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INTERNATIONAL BUSINESS

CONTENTS

TRADE POLICY

Trade policy is the set of agreements, regulations, and practices by a government that affect trade with foreign countries.

Trade policy is a government's stance on international trade, or a combination of laws and practices that affects imports and exports.

Trade policies can include regulations, tariffs, and quotas.

Some nations want to encourage more trade and pursue open trade policies with certain other nations, while others want to restrict trade and set policies that protect local industries from competition.

Trade policies can have a number of benefits, including economic growth or lower costs of goods.

refers to a nation's formal set of practices, laws, regulations, and agreements that govern international trade practices, or imports and exports to foreign countries. Trade policies aim to strengthen the domestic economy. For example, U.S. trade policy aims to strengthen the competitiveness of U.S. industries.

Alternate names:

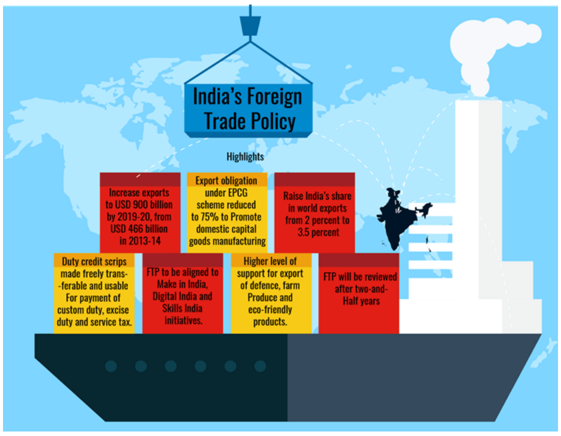
commercial policy, international trade policy

Some trade policies are codified into law; others are part of the practices that a nation's bureaucrats and diplomats follow. They are intended to reflect a national philosophy about international trade.

Trade policies can be aimed at a number of issues related to importing and exporting, such as foreign retaliation, jobs, or tariffs; or they may focus on protecting intellectual property, setting standards that promote collaboration and reduce trade barriers, or establishing trade agreements and trade laws.

For example, in the U.S., the Export Trading Company Act (ETCA) enables U.S. firms to work together to reduce export costs, increase exporting efficiency, and better compete in the global market, among other initiatives. It provides antitrust protection and other benefits to U.S. firms that collaborate on exporting activities. As a result, these firms get the advantage of, for example, reduced shipping costs, better negotiating power, and the ability to fill larger export orders

HISTORY OF INTERNATIONAL TRADE POLICY



he theory of international trade and commercial policy is one of the oldest branches of economic thought. From the ancient Greeks to the present, government officials, intellectuals, and economists have pondered the determinants of trade between countries, have asked whether trade bring benefits or harms the nation, and, more importantly, have tried to determine what trade policy is best for any particular country.

Since the time of the ancient Greek philosophers, there has been a dual view of trade: a recognition of the benefits of international exchange combined with a concern that certain domestic industries (or laborers, or culture) would be harmed by foreign competition. Depending upon the weights put on the overall gains from trade or on the losses of those harmed by imports, different analysts have arrived at different conclusions about the desirability of having free trade. But economists have likened free trade to technological progress: although some narrow interests may be harmed, the overall benefits to society are substantial. Still, as evidenced by the intense debates over trade today, the tensions inherent in this dual view of trade have never been overcome.

Mercantilism

The first reasonably systematic body of thought devoted to international trade is called "mercantilism" and emerged in seventeenth and eighteenth century Europe. An outpouring of pamphlets on economic issues, particularly in England and especially related to trade, began during this time. Although many different viewpoints are expressed in this literature, several core beliefs are pervasive and tend to get restated time and time again. For much of this period, mercantilist writers argued that a key objective of trade should be to promote a favorable balance of trade. A "favorable" balance of trade is one in which the value of domestic goods exported exceeds the value of foreign goods imported. Trade with a given country or region was judged profitable by the extent to which the value of exports exceeded the value of imports, thereby resulting in a balance of trade surplus and adding precious metals and treasure to the country's stock. Scholars later disputed the degree to which mercantilists confused the accumulation of precious metals with increases in national wealth. But without a doubt, mercantilists tended to view exports favorably and imports unfavorably.

Even if the balance of trade was not a specific source of concern, the commodity composition of trade was. Exports of manufactured goods were considered beneficial, and exports of raw materials (for use by foreign manufacturers) were considered harmful; imports of raw materials were viewed as advantageous and imports of manufactured goods were viewed as damaging. This ranking of activities was based not only on employment grounds, where processing and adding value to raw materials was thought to generate better employment opportunities than just extraction or primary production of basic goods, but also for building up industries that would strengthen the economy and the national defense.

Frédéric Bastiat attacks the mercantilists along these lines throughout much of his work,
Economic Sophisms. See, in particular, Chapter Six on the Balance of Trade.

Mercantilists advocated that government policy be directed to arranging the flow of commerce to conform to these beliefs. They sought a highly interventionist agenda, using taxes on trade to manipulate the balance of trade or commodity composition of trade in favor of the home country. But even if the logic of mercantilism was correct, this strategy could never work if all nations tried to follow it simultaneously. Not every country can have a balance of trade surplus, and not every country can export manufactured goods and import raw materials.

Adam Smith's *Wealth of Nations*

While there were anti-mercantilist economic writers during this period, few advocated complete free trade or set out systematic reasons for believing that free trade might be desirable. The big breakthrough came with Adam Smith's An Inquiry into the Nature and Causes of the Wealth of Nations, published in 1776. With this book, Smith fundamentally changed economic thinking about international trade. Smith argued that economic growth depended upon specialization and the division of labor (see Book I, Chapter 3). Specialization helped promote greater productivity—that is, producing more goods from the same resources, which is essential for achieving higher standards of living. According to Smith, the division of labor was limited by the extent of the market; in other words, small markets would not be able to support a great deal of specialization, whereas larger markets could. (A small town usually has fewer specialty shops than a large city.) Therefore, international trade effectively increased the size of the market for any given country, allowed for more refined specialization, created an international division of labor, and thereby benefited all countries by increasing the world's productivity and output.

Even more than his discussion of the gains from trade, Smith is remembered for his incisive analysis of trade policy, where he details not just the benefits of free trade but the costs of government intervention. Book IV of the Wealth of Nations was a sustained and compelling attack on mercantilism. Smith argued that "the great object" of mercantilism was "to diminish as much as possible the importation of foreign goods for home consumption, and to increase as much as possible the exportation of the produce of domestic industry." (Book IV, Chapter 1.) These goals were to be achieved through import restrictions (to reduce imports), on the one hand, and export subsidies (to increase exports). Smith argued against both actions.

Smith quickly dispensed with export subsidies, which are payments to domestic firms that enable them to reduce their price to foreign consumers. “We cannot force foreigners to buy their goods as we have done our own countrymen,” Smith wrote. “The next best expedient, it has been thought, therefore, is to pay them for buying. It is in this manner that the mercantile system proposes to enrich the whole country, and to put money into all our pockets by means of the balance of trade.” (Book IV, Chapter 5.) Smith argued that if a certain trade was unprofitable for private merchants, it was unlikely that it would be profitable for the nation:

Smith was also a keen analyst of the political economy of trade restrictions. Rather than being imposed by some independent authority that wished to best serve the general interests of society, regulations came about because of the pressure of special interests that sought to diminish competition for their own benefit. As Smith put it in a letter from 1783, trade regulations “may, I think, be demonstrated to be in every case a complete piece of dupery, by which the interests of the State and the nation is constantly sacrificed to that of some particular class of traders.”

Smith made a powerful case that government promotion of trade and government restriction of trade were unwise and harmful. He fundamentally changed the analysis of trade policy and essentially established the presumption that free trade was the best policy unless some other considerations overrode that presumption. Smith was writing at the time of the Enlightenment, and his writings in the economic sphere had as strong an impact as the writings of Voltaire and Hume in other realms of thought.

Comparative Advantage

The case for free trade was reinforced by the classical economists writing in the first quarter of the nineteenth century. The theory of comparative advantage emerged during this period and strengthened our understanding of the nature of trade and its benefits. David Ricardo has received most of the credit for developing this important theory (in chapter 7 of his Principles of Political Economy, 1817), although James Mill and Robert Torrens had similar ideas around the same time.

The theory of comparative advantage suggests that a country export goods in which its relative cost advantage, and not their absolute cost advantage, is greatest in comparison to other countries. Suppose that the United States can produce both shirts and automobiles more efficiently than Mexico. But if it can produce shirts twice as efficiently as Mexico and can produce automobiles three times more efficiently than Mexico, the United States has an absolute productive advantage over Mexico in both goods but a relative advantage in producing automobiles. In this case, the United States might export automobiles in exchange for imports of shirts—even though it can produce shirts more efficiently than Mexico.

The practical import of the doctrine is that a country may export a good even if a foreign country could produce it more efficiently if that is where its relative advantage lies; similarly, a country may import a good even if it could produce that good more efficiently than the country from which it is importing the good. From Mexico’s standpoint, it lacks an absolute productive advantage in either commodity, but has a relative advantage in producing shirts (where its relative disadvantage is least). This trade is beneficial for both the United States and Mexico.

The comparative advantage proposition is incredibly counterintuitive: it states that a less developed country that lacks an absolute advantage in any good can still engage in mutually beneficial trade, and that an advanced country whose domestic industries are more efficient than those in any other country can still benefit from trade even as some of its industries facing intense import competition.

As developed by Adam Smith and the classical economists, the theory of international trade is an enormously powerful one due to its generality. Just like trade between citizens within a nation's borders, international trade was an efficient mechanism for allocating resources and for increasing national welfare, regardless of the level of a country's economic development. Any impediments to trade would detract from the gains from trade and therefore harm the economy. Smith and the classical economists made a powerful case for liberalizing trade from government restrictions (such as import tariffs and quotas) and moving toward free trade.

At the same time, these economists recognized that there may be situations in which a government might wish to sacrifice economic gains for some other political objective. There might be non-economic objectives that are so desirable that they are worth incurring economic losses. For example, Adam Smith argued that the British Navigation Acts, which restricted trade but promoted British shipping, were worthwhile:

Although the infant industry argument did not originate with Mill, his recommendation gave it intellectual credibility but also generated intense controversy among economists. There was and is great skepticism about whether trade restrictions provide new industries with the proper incentives to acquire productive knowledge that will reduce their costs. In addition, economists were skeptical about whether governments could correctly identify "infant" industries and distinguish those that stood a chance of growing up from those that were destined to remain infants. Economists were also worried that protection would not be temporary, but would become permanent.

Another case for deviating from free trade, the "terms of trade" argument, deals with the ratio (i.e., the prices) at which countries exchanges exports for imports. The terms of trade are determined by international supply and demand, but those underlying factors could be manipulated by government policy to the benefit of one country. In the 1840s, Robert Torrens—one of the originators of the theory of comparative advantage—argued that reciprocity, not free trade, was the wisest trade policy because a unilateral tariff reduction would lead to a deterioration in the terms of trade. His argument was greeted with great skepticism until John Stuart Mill, in an essay in his book Essays on Some Unsettled Questions of Political Economy (1844), developed the theory of reciprocal demand and essentially showed that Torrens was right. Countries that possess the power to affect the prices of goods on the international market may find it advantageous to restrict trade.

For example, the Organization of Petroleum Exporting Countries (OPEC) restricts the exports of oil in order to drive up its price on world markets, thereby improving its terms of trade (the price of its exports relative to its imports) and enriching itself at the expense of other consuming nations. As this example indicates, trade restrictions that improve one country's terms of trade necessarily imply that those terms deteriorate for other countries; the gain of the restricting countries comes at the expense of others. Indeed, the losses of the other countries exceeds the gains so, for the world as a whole, free trade is still desirable. But this argument made clear that the distribution of the gains from trade across countries can be affected by tariffs.

Other, more technical challenges have focused on the possible benefits of deviating from free trade when markets do not function perfectly due to externalities, such that the first-best optimal policies cannot be imposed and trade policies might be a second-best policy, or when there are strategic interactions among firms that generate rents that can be shifted with trade interventions. In most of these cases, however, the case against free trade depends upon special and highly uncertain conditions. In addition, such arguments for government intervention have been countered with three arguments. First, governments generally lack the ability to identify externalities and rents and, even if they could, even then determining the optimal type and amount of intervention is exceedingly difficult. Second, even if a rationale for intervention existed and the government capable of imposing the optimal policy, actual policies are not determined in a scientific manner but result from the pressure of self-serving special interests. The interventions would therefore tend to serve private and not public interests, to the detriment of the economy. Third, an optimally-imposed intervention might engender retaliation by foreign countries that would erase any gains from that intervention.

HOW A TRADE POLICY WORKS?

Trade policy is established when a government sets standards and laws regarding international trade.

In some cases, a nation will pursue a more aggressive protectionist policy designed to favor its domestic industries over international competitors. Protectionism policies can include setting quotas on the number of imported goods allowed in a country, imposing tariffs on imported goods, and offering subsidies for domestic producers.

On the other hand, a nation may want to increase international investment and pursue a free trade policy (sometimes called an "open trade policy") that reduces the barriers to doing business. Many countries establish trade policies between the two extremes, adjusting them as the global economy and domestic political pressures change.

PORT AND TERMINAL MANAGEMENT

The Port and Terminal Management Programs at SSPU gives an overview of the overall port's activities and maritime transport. It allows port managers to see how their activity fits within and affects the entire spectrum of operational and commercial activities running in the complex interface of maritime transport.

Large ports need to deal with a number of disparate activities: the movement of ships, containers, and other cargo, the loading and unloading of ships and containers, customs activities. As well as human resources, anchorages, channels, lighter, tugs, berths, warehouse, and other storage spaces have to be allocated and released.

The efficient management of a port involves managing these activities and resources, managing the flows of money involved between the agents providing and using these resources, and providing management information

A nation’s marine transportation system provides an efficient means of moving large quantities of cargo with the least environmental impact. For example, a single 1000-foot ship can move the same quantity of cargo as 2800 trucks, or seven 100-car unit trains. Nevertheless, ships consume the least amount of fuel while resulting in lower air emissions, and a fewer accidents. The role of ports is crucial in the shipping industry. Due to their historic development, unique geographic characteristics, local political infrastructure, constituent commodities, and ever-changing trade patterns, no two ports are the same. In intercontnental shipping, cargo passes through

at least two ports. The first port belongs to the source continent and the second to the destination continent. The management of ports plays a significant role in the management and control of transportation cost, total delivery time from the source to the final destination and its variability, cargo security, and reliability of the logistics company, and eventually its throughput. In this paper, we describe various components of the supply chain of the intercontinental distribution with an emphasis on the seaport role and its management techniques. We also describe and analyze various processes that cause delays, and suggest management techniques that help increase throughput of the supply chain. A business process mapping is employed for the analysis of various seaport activities

GLOBAL ENTREPRENUR

A global entrepreneur seeks out and conducts new and innovative business activities across national borders. These activities may consist of exporting, licensing, opening a new sales office, or acquiring another venture.

We are living in a world where all the major business functions in the value chain are highly globalized and deeply integrated. According to McKinsey and Company, 80 percent of the world’s GDP will be sold across international borders by 2027, compared to about 20 percent in 2001. Multinational business activity will grow from approximately $5 trillion to $70 trillion by 2027.

To understand how this is happening consider your desktop computer. It might have been assembled in Mexico with Chinese components; it uses chips designed in the United States, manufactured in Malaysia, and preinstalled with software applications that were jointly developed in India and Ireland. According to a United Nations World Investment Report, there are about 40,000 multinational corporations in the world with nearly 300,00 foreign affiliates. A global business is a multinational venture incorporated in one country that has operations in one or more other countries.

Are you a Global Entrepreneur?

Strategic motives must drive the decisions to conduct business globally:

- Are You Ready To "Go Global?"
- But what is your action plan?
- Where do you begin?
- How do you begin?
- Which markets should be entered first?
- What would be the optimal mode of entry?
- How rapidly should you expand globally?

SHARE MARKET

The share market is a platform where buyers and sellers come together to trade on publicly listed shares during specific hours of the day. People often use the terms 'share market' and 'stock market' interchangeably. However, the key difference between the two lies in the fact that while the former is used to trade only shares, the latter allows you to trade various financial securities such as bonds, derivatives, forex etc.

The principal stock exchanges in India are the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

TYPES OF SHARE MARKETS

PRIMARY SHARE MARKETS

When a company registers itself for the first time at the stock exchange to raise funds through shares, it enters the primary market. This is called an Initial Public Offering (IPO), after which the company becomes publicly registered and its shares can be traded within market participants.

SECONDARY MARKET

Once a company's new securities have been sold in the primary market, they are then traded on the secondary stock market. Here, investors get the opportunity to buy and sell the shares among themselves at the prevailing market prices. Typically investors conduct these transactions through a broker or other such intermediary who can facilitate this process.

What Is Traded On The Share Market?

There are four categories of financial instruments that are traded on the stock exchange. These include:

1.SHARES

A share represents a unit of equity ownership in a company, and shareholders are entitled to any profits in the form of dividends and bear any losses the company may face. Many investors manage their shares through a Share trading app.

2.Bonds

To undertake long term and profitable projects, a company requires substantial capital. One way to raise capital is to issue bonds to the public. These bonds represent a "loan" taken by the company. The bondholders become the creditors of the company and receive timely interest payments in the form of coupons. From the perspective of the bondholders, these bonds act as fixed income instruments, where they receive interest on their investment as well as their invested amount at the end of the prescribed period.

3.Mutual Funds

Mutual funds are professionally managed funds that pool the money of numerous investors and invest the collective capital into various financial securities. You can find mutual funds for a variety of financial instruments like equity, debt, or hybrid funds, to name a few.

Each mutual fund scheme issues units that are of a certain value similar to a share. When you invest in such funds, you become a unit-holder in that mutual fund scheme. When instruments that are part of that mutual fund scheme earn revenue over time, the unit-holder receives that revenue reflected as the net asset value of the fund or in the form of dividend pay outs.

4.Derivatives

A derivative is a security that derives its value from an underlying security. This can have a wide variety such as shares, bonds, currency, commodities and more! The buyers and sellers of derivatives have opposing expectations of the price of an asset, and hence, enter into a "betting contract" with regards to its future price.

DIGITAL MARKETING

Digital marketing typically refers to online marketing campaigns that appear on a computer, phone, tablet, or other device. It can take many forms, including online video, display ads, search engine marketing, paid social ads and social media posts. Digital marketing is often compared to "traditional marketing" such as magazine ads, billboards, and direct mail. Oddly, television is usually lumped in with traditional marketing.

Digital marketing, also called online marketing, is the promotion of brands to connect with potential customers using the internet and other forms of digital communication. This includes not only email, social media, and web-based advertising, but also text and multimedia messages as a marketing channel.

Essentially, if a marketing campaign involves digital communication, it's digital marketing.

Any type of marketing can help your business thrive. However, digital marketing has become increasingly important because of how accessible digital channels are. In fact, there were 5 billion internet users globally in April 2022 alone.

From social media to text messages, there are many ways to use digital marketing tactics in order to communicate with your target audience. Additionally, digital marketing has minimal upfront costs, making it a cost-effective marketing technique for small businesses.

IT IN CUSTOM PROCRDURE

For years, international organizations have been involved in promoting new strategies to enhance international trade under the globalization framework. Perhaps no aspect of trade has played a bigger part in the globalization and facilitation of trade than technology. A significant increase in e-commerce has created a need for better and more efficient technological applications that improve both communications and the customs administrative process.

To illustrate this, the Mexico customs authority better known as SAT has implemented a new method promoting the idea of “paperless customs systems”. This is called DODA document is based on a QR code that includes all the information regarding customs clearance.

Nevertheless, applying this new method of customs clearance procedure it is not affordable for all nations specifically developing countries or all size companies. Despite the efforts of international organizations such as World Trade Organization, the use of advance technology is not one hundred percent available worldwide.

Allyn International's in-house software facilitates data access and provides visibility to the client's customs entry and export process while making significant reductions in shipping and customs delays. It keeps a well-organized record of documentation concerning trade operations. In addition, the software allows for post clearance audits, and evaluation of payment of duties, providing better visibility when communicating with tax and customs authorities.

To conclude, a significant increase in the use of technologies to share information regarding customs simplifies the movement of goods and creates added value for companies and countries by having a positive financial impact and reducing delays

Customs specialists have no doubts that computerization yields its best results for customs administration when it is accompanied by complementary reforms in organization and procedures. However, there is still a common belief that the administrative difficulties of customs clearance operations can be overcome simply by having a small staff equipped with up-to-date computers and with no other changes. Although there is no doubt that the use of computers can increase the efficiency of well-run operations, computerization is not a miracle solution to existing problems.

Computerization of customs procedures needs to be part of an overall modernization reform. However, international experience has demonstrated that customs administrations often find it difficult to implement these complementary components of the modernization effort. It is not difficult to find examples where the inappropriate introduction and use of computer systems have exacerbated existing problems. In both developed and developing countries, a disturbing pattern has been observed in which investment in computer systems in customs departments has grown steadily, while the average time needed for the release of cargo still exceeds several days, with no clear improvement in assessments and the detection of fraud.

When introducing or expanding computerization, customs authorities face a number of important decisions regarding design and implementation. Should the system be centralized or decentralized? Should they computerize current operations first, and then change procedures and organizational structures? Should they use off-the-shelf packages or should they develop their own systems? Should they immediately establish on-line links with the banks, customs agents/brokers, and some of their largest importing companies? These are a few examples of the common questions, and they raise the more fundamental issue of which strategy and reforms need to be established to ensure the success of computerization. They also point to the benefits of learning from the experiences of other countries, for example, in the approach to and sequencing of reforms.

Objectives of Computerization

The computerization of customs administration must be linked to the ultimate objectives of revenue administrations, which are, broadly, the collection of revenue, the enforcement of trade policy, and the protection of society from prohibited goods. More specifically, the objectives are to expedite the processing of declarations and the release of goods, to verify the accuracy of customs valuation (in order to collect the proper amounts of duties, taxes, and fees on imports), and to ensure the effective control of goods in transit, entering warehousing, or being imported under temporary admission.

To ensure that computer systems meet the objectives set by management, performance measurement needs to be established for the systems already in use so the new system can be evaluated against the old one. The main performance measures should include

- the clearance time for release of goods from customs control, including such activities as the processing of customs declarations and payment;
- the monitoring of exemption programs based on such items as CIF import values per type of exemption and revenue forgone;
- improvements in statistical data and management information;
- more effective enforcement through faster processing of data and the matching of information;
- improvements in the consistency of enforcement of the tariff law;
- improvements in the quality of record keeping;
- improvements in the verification of trader-supplied data; and
- control of labor costs by improving the rate of declarations processed per staff member.

Main Applications

General

Computer systems generally consist of a number of logical subsystems. In the customs area these are

- control of the cargo manifest;
- processing of declarations;
- tariff and documentation control;
- import valuation;
- control of goods in transit, entering warehousing, or imported under temporary admission;
- risk management; and
- maintenance of trade statistics.

In addition, customs administrations have systems to track receipt of revenues. These systems maintain accounts of duties and taxes paid, penalties assessed, credit ceilings and debits, and refunds and balances due, at the level of the individual customs agent/broker or importer. At a summary level, the accounting system tracks revenue transfers from customs collection offices or banks to the treasury and reconciles reports of revenues received by the treasury with the revenue recorded.

The principal benefits expected from these basic applications (or modules) include faster processing of entries, targeting of controls to specific traders, improved revenue collection and control, data exchange, improved accuracy of entries and accounts, improved management information, and up-to-date statistics. All this, in turn, plays a key role in supporting post-release control activities.

Three key specific features characterize modern customs computer systems

The separation of functions in the process of customs clearance is necessary to maintain a controlled environment and to minimize the risk of collusion between customs officers and importers/agents. It is important, for example, that sensitive data (such as risk profiles or price information) are not accessible to officers dealing with the day-to-day processing and verification of declarations.

The use of "open" system technology (that is, the use of international standards and codings as the basis of the architecture of the computer system). This is essential to allow for interface with other systems and to improve the efficiency of customs procedures. The adoption of an open system architecture will also ensure that customs has autonomy of action with hardware procurement.

The distinction between "advanced," "on-line," and "batch" processing of information. To speed up the flow of goods while maintaining an effective deterrent against fraud, computer systems are organized to meet both trade facilitation and control objectives. "Advanced" or pre-arrival processing of transactions enables the submission of pre-arrival declaration data, thus allowing the rapid release of cargo out of customs control soon after its arrival. However, most of the computer equipment and resources is generally allocated to "on-line" transactions, as the combined use of computer and electronic data interchange (EDI) systems—discussed below—can allow for quick release of goods and assess almost instantaneously (in "real time") the customs risk of a particular consignment. Less time-sensitive management tasks are often handled through "batch processing." This allows the computer to collect data and process it at a later stage to maintain official records, produce daily and periodic accounting statements, and compile official reports and tables.