

Module 1
Introduction of the Programme
Overall Coverage and Assessing Export Readiness

Objectives

- What is meant by exports?
- Legal definition
- Why to export? Who can export?
- Inner Qualities required for success in exports.
- Contents of the Programme
- Overall understanding of the system for exports
- How to assess your export readiness?

Introduction

Exports are the goods and services produced in one country and purchased by residents of another country. It doesn't matter what the good or service is. It doesn't matter how it is sent. It can be shipped, sent by email, or carried in personal luggage on a plane. If it is produced domestically and sold to someone in a foreign country, it is an export. Exports are one component of international trade. The other component is imports. They are the goods and services bought by a country's residents that are produced in a foreign country. Combined, they make up a country's trade balance. When the country exports more than it imports, it has a trade surplus. When it imports more than it exports, it has a trade deficit.

In very simple terms, export may be defined as the selling of goods to a foreign country. However, As per Section 2 (e) of the India Foreign Trade (Development & Regulations) Act (1992), the term export may be defined as ‘an act of taking out of India any goods by land, sea or air and with proper transaction of money’.

Exports and Imports shall be ‘Free’ except when regulated by way of ‘prohibition’, ‘restriction’ or ‘exclusive trading through State Trading Enterprises (STEs)’ as laid down in Indian Trade Classification (Harmonized System) [ITC (HS)] of Exports and Imports. The list of ‘Prohibited’, ‘Restricted’, and STE items can be viewed by clicking on ‘Downloads’ at <http://dgft.gov.in>

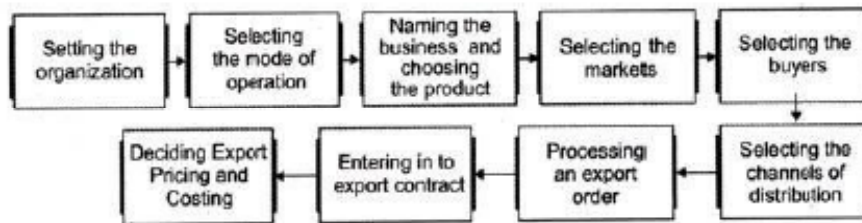
Three Ways Countries Boost Exports

Countries use trade protectionism to give their industries an advantage. This usually consists of tariffs that raise the prices of imports. They also provide subsidies on their own industries to lower prices. But once they start doing this, other countries retaliate with the same measures. These trade wars lower international commerce for everyone. The World Trade Organization tried to negotiate a multilateral agreement between its 149 members. The so-called Doha agreement almost succeeded. But the European Union and the United States refused to eliminate their farm subsidies.

Countries also increase exports by negotiating trade agreements. They boost exports by reducing trade protectionism. Most countries relied on bilateral agreements or regional trade agreements for years. But in 2015, the Obama administration negotiated the Trans-Pacific Partnership. In 2017, the Trump administration dropped out. But the other countries completed the agreement without the United States.

The third way countries boost exports is to lower the value of their currencies. This makes their export prices comparatively lower in the receiving country. Central banks do this by lowering interest rates. A government can also print more currency or buy up foreign currency to make its value higher. Countries that try to compete by devaluing their currencies are accused of being in currency wars.

Steps for starting an export business



Why export

- The first and the primary reason for export are to earn foreign exchange. Secondly, companies that export their goods are believed to be more reliable than their counterpart domestic companies assuming that exporting company has survived the test in meeting international standards.
- Thirdly, free exchange of ideas and cultural knowledge opens up immense business and trade opportunities for a company.
- Fourthly, as one starts visiting customers to sell one's goods, he has an opportunity to start exploring for newer customers, state-of-the-art machines and vendors in foreign lands.
- Fifthly, by exporting goods, an exporter also becomes safe from offset lack of demand for seasonal products.
- Lastly, international trade keeps an exporter more competitive and less vulnerable to the market as the exporter may have a business boom in one area while simultaneously witnessing a bust in a different area.

Planning for Export

The organization should plan well before exporting as to what product to be exported, where to be exported etc. The organization should also evaluate the export potential of a company. The main objective of a typical export plan should be to identify:

- The objectives of exporting
- Lists of activities to undertake to achieve those objectives
- Mechanism for review and
- Activities to help focus on goals

Institution Framework

Tier Level	Bodies	Responsibilities
Tier I	Department of Commerce	Framing of Trade Policy Coordinating discussions between industry and Government for bringing in required changes
Tier II	Advisory Bodies	Assist the Export effort of specific product group
Tier III	Commodity Organizations	Facilitate and assist exporters to expand markets
Tier IV	Service Organizations	Handle export import of specific commodity
Tier V	Government Trading Organizations	Facilitate export promotion from the States
Tier VI	State Export Promotion Agencies	

Institutional Setup

Institutions involved in export promotion efforts can be put into six different categories. Ministry of Commerce is included at the top level. It is the main organization involved in the formulation of and guidance for India's trade policy.

Second level institutions include advisory bodies which ensure that they deal with the export problems with the help of mutual discussions between the government and the industry in a very comprehensive manner.

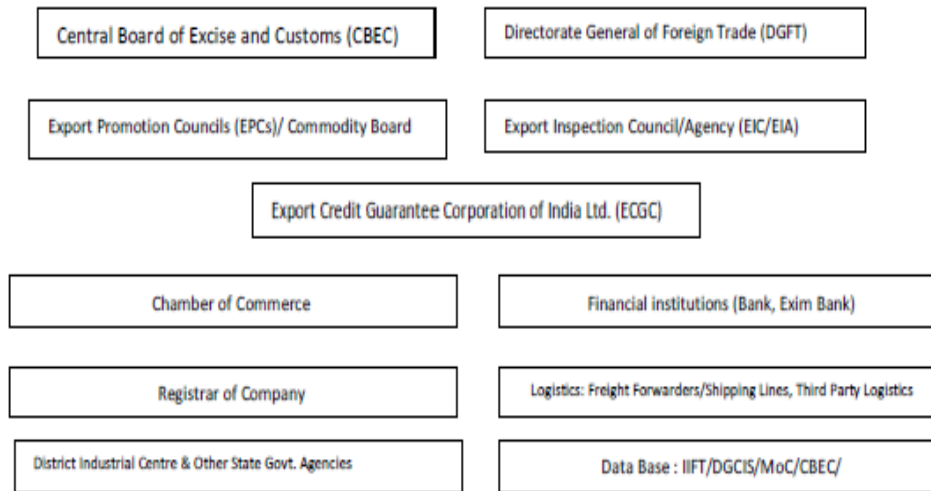
The third level institutions include commodity specific organizations dealing with the problems related to individual commodities and different groups of commodities.

Institutions at the fourth level belong to the category of service institutions which help and provide full support to exporters to expand their business operations and also expand their effective reach to the world markets.

Government trading organizations especially set up to handle export-import of identified commodities get incorporated into the fifth tier. They supplement the efforts of various private enterprises in the field of export promotion and import management.

Sixth tier institutions cover agencies of export promotion at the state level.

Institutions/Agency Management



Entrepreneurship

Entrepreneurship is the foundation of a new model of development for growing countries. The sustained interest in entrepreneurship is more than just a fad and accurately reflects an “emerging economic environment created by the confluence of changes in the corporate world, new technology, and emerging world markets”. There is a growing volume of research that acknowledges the importance of entrepreneurship education and training as a source for increasing start-up intentions, survival rates and growth.

Characteristics and traits for working profile of entrepreneurs

Self-Confidence

Task result-oriented

Leadership

Originality

Future oriented

Differences between Entrepreneurs and Intrapreneurs

Entrepreneur and intrapreneur share similar qualities like conviction, creativity, zeal and insight, the two are used interchangeably. However, the two are different, as an **entrepreneur** is a person who takes a considerable amount of risk to own and operate the business, with an aim of earning returns and rewards, from that business. On the contrary, an **intrapreneur** is an employee of the organization who is paid remuneration according to the success of the business unit, for which he/she is hired or responsible.

World Trade Scenario: Trends in India's Foreign Trade

In the last forecast made by IMF, in its World Economic Outlook (WEO) Update, October 2016, the growth projection for India is 7.6 per cent for both the years 2016 and 2017. The world output growth is projected at 3.1 per cent and 3.4 per cent for 2016 and 2017 respectively. While the advanced economies are expected to grow at 1.6 per cent and 1.8 per cent in 2016 and 2017 respectively, growth of emerging and developing economies is projected at 4.2 per cent and 4.6 per cent for 2016 and 2017 respectively. The growth in world trade volume has decreased in 2015 to 2.6 per cent from 3.8 per cent in 2014, it is expected to further deteriorate to 2.3 per cent in 2016 and recover to 3.8 per cent in 2017.

World Economic Growth Estimates for 2015-18 (Annual percentage change)

	UN			IMF			World Bank			
	2015a	2016b	2017b	2015	2016	2017	2015	2016a	2017f	2018f
World	2.4	2.4	2.8	3.2	3.1	3.4	2.7	2.3	2.7	2.9
Developed economies/Advanced Economies/High Income	1.9	1.8	1.9	2.1	1.6	1.8	2.1	1.6	1.8	1.8
Euro Area	1.9	1.9	2	2	1.7	1.5	2.0	1.6	1.5	1.4
US	2.4	2.2	2.5	2.6	1.6	2.2	2.6	1.6	2.2*	2.1*
Japan	0.5	0.5	0.5	0.5	0.5	0.6	1.2	1.0	0.9	0.8
Developing Countries/EMDEs	3.8	3.8	4.4	4	4.2	4.6	3.5	3.4	4.2	4.6
Latin America and Caribbean (LAC)	-0.6	-0.6	1.5	0	-0.6	1.6	-0.6	-1.4	1.2	2.3
Brazil	-3.8	-3.4	0.2	-3.8	-3.3	0.5	-3.6	-3.4	0.5	1.8
Russia	3.8	3.8	4.4	-3.7	-0.8	1.1	-3.7	-0.6	1.5	1.7
India	7.3	7.3	7.5	7.6	7.6	7.6	7.5	7.0*	7.5	7.8
China	6.9	6.4	6.5	6.9	6.6	6.2	6.9	6.7	6.5	6.3

Direction of Exports

There has been significant market diversification in India's exports. Region-wise, while India's exports to Europe and America have declined, its exports to Asia and Africa have increased. India is better placed in the diversification of export destinations in 2015 as concentration of exports to its top ten export destinations is 50.6% as compared to top ten leading export countries of World like Hong Kong (81.2%), Japan (70.6%), Netherlands (68.0%), Republic of Korea (66.8%), UK (64.5%), USA (63.6%), Germany (59.8%), China (59.1%), France (60.0%) and Italy (57.3%).

Exporter's Questionnaire

For a proper export planning following questions need to answered :

- Which products are selected for export development?
- What modifications, if any, must be made to adapt them for overseas markets?
- Which countries are targeted sales development?
- In each country, what is the basic customer profile ?
- What marketing and distribution channels should be used to reach customers?
- What special challenges pertain to each market (competition, cultural differences, import controls, etc.), and what strategy will be used to address them?
- How will the product's export sale price be determined?
- What specific operational steps must be taken and when?
- What will be the time frame for implementing each element of the plan?
- What personnel and company resources will be dedicated to exporting?
- What will be the cost in time and money for each element?
- How will results be evaluated and used to modify the plan?