INTERNATIONAL BUSINESS

MULTIPLE CHOICE QUESTIONS

1. In which of the following modes of entry, does the domestic manufacturer give the right to use intellectual property such as patent and trademark to a manufacturer in a foreign country for a fee

(a) Licensing

(b) Contracted

(c) Joint venture

(d) None of these

2. Outsourcing a part of or entire production and concentrating on marketing operations in international business is known as

(a) Licensing

(b) Franchising

(c) Contract manufacturing

(d) Joint venture

3. When two or more firms come together to create a new business entity that is legally separate and distinct from its parents is known as

(a) Contract manufacturing

(b) Franchising

(c) Joint ventures

(d) Licensing

4. Which of the following is not an advantage of exporting ?

(a) Easier way to enter into international markets

(b) Comparatively lower risks

(c) Limited presence in foreign markets

(d) Less investment requirements

5. Which one of the following modes of entry requires higher level of risks?

(a) Licensing

(b) Franchising

(c) Contract manufacturing

(d) Joint venture

6. Which one of the following modes of entry permits greatest degree of control over overseas operations?

(a) Licensing / franchising

(b) Wholly owned subsidiary

(c) Contract manufacturing

(d) Joint venture

7. Which one of the following modes of entry brings the firm closer to international markets?

(a) Licensing

(b) Franchising

(c) Contract manufacturing

(d) Joint venture

8. Which one of the following is not amongst India's major export item?

(a) Textiles and garments

(b) Franchising

(c) Oil and petroleum products

(d) Basmati rice

9. Which one of the following is not amongst India's major import items?

(a) Ayurvedic medicines

(b) oil and petroleum products

(c) Pearls and precious stones

(d) Machinery

10. Which one of the following is not amongst India's major trading partner?

(a) USA

(b) UK

(c) Germany

(d) New Zealand

11. Which of the following document are not required for obtaining an export license?

(a) IEC number

(b) Letter of credit

(c) Registration cum membership certificate

(d) Bank account number

12. Which of the following documents is not required in connection with an import transaction?

(a) Bill of lading

(b) Shipping bill

(c) Certificate of origin

(d) Shipment advice

13. Which of the following do not form part of duty drawback scheme?

(a) Refund of excise duties

(b) Refund of custom duties

(c) Refund of export duties

(d) Refund of income dock charges at the port of shipment

14. Which of the following documents is not a document related to the fulfill the customs formalities?

(a) Shipping bill

(b) Export licence

(c) Letter of insurance

(d) Proforma invoice

15. Which one of the following is not a part of export documents?

(a) Commercial invoice

(b) Certificate of origin

(c) Bill of entry

(d) Mate's receipt

16. A receipt issued by the commanding officer of the ship when the cargo is loaded on the ship is known as

(a) Shipping receipt

(b) Mate receipt

(c) Cargo receipt

(d) Charter receipt

17. Which of the following document is prepared by the exporter and includes details of the cargo in terms of the shippers name, the number of packages, the shipping bill, port of destination, name of the vehicle carrying the cargo?

(a) Shipping bill

(b) Packaging list

(c) Mate's receipt

(d) Bill of exchange

18. The document containing the guarantee of a bank to honour drafts drawn on it by an exporter is

(a) Letter of hypothetication

(b) Letter of credit

(c) Bill of lading

(d) Bill of exchange

19. Which of the following does not belong to the World Bank group?

(a) IBRD

(b) IDA

(c) MIGA

(d) IMF

20. TRIP is one of the WTO agreements that deal with

(a) Trade in agriculture

(b) Trade in services

(c) Trade related investment measures

(d) None of these

Answers

1. (a)	**2.** (c)	**3.** (c)	**4.** (c)	**5.** (d)	**6.** (b)	**7.** (c)
8. (b)	**9.** (a)	**10.** (d)	**11.** (b)	12. (b)	13. (d)	14. (b)
15. (c)	16. (b)	17. (a)	**18.** (b)	19. (d)	**20.** (d)	

SHORT ANSWER QUESTIONS

1. Differentiate between international trade and international business.

Answer :-

International trade	International business

International trade refers to the exchange of goods and services across the international boundaries of countries.	International business not only includes movement of capital, of goods and services, but also of capital, personnel, technology and intellectual property like patents, trademarks, know-how and copyrights.
International trade means movements of goods only.	Business transaction that takes place between two or more countries is known as international business.
International trade is a narrow term.	International business is much broader than international trade.

2. Discuss any three advantages of international business.

Answer :- Three advantages of international business are:

→ **Earning of foreign exchange :** International business helps a country to earn foreign exchange which it can later use for meeting its imports of capital goods, technology, petroleum products and fertilisers, pharmaceutical products and a host of other consumer products which otherwise might not be available domestically.

→ **More efficient use of resources :** International business allows a country to produce what a country can produce more efficiently and trade the surplus production so generated with other countries to procure what they can produce more efficiently.

→ **Improving growth prospects and employment potentials :** International business encourages many countries, especially the developing ones to produce on a larger scale which not only helps in improving their growth prospects, but also created opportunities for employment of people living in these countries.

3. What is the major reason underlying trade between nations?

Answer :- The major reason underlying trade between nations are :

→ Unequal distribution of natural resources among different nations.

→ Availability of various factors of production such as labour, capital and raw materials that are required for producing different goods and services differ among nations.

→ Labour productivity and production costs differ among nations due to various socio-economic, geographical and political reasons.

4. Discuss as to why nations trade.

Answer :- The nations cannot produce equally well or cheaply all that they need because of the unequal distribution of natural resources and various other factors such as labour productivity and production costs. Therefore, some countries are in an advantageous position in producing select goods and services which other countries cannot produce that effectively and efficiently, and vice-versa and procuring the rest through trade with other countries which the other countries can produce at lower costs.

5. Enumerate limitations of contract manufacturing.

Answer :- The limitations of contract manufacturing are :

→ Local firms might not adhere to production design and quality standards, thus causing serious product quality problems to the international firm.

→ Local manufacturer in the foreign country loses his control over the manufacturing process because goods are produced strictly as per the terms and specifications of the contract.

→ The profitability of local firm producing under contract manufacturing is low as it is not free to sell the contracted output as per its will. It has to sell the goods to the international company at prices agreed upon under the contract which may be lower than the open market prices.

6. Why is it said that licensing is an easier way to expand globally?

Answer :- Licensing is an easier way to expand globally because :

→ Under the licensing system, it is the licensor who sets up the business unit and invests his/her own money in the business and the licensor has to virtually make no investments abroad. Therefore, it is considered a less expensive mode of entering into international business.

→ Licensor is paid by the licensee by way of fees fixed in advance as a percentage of production or sales turnover and licensor does not bear risk of losses.

→ Since the business in the foreign country is managed by the licensee who is a local person, there are lower risks of business takeovers or government interventions.

→ Licensee being a local person has greater market knowledge and contacts which can prove quite helpful to the licensor in successfully conducting its marketing operations.

7. Differentiate between contract manufacturing and setting up wholly owned production subsidiary abroad.

Answer :-

Contract manufacturing	Wholly owned production subsidiary
A firm enters into a contract with one or a few local manufacturers in foreign countries to get certain components or goods produced as per its specifications.	The parent company acquires full control over the foreign company by making 100 per cent investment in its equity capital.
The firm has limited control over the local manufacturer.	The parent company has full control over its operations in another country through the subsidiary.
There is no or little investment in the foreign countries	The parent company buys up the entire equity of the firm abroad and makes this firm its subsidiary.

8. Distinguish between licensing and franchising.

Answer :-

Licensing	Franchising
The licensor grants licence to a foreign company (licensee) to produce and sell goods under the licensor's logo and trademarks for a fee.	The franchiser grants a foreign firm (franchisee) the right to operate a business using a common brand name for an initial or a regular fee.
Operations are related to production and marketing of goods.	Operations are related to the services business.
Less stringent rules and regulations	Strict rules and regulations

9. What is shipping bill?

Answer :- The shipping bill is the main document on the basis of which customs office grants permission for the export. It contains particulars of the goods being exported, the name of the vessel, the port at which goods are to be discharged, country of final destination, exporter's name and address, etc.

10. Explain the meaning of mate's receipt.

Answer :- A mate receipt is a receipt issued by the commanding officer of the ship when the cargo is loaded on board, and contains the information about the name of the vessel, berth, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of receipt on board the ship, etc.

11. What is a letter of credit? Why does an exporter need this document?

Answer :- A letter of credit is a guarantee issued by the importer's bank that it will honour up to a certain amount the payment of export bills to the bank of the exporter. An exporter need this document as it is the most appropriate and secure method of payment adopted to settle international transactions.

12. Discuss the process involved in securing payment for exports.

Answer :- After the shipment of goods, the exporter informs the importer about the shipment of goods. The exporter sends the documents like certified copy of invoice, bill of lading, packing list, etc. needed by the importer to claim the title of goods on their arrival at his/her country and getting them customs cleared. These documents are sent through exporter's banker with the instruction that these may be delivered to the importer after acceptance of the bill of exchange. The exporter's bank receives the payment through the importer's bank and is credited to the exporter's account. The exporter can get immediate payment from his/ her bank on the submission of documents by signing a letter of indemnity. After receiving the payment for exports, the exporter needs to get a bank certificate of payment which states that the necessary documents relating to the particular export consignment have been presented to the importer for payment and the payment has been received in accordance with the exchange control regulations.

13. Differentiate between the following

(i) Sight and usance drafts

(ii) Bill of lading and airway bill

(iii) Pre-shipment and post-shipment finance

Answer :- **(i) Sight and usance drafts**

Sight drafts	**Usance drafts**
Documents are handed over to the importer once he or she agrees to sign the draft.	Documents are handed over to the importer after the acceptance of the bill of exchange.

Payment is made at the time of issuing the draft.	Payment is made on the expiry of a specified period.

(ii) Bill of lading and airway bill

Bill of lading	**Airway bill**
Issued by shipping companies.	Issued by airline companies.
Goods are sent by ship.	Goods are sent by air.

(iii) Pre-shipment and post-shipment finance

Pre-shipment finance	**Post-shipment finance**
Credit is obtained before the shipment of goods.	Credit is obtained after the shipment of goods.
Used for purchasing raw materials to undertake production activities, packaging of goods and transporting goods to the port of shipment.	Used for financing activities from the date of receiving credit till payment is received from the importer.

14. Explain the meaning of the following documents used in connection with import transactions

(i) trade enquiry (ii) Import licence (iii) Shipment of advice

(iv) Import general manifest (v) Bill of entry

Answer :- **(i) Trade enquiry :** A trade enquiry is a written request by the importer to the exporter for supply of information regarding the price and various terms and conditions on which the importer is ready to exports goods.

(ii) Import licence : It is a licence which permits the import of goods that cannot be imported freely. In India, for obtaining an import licence, an importer requires an IEC (Importer Expert Code) number, which is obtained after the importer's registration with the Directorate General for Foreign Trade (DGFT) or the Regional Import Export Licensing Authority.

(iii) Shipment of advice : The shipment advice is a document that the exporter sends to the importer informing him that the shipment of goods has been made. Shipment of advice contains invoice number, bill of lading/airways bill number and date, name of the vessel with date, the port of export, description of goods and quantity, band the date of sailing of the vessel.

(iv) Import general manifest : Import general manifest is a document that contains the details of the imported good. It is the document on the basis of which unloading of cargo takes place.

(v) Bill of entry : It is a form filled by the importer for assessment of custom import duty. It contains information such as the name and address of the importer, name of the ship in which the goods were transported and number of packages. The importer fills in the bill form and returns it to the customs office.

15. List out major affiliated bodies of the World Bank.

Answer :- The major affiliated bodies of the world bank are:

- International Bank for Reconstruction and Development (IBRD)
- International Financial Corporation (IFC)
- International Development Association (IDA)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

16. Write short notes on the following

(i) UNCTAD

(ii) MIGA

(iii) World Bank

(iv) ITPO

(v) IMF

Answer :- **(i) UNCTAD :** The United Nation Conference on Trade and Development was established in 1964 with the objective of integrating the developing countries with the world economy through discussions. It undertakes activities such as collecting research and data for policy making and extending technical assistance to the less developed countries as per their requirements.

(ii) MIGA : The Multinational Investment Guarantee Agency, or MIGA , was established in April 1988 with the objective of encouraging foreign direct investment in the less developed countries. It aims at insuring investors against political and non-commercial risks, providing advisory services, etc.

(iii) World Bank : It is earlier known as International Bank for Reconstruction and Development (IBRD) setup to assist the reconstruction of war -affected countries and to facilitate the development of the under-developed nations of the world. Now, the world bank turned its attention to the development of underdeveloped nations. Apart from investing in infrastructure development, agriculture, health and industry, the World Bank is significantly involved in programmes to remove poverty, increasing the income of the poor and providing technological support.

(iv) ITPO : Indian Trade Promotion Organisation was setup on 1st January 1992 under the Companies Act 1956. Its main objective is to maintain close interactions among traders, industry and the government. In order to fulfil this objective, the ITPO organises trade fairs and exhibitions within and outside the country, thereby helping export firms to interact with international trade bodies.

(v) IMF : International Monetary Fund (IMF) came into existence in 1945 has its headquarters located in Washington DC. It aims at facilitating a system of international payments and adjustments in exchange rates among national currencies in order to bring about balanced growth at the international level and increase the levels of employment and income.

LONG ANSWER QUESTIONS

1. What is international business? How is it different from domestic business?

Answer :- Manufacturing and trade beyond the boundaries of one’s own country is known as international business. It involves not only the international movements of goods and services, but also of capital, personnel, technology and intellectual property like patents, trademarks, know-how and copyrights.

It is different from domestic business in following ways :

Domestic business	International business
Trade within the national boundaries of a country.	Trade between two or more countries.
People or organisations from one nation participate	People or organisations of different countries participate
More homogeneous in nature.	Lack homogeneity due to differences in language, preferences, customs, etc., across markets.
It is subject to political system and risks of one single country.	It have different forms of political systems and different degrees of risks which often become a barrier to international business
Subjected to rules, laws or taxation system of one country.	Subjected to rules, regulations and laws of many countries.
Currency of domestic country is used.	Transactions involve use of currencies of more than one country.

2. "International business is more than international trade". Comment.

Answer :- International trade comprises of exports and imports of goods and forms an important component of international business. But the scope of international business has substantially expanded. International trade in services such as international travel and tourism, transportation, communication, banking, ware-housing, distribution and advertising has considerably grown. The other equally important developments are increased foreign investments and overseas production of goods and services. Companies have started increasingly making investments into foreign countries and undertaking production of goods and services in foreign countries to come closer to foreign customers and serve them more effectively at lower costs. All these activities form part of international business. So, we can say that international business is a much broader term and is comprised of both the trade and production of goods and services across frontiers.

3. "What benefits do firms derive by entering into international trade". Comment.

Answer :- There are many benefits that firms derive by entering into international trade:

→ **Prospects for higher profits :** International business can be more profitable than the domestic business as business firms can earn more profits by selling their products in countries where prices are high.

→ **Increased capacity utilization :** Firms can make use of their surplus production capacities and also improving the profitability of their operations by going for overseas expansion and procuring orders from foreign customers. Production on a larger scale often leads to economies of scale, which in turn lowers production cost and improves per unit profit margin.

→ **Prospects for growth :** Once the market in the domestic country becomes saturated, it becomes difficult to grow the turnover. By entering into overseas markets, business firms can improve prospects of their growth.

→ **Way out to intense competition in domestic market :** If the competition in the domestic market is very intense, internationalization seems to be the only way to achieve significant growth. International business thus acts as a catalyst of growth for firms facing tough market conditions on the domestic turf.

→ **Improved business vision :** The growth of international business of many companies is essentially a part of their business policies or strategic management. The vision to become international comes from the urge to grow, the need to become more competitive, the need to diversify and to gain strategic advantages of internationalisation.

4. In what ways is exporting a better way of entering into international markets than setting up wholly owned subsidiaries abroad.

Answer :- The exporting is better way of entering into international markets than setting up wholly owned subsidiaries abroad in following ways :

→Exporting is less complex than setting up and wholly owned subsidiaries abroad.

→ Exporting involves lesser time and effort as business firms are not required to invest that much time and money as is needed when they set up manufacturing plants and facilities as wholly owned subsidiary in host countries.

→ Since exporting does not require much of investment in foreign countries, exposure to foreign investment risks is nil or much lower than that in establishing wholly owned subsidiary.

5. Discuss briefly the factors that govern the choice of mode of entry into international business.

Answer :- The factors that govern the choice of mode of entry into international business are :

→ **Complexity : It** is a major factor governing the choice of a mode of entry into international business. The level of complexity differs from one mode to another. For example: Starting an export and import business is less complex than setting up and managing joint-ventures or wholly owned subsidiaries abroad.

→ **Risk factor :** The risk involvement differ from one mode to another. For example: there is no or little risk involved in the contract manufacturing, exporting and licensing modes while the risk is comparatively higher in setting up a wholly owned subsidiary. Thus, companies needs and requirements play an important role in choosing risk factor.

→ **Ownership and control :** Some companies want to have full ownership and decision-making control over the foreign firm. Therefore, they choose wholly owned subsidiary mode to enter into international business. On the other hand, modes of entry into international business such as licensing and exporting do not offer ownership rights to the parent company.

→ **Investment :** It also have an important role while choosing various modes. If a company don't want to invest more amount of money then it can choose importing and exporting or for licensing a foreign company for entering into international business. One should also choose wholly owned subsidiary mode but the cost of setting up and managing is very high. Thus, the mode of entry preferred by a firm depends on its capacity and readiness to make an investment.

6. Discuss the major trends in India's foreign trade. Also list the major products that India trade with other countries.

Answer :- India is now the 10th largest economy in the world and the fastest growing economy, next only to China. As per the Goldman Sach Report 2004, India is projected to be the second largest economy by 2050. Despite these features, India's involvement with international business is not very impressive. India's share in world trade in 2003 was abysmally low, just 0.8 per cent as compared to those of other developing countries such as China (5.9 per cent), Hong Kong (3.0 per cent), South Korea (2.6 per cent), Malaysia (1.3 per cent), Singapore (1.9 per cent), and Thailand (1.1 per cent).

→ Post liberalization, the share of foreign trade in the country's GDP (Gross Domestic Product) has grown from 14.6% in 1990-91 to 24.1% in 2003-04. Exports and imports have been increasing continuously since then.

→ India's total merchandise export was Rs. 606 crore in 1950-51. It has grown to Rs. 293, 367 crore in 2003-04. Thus, there has been an increase of 480 times in exports in the last five decades.

→ India’s total import was Rs. 6.8 crore in 1950-51. It has grown to Rs. 359, 108 crore in 2003-03. This shows a growth of 590 times over the same period.

→ Although in overall terms India accounts for just 0.8 per cent of world exports, in many individual product items such as tea, pearls, precious and semi-precious stones, medicinal and pharmaceutical products, rice, spices, iron ore and concentrates, leather and leather manufactures, textile yarns fabrics, garments and tobacco, its share is much higher and ranges between 3 per cent to 13 per cent. Also it holds the distinct position of being the largest exporter in the world in select commodities such as basmati rice, tea, and ayurvedic products.

→ India mainly imported crude oil and petroleum products, capital goods (i.e., machinery), electronic goods, pearl, precious and semiprecious stones, gold, silver and chemicals.

7. What is invisible trade? Discuss salient aspects of India’s trade in services.

Answer :- Invisible trade basically refers to the trading of services because of the intangible aspect of services. Trade in services includes trade in tourism and travel, boarding and lodging, entertainment and recreation, transportation, professional services, communication, construction and engineering, marketing, educational and financial services. India's trade in services has increased substantially over the years. Both the exports and imports of services relating to foreign travel, transportation and insurance have increased at a high rate during the last four decades. Software and other miscellaneous services (including professional technical and business services) have emerged as the main categories of India's exports of services. While the relative share of travel and transportation has declined from 64.3% in 1995-96 to 29.6% in 2003-2004, the share of software exports has gone up from 10.2% to around 49% in the corresponding period.

8. Identify various organisations that have been set up in the country by the government for promoting country's foreign trade.

Answer :- The various organisations that have been set up in the country by the government for promoting country's foreign trade are:

→ **Department of Commerce :** This department comes under the Ministry of Commerce, Government of India is the apex body responsible for formulating policies in the sphere of foreign trade, increasing commercial relations with other countries, state trading, export promotional measures and the development, and regulation of certain export oriented industries and commodities.

→ **Export Promotion Councils (EPCs) :** These are non profit organizations registered under the Companies Act or the Societies Registration Act. The basic objective of the export promotion councils is to promote and develop the country's exports of particular products falling under their jurisdiction.

→ **Commodity Boards :** These are the boards which have been specially established by the Government of India for the development of production of traditional commodities and their exports. These boards are supplementary to the EPCs and functions are also similar.

→ **Export Inspection Council of India :** It was setup by the Government of India under Section 3 of the Export Quality Control and Inspection Act 1963. The council aims at sound development of export trade through quality control and pre-shipment inspection.

→ **Indian Trade Promotion Organisation (ITPO) :** It was setup on 1st January 1992 under the Companies Act 1956 by the Ministry of Commerce, Government of India. Its headquarter is at New Delhi. It is a service organization which serves the industry by organizing trade fairs and exhibitions within the country and abroad and helps export firms in participating in international trade fairs and in developing exports of new items.

→ **Indian Institute of Foreign Trade (IIFT) :** It is an institution that was setup in 1963 by the Government of India as an autonomous body registered under the Societies Registration Act with the prime objective of professionalising the country's foreign trade management. It provides training in international business, conducts research in related areas and analyses and disseminates data related to international trade and investment.

→ **Indian Institute of Packaging (IIP) :** It was set up as a national institute jointly by the Ministry of Commerce, Government of India, and the Indian Packaging Industry and allied interests in 1966. It is a trainingcum-research institute pertaining to packaging and testing and caters to both domestic and export markets. It also undertakes technical consultancy, testing services on packaging developments, training and educational programmes, promotional award contests, information services and other allied activities.

→ **State Trading Organisations :** The State Trading Organisation was set up in 1956. Its main objective is to stimulate trade; primarily export with various trading partners in the world. Many other trading organizations were also set up by the government; like Metals and Minerals Trading Corporation (MMTC), Handloom and Handicrafts Export Corporation (HHEC) etc.

9. What is World Bank ? Discuss its various objectives and role of its affiliated agencies.

Answer :- The International Bank for Reconstruction and Development (IBRD), commonly known as World Bank is an international financial institution that was established in 1944 at the Bretton Woods Conference.

The various objectives of world bank are :

→ To facilitate the task of reconstruction of the war-affected European countries

→ To focus on the development of underdeveloped nations of the world

→ To encourage investments in infrastructure development, agriculture, health and industry.

→ To eradicate poverty, increase the income of the poor and provide technological support.

The role of its affiliated agencies are :

→ **International Development Association (IDA) :** It was set up in 1960 as an affiliate of the World Bank. It was established primarily to provide finance to the less developed member countries on a soft loan basis.

→ **International Finance Corporation (IFC) :** It was established in July 1956 in order to provide finance to the private sector of developing countries. It is also an affiliate of the World Bank, but it has its own separate legal entity, funds and functions.

→ **The Multinational Investment Guarantee Agency (MIGA) :** It was established in April 1988 with the objective of encouraging foreign direct investments in the less developed nations of the world. It also aims at insuring investors against political and non-commercial risks and providing advisory services.

10. What is IMF ? Discuss its various objectives and functions.

Answer :- International Monetary Fund (IMF) is the second international organisation next to the World Bank which came into existence in 1945 has its headquarters located in Washington DC. It aimed at facilitating a system of international payments and taking care of the adjustments in exchange rates among national currencies.

The various objectives of IMF are :

→ To promote international monetary cooperation through a permanent institution

→ To facilitate expansion of balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and real income,

→ To promote exchange stability with a view to maintain orderly exchange arrangements among member countries

→ To assist in the establishment of a multilateral system of payments in respect of current transactions between members.

Functions of IMF are :

→ Providing short-term credit to member countries

→ Providing machinery for the orderly adjustment of exchange rates

→ Acting as a reservoir of the currencies of all the member countries, from which a borrower nation can borrow the currency of other nations

→ Acting as a lending institution of foreign currency and current transaction

→ Determining the value of a country's currency and altering it, if needed, so as to bring about an orderly adjustment of exchange rates of member countries

→ Providing machinery for inter-national consultations.

11. Write a detailed note on features, structure, objectives and functioning of WTO.

Answer :- **Features of WTO are:**

→ The GATT was transformed into World Trade Organisation (WTO) with effect from 1st January 1995.

→ The head quarters of WTO are situated at Geneva, Switzerland.

→ It governs trade in goods, services and intellectual property rights among the member countries.

→ It is a body created by an international treaty with the approval of the governments and legislatures of the member states.

→ The decisions of the WTO are made by the governments of the member nations on the basis of consensus.

Structure of WTO is :

→ WTO comprises of The Ministerial Conference, which is composed of international trade ministers from all member countries and is responsible for setting the strategic direction of the organization and making all final decisions on agreements under its wings. The Ministerial Conference meets at least once every two years.

→ The General Council is composed of senior representatives of all members responsible for overseeing the day-to-day business and management of the WTO.

→ The Trade Policy Review Body is also composed of all the WTO members. It periodically reviews the trade policies and practices of all member states.

→ The Dispute Settlement Body is also composed of all the WTO members and oversees the implementation and effectiveness of the dispute resolution process for all WTO agreements. Council and are composed of all members. They provide a mechanism to oversee the details of the general and specific agreements on trade in goods and services.

→ The Secretariat and Director General undertakes the administrative functions of running all aspects of the organization. The Secretariat has no legal decision-making powers but provides vital services, and often advice, to those who do. The Secretariat is headed by the Director General, who is elected by the members.

→ The Committee on Trade and Development and Committee on Trade and Environment have specific mandates to focus on these relationships, which are especially relevant to how the WTO deals with sustainable development issues.

Objectives of WTO are :

→ To ensure reduction of tariffs and other trade barriers imposed by different countries

→ To engage in such activities which improve the standards of living, create employment, increase income and effective demand and facilitate higher production and trade

→ To facilitate the optimal use of the world's resources for sustainable development

→ To promote an integrated, more viable and durable trading system. Functions of WTO are:

→ Promoting an environment that is encouraging to its member countries to come forward to WTO in mitigating their grievances.

→ Laying down a commonly accepted code of conduct with a view to reducing trade barriers including tariffs and eliminating discriminations in international trade relations.

→ Acting as a dispute settlement body.

→ Ensuring that all the rules and regulations prescribed in the Act are duly followed by the member countries for the settlement of their disputes.

→ Holding consultations with IMF and IBRD and its affiliated agencies so as to bring better understanding and cooperation in global economic policy making.

→ Supervising on a regular basis the operations of the revised Agreements and Ministerial declarations relating to goods, services and Trade Related Intellectual Property Rights (TRIPS).