Alliances

- Loss of autonomy
- Distribution of earnings
- Access to information
- Changing circumstances
- Incompatibility of partners

Specialized Entry Modes

Contract manufacturing

Advantages

Low financial risks

Minimize resources devoted to manufacturing

Focus firm's resources on other elements of the value chain

Disadvantages

Reduced control (may affect quality, delivery schedules, etc.)

Reduce learning potential

Potential public relations problems

Management contract

Advantages

- Focus firm's resources on its area of contracts
- Minimal financial exposure

Disadvantages

- Potential returns limited by contract expertise
- May unintentionally transfer proprietary knowledge and techniques to contractee

Turnkey project

Advantages

- Focus firm's resources on its area of expertise
- Avoid all long-term operational risks

Disadvantages

- Financial risks (Cost overruns)
- Construction risks (Delays and Problems with suppliers)

Steps in Strategic Alliance

Step 1: Identify Potential Partners

Often financial advisors choose to work with professionals that clients have already secured for outside services. Expand beyond this inner circle and explore other firms that focus on people in your niche market. Start by making a list of the top three local attorney, CPA, and insurance firms in your area. Identify potential partners through Google searches, LinkedIn profiles, city information, and any other resources you have access.

Choose counterparts that you can easily collaborate with, develop good connections, and those that will actively introduce you to new clients rather than waiting for an opportunity.

Step 2: Research Potential Partners

Gather data and research your potential alliances. Your goal in this step is to support your position that a strategic alliance with this firm will be mutually beneficial.

Step 3: Make the First Call

In a tough economy where all professionals are feeling the crunch, everyone can use extra help with business development. Contact your selected alliance prospects and schedule an appointment to discuss opportunities for working together. Tell them you will share data about your mutual niche market, how to market to them, and the most effective way to earn their business.

Step 4: The First Meeting

Your goal in this step is to determine suitability to form an alliance.

- **Talk about the potential alliance** , the benefits of working together, and the opportunity for revenue sharing.
- **Share the information you gathered earlier about your mutual niche market** , how to market to them, and the most effective way to earn their business. This will support your case for forming an alliance and position you as an industry expert and influencer.
- **Provide specific details regarding expectations** and what each firm will do to uphold a mutual commitment for your partnership.
- **Evaluate and gain a better understanding of your potential alliance.**

- **Make a mutual decision.** If you determine working together will benefit all parties involved, your clients and each firm, schedule your next appointment to finalize your agreement.

Step 5: Identify Specific Opportunities

Brainstorm about every opportunity to work together. Focus on core interests and business themes you have in common. Discuss objectives, obstacles, and expectations for your future relationship. Determine what your alliance should accomplish over the next 12 months.

Step 6: Establish Revenue/Profit Goals

Determine ideal and minimum revenue and/or profit goals for your alliance. Your ideal goal should represent the revenue and new assets under management it will take to make the program a success. The minimum goal is what must be achieved in order to continue the partnership.

Step 7: Develop an Agenda

Create an agenda that includes any event or campaign you plan to execute with your strategic alliance over the next 12 months. Identify the goal for each item, the strategy you will use to obtain results, when the event will take place, and who will be responsible for implementation.

While creating your strategy, include the following best practices to ensure your partnership is effective and creates an opportunity for new clients.

Step 8: Present the Plan

Schedule a meeting with your potential alliance to present your plan. Review your opportunities, strategy, and the specific steps you will take to reach your goal. Discuss profit and revenue goals as well as expenses. Look for any gaps in your initial plan and make necessary modifications.

Step 9: Commitment and Implementation

Upon mutual agreement, make a commitment and implement your plan. Identify team members who will act as a point person to ensure implementation takes place as scheduled.

Step 10: Analyze and Follow Up

Continually refer back to your alliance plan to monitor and celebrate successes and make changes when you find something isn't working. You can have the most brilliant plan in the world, but it will do no good if it isn't implemented and followed up on regularly.

Cost benefit analysis: Cost–benefit analysis (CBA), sometimes called **benefit–cost analysis** (BCA), is a systematic process for calculating and comparing benefits and costs

of a project, decision or government policy (hereafter, "project"). CBA has two purposes, Whether you know it as a cost-benefit analysis or a benefit-cost analysis, performing one is critical to any project. When you perform a cost-benefit analysis, you make a comparative assessment of all the benefits you anticipate from your project and all the costs to introduce the project, perform it, and support the changes resulting from it.

Cost-benefit analyses help you to

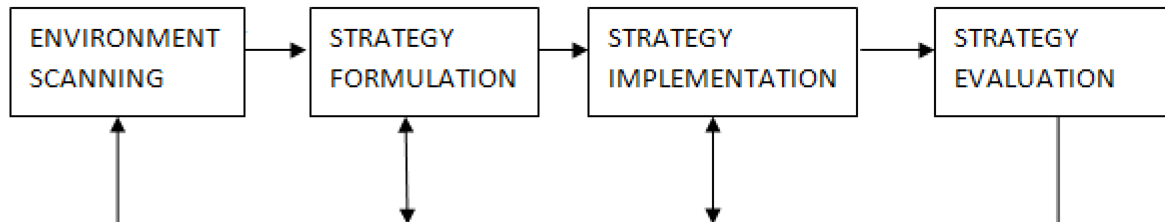
- Decide whether to undertake a project or decide which of several projects to undertake.
- Frame appropriate project objectives.
- Develop appropriate before and after measures of project success.
- Prepare estimates of the resources required to perform the project work.
- To determine if it is a sound investment/decision (justification/feasibility),
- To provide a basis for comparing projects. It involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much

Strategic management process has following four steps:

1. **Environmental Scanning-** Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.
2. **Strategy Formulation-** Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. **Strategy Implementation-** Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.
4. **Strategy Evaluation-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the

root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as it's implementation meets the organizational objectives.

These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.



Components of Strategic Management Process

Strategic management is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in chorus.

FOREIGN TRADE POLICY INDIA 2015-2020

INTRODUCTION

The Government of India, Ministry of Commerce and Industry announced New Foreign Trade Policy on 1t April, 2015 for the period of 2015-2020.

Earlier this policy was known as Export Import(EXIM) Policy.

After five years foreign policy needs amendments in general, aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payments position.

The foreign trade policy is updated every year on the 31st of March and the modifications, improvements and new schemes becomes effective from April month of each year.

FOREIGN TRADE POLICY 2015-20 HIGHLIGHTS

as well as generation of employment and increasing value addition in the country, • The Policy aims to enable India to respond to the challenges of the external architecture and make trade a major contributor to the country's economic growth

'Services Exports from India Scheme (SEIS)' for increasing exportsrof notified

Duty credit scrips issued under MEIS and SEIS and the goods imported against

For grant of rewards under MEIS, the countries have been categorized into 3 Groups, whereas the rates of rewards under MEIS range from 2 per cent to 5 per cent. Under SEIS the selected Services would be rewarded at the rates of 3 per cent and 5 per cent.

Measures have been adopted to nudge procurement of capital goods from indigenous manufacturers under the EPCG scheme by reducing specific export obligation to 75per cent of the normal export obligation.

Measures have been taken to give a boost to exports of defense and hi-tech items.

E-Commerce exports of handloom products, books/periodicals, leather footwear, toys and customized fashion garments through courier or foreign post office would also be able to get benefit of MEIS (for values up to INR 25,000).

Manufacturers, who are also status holders, will now be able to self-certify their manufactured goods in phases, as originating from India with a view to qualifying for

preferential treatment under various forms of bilateral and regional trade agreements. This 'Approved Exporter System' will help manufacturer exporters considerably in getting fast access to international markets.

A number of steps have been taken for encouraging manufacturing and exports under 100 per cent EOU/EHTP/STPI/BTP Schemes. The steps include a fast track clearance facility for these units, permitting them to share infrastructure facilities, permitting inter unit transfer of goods and services, permitting them to set up warehouses near the port of export and to use duty free equipment for training purposes.

108 MSME clusters have been identified for focused interventions to boost exports. Accordingly, 'Niryat Bandhu Scheme' has been galvanized and repositioned to achieve the objectives of 'Skill India'.

Trade facilitation and enhancing the ease of doing business are the other major focus areas in this new FTP. One of the major objective of new FTP is to move towards paperless working in 24x7 environment.

1. TRADE FACILITATION AND EASE OF DOING BUSINESS

- Online filing of documents/applications, 'paperless' transactions and 24*7clearance.
- Online complaints registration and monitoring system. • Online inter-ministerial consultations.
- Proposed measures for inter-departmental coordination.
- Consignments of items meant for exports shall not be withheld/delayed for any reason by any State/Central Government.

2. GENERAL PROVISIONS REGARDING IMPORTS AND EXPORTS

- Ease of doing business.
- Penal action and Denied Entity List.
- Procedural compliances in relation to Foreign Trade Policy Schemes.

3. PROMOTIONAL SCHEMES

- Merchandise Exports from India Scheme.
- Service Exports from India Scheme.

4. DUTY EXEMPTION AND REMISSION SCHEMES

- **Advance authorization scheme:** This scheme allows businesses to import inputs within the country without paying any duty. However, such inputs should be utilized further for the production of an export item.
- **Duty-free import authorization:** This scheme, which is provided by the Government of India, is clubbed with the Duty Exemption Entitlement Certificate (DEEC) (Advance License) and Duty Free Replenishment Certificate (DFRC) so that the exporters can get free imports on certain products.

5. EPCG SCHEME

- This scheme applies to all the exporters who are into electronic goods. Zero percent customs duty is to be paid by the exporter in case the export value is at least six times that of the duty saved on imports of capital goods for production, pre-production, and post-production. The exporter must confirm the value which is an export duty, within six years of the issue date.
- Export Obligation
- Conversion of Export Oriented Units(EOU)/SEZ Scheme to Export Promotion Capital Goods(EPCG) Scheme.
- Changes in Procedures.

6. EOU/EHTPS/STPS/BTPS

- Export Oriented Units(EOU).
- Electronic Hardware Technology Park(EHPS). •Software Technology Park(STP).
- Biotechnology Park(BTP).

7.DEEMED EXPORTS

For Manufacturer: -

- Supply of goods against Advance Authorization/Advance Authorization for annual requirement/DFIA.
- Supply of goods to EOU/STP/EHTP/BTP.
- Supply of capital goods against EPCG Authorization. • Supply of marine freight containers by 100% EOU.
- The rest of the supplies are entitled for deemed export benefit by main/sub-contractors.

8. QUALITY COMPLAINTS AND TRADE DISPUTES

- Committee on Quality Complaints and Trade Disputes. •Obligation on the part of importer/exporter: -
- Importers/Exporters are required to comply with the provisions of Rule 11 of the FTR Rules in terms of which every importer/exporter is required to submit complete details of the goods in question to the best of his knowledge and belief.
- Exporters of specified commodities are required to conform to the prescribed standards on quality control and pre-shipment inspection.

Institutional Framework for International Trade in India

Contents:

1. Introduction to Institutional Framework for International Trade
2. Department of Commerce
3. Advisory Bodies
4. Commodity Organizations
5. Autonomous Bodies
6. Service Institutions
7. Government Participation in Foreign Trade
8. States' Involvement in Promoting Exports

1. Introduction to Institutional Framework for International Trade:

India has a comprehensive institutional set up to promote international trade. Exporting firms need to understand and appreciate the institutions involved and the functions carried out by them. The Department of Commerce is the prime agency of the country to promote international trade.

It is supported by a massive institutional set up (Exhibit 4.5) at the union and state government levels, carrying out a range of trade facilitation activities.

Exhibit 4.5 Institutional set-up for international trade promotion in India		
Tier level	**Bodies**	**Responsibilities**
Tier I	Department of Commerce	Framing of trade policy
Tier II	Advisory bodies	Coordinating discussion between industry and government for bringing in required changes
Tier III	Commodity organizations	Assist the export effort of specific product group
Tier IV	Service organizations	Facilitate and assist exporters to expand markets
Tier V	Government trading organizations	Handle export import of specific commodity
Tier VI	State export promotion agencies	Facilitate export promotion from the states

2. Department of Commerce:

The Department of Commerce is the primary governmental agency responsible for developing and directing foreign trade policy and programmes, including commercial relations with other countries, state trading, various trade promotional measures and development, and regulation of certain export-oriented industries.

The principal functional divisions of the Department of Commerce engaged in export promotion activities are discussed as follows.

The Economic Division is engaged in export planning, formulating export strategies, periodic appraisal, and review of policies. The Economic Division also maintains coordination with and control over other divisions and various organizations set up by the Ministry of Commerce to facilitate export growth.

Besides, the Economic Division monitors work relating to technical assistance, management services for exports, and overseas investment by Indian entrepreneurs.

The Trade Policy Division keeps track of development in international organizations, such as WTO, UNCTAD, Economic Commission of Europe, Africa, Latin America, and Asia and Far East (ESCAP). The Trade Policy Division is also responsible for India's relationship with regional trading agreements, such as EU, NAFTA, SAFTA, Commonwealth, etc. It also looks after GSP and non-tariff barriers.

The Foreign Trade Territorial Division looks after the development of tirade with different countries and regions of the world. It also deals with state trading and barter trade, organization of trade fairs and exhibitions, commercial publicity abroad, etc. Further, it maintains contact with trade missions abroad and carries out related administrative work.

The Export Product Division looks after problems connected with production, generation of surplus, and development of products for exports. However, for products wherein the administrative responsibility remains with concerned ministries, the Export Product Division keeps in close touch with them to ensure that the production is sufficient to realize the full export potential besides ensuring the home consumption.

The division is also responsible for the working of export organizations and corporations, which deal with commodities and products under their jurisdiction.

The Exports Industries Division is responsible for development and regulation of rubber, tobacco, and cardamom. It is also responsible for handling export promotion activities relating to textiles, woolens, handlooms, readymade garments, silk, and cellulosic fibres, jute and jute products, handicrafts, and coir and coir products.

The Export Services Division deals with the problems of export assistance, such as export credit, export house, market development assistance (MDA), transport subsidies, free trade zones, dry ports, quality control and pre-shipment inspection, assistance to import capital goods, etc.

The divisions mentioned here carry out their functions through export promotion councils, commodity boards, or other organizations.

Subordinate offices:

In addition to these divisions, attached and subordinate offices are also involved in the promotion of foreign trade.

These are as follows:

Directorate General of Foreign Trade:

The directorate is responsible for execution of export-import policy announced by the Government of India. It is headed by Director General of Foreign Trade (DGFT). The directorate also looks after the work relating to issuing of licenses and monitoring of export obligations.

Its headquarters are at New Delhi and subordinate offices are located at Ahmedabad, Amritsar, Bangalore, Baroda, Bhopal, Kolkata, Chandigarh, Chennai, Coimbatore, Cuttack, Emakulam, Guwahati, Hyderabad, Jaipur, Kanpur, Ludhiana, Madurai, Moradabad, Mumbai, New Delhi, Panipat, Panaji, Patna, Pondicherry, Pune, Rajkot, Shillong, Srinagar (functioning at Jammu), Surat, Varanasi, and Visakhapatnam.

Directorate General of Commercial Intelligence and Statistics:

The Directorate General of Commercial Intelligence and Statistics (DGCI&S) was set up in 1962 and is headquartered at Kolkata. It is responsible for collection, compilation, and dissemination of trade statistics and commercial information. The DGCI&S also brings out a number of publications, mainly on inland and coastal trade statistics, revenue statistics, shipping and air cargo statistics, etc.

Its main publications, such as India Trade Journal (weekly) and Foreign Trade Statistics of India (monthly) provide detailed information on export trade statistics. The DGCI&S uses mainly the Daily Trade Returns (DTRs), an authentic source, for compiling and generating export-import statistics.

Directorate General of Anti-Dumping and Allied Duties:

Constituted in April 1998, the Directorate General of Anti-Dumping (DGAD) is responsible for carrying out anti-dumping investigations and to recommend wherever required, the amount of anti-dumping/countervailing duty under the Customs Tariff Act, on identified articles which would be adequate to remove injury to the domestic industry.

3. Advisory Bodies:

Advisory bodies provide an effective mechanism for continued interaction with trade and industry and increased coordination among various departments and ministries concerned with export promotion. The Government of India has set up the following advisory bodies for promoting international trade.

Board of Trade:

In order to deploy an effective mechanism for maintaining continuous dialogue with trade and industry on issues related to international trade, the Board of Trade was set up under the chairmanship of the Union Minister of Commerce and Industry in May 1989. It was reconstituted on 1 April 2005 with an eminent representative from trade and industry as its Chairperson.

Secretaries of Commerce and Industry, Finance (Revenue), External Affairs (ER), Textile, Chairman of ITPO, Chairman/MD of ECGC, MD of Exim Bank, and Deputy Governor of Reserve Bank of India are official members of the Board.

Representatives from FICCI, CII, FIEO and various trade and industries sector, media, and other important eminent personalities in the field of import and export trade are also board members.

The broad terms of reference (ToR) of the Board of Trade are given below:

i. To advise the government on policy measures for preparation and implementation of both short- and long-term plans for increasing exports
ii. To review the export performance of various sectors, identify constraints, and suggest industry specific measures to optimize exports earnings
iii. To examine the existing institutional framework for exports and suggest practical measures for further streamlining to achieve the desired objectives
iv. To review the policy instrument, package of incentives, and procedures for exports and suggest steps to rationalize and channelize such schemes for optimal use
v. To commence studies for promoting trade
Thus, the Board of Trade ensures a continuous dialogue with trade and industry in order to advise the government on policy measures, to review export performance of various sectors, identify constraints, and suggest industry specific measures to optimize export specific earnings.
It meets at least once every quarter and has the power to set up sub-committees, co-opt experts, and make recommendations on specific sectors.

Export Promotion Board:
In order to provide greater coordination among concerned ministries involved in exports, the Export Promotion Board works under the chairmanship of the Cabinet Secretary to provide policy and infrastructural support.
The secretaries of all the ministries directly related to international trade are represented in this board, including secretaries of Departments of Commerce, Ministry of Finance, Department of Revenue, Department of Industrial Policy and Promotion, Ministry of Textiles, Department of Agriculture and Cooperation, Ministry of Civil Aviation, Ministry of Surface Transport, and others, according to the requirements of inter-ministerial coordination.
The coordinated approach of the Export Promotion Board provides the required impetus to the export sector and resolves inter-ministerial issues in promoting exports.
4. Commodity Organizations:
In order to focus on the commodity-product-specific exports, there are various commodity organizations such as export promotion councils, commodity boards and autonomous bodies. These organizations look after sectors specific exports right from product development to export marketing.
Export Promotion Councils:

Export promotion councils (EPCs) are non-profit organizations. They are supported by financial assistance from the central government. At present there are 21 EPCs, as given in Exhibit 4.6. The basic objective of the EPCs is to develop and promote the country's exports of specific products from India.

EPCs aim to project India's image abroad as a reliable supplier of high-quality goods and services. In particular, the EPCs encourage and monitor the observance of international standards and specifications by exporters.

The EPCs also keep abreast of the trends and opportunities in international markets for goods and services and assist their members in taking advantage of such opportunities in order to expand and diversify exports. Each council is responsible for the promotion of a particular group of products, projects, and services.

The major functions of the export promotion councils are:

i. To provide commercially useful information and assistance to their members in developing and increasing their exports

ii. To offer professional advice to their members in areas, such as technology up gradation, quality and design improvement, standards and specifications, product development, innovation, etc.

iii. To organize visits of delegations of its members abroad to explore overseas market opportunities

iv. To organize participation in trade fairs, exhibitions, and buyer-seller meets in India and abroad

v. To promote interaction between the exporting community and the government, both at the central and state levels

vi. To build a statistical database and disseminate information

The EPCs also issue registration-cum-membership certificates (RCMCs) to their members which are mandatory for getting export incentives.

Exhibit 4.6 Export promotion councils in India

- Engineering Export Promotion Council
- Project Export Promotion Council
- Pharmaceutical Export Promotion Council
- Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council
- Chemicals and Allied Products Export Promotion Council
- Council for Leather Exports
- Sports Goods Export Promotion Council
- Gem and Jewellery Export Promotion Council
- Shellac Export Promotion Council
- Cashew Export Promotion Council
- Plastics Export Promotion Council
- Apparel Export Promotion Council
- Export Promotion Council for EOUs and SEZ units
- Carpet Export Promotion Council
- Cotton Textile Export Promotion Council
- Export Promotion Council for Handicrafts
- Handloom Export Promotion Council
- The Indian Silk Export Promotion Council
- Synthetic and Rayon Textile Export Promotion Council
- Wool and Woollens Export Promotion Council
- Powerloom Development and Export Promotion Council

Commodity Boards:

In order to look after the issues related to production, marketing and development of commodities, there are nine statutory commodity boards as under:

i. The Tea Board

ii. The Coffee Board

iii. The Coir Board

iv. The Central Silk Board

v. The All-India Handlooms and Handicraft Board

vi. The Rubber Board

vii. The Cardamom Board

viii. The Tobacco Board

ix. The Spice Board

The functions carried out by commodity boards are similar to those of export promotion councils.

These boards broadly carry out the following functions:

i. Provide an integrated approach for production development and marketing of the commodity under their purview.

ii. Act as a linkage between Indian exporters and importers abroad.

iii. Formulate and implement quality improvement systems, research and development programmes, education and training of farmers, producers, packers, and exporters on post-harvest management practices.

iv. Act as an interface between international agencies, such as the ITC, Geneva, Food and Agriculture Organization (FAO), and United Nations Industrial Development Organization (UNIDO), etc.
v. Collect and disseminate information on production, processing, and marketing of the products under their purview.
vi. Export promotion activities, such as participation in international trade fairs, organizing buyer-seller meets, inviting foreign delegations, and taking Indian delegations abroad.

5. Autonomous Bodies:

Agriculture and Processed Food Products Export Development Authority:

Set up under an act of Parliament of 1986, the Agricultural and Processed Food Products Export Development Authority (APEDA) looks after the promotion of exports of agriculture and processed food products. It works as a linkage between Indian exporters and global markets.

The products which fall under the purview of the APEDA, known as scheduled products, include fruits, vegetables and their products, meat and meat products, poultry and poultry products, dairy products, confectionary, biscuits and bakery products, honey, jaggery and sugar products, cocoa and its products, chocolates of all kinds, alcoholic and non-alcoholic beverages, cereal products, cashew nuts, groundnuts and papads, guar gum, floricultural products, and herbal and medical plants.

The basic functions of the APEDA are:

i. Development of database on products, markets, and services
ii. Publicity and information dissemination
iii. Inviting official and business delegations from abroad
iv. Organizing promotional campaigns abroad and visits of official and trade delegations abroad
v. Participation in international trade fairs in India and abroad
vi. Organization of buyer-seller meets and other business interactions
vii. Distribution of annual APEDA awards
viii. Provides recommendatory, advisory, and other support services to trade and industry
ix. Resolving issues and problems of its members related to government agencies and organizations, RBI, customs, import-export procedures, problems with importers through Indian missions abroad

Like export promotion councils, the APEDA also registers its exporters and gives them RCMCs as a part of statutory requirement. The concept of agri-export zone (AEZ) to provide

a focused approach to agro-exports has been widely appreciated amongst producers and exporters that also call for active involvement of the state government.

Recently, the APEDA has developed a system for grant of certification mark, i.e., 'Quality Produce of India' on the basis of compliance with hygiene standards, implementation of quality assurance system, such as ISO 9000, food safety systems, such as the Hazard Analysis Critical Control Programme (HACCP), backward linkage, residue testing of pesticides and contaminants, laboratory facilities, etc.

Under the National Programme for Organic Agriculture, the APEDA is also an accredited inspection and certification agency for organically produced foods. It also provides financial support for export development under a number of schemes for development of infrastructure, market and quality, and R&D, and scheme for transport assistance.

Marine Products Export Development Authority:

The Marine Products Export Development Authority (MPEDA), established in 1972, is an autonomous body under the Ministry of Commerce aimed at increasing export- oriented production, specifying standards, processing, and export marketing of all kinds of fisheries and its products.

It offers a comprehensive range of services to exporters so as to develop exports of marine products from India including market promotion (Fig. 4.5).

The basic functions of MPEDA are:

i. Conservation and management of fishery resources and development of offshore fishing

ii. Registration of exporters and processing plants

iii. Regulation of marine products export

iv. Laying down standards and specifications

v. Helping the industry in relation to market intelligence, export promotion, and import of essential items

vi. Imparting training in different aspects of the marine products industry, such as quality control, processing, and marketing

vii. Promotion of commercial shrimp farming

viii. Promotion of joint ventures in aquaculture, production, processing, and marketing of value added seafood

Some of the major activities undertaken by the MPEDA include promotion of export-oriented aquaculture, production of scampi, crabs, lobsters, molluscs, and finned fishes and Integrated Development Programme for Sea Food Quality and Extension Services, training programme

on implementation of HACCP, and various schemes to promote value addition and diversification of marine products to facilitate higher unit value realization.

6. Service Institutions:

A number of institutions and organizations have been established to meet the requirements of industry and trade.

The fields in which these institutions are engaged include development of export management personnel, market research, export credit insurance, export publicity, organization of trade fairs and exhibitions, collection and dissemination of export-related information, inspection and quality control, development in packaging, etc.

A brief review of the activities and functions of some of these institutions is given below.

Indian Institute of Foreign Trade:

The Indian Institute of Foreign Trade (IIFT) was set up in 1963 by the Government of India as an autonomous organization to induce professionalism in the country's foreign trade management. The institute has significantly contributed to India's foreign trade policies, rationalizing the framework of procedures and documentation, and developing the country's international trade strategy.

The major objectives of the institute are:

i. To impart professional education in modem management techniques in the area of international business

ii. To enable participants to appreciate the interrelationship between the diverse and complex tasks of international business

iii. To develop capacities among business executives and government officials for improved understanding of various trade and economic issues

iv. To conduct high-quality research that addresses domestic as well as world trade and business issues

The institute conducts capacity building programmes and research apart from basic foundation programmes in international business (Fig. 4.6). The institute has achieved high standards of excellence and occupies the unique position today of being India's only premier institution that focuses on international business.

Export Inspection Council:

The Export Inspection Council (EIC) is responsible for the enforcement of quality control and compulsory pre-shipment inspection of various commodities meant for exports, notified under the Export (Quality Control and Inspection) Act, 1963.

Headquartered in New Delhi it functions through Export Inspection Agencies (EIAs) located at Chennai, Delhi, Kochi, Kolkata, and Mumbai besides a network of 38 sub- offices and laboratories.

Indian Council of Arbitration:

The Indian Council of Arbitration (ICA) set up under the Societies Registration Act, promotes arbitration as a means of setting commercial disputes and popularizes the concept of arbitration among traders, particularly those engaged in international trade.

The Council, a non-profit service organization, is a grantee institution of the Department of Commerce. The main objectives of the Council are to promote the knowledge and use of arbitration and provide arbitration facilities for amicable and quick settlement of commercial disputes with a view to maintain the smooth flow of trade, particularly, export trade on a sustained and enduring basis.

India Trade Promotion Organization:

The India Trade Promotion Organization (ITPO) is a premier trade promotion agency, which provides a broad spectrum of services to trade and industry so as to promote India's exports.

The major activities carried out by ITPO are:

i. Participating in overseas trade fairs and exhibitions

ii. Managing the extensive trade fair complex, Pragati Maidan in Delhi

iii. Establishing linkages between Indian suppliers and overseas buyers

iv. Organizing buyer-seller meets and other exclusive India shows in India and abroad

v. Organizing India promotions with department stores and mail order houses abroad

vi. Arranging product displays for visiting overseas buyers

vii. Organizing seminars, conferences, and workshops on trade-related subjects

viii. Encouraging small and medium scale units in their export promotion efforts

ix. Conducting in-house and need-based research on trade and export promotion

x. Trade information services through electronic accessibility at Business Information Centre

ITPO maintains India's largest trade fair complex—Pragati Maidan—spread over 149 acre of prime land in the heart of Delhi, having 62,000 sq. m. of covered exhibition space besides 10,000 sq. m. of open display area.

ITPO has its regional offices at Bangalore, Chennai, Kolkata, and Mumbai. Besides, ITPO also has overseas offices at New York, Frankfurt, Tokyo, Moscow, and Sao Paulo to promote India's international trade and investment.

National Centre for Trade Information:

The National Centre for Trade Information (NCTI) has been set up as a registered company in March 1995 with a view to create an institutional mechanism for collection and dissemination of trade data and improving information services to the business community, especially small and medium enterprises. NCTI is a non-profit joint venture of ITPO and National Informatics Centre (NIC).

The major functions carried out by NCTI are:

i. To create databases and disseminate information on trade and commerce at national and international level

ii. To keep in constant communication with trade and commercial bodies throughout the world with a view to take appropriate measures for promoting exports and facilitating imports

iii. To advise or represent government, local authorities, and trade and commercial bodies on matters related to standardization, access, and dissemination of information on trade and commerce

iv. To create and maintain databases/trade statistics for the nodal ministry and to prepare region, country, and product-specific analytical and value added reports with a view of providing support for policy formulations and other strategic actions having bearing on the country's exports

v. To keep abreast of emerging information technologies and standardizing formats for collection and dissemination of trade information in user-friendly formats

Under UNCTAD's trade efficiency programme, NCTI is certified as an operational trade point in India. It uploads the trade leads on the World Trade Point Federations (WTPF) as per UN/EDIFACT standard and provides value-added product, industry or country-specific information on international trade as per the request of the customer on payment of a fee.

Export Credit Guarantee Corporation:

Operating in the international market is far more risky than operating in domestic markets.

Due to little predictability on political and economic changes, such as an outbreak of war and civil war, a coup or an insurrection, economic difficulties or balance of payment problems, commercial risks of insolvency, and protracted default of buyers may result into delayed payments, restrictions on transfer of payments and non-payment.

The Export Credit Guarantee Corporation (ECGC) provides credit insurance in order to protect exporters from consequences of payment risks, both political and commercial and to enable them to expand their overseas business without fear of loss.

The type of insurance protection provided by ECGC may be grouped as follows:

i. A range of credit risk insurance covers to exporters against loss in export of goods and services

ii. Guarantees to banks and financial institutions to enable exporters obtain better facilities from them

iii. Overseas investment insurance to Indian companies investing in joint ventures abroad in the form of equity or loan

In addition to insurance protection to exporters against payment risks, the ECGC facilitates the exporters by:

i. Providing guidance in export-related activities

ii. Making available information on different countries with its own credit ratings

iii. Providing information on the credit-worthiness of overseas buyers

iv. Making it easy to obtain export finance from banks/financial institutions

v. Assisting exporters in recovering bad debts

Export-Import Bank of India:

The Export-Import (Exim) Bank of India was setup by an act of parliament in September 1981. It aims to provide financial assistance to exporters and importers, and to function as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promote India's international trade.

It acts on business principles with due regard to public interest. The major programmes of Exim Bank are summarized in Fig. 4.7.

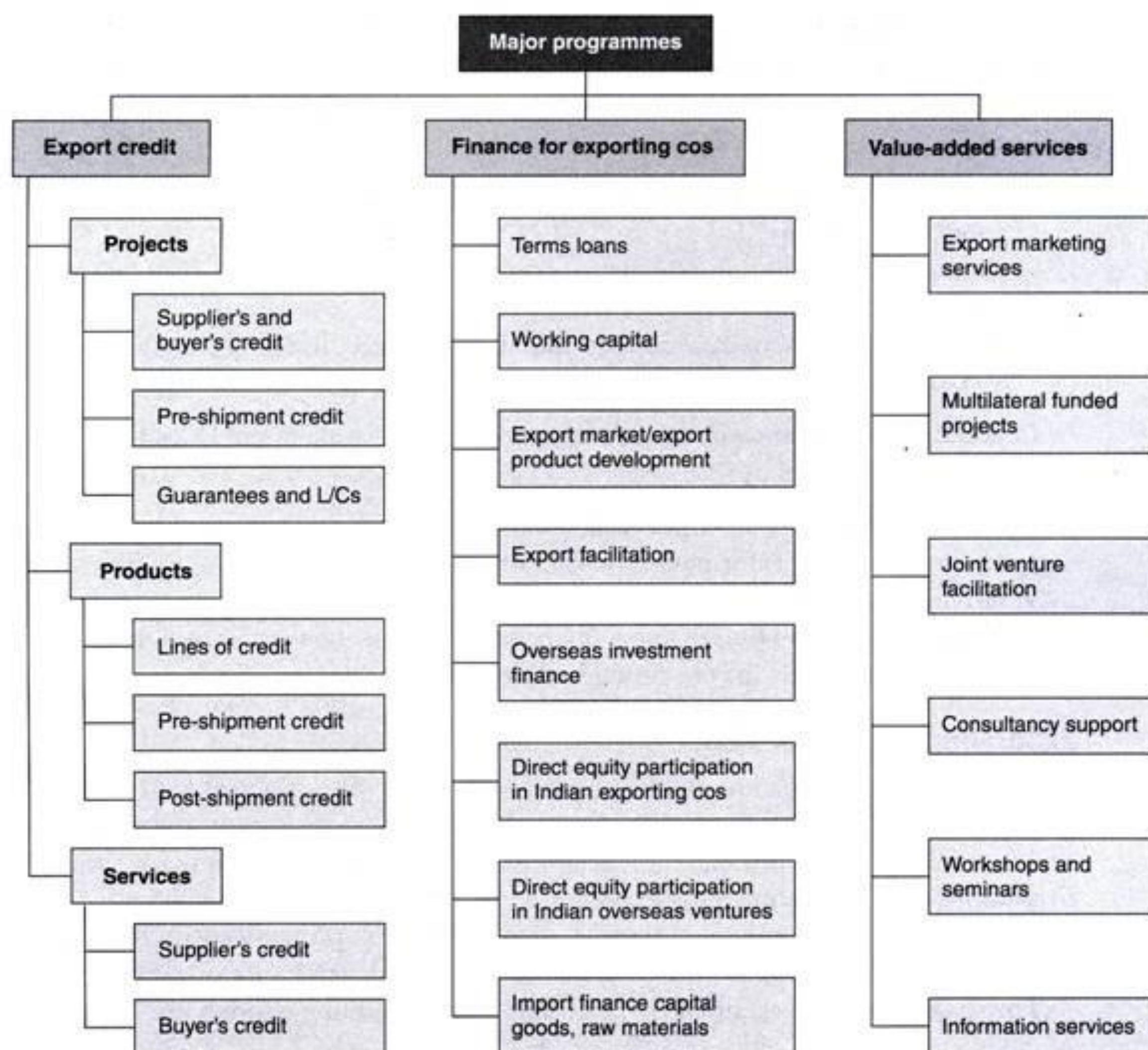


Fig. 4.7 Major programmes of Exim Bank

The major services extended by Exim Bank for promoting exports are:

i. It provides information and support services to Indian companies to help improve their prospects for securing business in multilateral agencies funded projects.

These services include:

a. Disseminating business opportunities in funded projects

b. Providing detailed information on projects of interest

c. Informing on procurement guidelines, policies, practices of multilateral agencies

d. Assisting with registration with multilateral agencies

e. Advising Indian companies on preparation of expression of Interest, capability profile, etc.

f. Intervening in bids

ii. In order to promote Indian consultancy, the Exim Bank has tie-ups with a number of international organizations, such as IFC, Eastern and Southern African Trade and Development Bank, etc.

iii. The bank also serves as a consultant to various developing countries for promoting exports and exports finance.

iv. The bank helps in knowledge-building by way of conducting seminars, workshops, and carrying out research studies on projects, sectors, countries, and macroeconomic issues relevant to international trade and investment.

The bank has conducted sector-specific studies for identifying market potential for computer software, electric components, chemicals, floriculture, machine tools, pharmaceuticals, medicinal plants, sports goods, and financial services.

v. The bank gathers and disseminates information on exporters/importers, industry/ market reports, trade regulations and laws, country reports, international quality standards, etc., so as to facilitate exporters.

Indian Institute of Packaging:

Considering the existing deficiencies in the standards of packaging for eye-appeal and safe transit, the Government of India, in collaboration with the industry set up the Indian Institute of Packaging (IIP) in 1966.

The main objectives of the institute are:

i. To undertake research on raw materials for the packaging industry

ii. To keep India in step with international developments in the field of packaging

iii. To organize training programmes on packaging technology

iv. To stimulate consciousness of the need for good packaging

v. To organize consultancy services for the industry

Its activities include effecting improvements in packaging standards and rendering testing facilities for packaging.

Federation of Indian Export Organizations:

The Federation of Indian Export Organizations (FIEO) is the apex body of various export-promotion organizations and institutions in India. Set up in 1965, the FIEO acts as a primary servicing agency to provide integrated assistance to government- recognized export and trading houses.

It also acts as the central coordinating agency for promoting exports of consultancy services from India. Representing more than hundreds of thousands exporters from India, FIEO is not a product-specific organization and the member exporters may be from any export sector.

The basic functions of the FIEO are:

i. Maintaining linkages with international agencies and export promotion organizations in other countries
ii. Organizing visits of multi-product delegations to prospective overseas markets and hosting foreign business delegations in India
iii. Organizing buyer-seller meets in India and abroad
iv. Providing advisory services to its members as well as foreign buyers in international markets
v. Maintaining a comprehensive database on India’s export sector
vi. Acting as a nodal agency for promoting exports of consultancy and other services
vii. Disbursing market development assistance to export and trading houses
viii. Keeping track of export-related policy changes and act as an interface between the government and the exporters so as to resolve the problems of its member exporters
ix. Interacting closely with the central bank, commercial banks, financial institutions and the ECGC and take up issues and problems of its member exporters

Indian government’s trade representatives abroad:

The institutional arrangements that have been developed and strengthened within the country are supplemented by the Indian trade representatives abroad. The trade representations in the Embassies and Consulates are continually being strengthened to enable them to effectively support trade efforts being made within the country.

India’s commercial representatives are expected to monitor the commercial events and developments of their accreditation, identify products with export potential and other trade opportunities, and study tariff and non-tariff barriers, government procedures, and shipping facilities.

The representatives should also take initiative in cultivating specific trade contacts, undertake all publicity activities for image-building, organize participation in trade fairs and stores promotion, etc., effectively guide trade visitors and missions, maintain a flow of timely commercial intelligence, and deal with all problems of commercial complaints and bottlenecks. Further, they are expected to provide facilities to the Indian trade delegations and exporters visiting foreign countries, and help procure and forward samples of exportable goods imported from other countries.

7. Government Participation in Foreign Trade:

For supplementing the efforts of the private sector in the field of foreign trade, the Government of India has set up a number of trading corporations, namely, the State Trading Corporation

(STC), the Minerals and Metals Trading Corporation (MMTC), Spices Trading Corporation Limited, and Metal Scrap Trading Corporation (MSTC).

The STC itself has a number of subsidiaries, namely the Handicrafts and Handlooms Export Corporation, the Projects and Equipment Corporation, the Tea Trading Corporation of India, and the Cashew Corporation of India. The Mica Trading Corporation is a subsidiary of the MMTC.

These corporations have provided the essential base for developing and strengthening efforts relating to specific commodities and products and diversifying the country's foreign trade.

Briefly, their activities are:

1. To arrange for exports where bulk handling and long-term contracts are advantageous
2. To facilitate exports of 'difficult to sell' items through various devices such as linking essential imports with additional exports under counter-trade
3. To organize production to meet export demands and to help production units overcome difficulties of raw materials and other essential requirements to meet export orders and develop lines of export by various methods
4. To undertake import of such commodities where bulk purchase is advantageous

The corporations handle actual transactions. They also maintain offices abroad and function like any commercial unit in the corporate sector.

However, the government is now reducing its direct participation in trade. Therefore, a number of items that were earlier canalized through government corporations have been removed from the canalized list. New governmental policies are expected to intensify competition for the government corporations from private sector companies. As a result, the government is moving towards privatization of these corporations.

8. States' Involvement in Promoting Exports:

States being the prime centres for export production need to be involved actively in export promotion. The central and state governments, therefore, have enacted a number of measures to promote exports; these measures are discussed under this section.

Inter-State Trade Council:

The Inter-State Trade Council has been set up in order to ensure a continuous dialogue between the state governments and union territories. It advises the governments on measures for providing a healthy environment for international trade with a view to boost India's exports.

States' Cell in Ministry of Commerce:

As an attempt to involve states in export promotion, the union government has created a State's Cell under the Ministry of Commerce with the following functions:

1. To act as a nodal agency for interacting with state governments/union territories on matters concerning imports and exports
2. To process all references of general nature emanating from state governments and state export corporations, which do not relate to any specific problem pending in a division in the Ministry
3. To monitor proposals submitted by the state governments to the Ministry of Commerce and coordinate with other divisions in the Ministry
4. To act as a bridge between state level corporations, associations of industries and commerce, and export organizations, such as ITPO, FIEO, EPZs, etc.
5. To disseminate information regarding export and import policy and export prospects to state governments and to other state level organizations
6. To provide guidance to state-level export organizations and assist in the formation of export plans for each state, in cases where export possibilities remain untapped

Further, the Ministry of Commerce has nominated nodal officers for maintaining liaison with the state governments in export promotion matters.

Institutional Infrastructure for Export Promotion by state governments:

The State Level Export Promotion Committee (SLEPC) headed by the Chief Secretary is the apex body at state level promoting exports. It scrutinizes and approves projects and overseas implementation of union government's scheme on Assistance to States for Development of Export Infrastructure and other allied activities (ASIDE).

Most of the problems of exporters relating to infrastructure, availability of power, water, supply of raw material from within the state and inter-state movement of raw material, and remission of taxes by the state governments are dealt by separate departments within the state.

In order to resolve the problems of exporters emanating from multiplicity of departments within the state, most state governments have nominated a senior officer as the nodal officer or niryut bundhu at the level of Commissioner or Secretary of Industries.

The Directorates of Industries in most states along with other industrial development organizations have shown interest in activities related to promoting exports of the goods produced in the state. There have been wide variations in the steps taken in this direction by various state governments.

Institutional framework at both international and national level influences international business environment.

Although the foci of international economic organizations under the aegis of United Nations differ but complement each other, international economic growth is used as a strategic tool to reduce poverty and improve quality of life of millions of people, specially in the developing and the least developing countries as a part of its millennium development goals.

Several international economic institutions have been established under the UN framework to perform a variety of functions such as technical assistance for development, information collection and dissemination, training, economic surveillance, extending loans, promoting multilateral trade and investment.

Individual countries do have independent trade promotion organization at national level. ITC headquartered at Geneva carries out a host of trade facilitation activities. Besides, most countries have got their own trade promotion organizations.

Although the trade facilitation by national governments is primarily focused on export promotion, some countries with considerable imports do facilitate imports by exclusive import promotion organizations. India has got a comprehensive set-up for trade promotion both at central and state levels.

Few organisations and Schemes formed by Government of India

Federation of Indian Export Organizations:

- The Federation of Indian Export Organizations (FIEO) is the apex body of various export-promotion organizations and institutions in India. Set up in 1965, the FIEO acts as a primary servicing agency to provide integrated assistance to government-recognized export and trading houses.
- It also acts as the central coordinating agency for promoting exports of consultancy services from India. Representing more than hundreds of thousands exporters from India, FIEO is not a product-specific organization and the member exporters may be from any export sector.
- The basic functions of the FIEO are:
- Maintaining linkages with international agencies and export promotion organizations in other countries

- Organizing visits of multi-product delegations to prospective overseas markets and hosting foreign business delegations in India
- Organizing buyer-seller meets in India and abroad
- Providing advisory services to its members as well as foreign buyers in interna-tionalmarkets
- Maintaining a comprehensive database on India's export sector
- Acting as a nodal agency for promoting exports of consultancy and other services
- Disbursing market development assistance to export and trading houses
- Keeping track of export-related policy changes and act as an interface between the government and the exporters so as to resolve the problems of its member exporters
- Interacting closely with the central bank, commercial banks, financial institutions and the ECGC and take up issues and problems of its member exporters

Export credit guarantee corporation of India limited (ECGC)

- Export Credit Guarantee Corporation is a central government undertaking body to provide credit guarantee on the default of payments by the buyer. It works as an insurance firm who guarantees export payment, if the buyer defaults in making payment.
- As an exporter, it is essential variety of reasons to get yourself export credit insurance for a simplified version of how things work. Here is a process:
- With the backup provided by credit insurance, you can also explore opportunities in new markets with confidence. Credit insurance often covers up to 95% of the invoice you raise, allowing you to take more chances and tackle new markets without worrying unduly about losses.
- Export credit guidance and recovery. insurance companies also information on debts and provide additional benefits like customers, and support in debt
- Having credit insurance can also boost your chances of arranging for export finance. When you try to finance your export business, if the lender is assured that your invoices are covered by credit insurance, arranging for finance becomes easier because of reduced risk.
- **Services Policy (SRC) :** SRC is for single, long-term services contracts. It is suited for Indian companies who agree with foreign principals to provide technical or professional services.

- **Export Turnover Policy (ETP):** ETP is for large exporters who contribute not less than Rs. 20 lakhs in annual premium.
- **Exports (Specific Buyers) Policy (BWP) :** BWP provides the same coverage as SCRP, ETP, etc. against shipment sent to a specific buyer.
- **Consignment Exports Policy (Stockholding Agent) (CSA) :** CSA covers shipments sent by the exporter to their overseas agents on a consignment basis.

Short-term, turnover-based services

These are the types of payments terms in Short-term (turnover-based) period for Indian Exporters:

- Shipments Comprehensive Risks Policy (SCR) : SCR is a 12-month policy available to exporters with a turnover of over Rs. 500 crores.
- Small Exporters Policy (SEP) : SEP is available for exporters with a turnover of Rs. 5 crore or below and has a maximum risk coverage that costs below Rs. 2 crores.
- Specific Shipment Policy (SSP) : SSP is valid for shipments made within the policy period and for up to 80% of the shipment value.

Short-term, exposure-based services

These are the payment terms in Short-term (Exposure-based) period in exports:

- Buyer Exposure Policy (BEP) : BEP is against many shipments sent to a specific buyer with a simplified process and rationalized premium.
- IT-Enabled Services Policy Single Customer (SITES) : SITES is available against billings made to a single customer for IT services rendered.
- Micro Exporter Policy (MEP) : MEP is an exposure policy for exporters with a turnover that costs below Rs. 100 lakh and offers up to 90% cover.
- Software Project Policy (SPP) : SPP is for exporters of software and related services where payment will be received in foreign exchange.

Medium- and long-term services

These are the best mode of export payments for medium & long term period services:

- **Construction Works Policy (CWP) :** CWP is designed for an Indian contractor who is carrying out an overseas civil construction contract.

- **Specific Shipment Policy (SSP) :** SSP like the namesake policy offered for short terms, is intended for exporters who have agreed to supply capital goods to overseas buyers on deferred terms of payment.
- **Specific Policy for Supply Contract (SPSC) :** SPSC is meant for exporters who have a credit period of fewer than 180 days and want continuing insurance on the shipments.
- **Specific Services Policy (SSeP) :** SSeP is designed to cover payment risk emerging out of various overseas service contracts like technical requirements, professional hiring, leasing, etc.
- **Letter of Credit Confirmation (LCC) :** LCC covers Indian banks against a foreign bank's default on lines of credit.

ECGC - Role in the export business

- Its primary role is to provide a variety of risk insurance products that cover losses and bad debts on exports.
- The ECGC also offers export credit insurance cover to banks and financial institutions so that they can provide trade-risk coverage to exporters.
- The Corporation also offers overseas investment insurance to Indian companies that are entering into international joint ventures, in the form of equity or loans.
- The ECGC also provides guidance on export-related activities to exporters, including credit rating-based information on different countries.
- The ECGC can also help exporters arrange for export finance from banks (i.e Bank Export Credit) and financial institutions.
- Finally, it assists exporters with debt recovery and checking the creditworthiness of overseas customers.
- Also, there is no GST payable in insurance premium.

ASIDE Scheme

Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) Scheme

Launched: March 2002

Objective: To involve the States in the growth of export by providing incentive-linked assistance to the State Governments and to create appropriate infrastructure for the development and growth of exports.

The ASIDE scheme was launched after subsuming the following 4 schemes:

1. Export Promotion Industrial Park Scheme (EPIP),
2. Export Promotion Zones Scheme (EPZ),
3. Critical Infrastructure Balancing Scheme (CIB)
4. Export Development Fund (EDF) for the North-East and Sikkim

MAI scheme

MAI (MARKET ACCESS INITIATIVE) SCHEME

Objectives

- To promote India's Export on sustained basis during 10th five year plan;
- Focus Product-Focus country approach;
- To evolve specific strategy for enhancement of export accessing new market or increasing share in existing market;
- Specific market, specific product approach through market study/survey

Scope

- To identify priorities of research relevant to Dept. of Commerce and sponser studies consistent with priorities;
- WTO studies for evolving WTO compatible strategy;
- To support EPCs/Trade Promotion Organisations in undertaking market studies/survey for evolving proper strategy;
- To support marketing projects abroad on Focus Product – Focus country basis;

MAI scheme

Activities to be funded under marketing project:

- Opening of showrooms;
- Opening of warehouses;
- Reverse visits of the prominent buyers from project focus countries;
- Export potential survey of the states;
- Display in international Dept. stores;
- Publicity campaign and Brand promotion;
- Participation in trade fair etc. abroad;

- Research & Product development;
- Registration charges for product registration abroad for pharmaceuticals, bio-technology and agro-chemicals;
- Testing charges for engineering products abroad; • Support cottage and handicrafts units;
- Support recognised associations in industrial clusters for marketing aborad;

MDA

Marketing Development Assistance (MDA) Scheme is under operation through the Department of Commerce to support the under mentioned activities:

Assist exporters for export promotion activities abroad

i. Assist Export Promotion Councils (EPCs) to undertake export promotion activities for their product(s) and commodities
ii. Assist approved organizations/trade bodies in undertaking exclusive nonrecurring innovative activities connected with export promotion efforts for their members
iii. Assist Focus export promotion programmes in specific regions abroad like FOCUS (LAC), Focus (Africa), Focus (CIS) and Focus (ASEAN + 2) programmes.
iv. Residual essential activities connected with marketing promotion efforts abroad.

NEIA

- National Export Insurance Account (NEIA) has been set up by the Government of India to facilitate medium and long-term exports, which are commercially viable, considering the limitations of the ECGC Limited in providing adequate cover on its own and non-availability of reinsurance cover to such exporters.
- NEIA aims to ensure the availability of credit risk cover for projects and other high-value exports, which are desirable from the point of view of national interest, but which ECGC is unable to underwrite at terms which will not affect the competitiveness of the exports.

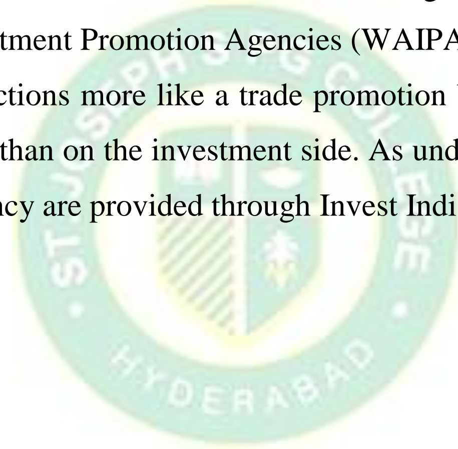
India brand equity foundation (IBEF)

- India Brand Equity Foundation (IBEF) is a Trust established by the Department of Commerce, Ministry of Commerce and Industry, Government of India as an Investment Promotion Agency for creating the “brand India”.

- IBEF's primary objective is to promote and create international awareness about the Made in India label in overseas markets and to facilitate dissemination of knowledge of Indian products and services.

Functioning

- Towards the objective of building a brand name for India in the global information on India. It has been developed as a single-window resource range of well researched publications focused on India's economic and
- Thus it is basically a knowledge centre for global investors, international comprehensive information on the Indian economy, states and sectors. investment, macroeconomic indicators and business trends.
- IBEF works with a network of stakeholders – domestic and international – to promote Brand India.
- IBEF is registered as the Investment Promotion Agency of India with the World Association of Investment Promotion Agencies (WAIPA).
- However, IBEF functions more like a trade promotion body as it is more focused on the trade side rather than on the investment side. As understood, the actual investment advice and consultancy are provided through Invest India.



Unit – V

Managing Global Business

Inter Cultural Communication in International Business

In a globalised economy, cultural sensitivity is essential. As more companies grow, and the global marketplace becomes more accessible for small businesses, multinational and cross-cultural teams are becoming more common. This means that it is crucial, now more than ever, for businesses to understand the culture of their foreign market if they wish to succeed internationally.

Culture is the ideas, customs, and social behaviour of a particular person or society.

In a business context, culture relates to what **behaviour** is common and accepted professionally in one location, compared to another. What may be acceptable business practice in one country, may be very different from the approach that is used by businesses overseas. Therefore, recognising how culture can affect international business is something that should be understood in order to avoid misunderstandings between colleagues and clients, and also to make sure that businesses are presenting themselves to their new market in the best way they can.

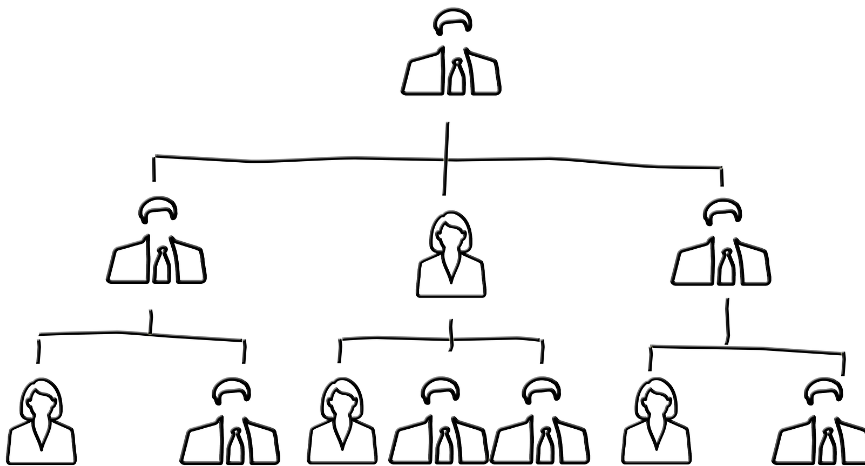
Communication

Communication plays an important role in international business, and sometimes effective communication can be the difference between succeeding or failing in a new market. Effective communication is particularly important for international businesses as there is a risk of your messages getting 'lost in translation'. There are several things that need to be considered when looking at how effective your business' communication is at an international level.

The first thing that should be considered when looking into communication is any language barriers that may hinder the communication between you and your new market. However, this goes deeper than just the language that is used to communicate, it's *how* the messages are conveyed that's important. Language barriers not only relate to people speaking different languages, but also to the tone used in those languages. For example, in countries like the US or Germany, it is common for people to speak loudly and be more assertive when sharing ideas amongst colleagues. However, in countries like Japan people typically speak more softly and have a more passive tone when making suggestions to colleagues.

Another thing to consider are the basic customs, mannerisms and gestures that are commonly accepted in that culture. Behaviour that might be commonplace in one culture could be unusual or potentially offensive to a client or colleague overseas. **Professor Jean Vanhoegaerden** gives the example of a business handshake being the norm in European and US cultures, but in some Middle Eastern cultures, handshakes are seen differently. For example in some cultures, handshakes must involve the right hand only as the left hand is seen to be less hygienic.

Businesses who are looking to operate internationally need to be aware of language barriers, tone and body language. Cross-cultural communication can be a challenge, but approaching cultural differences with sensitivity, openness, and curiosity can help businesses succeed internationally.



Different cultures have different attitudes to organisational structure

Attitude

Businesses also need to be aware that different cultures have different attitudes towards business.

Scandinavian countries such as Sweden emphasise social equality and therefore they tend to have a relatively flat organisational hierarchy. This relates to their informal approach to communication and cooperation normally at the heart of their organisations. In Japan, their traditional values of relative status and respect for seniority are reflected in their organisations and there is a very clear organisational structure. This means that senior management command respect at all times and expect a level of formality from junior members of their teams.

These different cultural attitudes towards management can, therefore, make it difficult to define roles in multinational teams. Therefore, it is important for businesses to be aware of their target market's cultural approach towards the organisational structure.

Businesses need to be aware of workplace etiquette when working internationally

Etiquette

Workplace etiquette is something else that businesses need to be aware of if they are working internationally.

The formality of address is another key thing to consider within international businesses when communicating with colleagues and clients from different cultures. Are they comfortable with being approached on a first-name basis or do they prefer titles and surnames? Asian countries such as China seem to prefer the latter, whereas Americans usually use first names. Things such as formality of address may not seem that important, but if you get off on the wrong foot

with a potential foreign client then that could ruin your chances of ever working with them in the future. Therefore, it is important for businesses to know that their level of formality will differ depending on the culture of the person they're communicating with.

Workplace etiquette in some cultures also means they have a different approach towards workplace confrontation, rules and regulations, and working hours. While some may consider working long hours a sign of commitment and achievement, others may consider these extra hours a demonstration of a lack of efficiency or the lack of prioritisation of family or personal time.

Don't get lost in translation

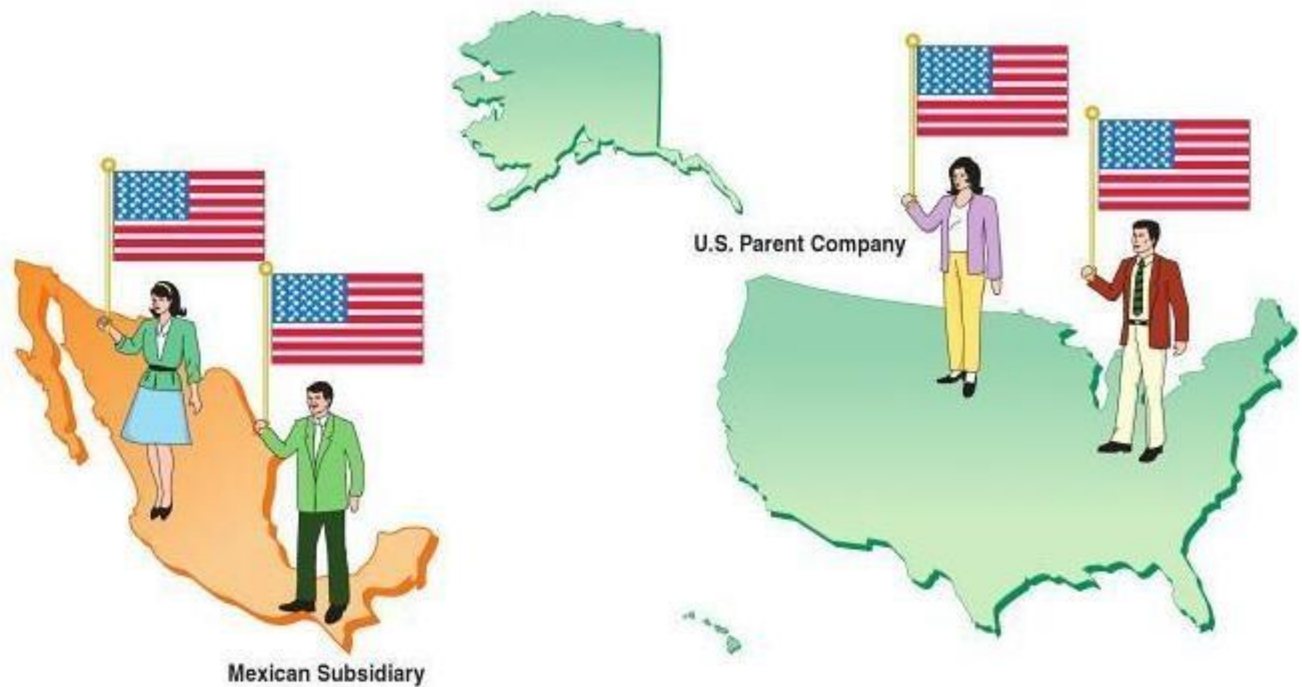
Don't let an international deal fall apart due to cultural misunderstandings: businesses should do plenty of research and be open to new cultural experiences and expectations when doing business across borders. **Businesses** aren't alone in this process, **Language Insight** can help businesses communicate internationally with our **translation and localisation services** to make sure they have the best chance at succeeding in new markets. **Contact us** now for a free, no obligation **quote.**

International recruitment methods

1. Ethnocentric approach

Countries with branches in foreign countries have to decide how to select management level employees. **Ethnocentric** staffing means to hire management that is of same nationality of parent company.

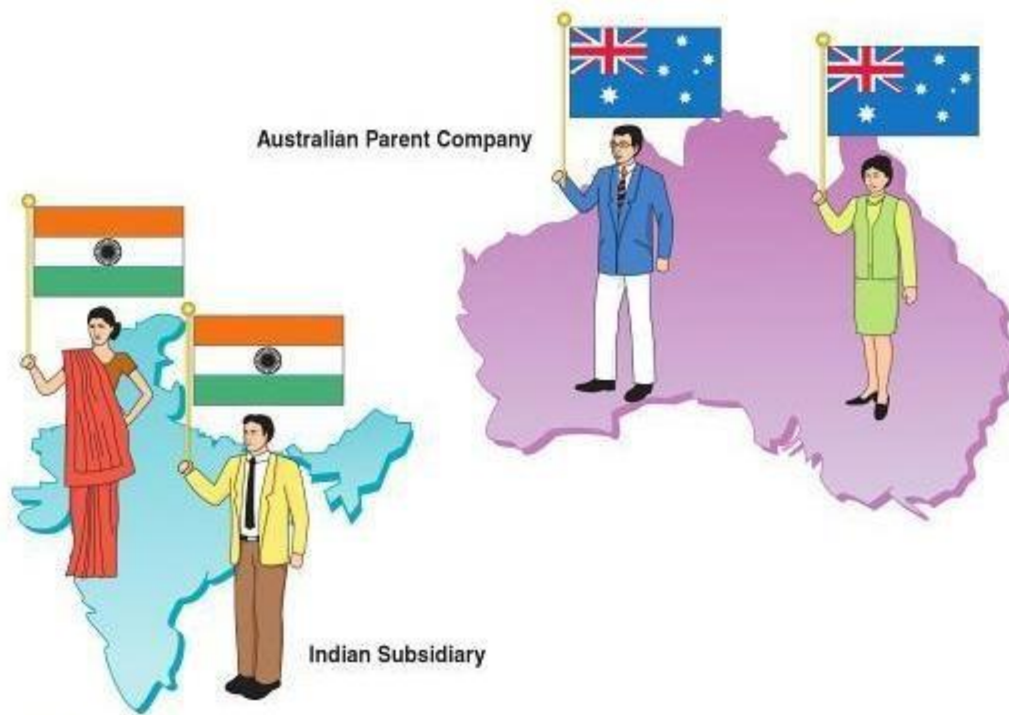
When a company follows the strategy of choosing only from the citizens of the parent country to work in host nations, it is called anethnocentric approach. Normally, higher-level foreign positions are filled with expatriate employees from the parent country. The general rationale behind the ethnocentric approach is that the staff from the parent country would represent the interests of the headquarters effectively and link well with the parent country. The recruitment process in this method involves four stages: self-selection, creating a candidate pool, technical skills assessment, and making a mutual decision. Self-selection involves the decision by the employee about his future course of action in the international arena. In the next stage, the employee database is prepared according to the manpower requirement of the company for international operations. Then the database is analysed for choosing the best and most suitable persons for global assignments and this process is called technical skills assessment. Finally, the best candidate is identified for foreign assignment and sent abroad with his consent.



The ethnocentric approach places natives of the home country of a business in key positions at home and abroad. In this example, the U.S. parent company places natives from the United States in key positions in both the United States and Mexico.

2. Polycentric approach

When a company adopts the strategy of limiting recruitment to the nationals of the host country (local people), it is called a polycentric approach. The purpose of adopting this approach is to reduce the cost of foreign operations gradually. Even those organizations which initially adopt the ethnocentric approach may eventually switch over lo the polycentric approach. The primary purpose of handing over the management to the local people is to ensure that the company understands the local market conditions, political scenario, cultural and legal requirements better. The companies that adopt this method normally have a localized HR department, which manages the human resources of the company in that country. Many international companies operating their branches in advanced countries like Britain and Japan predominantly adopt this approach for recruiting executives lo manage the branches."



The polycenlric approach uses natives of the host country to manage operations in their country and natives of the parent country to manage in the home office. In this example, the Australian parent company uses natives of India to manage operations at the Indian subsidiary. Natives of Australia manage the home office.

Indians popular choice for senior roles at Asian companies
ET Bureau| Jul 10, 2018

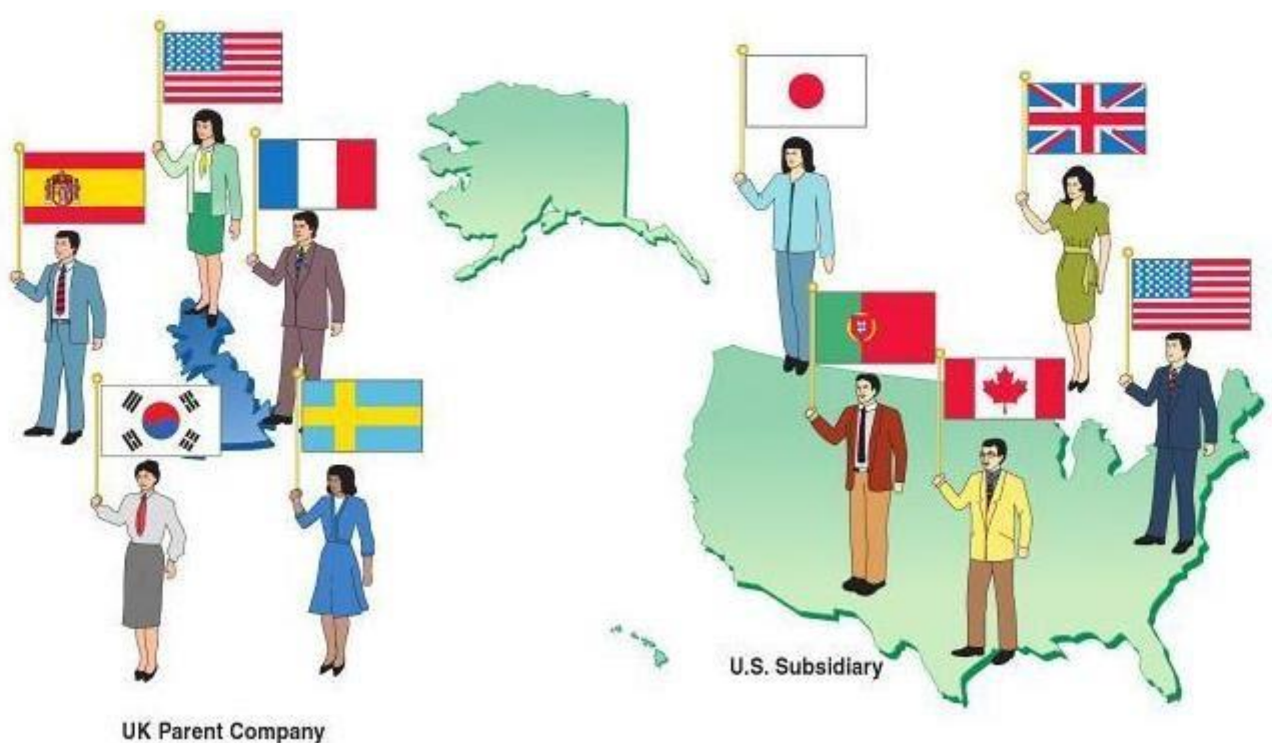
Nikon and Sony have appointed Indians to lead their local operations, which were earlier managed by the Japanese. Asian consumer electronics makers are increasingly placing their trust on Indian executives, especially at a time when several of them are struggling in their home turf, or finding the going tough in the largest markets, and are expecting India to play a bigger role when they are expanding to emerging markets.The number of expats in senior roles in the Indian arms of Sony, Panasonic, Hitachi and Daikin too have come down, while Samsung too now has Indian executives in their global think tank. At Daikin India, Indian executives have replaced expats in seven critical functions like deputy plant head, senior vicepresident (tech support) and general managers for service, HR (factory) and R&D. In Panasonic, expats in mid-tosenior roles are now 20%, compared with 40% three years ago

Hitachi Air Conditioning India said overseas entities have begun to realise that business is best understood by locals and have started handing over major roles to them. The overseas entities send in their representatives from various departments to share best practices being followed by various entities all over the globe. The process is laid down between local entity and global teams and then those processes are monitored and administered.Empowering domestic leaders helps companies to understand the pulse of the market, aids in faster decision making to

facilitate growth, gets the best of local knowledge to promote R&D and deliver customised products for local customers.

3. Geocentric approach

When a company adopts the strategy of recruiting the most suitable persons for the positions available in it, irrespective of their nationalities, it is called a geocentric approach. Companies that are truly global in nature adopt this approach since it utilizes a globally integrated business strategy. Since the HR operations are constrained by several factors like political and ethnical factors and government laws, it is difficult to adopt this approach. However, large international companies generally adopt the geocentric strategy with considerable success. For international recruitment, especially on foreign soil, organizations generally use manpower agencies or consultants with international connections and repute to source candidates, in addition to the conventional sources. For an effective utilization of the internal source of recruitment, global companies need to develop an internal database of employees and an effective tracking system to identify the most suitable persons for global postings.



The geocentric approach uses Ihe best available managers for a business without regard for their country of origin. In this example, the UK parent company uses natives of many countries at company headquarters and at the U.S. subsidiary.

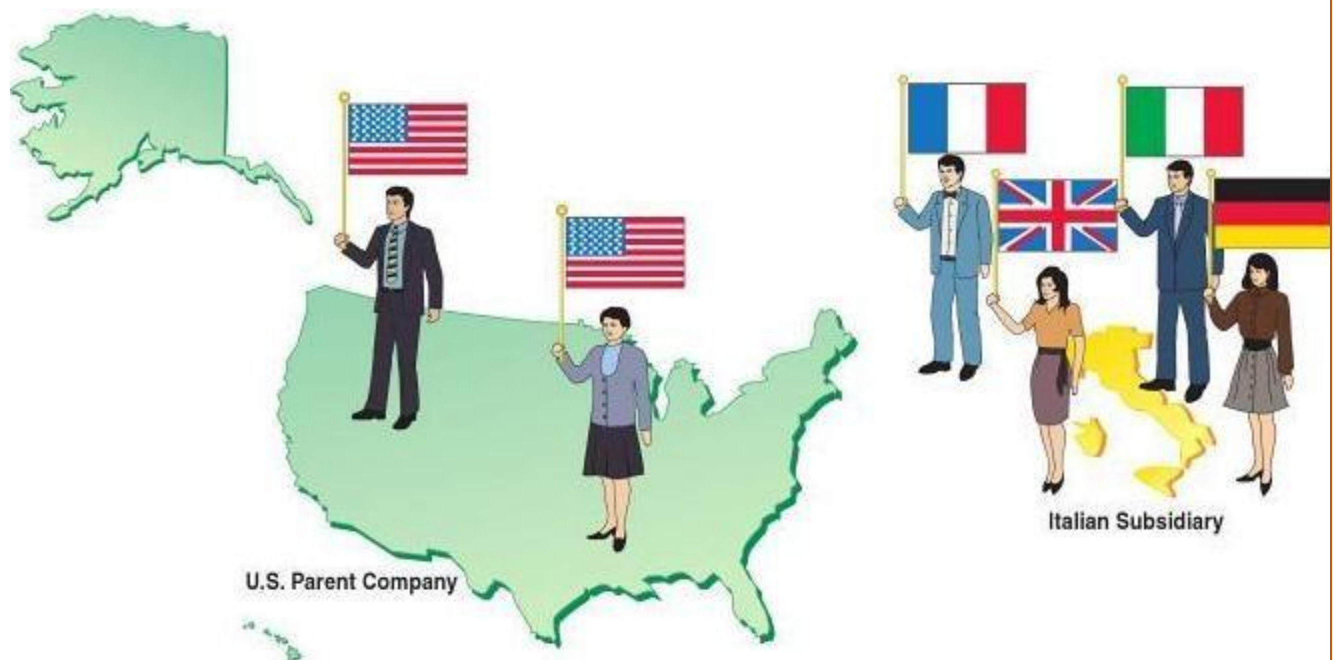
4. Regiocentric Approach

The **Geocentric Approach** is one of the methods of international recruitment where the Multi National Companies recruit the most suitable employee for the job irrespective of their

Nationality.
The regiocentric approach uses managers from various countries within the geographic regions of business. Although the managers operate relatively independently in the region, they are not normally moved to the company headquarters.

The regiocentric approach is adaptable to the company and product strategies. When regional expertise is needed, natives of the region are hired. If product knowledge is crucial, then parent-country nationals, who have ready access to corporate sources of information, can be brought in.

One shortcoming of the regiocentric approach is that managers from the region may not understand the view of the managers at headquarters. Also, corporate headquarters may not employ enough managers with international experience.



The regiocentric approach places managers from various countries within geographic regions of a business. In this example, the U.S. parent company uses natives of the United States at company headquarters. Natives of European countries are used to manage the Italian subsidiary.

Important factors in success of the International selection process:

Harris and Brewster (1999) (Coffee Machine Approach) identify officers that are considered as high potential as follows:

- The firm's needs, as defined by business lines and strategic goals
- External Market Conditions
- Employee identification with the value system set up by top management.

According to the same research, just a few companies actually inform their employees that they have been identified as high potentials, while it is important to always inform the employees if

they are being considered as high potential, so that once the offer becomes finalised then they can be psychologically prepared for the challenges associated with the new assignment.

It is discovered that expatriates who are considered for international postings first and foremost for their technical expertise. (Baliga, C. Et al., 1985) later in 1995 Mendenhall and Oddou suggested that the best approach for the best selection should include relational skills, perceptual skills and efficiency skills.

This could leave the selection criteria of some organisations incomplete. Later in 1996 Foster and Johnsen suggested a more complete model which includes technical skills as well as adaptability, which can be deducted from psychometric tests. (Foster, N. and Johnsen M., 1996)

It is important for every organisation to have transparent selecting and recruiting policies that are fair well as attempting to employ a well-educated workforce. Every Organisation has in place staffing policies for both domestic and international Assignments. Borg and Harzing (1995) suggest the following three options that an organisation can choose from for international assignments.

- Parent Company Nationals (PCN): employees are transferred to subsidiaries in order to fill positions. Although this one can be a good choice, but it encounters extra costs of selection, training and supporting the expatriates and their families abroad. Another disadvantage of this choice can be the problems with the family adjustment, as well as learning the foreign language, and adopting to the new political, cultural and legal environment
- Host Country Nationals (HCN): are described by Taylor et al (1996) as primarily recruiting from within the country. In this scenario the Parent Company has very little intervention in managerial issues.
- Third Country National (TCN) – this is an exchange of expatriate employees from parent organisation and subsidiary to the parent organisation and vice versa. Pinder (1989) views this as international assignments being carried out for the purposes of the organisations gaining competitive advantages.

Factors to be consider for international assignments

The most competencies require for international assignments are listed by Towers Perrin (cited by Reuvid J., 2007) are:

- Cultural sensitivity
- Interpersonal skills
- Listening
- Flexibility/adaptability
- Ability to learn

- Personal ambiguity tolerance
- Emotional stability
- Technical competencies

"These qualities are perceived as of greater importance for longer-term assignments that technical skills and abilities by employers. In recent years it has been recognised that there is a close correlation, in descending order, of the perceived relative importance of the following characteristics between employers and employees:

a) Family flexibility

b) Personal resilience

c) Personality

d) International experience

e) Employability"

Training and development: In connection with international assignments, training typically refers to country-specific and cross-cultural training. Generally speaking, interviewees reported that country-specific or cross-cultural training is not provided for employees leaving for short-term assignments but for the assignment country involves high cultural distance.

Compensation: two characteristic features of short-term international assignments lasting up to 6 months are: that salary payment remains in the home company; and that the company's travel policy forms the basis for compensating assignees. Accordingly, it is natural that the home country salary forms the basis for the assignment compensation. Depending on the situation, various additional elements can be added to the base salary.

Performance management: A formal performance management system is used oftentimes. Short-term assignees are treated as any employee in the company. If, for example, the system in use includes twice-a-year goal setting or evaluation discussions between the worker and the manager, this also applies to the assignees.

Labor Unions & the Importance in Global Business

Labor unions represent employees in a variety of industries. There are manufacturer unions, professional service unions and many other varieties. They work to protect their body of employees, control employment opportunities and negotiate both safe working conditions and reasonable wages for workers. Traditionally, labor unions were only popular in advanced and relatively free markets like those in Europe and North America. However, as business has become increasingly globalized, labor unions have had to deal with a broader range of international issues.

Wages

A key purpose of labor unions and a frequent cause of strikes and lengthy negotiation processes is the subject of wages. Labor unions seek wages proportional to both the value of money and the current value of the labor in their particular industry, often with set increases for managing inflation and other factors. These unions have moved on from considering only wages within one nation to communicating with industries across the world to find out what the wages and demand for positions are in a variety of countries. This allows the union to bargain from a stronger position and spot international trends in labor demand.

Standards

Unions also work to maintain safety standards in a variety of potentially dangerous industries. As these industries have become more globalized, they have increased in nations where safety standards are not the same and government regulations may not be as strict. As a result, labor unions have become more involved in trying to set broad international standards for industries and raise awareness and acceptance of these standards among nations not currently following them.

Outsourcing

Outsourcing has become a key area of concern for many labor unions. Rather than deal with unions, some companies have chosn to outsource certain jobs to other nations where wages are less due to differences in currency values and negations are relatively easier. This is one primary reason labor unions are interested in equalizing the wages set by countries throughout the world and the safety standards businesses must follow internationally. Unions may also require employers to sign contracts that limit their ability to outsource for a specific time period.

Collective Bargaining and International Policies

Collective bargaining is the process of negotiating with a company in which the labor union and the company alike agree to concessions that will allow both sides to reach the goals they have in mind. Domestically, the collective-bargaining process is relatively simple. Internationally, however, labor unions must deal with nations where markets may not be free enough to support the process and where governments are in charge of setting wages and prices for certain industries. This can make the collective-bargaining process difficult and limits union involvement in a variety of nations.

Dual-career couples are families in which "both heads of household pursue careers and at the same time maintain a family life together". Both have high degrees of commitment to their careers, and neither partner's career is thought to be more important than that of the other.

Advantages

Advantages of the commuting lifestyle are identified as

1) increased career opportunities,

2) professional autonomy,

3) increased independence,

4) increased appreciation of time together,

5) decreased focus on disagreements, and

6) decreased frequency of arguments.

Disadvantages

Disadvantages of being commuting couples are

1) financial problems;

2) loneliness;

3) lack of personal and professional support system due to a lack of time to build and maintain these relationships;

4) negative attitudes from friends, family, coworkers, and society;

5) increased tension in marriage and the family;

6) decreased satisfaction with sex life;

7) missed important family moments and day-to-day experiences; and

8) lack of social life, hobbies, and individual projects.

Knowledge process outsourcing (**KPO**) describes the outsourcing of core information-related business activities which are competitively important or form an integral part of a company's value chain. KPO requires advanced analytical and technical skills as well as a high degree of specialist expertise.

Reasons behind KPO include an increase in specialized knowledge and expertise, additional value creation, the potential for cost reductions, and a shortage of skilled labor. Regions which are particularly prominent in knowledge process outsourcing include India, Sri Lanka, and Eastern Europe, especially Poland, Romania, and the Baltic States. KPO is a continuation of business process outsourcing, yet with rather more of business complexity.

KPO services include all kinds of research and information gathering,e.g. intellectual property research for patent applications; equity research, business and market research, legal and medical services; training, consultancy, and research and development in fields such as pharmaceuticals and biotechnology; and animation and design, etc.

Benefits of KPO

- Cost reduction
- Shortage of skilled employees
- Provides many graduates at very low cost
- High end services are provided at a lower cost to decrease unemployment and benefit their economy
- Provide flexibility in terms of HRM & time management

Risks in KPO

- Security- Classified information about the company can be lost
- Key talent retention
- The character of the employee and the quality of the work cannot be assured
- KPO is time consuming and cannot provide a quick fix to the company seeking immediate results.
- Lack of communication between partners due to legal, language and cultural barriers can lead to complications
- Quality of Personnel and Work Cannot Be Guaranteed
- Shortage of Skilled Employees
- Reduction in Communication due to Language barrier
- Inability to protect company's intellect property

Legal outsourcing, also known as **legal process outsourcing** (**LPO**), refers to the practice of a law firm or corporation obtaining legal support services from an outside law firm or legal support services company (LPO provider). When the LPO provider is based in another country, the practice is called offshoring and involves the practice of outsourcing any activity except those where personal presence or contact is required, e.g. appearances in court and face-to-face negotiations. When the LPO provider is based in the same country, the practice of outsourcing includes agency work and other services requiring a physical presence, such as court appearances. This process is one of the incidents of the larger movement towards outsourcing. The most commonly offered services have been agency work, document review, legal research and writing, drafting of pleadings and briefs, and patent services.

This phenomenon has been a part of the legal experience since the 1950s, where it was restricted only to patents. Later, firms began to contract certain services to back door firms. The process of subcontracting part of the legal process to different countries is at a nascent stage, with relatively consistent market growth. Legal process outsourcing has predominantly been to countries that had previously taken advantage of the business process outsourcing wave. LPO providers have established themselves in Canada, India, the Philippines, the United States, Israel, and Latin America.