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Impact of Barriers and Remedial Measures in Foreign Trade of India

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Abstract— India performance in the global trade is enhanced after the new economic policy in 1991. Industries are started and entered in the foreign trade are encouraged by the government with the lot of schemes and initiatives for the reason of the development of the economy. But international business is still complicated one for the industries are located in developing countries like India. It is mainly concerned with the reason of the industries are sunk with the various trade and Non trade barriers are involved in the international business. This paper focus on the various types of trade and nontrade barriers is involved in the international business, remedial measures to solve the barriers in the international business.

Keywords— *International Trade, Trade barriers, Nontrade barriers, Trade Measures*

1. Introduction

International trade is to be trading goods and services from the domestic country to foreign countries. Now a day's every firms involving in the international trade is plunge their keen attention in the foreign market due to the reason of international trade becomes so competitive because of various business entry and free flow information available in the foreign market on trading goods and services of the countries. But another side of the business they cannot execute their business decision not so easy due to the reason of the various trade and non trade barriers of the business. Even though many obstacles involved in the business but international market are emerged with the unbeatable growth in the everyday business movements. India is also one of the developing countries proves that good growth in the international business.

2. Reason for Trade Barriers Exist in International Business

Trade barriers are made a hurdle in the smooth running of the business. But this trade barriers are exist in the international business for the following reasons. They are.

2.1 Protecting domestic employment opportunities

Developing countries are imposed the tariff barriers for the reason of protecting the welfare of the domestic countries labourers against unemployment. It means foreign companies are offer their goods with the low cost through using modern technology, low cost of labourers etc. while compare with the goods are available in the domestic countries foreign goods are cheap one. So companies located in the domestic countries are fire workers, replace their company to foreign countries and so on. In order to avoid this tariff barriers are imposed against the import of goods from the foreign countries.

2.2 Protecting consumers.

Sometimes government may levy a tariff on product that is to be endangered to the people consumption. For example, sometimes India banned chicken imported from the foreign countries for the reason of spreading the disease around the countries.

2.3 Infant industries

Government of the developing countries impose tariff on the goods are imported from the foreign countries. The use of tariff to ban the imported goods for substitute the import substitution industrialization strategy (ISI) develops infant industries in India.

2.4 National security

Barriers are imposed to certain industries in order protect the national security of the countries. Defence industries are engaged in the duty of protecting the welfare of the state so tariff is imposed goods imported from the foreign countries.

2.5 Inflation rate

Barriers are existed in the international trade for the purpose of controlling the higher price movement of the essential and luxuries commodities. For example India imposed higher tariff rate against the gold that is imported from the foreign countries in order to control the domestic inflation rate of the country.

3. Types of Trade Barriers

Trade barriers are referred to tax. Trade barriers are involved in the foreign trade in number of ways. They are.

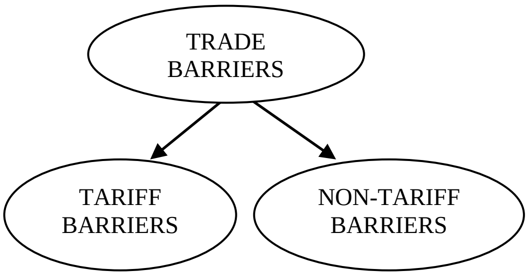

Fig.1: Types of Trade Barriers

3.1 Tariff Barriers

Tariff is a tax imposed by the local government on goods and services coming into a country. They increase the price of the good being imported. Tariffs were created by the government to protect the local business from low price competitive products.

3.1.1 Import Duties

Import duties are imposed by the government in order to protect the domestic industries and inflation rate of the countries. In recently Indian government announces the 15 percent to 25 percent for the purpose of regulate sugar prices in the domestic market, creating demand for domestic goods, and import make unviable in the international market.

3.1.2 Anti Dumping Duties

Anti dumping duties are goods are exported by the domestic country to the other country at low cost that means export price is lower than its normal value. For example if the export price of the goods Rs. 110 per kg but the normal price of the goods is Rs.100 means the dumping margin is Rs.10. But if the cheap goods are imported through illegal channel like smuggling that is not be considered as the dumping. It can be found out through the method of how much of injury to the domestic producers for the dumping of the certain goods.

3.1.3 Countervailing duties

Additional customs duty imposed indirectly on the goods are imported from the foreign countries because exporting companies are offered their goods at low cost. It is to be levied under the guidelines of the world trade organization. It is to be the necessary duty of the government to avoid the customers buying behaviour changing towards the foreign goods. Thus raising the prices of the particular goods that is the goods also competitive in the market.

3.1.4 Transit Duty

Transit duty is imposed by the trade when the trade involves with the third party of the countries. if the importer planned to reduce the tariff burden the importer are planned to import the goods in the name of another subsidy offered country with nature of semi finished goods then the packaging of the goods are done in the country after the process is over the goods is exported to the original importer countries. Sometimes this type of trade the third party country imposed the transit duty for the imported semi finished goods.

3.2 Non Tariff Barriers

Non tariff barriers are policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both.

3.2.1 Quota

Quota is the term represents restriction imposed in the quantities of the international trade. Quota is more restrictive barriers in the international trade rather than tariff barriers. If the particular essential commodities demands in the domestic countries are raised, quota system is imposed by the government in order to protect the domestic supply. So it is very serious barriers in the foreign trade and made a significant change in the foreign exchange fluctuations. Quota to be named in to two types that are tariff Quota, import Quota. First tariff quota permit the trade import of certain quantity of commodities duty free or at lower rates while quantities exceeding the particular quota limit means high duty rate. Import quotas restrict import absolutely.

3.2.2 Export Licensing

Export license is grant permission by the appropriate licensing agency to certain important commodities after the strict review of the various events of particular export transaction. It is mainly related to the defense goods and made a evils of the goods after usage and so on. It is not a voluntary activity of the agency to issue this license to export the goods but it is the responsibility of the exporter to find out the particular federal agency and obtain the license in order to export the goods. In the developed countries the Bureau of Industry and Security (BIS) is responsible for regulating the export of most important commercial items, sometimes Dual use goods which means usage for commercial and military purpose of the goods. It is an important to obtain this license. Generally dual use license are obtained goods are involving short supply, technical characteristics, biological weapons and so on.

3.2.3 Customs Regulations

Goods exported from any destination of domestic country to foreign countries that it is to be passing on the various processes of the customs regulations. It is to be difficult to the new business because they are unfamiliar with the formalities. Simultaneously customs department officials also delay in checking and given the clearance to the exporting company it will lead to cannot meet out the delivery in a time.

3.2.4 Foreign Exchange Restriction

Foreign exchange refers to one currency in terms of another currency. It can be quoted in the two forms that is direct and indirect quotation. Importer need the foreign currency for the payment of the exported goods so the importer always expect stronger the position of their domestic currency in the opposite side exporter expect weaker position of their domestic currency this expectation sometimes to be the restrictive one in the international trade. In addition with that fixed exchange rate system, pegged exchange rate system, banned the foreign currency possessing and exchanging inside the currency, restriction on the amount of currency exported and imported and so on.

3.2.5 Technical Barriers

Technical barrier is something related with the application environmental friendly activity in the production of the goods. In the recent trends technological advancement and various types of pollution, people consumption are degraded our environment in order to improve the environment for the sustainability countries are restrict the import of the goods that is adopted the technology of environmentally friendly activities in the production process.

3.2.6 Health and safety regulation

Health and safety regulation is applied only in the goods that is used for the human consumption that means seafood, Basmathi rice, and meat etc, These goods are get approval from the Export Inspection Council before export their goods into the outside of the countries. By the way of getting approval from the authorities to be produce the lot of documentation requirement is the barriers for the exporting firm.

3.2.7 Economic and political wars

It is one of the serious problems in the international trade. It means economic and political problems raised in the importer countries while the goods are to be in the transit condition. It is an unexpected event in the international trade. It can be prevented only through the agreement between the trading countries.

3.2.8 Prior Import Deposits

Import deposits is a form of deposit, which the importer must pay the bank for a definite period of time non-interest bearing deposit in an amount equal to all or part of the cost

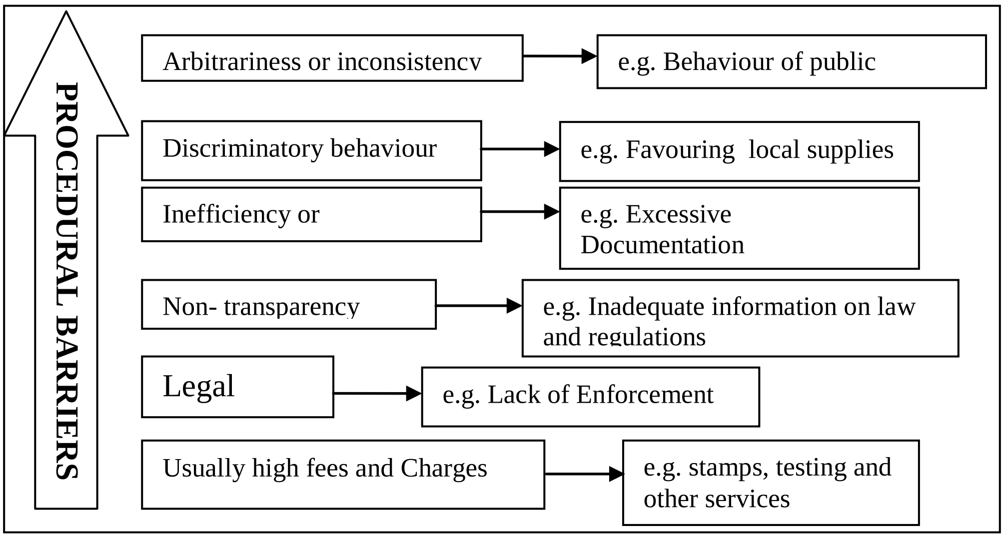

Fig.2: Procedural Barriers
Source: UNCTAD (United Nations Conference on Trade and Development)

of imported goods. It is determined by mode fair and equitable, national, most-favored-nation, order of nationalization and compensation, transfer profits and capital repatriation and dispute resolution.

3.2.9 Procedural barriers

Procedural barriers are prevails in the market for save the existing competitors and entry of the new competitors in the market.

4. Measures to Reduce Barriers

International trade barriers are made a vulnerable effect in the business are carried out in the international manner but it can be resolved with the setup of various organization. They are.

4.1 General Agreement on Tariff and Trade (GATT)

GATT agreement was signed by 23 nations in 1947 in order to strengthen their economy form the economic depression caused by World War II. The main objective of this agreement was to reduce the trade barriers and regulating the smooth trading between the countries.

4.2 World Trade Organization (WTO)

GATT was replaced by WTO in the year 1995 with the purpose of to establish the forum between the 150 countries to solve the trade disputes, reduce trade barriers, encourage global commerce and take action against the rules violating countries.

4.3 Trade Agreements

Trade agreement is the agreement is created among the group of countries for the free trade of between the countries for eg. NAFTA, and so on. This agreement is followed by the group of countries for solve their trade barriers.

5. Conclusion

The conceptual study concluded that barriers in the trade are raised in the form of trade and non trade methods this method make a significant impact in the international trade but it can be eliminated with the adopting the agreements between the countries and so on. While arising the barriers in the trade simultaneously the solutions are also available for solving the issues but in the implementation process and many of the parties involved in the international trade also no to get the awareness about the barriers solving mechanism prevails in the market. So effective measures are to be taken by the international organizations in order to make the international trade are barriers free.

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