Gujarat Board Textbook Solutions Class 11 Organization of Commerce and Management Chapter 10 International Trade

1. Select the correct alternative and write answers to the following questions :

Question 1. What is the trade of a country with another country called?
(A) Local trade
(B) Regional trade
(C) National trade
(D) International trade
Answer:
(D) International trade

Question 2. What is the letter known on which the importer describes the details of the order?
(A) Input
(B) OGL
(C) L/C
(D) Indent
Answer:
(D) Indent

Question 3. By which thing of trade, foreign exchange can be earned?
(A) Export trade
(B) Import trade
(C) Internal trade
(D) Regional trade
Answer:
(A) Export trade

Question 4. Who issues the bill of lading to the exporter?
(A) Insurance company
(B) Shipping company
(C) The captain of a ship
(D) Bank
Answer:
(B) Shipping company

Question 5. Name the certificate that states the country in which the goods were produced.
(A) Consular invoice
(B) Certificate of origin
(C) Shipping order
(D) Letter of credit

Answer:
(B) Certificate of origin

Question 6. Who issues the shipping order?
(A) The captain of a ship
(B) Shipping company
(C) Owner of the ship
(D) Central bank
Answer:
(B) Shipping company

Question 7. Which banks holds the control over foreign exchange in India?
(A) Local bank
(B) Merchant bank
(C) Reserve bank
(D) Agriculture bank
Answer:
(C) Reserve bank

Question 8. What kind of receipt does the captain of the ship issue to the exporter when there is no proper packing of the goods?
(A) Foul receipt
(B) Clean receipt
(C) Incomplete receipt
(D) Torn out receipt
Answer:
(A) Foul receipt

Question 9. Which of the following media provides export incentives?
(A) World bank
(B) Merchant bank
(C) Merchant agreement
(D) Merchants
Answer:
(C) Merchant agreement

Question 10. Name the document that the bank issues to the importer against the payment of the bill amount as per the instructions given by the exporter.
(A) D/A
(B) D/P
(C) OGL
(D) LOC
Answer:
(B) D/P

Question 11. Name the agreement which is made between the shipping company and the exporter to rent the whole ship.

(A) Intent agreement
(B) Credit agreement
(C) Charter party agreement
(D) Exporter agreement

Answer:
(C) Charter party agreement

2. Answer the following questions in one sentence each :

Question 1. What is International Trade?

Answer:
When individuals, business units or government of a country trades i.e. either buys or sells with individuals, business units or government of another country it is called international or foreign trade.

Question 2. What is import?

Answer:
Bringing goods or services into a country from a foreign country for selling them is called import.

Question 3. What is Export?

Answer:
Sending goods or services to another country for selling them is called export.

Question 4. Explain the terms :

(i) OGL

Answer:
If a businessman wish to import/export goods/ services mentioned in the list published by the government he needs to obtain an Open General License (OGL).

(ii) WTO

Answer:
The World Trade Organization (WTO) is an intergovernmental organization which regulates international trade. 104 nations including India signed an agreement and established WTO on 1st January, 1995 by replacing the General Agreement on Tariffs and Trade (GATT)

(iii) GATT

Answer:
In 1948, 23 nations also known as founding members established the General Agreement on Tariffs and Trade (GATT) in Geneva. India wap one of those 23 nations

(iv) SEZ
Answer:
A special economic zone (SEZ) refers to certain fix area of a country which enjoys special economic regulations and liberal economic laws compared to other parts of the country.

(v) EPZ
Answer:
Export processing zone:
Indian government has established export processing zones or say free processing zones to encourage export trade. In such zones exporters can import goods, re¬process them if needed, manufacture goods and export them without interference of custom authorities. This helps in bringing more foreign earnings to our country.

- Excise duties, financial transaction regulations and some labour laws are liberal in these zones.
- Government assures people that it will provide all basic facilities such as roads, electricity, water, communication, transportation, facility to procure high quality raw material, etc. to industries set-up in such zones.
- Government also provides information on export procedures, international market, demand of products for export, political conditions favorable export, etc. to people interested in export business.
- Under its economic policy India has developed various free trade zones (FTZ) in places like Kandla, Santa Cruz (Mumbai), Falta (West Bengal), Noida, (Cochin, Chennai, Vishakhapattannam, Kosindra, (Near Dwarka) and Dahej (near Bharuch), etc.

(vi) D/A
Answer:
Documents against acceptance bill. A method of payment for goods that have been exported in which the exporter sends the title and shipping documents with a bill of exchange to a bank or agent at the port of destination. The bank or agent releases the goods when the bill has been accepted by the consignee. … Compare cash against documents.

(vii) D/P
Answer:
Documents against payment bill. The document that the bank issues to the importer against the payment of the bill amount as per the instructions given by the exporter

3. Answer the following questions in short :

Question 1. What is Bill of Lading?
Answer:
Obtaining bill of lading:

- A bill of lading is a legal document between the shipper (i.e. exporter) of the goods and the carrier i.e. the transporter. It contains details like quantity of goods, destination, etc.
- It is issued by the carrier to the exporter.
- The shipping company makes three copies of bill of lading. It keeps one copy and gives the other two to the exporter.
- The exporter then makes a mark on one copy i.e. endorses it and sends it to the importer as a part of documentary bill. The importer can obtain the goods from the carrier only if he shows the bill of lading.

Question 2. What is called Consular Invoice?
Answer:
Consular invoice is a document certifying shipment of goods and shows details of exporter, importer, quantity of goods and their price, etc. calculating and collecting excise becomes easy on the basis of this invoice.

Question 3. Why the certificate of origin is required in foreign trade?
Answer:
A certificate obtained by exporter certifying that the products to be exported are wholly procured or produced or manufactured in India is called the certificate of origin.

Question 6. What is Mate Receipt?
Answer:
A receipt issued by the 'mate' i.e. captain of the ship or his representative certifying that the goods are loaded on the ship and are packed well to transport is called mate's receipt.

Question 5. What is Charter Party Agreement?
Answer:
After packing and marking the goods the exporter needs to ship them.
If the exporter wants to rent whole ship for sending the goods it is called 'charter'. The agreement between the shipping company and the exporter to rent the whole ship is called 'Charter party agreement'.

Question . What is the Shipping Order?
Answer:
When an exporter instructs a shipping company to deliver goods to the importer the shipping company provides a copy called 'shipping order' to the exporter.

4. Answer the following questions in brief :

Question 1. Explain briefly the different incentives for export trade.
Answer:
Incentives for export trade:
1. Trade agreements:

- State or central government enters into trade agreements with various countries. Under these agreements they agree to trade several products/services with each other.
- Such trade agreements boost exporters to increase their export business.

2. Financial and economic encouragement reward:

- Exporters are provided several financial and economic benefits to encourage them for producing and/or exporting. These encouragements include:
- Give some pre-decided reward directly to the exporter.
- Give exemption or collect very less sales tax and income tax on exported products.
- Give partial or full exemption of income-tax for income earned through export. Provide land, raw material, electricity, equipment, etc. at cheaper rates for producing goods/services for export.

3. Collective and systematic economic encouragement:

- Under this system if an exporter is able to export a pre-decided quantity of products than he is allowed to import products equivalent to the foreign exchange earned from export.
- The exporter who guarantees to export the said quantity is given several benefits as a form of encouragement. These benefits are:
- Provide land at subsidized rates for producing such items that can be exported.
- Assistance in setting up factories for producing products that can be exported. Encouragement to establish factories in free trade zones i.e. trade zones (areas) which are exempted from taxes and regulations. Oblige to export total production or as per pre-decided ratio.

4. Financial facilities and services:

- Several financial facilities and services are provided to exporters that encourage them. They are:
- Make arrangement so that the exporters receive export-bill (a document needed by customs department) on the same day of export.
- Provide ways to protect exporters against fluctuations that occurs in exchange rate of foreign currency.
- Making arrangements so that the importer or importing country can easily import goods exported to them.
- Provide services as guarantor of the importer after assessing the financial soundness of the importer.

5. Non-financial facilities:

- Exporters are also provided several non-financial facilities and services for motivation. They are:
- Provide information on export opportunities, procedures and benefits.
- Train people for producing products that can be worth exporting.
- Arranging competitions among exporters and rewarding highest exporter.
- Provide information about export market i.e. international market.
- To lock-out or create strike in factories that produce export items illegally.

6. Special economic zone (SEZ):

- A special economic zone (SEZ) refers to certain fix area of a country which enjoys special economic regulations and liberal economic laws compared to other parts of the country.
- In 2005, government of India passed law for SEZ in the parliament and brought it in force from 10th February, 2006.
- Special economic zones contain several types of zones like:
  (a) Export processing zone
  (b) Free trade zone (FTZ)
  (c) Free ports
  (d) Industrial zone
- SEZ is set-up with the aim of attracting direct local and foreign capital investment.
- Under SEZ the government provides part or full exemption of custom duty, central excise, service tax, central sales tax, security transaction tax, etc. on products produced in SEZ.

7. Export processing zone:
Indian government has established export processing zones or say free processing zones to encourage export trade. In such zones exporters can import goods, re¬process them if needed, manufacture goods and export them without interference of custom authorities. This helps in bringing more foreign earnings to our country.

- Excise duties, financial transaction regulations and some labour laws are liberal in these zones.
- Government assures people that it will provide all basic facilities such as roads, electricity, water, communication, transportation, facility to procure high quality raw material, etc. to industries set-up in such zones.
- Government also provides information on export procedures, international market, demand of products for export, political conditions favorable export, etc. to people interested in export business.
- Under its economic policy India has developed various free trade zones (FTZ) in places like Kandla, Santa Cruz (Mumbai), Falta (West Bengal), Noida, (Cochin,

Chennai, Vishakhapattannam, Kosindra, (Near Dwarka) and Dahej (near Bharuch), etc.

Question 2. Explain the role of World Trade Organization (WTO) in international Trade.
Answer:
Role of World Trade Organization (WTO) in international trade:

- The World Trade Organization (WTO) is an inter-governmental organization which regulates international trade.
- 104 nations including India signed an agreement and established WTO on 1st January, 1995 by replacing the General Agreement on Tariffs and Trade (GATT)
- WTO deals with regulating trade between participating countries so that the countries can work on a common platform and the concept of globalization can be expanded.
- Both manufacturing and service sectors have grown rapidly due to efficient work policies and administration of the WTO.
- Owing to WTO, the entire world has come closer and has become a global village.
- Due to the activities and encouragement of WTO products related to agriculture, industries, health, etc. are produced on a very large scale and are freely traded between countries.
- WTO has also boosted international education. Many foreign universities have established in India.
- Countries like America, Canada and Australia have set-up their offices in India to promote foreign education.

Question 3. Write a note on General Agreement of Trade and Tariff (GATT) in International Trade.
Answer:
General Agreement on Tariffs and Trade (GATT):

- In 1948,23 nations also known as founding members established the General Agreement on Tariffs and Trade (GATT) in Geneva. India was one of those 23 nations.
- The main aim of this agreement was to remove barriers from international trade by reducing tariffs, boost international trade and encourage distribution of regional labour.
- The policies established under GATT encouraged free-trade i.e. liberalization and globalization.
- Under GATT, Government of India made several agreements with different countries so that Indian industries can join hands with industries of those countries and make progress.
- Due to GATT, many modern fields of trades emerged in India.

Question 4. “Sometimes the captain of the ship issues a foul receipt”. Explain the statement.
Answer:

- Goods packed for export need to be packed with extra care and precaution. Bad weather, sea-storms, excessive humidity, etc. can damage the goods.
- For these reasons the exporter needs to follow the packing instructions very strictly. No flaw in the packing can be compromised.
- Once the packing is done the captain or his representative checks the packing. If any of them finds packing improper they give a receipt called foul receipt or dirty chit to the exporter.
- Unless the exporter packs the goods properly again, he is not allowed.to load them on the ship.

Question 5. Explain ‘world – a global village’.
Answer:
No country in this world is self-reliant. Each country needs other countries to share its resources, products and services. This gives rise to international trade.

- International trade activities exist since ancient time. With time, science and technology advanced to unprecedented heights.
- As a result countries started producing a very large number of goods and services. These countries then kept on searching for countries where they could sell their products.
- With the establishment of various international trade organizations countries came closer and traded freely.
- Moreover, due to fast transportation, internet and e-commerce trade became much faster and countries came much closer.
- Now we can trade with any country without even moving out of our offices. The entire world is now connected with each other and seems so close as if it is a small village.
- Hence, it is rightly said world – a global village.

5. Answer the following questions in detail :

Question 1. Give the meaning of Foreign Trade and explain its importance.
Answer:
International (foreign) trade:

- When individuals, business units or government of a country trades i.e. either buys or sells with individuals, business units or government of another country it is called international or foreign trade.
- The one who buys from foreign country is called the importer of goods/services whereas the one who sells is called the exporter.

- According to Thomas, 'Exchange of product of one country with another country is called foreign trade.

Importance of foreign trade:

1. Benefit of division of labour and specialization:

- A country may not be producing all the needed resources that too in sufficient quantity.
- It may also not have enough labour or specialized skills to produce such resources.
- Under such situations a country can easily obtain those resources from another country. For example, India has a very large population that specializes in farming that too at very low labour rates, whereas this is not the case with America. So, America can import agricultural products from India.
- A country may also not have suitable weather, government policies, skilled people, etc. for production of a specific resource and so it can obtain it through foreign trade.

2. Development of under developed countries:

- Under developed countries lack specialized skills, scientific technology research and other resources.
- These countries can import technology and processes, modern administrative methods, research knowledge, advanced products, etc. and develop itself.
- Government of under developed countries can enter into various trade agreement with other countries and uplift their own countries.

3. Maximum utilization of resources:

- A country imports technology, machinery, human labour, business processes, etc.
- It then deploys these resources and makes best possible use of resources available in the country. For example, importing a highly advanced printing machine may reduce the printing time by half. The printer can then make use of remaining time in other printing jobs.
- Thus, people living in various countries can enter into foreign trade and improve their production efficiencies and processes and make maximum utilization of their resources. Moreover, excess production resulting out of improved efficiency can be exported.

4. Development of auxiliary services:

When a product/service is traded internationally then over and above the traded things various other sectors also gain benefits. Banks, insurance, warehouse, communication, ports, commissions agents, etc. all become part of foreign trade and their development takes place.

5. Maintains price stability:

- A country producing excess can export to other countries and prevent price of that product from falling below a level in local market.
- In case if the price of a product/service rises drastically, the country can import it to control its price.

6. Improves standard of living:

- International trade results in competition among countries. Each country tries to produce high quality and technologically advanced products that too at lowest possible price.
- By doing so it can compete international producers and increase its exports and earn revenues. On the other hand such approach improves the standard of living of people because they get better and better products at lower prices.

7. Exchange of culture, fashion and knowledge:
When countries involve in international trade they come in contact with each other's culture, food, fashion, and society. They share and exchange these things and values and strengthen their ties. Over a period of time brotherhood co-operation and harmony increases between them.

8. Helpful in calamities:

- International trade is very helpful in times of natural calamities such as flood, drought, earthquake, tsunami, etc.
- In such situations all countries provide help to the affected country and help it re-develop.
- For example, if agriculture fails in India due to drought, India can import agricultural products from other countries and overcome its calamity.
- Moreover, a country like India having good trade relations with foreign country easily gets several types of helps during calamities.

9. World as a market:

- Industrially developed and wealthy nations use very advanced technologies and scientific methods which results in very large scale production that too with precision and less time.
- Such countries are always in search of countries where they can sell their excess production. This gives rise to international trade.
- As a result many countries fall in the network of international trade and so world itself becomes a market.

Question 2. Describe Import procedure.
Answer:
Import procedure:
In order to conduct import trade one needs to follow procedure framed by the Government of India. It is discussed below.

1. Obtaining import license:
Open General License (OGL):
If an importer wants to import those items/services which are listed in government list, he needs to obtain Open General License (OGL) which is quite easy.

License from trade director:

- If an importer wants to import items that are not mentioned in the government list then he needs to apply for the license to comptroller of import trade.
- The importer needs to provide various details in the application like his name, address, complete detail of goods to be imported, financial records of the importer, name of the exporter and exporting country, etc.
- If and only if the assessing officers are thoroughly satisfied with all the details, they will provide the import license to the importer.
- If the government has set some quota for importing only a specific quantity of goods than the importer is given a quota certificate. As per the quota certificate, the importer can import only upto the maximum quantity mentioned in the certificate.

2. Obtaining foreign exchange:

- When goods are imported from a foreign country the payment has to be made in the currency from which he is importing. For this the importer needs to raise necessary foreign currency or say foreign exchange.
- The Reserve Bank of India (RBI) controls the foreign exchange in India.
- The importer has to submit an application in the prescribed form along with import license to any bank that deals with foreign exchange. The bank than forwards the application to RBI. RBI scrutinizes the application and then sanctions the release of foreign exchange.
- The importer can then obtain the sanctioned foreign exchange from the bank. The applicant needs to mention the amount he needs in American Dollar as per the prevailing currency rate.

3. Placing the indent or order:

- The order that the importer places for importing the goods is called 'indent'. He places the indent to the exporter.
- The importer first collects information of different manufacturers and exporters of the exporting country. He collects information regarding the details of goods, price

and other conditions and then gives the indent to the exporter he selects. -> Indent contains details regarding quantity of goods, price, packaging, insurance, name of transporter, etc.

4. Dispatching Letter of Credit (L/C):

Generally, foreign traders are not acquainted to each other and so before the exporter exports the goods he wants to make sure he will receive his payment. For this, the importer obtains a Letter of Credit (L/C) from his bank and sends it to the exporter to assure his credit worthiness.

5. Receipts of documents:

- Once the exporter receives L/C, he prepares various shipping documents like bill of lading, invoice, the insurance policy of goods, etc., and sends it to the importer via. a foreign exchange bank. All these documents together are called 'Documentary bill. There are two types of documentary bills. They are:
  1. D/A (i.e. Documents against acceptance) bills
  2. D/A (i.e. Documents against payment) bills
- The exporter may send the type of bill as per terms decided with importer.

6. Obtaining bill of lading:

- A bill of lading is a legal document between the shipper (i.e. exporter) of the goods and the carrier i.e. the transporter. It contains details like quantity of goods, destination, etc.
- It is issued by the carrier to the exporter.
- The shipping company makes three copies of bill of lading. It keeps one copy and gives the other two to the exporter.
- The exporter then makes a mark on one copy i.e. endorses it and sends it to the importer as a part of documentary bill. The importer can obtain the goods from the carrier only if he shows the bill of lading.

7. Paying import duty or say excise:

- Goods are not allowed to bring out of port unless duty is paid on them.
- If the importer is exempted from import duty he can collect the goods without paying it.
- If the importer is exempted from import duty he need to present consular invoice and the certificate of origin of goods (from the exporter) and obtain a certificate of exemption of import duty from the excise department.
- If the importer is liable to pay full import duty then he needs to pay it to possess the goods.
- If at all the importer has to pay only partial duty i.e. lesser than actual then he needs to fill a form called 'bill of entry form'. The form contains the details of name of the

ship, name of the port of the country from where goods were loaded, name of exporter, name and address of importer and complete details of the goods.
- Based on this form the excise department decides the amount of duty to be paid by the importer. Once the importer pays the duty, the excise officer endorses the 'bill of entry' and hands it to the importer.

8. Payment of dock charges:
A place where the goods are kept once they arrive is called a dock. Since goods of importer are unloaded from the ship and handled and stored by dock employees the importer needs to pay dock charge for theses dock services he received. Dock charges also include charges on equipment and facilities that were used for the goods in the dock.

- Dock charge is to be paid irrespective of the mode of arrival of goods i.e. airway, waterway, roadway or railway.
- After paying the dock charges the importer gets a dock receipt.

9. Obtain possession of goods:

- After completing all the formalities the importer can then obtain possession of the goods.
- The importer needs to take the goods from the bonded warehouse where they are stored by the customs department within the specified time. If the importer does not collect the goods on time, he will have to pay demurrage along with the additional rent.

Question 3. Explain steps of Export procedure.
Answer:
Export procedure:

- When a merchant sells the goods to someone outside his country it is called export trade or export.
- A company which specializes in the export of goods manufactured by other companies is called export house.
- Procedure of export in India is as follows.

1. Getting an order:

- The exporter receives order from importer. The exporter then obtains information related to economic capacity, credit worthiness, reliability etc. of the importer.
- Once he gets the assurance he examines the details mentioned in the export order. These details are quantity of goods ordered, pride as decided earlier with importer, type of packing, expected date of delivery, details of insurance, details of transporter through which goods will be sent, amount of bill, mode of payment and terms and conditions finalized before placing the order.

2. Obtaining export license:

- The exporter then needs to obtain an export license so that he can export the goods. The exporter needs to obtain license which comes under Imports and Exports Control Act.
- An exporter can easily obtain a general license for those goods/services whose list is published by the government of India.
- Items not mentioned in the list can also be freely exported but one needs to apply for a specific license to the trade department of government.
- Along with the license form the exporter needs to provide clear identity of the exporter, detail of exporter, assurance of regular payment of income tax and other tax.

3. Manufacturing or procuring goods:
After obtaining the export license if the exporter is a manufactures he starts producing the goods as per the order. However, if the exporter is just a trader he starts procuring goods from the market as per the order specifications.

4. Foreign exchange activity:

- Importer's make payment to exporters in exporter's currency or in American dollars. However, the exporter does not get the money directly.
- Although many controls related to foreign exchange have been liberalized after economic corrections of 1991, still the export needs to follow some. To keep a watch on export income, it is compulsory for the exporter to apply to RBI and ask it to convert the foreign exchange it received in his local currency.
- The exporters provide complete details about how much foreign exchange he will obtain from importer.
- The exporter needs to submit a copy of this application to the bank or institution through which he will perform this financial transaction.

5. Obtaining letter of credit:

- To make sure that the importer is financially capable to make payment, the exporter demands a letter of credit from the importer before exporting the goods. The importer gets this from his bank.
- Sometimes, if the bank of exporter has its branch in importer's country then the exporter's bank may ask that branch to provide the letter of credit of the importer.

6. Obtaining shipping order:

- When an exporter instructs a shipping company to deliver goods to the importer the shipping company provides a copy called shipping order' to the exporter. To obtain a shipping order the exporter writes an application to the shipping company asking it to deliver the goods at a certain date. The application contains all the details of goods such as quantity, weight, sending date, cost, etc. based on the application the shipping company prepares a shipping order and gives it to the exporter.

- If the exporter wants to rent whole ship for sending the goods it is called 'charter'. The agreement between the shipping company and the exporter to rent the whole ship is called 'Charter party agreement'.

7. Payment of excise duty:

- Excise duty is levied on products manufactured in India.
- The exporter prepares a shipping bill that contains details such as name and address of importer, price of goods, quantity, weight, name of the port where goods will be boarded, name of ship and the shipping company, etc.
- Based on these details and inspection of goods if necessary the excise officer calculates the amount of duty.
- Once the exporter pays the excise duty he gets permission to bring the goods on the port.
- If a product comes under duty-free category then the exporter needs to fill a form containing public notification certifying that the goods are duty-free and submit it to the excise officer. The excise-officer than gives certificate to the exporter for exemption of duty.

8. Packing and marking of goods.

- The exporter needs to properly pack and mark the goods before shipping.
- The goods in long distance transit should be properly packed to prevent their damage in moist air of the sea. An exporter also needs to follow any specific packing instruction mentioned by the importer.
- Based on the size, weight and other factors the shipping company decides its shipping charge.
- The exporter also marks important details like name and address of importer and exporter, name of destination port, weight of goods, etc. on the goods.

9. Taking insurance of goods:

- To protect goods against the possible risks in the sea like cyclone, damage due to weather getting robbed by pirates, sinking of ship, etc. the goods must be insured.
- The exporter approaches an insurance company, pays the said premium and obtains a cover-note from the company. Based on the cover-note the insurance company then issues insurance policy to the exporter.

10. Obtaining carting order:

- Carting order is the final clearance given by the customs department to either load the goods or to transport the goods after import clearance.
- To obtain carting order the exporter needs to make an application to the port authority informing them the location from where the goods are to be exported. The exporter in this application mentions all the details of the shipping bill and also details of payment of excise.
- The exporter then pays port related expenses such as bringing the goods at the port, boarding them on the ship, etc. and obtains carting order.

11. Mate receipt:

- The chief officer of the ship or representative of the captain of the ship is called 'mate'. Mate checks whether the goods loaded on the ship are as per the shipping bill or not. If details and packing of goods are proper the captain or his representative issues 'mate-receipt' certifying that they accept the goods.
- If the captain finds that the goods are not packed properly and hence not suitable for transportation he makes a mark in the mate's receipt. Such receipt is called 'foul receipt' or 'dirty chit'. The exporter then settles the matter and obtains a 'clean chit' to export the goods.

12. Obtaining bill of lading:

- A bill of lading is a legal document between the shipper (i.e. exporter) of the goods and the carrier i.e. the transporter. If contains details like quantity of goods, destination, etc. It is issued by the carrier to the exporter.
- The exporter when produces mate receipt to the shipping company, the company provides him the insurance of the goods during transport through the document called 'Bill of Lading'.
- The bill of lading contains details like name of exporter, name of ship, fare, details of goods, price, weight, name of exporting port, terms and condition of export, etc.
- The shipping company makes three copies of bill of lading. It keeps one copy and gives the other two to the exporter. The exporter sends one copy to the importer to enable him obtain the goods.

13. Certificate of origin.

- A certificate obtained by exporter certifying that the products to be exported are wholly procured or produced or manufactured in India is called the certificate of origin.
- Various countries have made agreements to provide concession on import excise. An exporter must have certificate of origin in order to get concession under this agreement.

- The exporter can obtain this certificate from Trade' Association, Chamber of Commerce or Government.

14. Consular invoice:

- When goods reach to the importer, he needs to pay excise on the goods.
- To simplify the payment of excise some countries demand consular invoice.
- Consular invoice is a document certifying shipment of goods and shows details of exporter, importer, quantity of goods and their price, etc. calculating and collecting excise becomes easy on the basis of this invoice.
- The exporter can obtain consular invoice from the consular of importing country located in exporting country.

15. Sending documents:
The exporter sends 'Documentary bill containing important documents like invoice, insurance policy or cover-note, bill of lading, certificate of origin, consular invoice, bill of exchange, etc. to the importer's foreign exchange bank via. his foreign exchange bank.

16. Collection of money:

- The exporter advises his bank to collect money from the importer. The exporter then writes Bill of Exchange for the amount mentioned in the export invoice.
- This bill of exchange may be of the type:
  1. Document against acceptance i.e. D/A bills or
  2. Document against payment i.e. D/P bills.
- If the Bill of Exchange is a D/A bill, then the documents of title of goods are released to the drawee i.e. importer only when he accepts the D/A bill.
- If it is a D/P bill, the documents of title of goods are given to the drawee i.e. importer only when he makes full payment.
- The bank collects money on behalf of exporter as per the maturity date of the D/A bill. In case of D/P bill the bank sends the amount to the exporter.

Question 4. Describe the problems of International Trade.
Answer:
Problems of International trade:
Though international trade has several advantages and high profit, it comes with some problems too. They are:
1. Problem of currency:
Different countries have different currencies. So it becomes difficult for an exporter to complete the transaction. Moreover one needs to convert foreign currency through foreign exchange banks. For this one has to pay charges. Also, one needs to have knowledge about dealing in foreign exchange.

2. Diversity of language:

- Different countries have different languages which makes communication quite difficult. For example, while dealing with China an Indian exporter needs to know basic chines language.
- However, since English has become an internationally accepted language it has solved this problem to a large extent. Even though language becomes a problem while dealing with backward or rigid countries.

3. Problem of distance:
International trade requires transportation over a large distance. This becomes costly, time consuming and also poses communication problems.

4. Restrictions and controls:

- Every country has its own political and economic policies. A trader need to deals with such policies and situations of each country.
- Too much restrictions imposed by countries becomes barrier for international trade.

5. Risk:
International trade mainly occurs through sea which has several risks.
Bad weather, extremely humid atmosphere, etc. may damage goods at times. Moreover, a ship may sink or pirates may hijack the ship which again results in loss of goods.

6. Difference in laws:
Different countries have different trade laws. This makes international trade difficult.

7. Lack of trader's contact:
Generally, international traders do not know each other personally nor do they come in physical contact. This may result in bad debts. Moreover, in times of disputes it becomes very difficult to solve the problems.

8. Problem of common weights and measurements:
Sometimes countries follow different weights and measurements which may result in errors of understanding and other problems. For example we measure in kilogram but other countries may measure in pounds.

Question 5. State the difference between Internal and International Trade.
Answer:

Points of difference	Internal trade	International trade

Meaning	Trade occurring within the boundaries of a country is called internal trade. Example: trade between Gujarat and other states.	Trade occurring between two or more countries i.e. outside the border of a country is called foreign trade or international trade. Example: Trade between India and other countries.
Currency	Since a common currency exists in entire country trade becomes easier.	Currencies vary with countries which poses several problems.
Laws	Trade laws are similar in entire country.	Trade laws are different in different countries.
Problem of language	Language does not create much problem in trade.	Language becomes a barrier in trade especially while trading with backward and rigid countries.
Control of government	There are less government controls.	There are several government controls.
Proportion of risk	Risk is less.	Risk is very high.
Distance	Distance is short as trade occurs within country.	Distance is very large as trade may take place between countries situated anywhere in the world.
Insurance	Insurance of goods is not compulsory.	Insurance of goods is compulsory.
Payment of excise duty	Excise duty is less and also it is easy to pay.	Process of paying excise is complicated and also it is too high.
Market	Market is limited within the country.	One can extend market to whole world.