INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Logistics Management

PAPER 7
Legal Aspects and Import / Export Procedure

Date: 10.06.2009 Max. Marks 100
Time: 2.00pm To 5.00pm Duration 3 Hrs

Note:

1. Part A contains 4 main questions (with 8 sub questions). Each question carries 1 mark.
2. Part B – Answer any 3 questions out of 5 questions. Each question carries 16 marks.
3. Part C is compulsory and it is a case study. It carries 20 marks.

Part A

Q.1. Select most appropriate answer from the options given: 8 Marks

A. An important insight of international trade theory is that when countries exchange goods and services one with the other it
1. is always beneficial to both countries.
2. is usually beneficial to both countries.
3. is typically beneficial only to the low wage trade partner country .
4. is typically harmful to the technologically lagging country.
5. tends to create unemployment in both countries.

B. Benefits of international trade are limited to
1. tangible goods.
2. intangible goods.
3. all goods but not services.
4. services.
5. None of the above.

C. A primary reason why nations conduct international trade is because of differences in
1. historical perspective.
2. location.
3. resource availabilities.
4. tastes.
5. incomes

D. International trade forces domestic firms to become more competitive in terms of
1. the introduction of new products.
2. product design and quality.
3. product reliability.
4. product price.
5. All of the above.

E The movement to free international trade is most likely to generate short-term unemployment in which industries?
1. Industries producing non-tradable goods
2. Import-competing industries
3. Export industries
4. Import sectors
5. None of the above.

F Increased foreign competition tends to
1. increase profits of domestic import-competing industries.
2. place constraints on the wages of domestic workers.
3. induce falling output per worker for domestic workers.
4. intensity inflationary pressures at home
5. None of the above

G International trade in goods and services tends to
1. increase all domestic costs and prices.
2. keep all domestic costs and prices at the same level.
3. lessen the amount of competition facing home manufactures.
4. increase the amount of competition facing home manufacturers.
5. None of the above

H A country engaging in trade according to the principles of comparative advantage gains from trade because it
1. is producing exports indirectly more efficiently than it could alternatively.
2. is producing imports indirectly more efficiently than it could domestically.
3. is producing exports using fewer labor units.
4. is producing imports indirectly using fewer labor units.
5. None of the above.

I. Given the following information:

	Unit Labor Requirements	
	Cloth	Widgets
Home	10	20
Foreign	60	30

1. Neither country has a comparative advantage.
2. Home has a comparative advantage in cloth.
3. Foreign has a comparative advantage in cloth.
4. Home has a comparative advantage in widgets.
5. Home has a comparative advantage in both products.

Q.2. State whether the following statements are True or False

1. The benefits of international trade accrue in the forms of lower domestic prices, development of more efficient methods and new products, and a greater range of consumption choices.
2. In an open trading system, a country will import those commodities that it produces at relatively low cost while exporting commodities that can be produced at relatively high cost.
3. Although free trade provides benefits for consumers, it is often argued that import protection should be provided to domestic producers of strategic goods and materials vital to the nation's security.
4. In the long run, competitiveness depends on an industry's natural resources, its stock of machinery and equipment, and the skill of its workers in creating goods that people want to buy.
5. Increased foreign competition tends to increase profits of domestic import-competing companies.
6. The principle of comparative advantage contends that a nation should specialize in and export the good in which its absolute advantage is smallest or its absolute disadvantage is greatest.

7. Assume that the United States is more efficient than the United Kingdom in the production of all goods. Mutually beneficial trade is possible according to the principle of absolute advantage, but is impossible according to the principle of comparative advantage.
8. Ricardo's theory of comparative advantage was of limited relevance to the real world since it assumed that labor was only one of several factors of production.

Q.3. Match the following:

a). IEC Number	1). bears cross reference of the shipping bill number.
b). GSP Certificate	2). is prescribed by RBI to regulate exports transactions
c). EPC	3). is issued by the DGFT
d). PP Form	4). has no expiry date
e). Proforma Invoice	5). provides information and assistance to member exporters
f). Certificate of Origin	6). is prepared by exporter and sent to the importer
g). ARE 1	7). is issued by the Chamber of Commerce
h). SDF	8). is an application for removal of excisable goods from the factory premises for export purposes.

Q.4. Explain the following in not more than 50 words:

i. Revocable Letter of Credit
ii. Deferred Payment Credit
iii. Negotiation Credit
iv. Sight Credit
v. Revolving Credit
vi. Transit Credit
vii. Reimbursement Credit
viii. Transferable Credit

PART- B

Solve any three questions. Each question carries 16 marks.

Q.5. Enumerate the major documents required for exporting goods under CIF contract. Discuss the features of Commercial Invoice and Bill of lading.

Q.6. What do you understand by post-shiprnent finance? Explain various types of post-shipment finance available to Indian exporters.

Q.7. Why is customs clearance of export cargo required? Explain the procedures of customs clearance of export cargo along with the documentation formalities

Q.8. What are the basic principles of ECGC operation? Explain the procedure of filing claim from ECGC along with the documentation formalities.

Q9. Explain various technical and specialised services assistance available to Indian exporters. Do you think that they help in facilitating exports from India? Discuss.

Part C – Compulsory

A Miracle Gone Wrong

Until 1997, the original east Asian 'tiger economies' of South Korea, Taiwan, Singapore and Hong Kong, and younger tigers, such as Malaysia, Thailand and Indonesia, were seen as models to be copied by poorer developing countries. Their export orientation, their openness to inward investment, their apparently 'market-friendly' policies, their fiscally prudent governments with low taxes and low government expenditure, combined with 'Asian values' of hard work and respect for authority, were given as the reasons for their rapid rates of economic growth, averaging more than 5 percent per capita for over two decades. Talk was of an 'Asian' or 'Pacific Century' ahead, when the region's economies would overtake those of Europe and North America.

Then, in 1997, it all changed, and by 1998 the tiger economies were facing crisis. Gripped by currency and stock-market speculation, and by banking and company insolvency, economic growth had turned into a major recession. The miracle seemed to be over.

Although the public sector has been relatively small, governments have nevertheless intervened substantially through taxes, subsidies and licences. Many businesses have close links with governments and rely on them for government contracts. In some countries, such as Indonesia before the fall of President Suharto in 1998, the ruling families have owned large portions of their country's business, often through a network of subsidiary firms and cross shareholdings. Governments have often given tax relief to favoured firms, or have directed banks to lend to them, or have readily granted them licences. Other, less favoured firms have faced red tape and legal hurdles in trying to expand.

Many of the countries have had too little banking regulation and supervision, too little transparency in business accounting and business practices, and too little accountability to shareholders. Many of these economies have suffered from inflexible capital and labour markets. Failing firms are often bailed out by governments. This may then encourage them to continue with inefficient practices or with risky projects, knowing that the government will always step in if they get into trouble.

The countries with the least distortions fared best in the Asian crisis. Thus Singapore and Taiwan, which are open and relatively flexible, experienced only a slowdown, rather than a recession. But if the overall policy of secondary export-led growth was correct, the means of achieving it are much more controversial. Nevertheless, an open trade policy, backed by effective supervision of the financial sector and combined with transparency in corporate affairs, is more likely to be effective than a policy of directing government finance or licences towards favoured companies, especially if such companies supply favours to the government.

Questions

Q10. a). Would the use of import controls help or hinder a policy of export-orientated industrialisation? Explain.

b). What are the arguments for and against attempting to manage the exchange rate of a secondary-outward-looking economy?