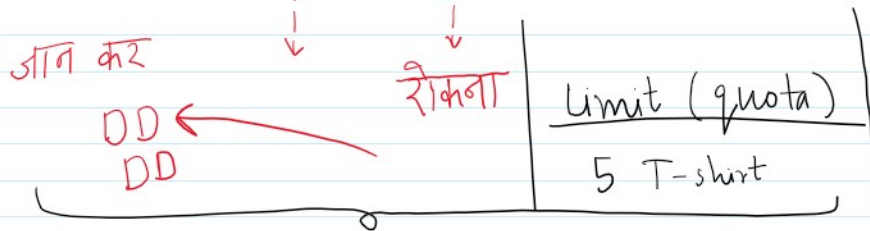




(iv) **Voluntary Export Restraints** - VER is a type of informal quota administered by exporting country voluntarily **restraining the quantity of goods** that can be exported out of the country during a specified period of time.

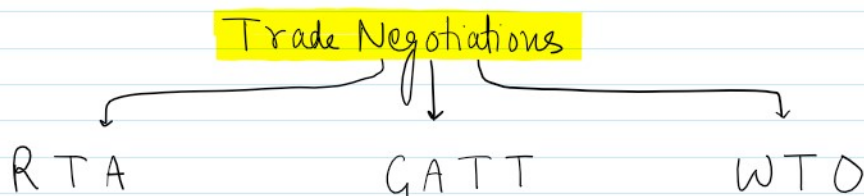


* Recent developments

- Free Trade Agreement with **Mauntius** on **1 April 2021**
- 18 Feb 2022 : Comprehensive economic partnership Agreement (**CEPA**) with UAE
- Economic Cooperation & Trade Agreement (**ECTA**) with **Australia** on 2nd April 2022

x ————— x ————— x ————— x ————— x

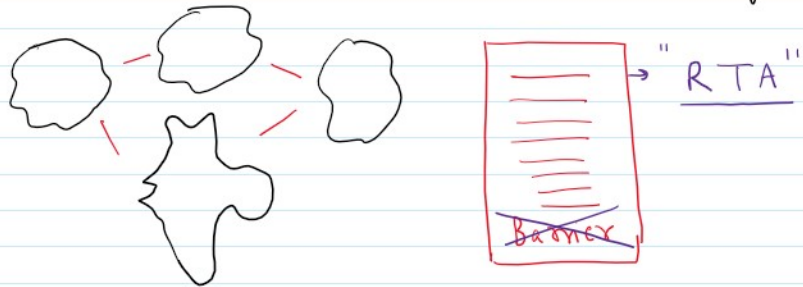
Unit 3



1. Regional Trade Agreements (RTA)

→ RTAs are defined as **grouping of countries** which are formed with the objective of **reducing barriers to trade** between member countries.

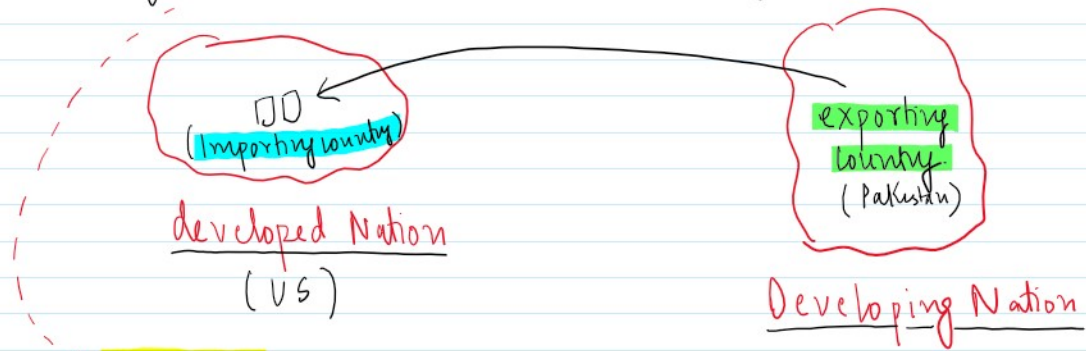
{ As on 1st Feb 2021, **339** RTAs were in force }



→ Types of RTA

① **Unilateral Trade Agreements** - Under this an importing country offers "trade incentives" in order to encourage the exporting country (eg Generalised System of Preferences)

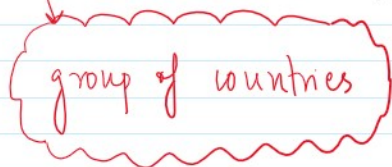
"ONEWAY"



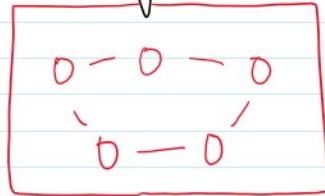
GSP - it promotes economic development by eliminating duties on various products.

② **Bilateral Agreements** - agreements that set rules of trade between two countries, two blocs or a bloc and a country (eg :- ASEAN-India Free Trade Area)

Two way

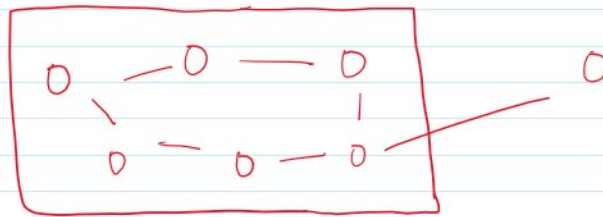


- ③ **Regional Preferential Trade Agreements** - Agreements among a group of countries to reduce trade barriers on a **reciprocal + preferential basis** only for the members of group [eg **GSTP**]



Global System of Trade Preferences

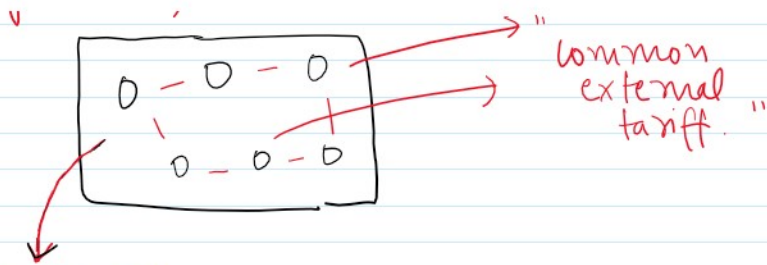
- ④ **Trading Bloc** - group of countries that have "free trade agreement" between themselves and may apply a common **external tariff** to other countries. Eg - Arab League (AL), European Free Trade Association (EFTA)



- ⑤ **Free trade Area** - It is a group of countries that **eliminate all tariff + quota barriers** on trade with objective of increasing exchange of goods among themselves. (eg - ASEAN - India Free Trade area)

- ⑥ **A customs union** is a group of countries that **eliminate all tariffs** on trade among themselves, but maintain a common external tariff on trade with other countries. (It is technically violation of MFN)





⑦ **Common Market** - A common market deepens a custom union by providing for free flow of output and of factors of production by reducing or eliminating internal tariffs and by creating common external tariff. (eg EU, ASEAN)

⑧ **Economic & Monetary Union** - Free transit of goods & services through the borders. (eg EU)
 ↓
 "Single currency"

2. General Agreements on Tariff & Trade (GATT)

- GATT covers international trade in **goods**.
- The workings of GATT agreements are the responsibility of the Council for Trade in Goods (**Goods Council**).
- The Goods Council has **10 committees**. These committees consist of all member countries.
- The GATT lost its relevance by 1980s because
 - a) **Intellectual property rights** & trade in **services** were not covered
 - b) **Ambiguities** in multilateral system.

Confusion

{ 1-20 Room 1 }
 { 15-31 Room 2 } →

GOODS & Trade ↗

1-20 Room 1
15-31 Room 2 } GOODS 411 Trade ✓

- c) World merchandise trade increased a lot and it was beyond the scope of GATT
- d) Efforts at liberalizing agriculture were not successful 😞
- e) Inadequacies in "dispute settlement system"
- f) It was "NOT a treaty"

* URUGUAY ROUND

- Uruguay round brought about the biggest reform of the world's trading system. Members established 15 groups to work on limiting restrictions.
- The Round started in Punta del Este in Uruguay in September 1986. In December 1993, the Uruguay round (8th) was the most ambitious & largest ever round with 123 countries participated, was completed.
- The agreement was signed by most countries on 15 April, 1994 and with effect from 1 July 1995 marked the birth of "WTO".

3. World Trade Organisation (WTO)

- Six key objectives :-
 - (i) to set and enforce rules for international trade
 - (ii) to provide forum for negotiations

||
(i) to provide ^व forum for negotiations

(ii) to resolve disputes

(iii) to increase transparency

(iv) to involve in global economic management

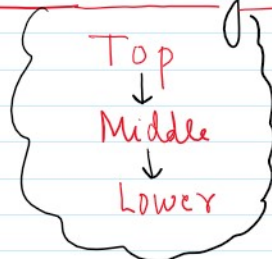
'international आर्थिक Management'

(v) to help developing nations

→ Structure of WTO

WTO activities are supported by a Secretariat located in GENEVA by Director General.

It has three tier system of decision making

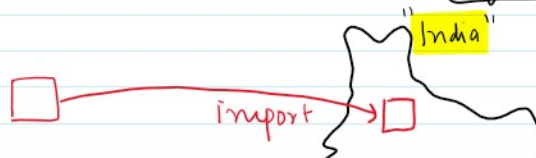


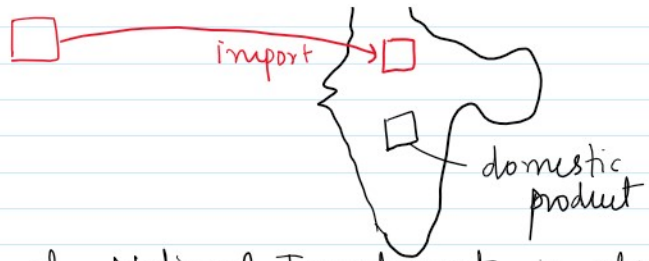
WTO accounts for almost 95% of world trades and currently having 164 member countries (of which 117 are developing countries)

→ "Guiding Principle of WTO"

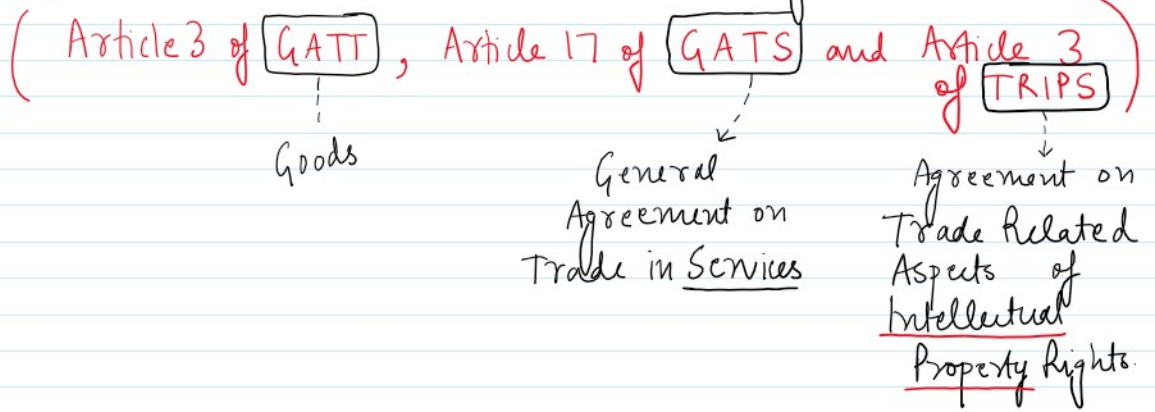
① Most Favoured Nation (MFN) - treating other people equally.

② National Treatment - Treating foreigners and locals equally.





This principle of National Treatment is also found in all three main WTO agreements

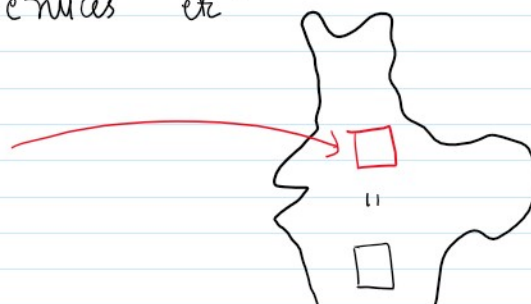


- ③ **Free Trade** - WTO allows **progressive liberalisation**

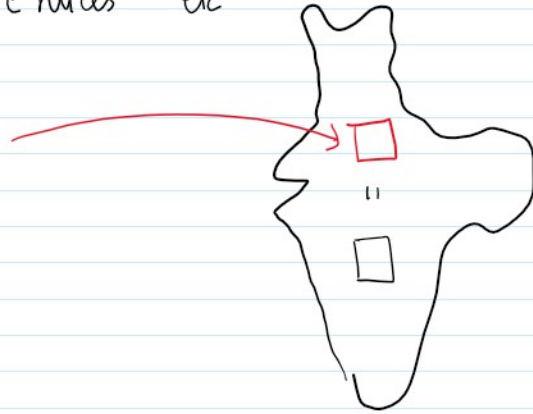
एक-एक बाधक हटाने हैं

- ④ **Predictability** - In WTO, when countries agree to open their markets for goods or services, they "**bind**" their commitments. Countries should make trade rules as **clear** as possible (transparent)

- ⑤ **Promoting fair competition** - WTO promotes fair competition in agriculture, intellectual property, services etc



property, services etc



⑥ Encouraging development & economic reform

- Developed countries have started to allow duty free & quota free imports for almost all products from least developed countries.



→ WTO Agreements :-

- Agreement on Agriculture
- Agreement on Application of SPS measures
- Agreement on Textiles & Clothing replaced the Multi-fibre Agreement (MFA) since 1974
- Agreements on TBT (Technical Barriers to Trade)
- Agreements on TRIMs (Trade Related Investment Measures)
- Agreements relating Anti-Dumping
- Custom valuation agreements
- Agreements relating to Pre-shipment Inspection (PSI)
- Agreements on rules of origin

- Agreements on rules of origin
- Agreements on Import licensing procedure
- Agreements on Subsidies and countervailing measures
- GATS and TRIPS
- Trade Policy Review Mechanism (TPRM)
- Plurilateral Agreements
 - It involves several countries with common interest but do not involve all WTO countries

* DOHA Round (9th)

- Qatar in November 2001
- Talks about negotiations including 20 areas of trade
- Most controversial topic was "agriculture trade"

* G20

- "Group of 20" is the premier forum for international economic cooperation. India holds the Presidency of G20 from 1 Dec 2022 to 30 Nov. 2023

- G20 was founded in 1999 after the Asian financial crisis
- Since beginning of COVID-19, trade related measures were implemented by G20 and 61% measures were "trade facilitating".

61% measures were "trade facilitating"
(39% " " "trade restrictive").

By October 2022, 77% of export restrictions
has been repealed
→ खत्म कर दी

CH 9
Unit 4

Exchange Rates and its Economic effects

① INTRODUCTION

- A foreign currency transaction that is denominated in or requires settlement in foreign exchange
- Exchange Rate is the rate at which the currency of one country is exchanged for the currency of another country.

e.g.

$$1 \$ = ₹ 80$$

$$1 \text{ pen} = ₹ 10$$

$$1 \text{ pizza} = ₹ 100$$

- A direct quote (European Currency Quotation) is the number of units of local currency exchangeable for one unit of foreign currency

$$₹ 80 / \$ \quad \Rightarrow \quad 1 \$ = ₹ 80$$

- An indirect quote (American Currency Quotation) is the number of units of foreign currency exchangeable for one unit of local currency

$$\$ 0.0125 / ₹ \quad \Rightarrow \quad 1 ₹ = 0.0125 \$$$

② Exchange Rate Regimes (3 Regimes)

(i) Free - Floating exchange Rate System

→ Rate determined by market forces of