



A Comparative Study of Institutional Framework of India-USA Trade

Varender Kaur

Asstt. Commerce in commerce

Dronacharya Degree College, Kurukshetra (Haryana)

Email: varenderkaur1980@gmail.com

ABSTRACT

International trade provides a big base for institutional relations. Increase in foreign trade of a country shows the advancement in economic efficiency of that country. Foreign trade of a country depends mainly on the institutional and policy framework for trade in concerned country. And institutional framework is very important for India as developing country. Present paper analyses the institutional framework of foreign trade of two countries. For more clear and systematic comparison, the institutional framework of Indian trade and institutional framework of USA trade has been analyzed. Some studies have also been taken to review the literature. At last study concluded that India must pay more attention for improvement of quality of exported product.

INTRODUCTION

The foreign trade at global level is now watched and promoted by world trade organization in place of GATT. Generally it is observed that every country has tendencies to increase qualitative as well as quantitative barriers on foreign trade to favor the balance of trade. This tendencies inspires desired competitive environment among the trading countries. However one cannot deny the need of regulating body for foreign trade, in form of institutional and policy framework. For the betterment of the bilateral trade Indian government framed the foreign trade policy in the year 1970.

Objective of the study

This study started with some objectives which are as follows:-

- To study the institutional framework of Indian foreign trade.
- To study the institutional framework of USA foreign trade.
- To compare the institutional framework of both the countries.

Review of Literature

K. R. Devis, 1982, in study entitled "India's trade with American countries", highlighted the export and import volume of India with reference to American countries. The research suggested some measures to promote the trade structure of India with USA.

H. R. Lahauri, 1984, in this research, "India's trade with US: Problems and remedies", explained some problems faced by Indian trade and concluded that some changes are needed in Indian foreign trade system.

Mr. J. Paul and N. Radhakrishan, 1993, in their report entitled with, “An Introduction to Export Management”, have explained the various measures adopted by Indian Govt. to promote the export. It is also concluded that USA is the biggest trading partner of India, so the Govt. should adjust the policies related to bilateral trade.

M.C. Verma, 1999, in his study entitled, “Indian trading partners”, narrated that USA is the most important trading partner accounting for 18.1 percent of our exports in the year 1995-96. Paper also explained the various no-tariff barriers imposed by India to favor the balance of trade.

Kavita Bhatnagar, 1999, in her research on the topic-“Indo-US trade since 1971” explained that American economy is more competitive and efficient economy than others. It is the most growing market for a number of Indian goods and services. She suggested that Indian exporters must learn to produce for export rather than try to export what is produces.

INSTITUTIONAL FRAMEWORK OF INDIAN TRADE

International trade of India is regulated by the organizations on six levels as follows:-

Level	Bodies	Responsibilities
1 st	Department of commerce	Framing of trade policies.
2 nd	Advisory boards.	Regulation and management of foreign trade.
3 rd	Commodity organizations	Assist the export effort of specific product group.
4 th	Service organizations	Helping in transaction, communication etc. to expand trade market.
5 th	Govt. trading organizations	Handle export of specific commodities.
6 th	State export promotion agencies	Facilitate export promotion from the state government.

At First level: Department of commerce- This is the top most body of the country to frame and execute country’s EXIM policy. It also direct programs involving commercial relations with our trading partners and effective world trade forums. This is the main organization to formulate and guide India’s foreign trade, formed with the responsibility of promoting India’s interest in international market. The department of commerce has six divisions in assisting policy making.

- Trade policy division
- Foreign trade territorial
- Export product division
- Export industry division
- Export service division
- Economic division

At Second level: Advisory Board- This level includes Board of trade, which was set up in may 1989, the central advisory council on trade and the zonal export and import advisory committee. The function of board of trade are to advise the government on policy measures for the preparation and implementation of both short and long term plans to increase export, to evaluate performance of



export, to identify constraints and suggest measures to both government and trade organization. The board meet generally twice a year advises the government on the following matters:

- ❖ Export and import policy programmers.
- ❖ The operation of export and controls.
- ❖ Organization and development of commercial services.
- ❖ Organization and expansion of export production.

There are four zonal and import advisory committee, one each for Western, Eastern, Southern and Northern zones.

At Third level: Commodity board- In India, there are three type of commodity organization, which control the production, development and trade of the related commodities. These are given as follows:-

- I. Commodity board
- II. Export promotion councils
- III. Trade development authorities
- IV. Other organizations

At fourth level: Service institutions- these are the institutes engaged in the service related to export or import for industrial sector, in various fields. Trading corporations are working India in the both the sectors i.e. public as well as private. These service corporations helps in matter of getting copyright, trademark, patents etc. from the govt. side to industrialists. There are some service institute which provides export expanded services:

- A. Indian Institute of foreign trade.
- B. Export Inspection council.
- C. Indian Council of Arbitration.
- D. National Centre for trade information.

At Fifth level: Government Trading organization- For providing credit and finance and insuring export credit risk, there are two primary institution i.e. Exim bank and ECGC, although all commercial banks nationalized or not and other financial institutions like IFCI, ICICI, IDBI etc. are also engaged in providing finance for export and import .

At Sixth Level: State export promotion organizations- The state governments are increasing participation in export effort of the country. Some state government have created independent department of commerce and a minister put in charge of it. Some state government have setup export promotion boards and Export Corporation for motivating export. Export promotion advisory committee have also been established by some states under the chairmanship of industries minister.

INSTITUTIONAL FRAMEWORK OF USA TRADE:-

USA is a topmost developed country in the world. Regulation of USA international trade framed at eight levels, which are as follows:-

Level	Bodies	Responsibilities
-------	--------	------------------

1 st	USA Department of commerce	Framing the trade policy
2 nd	US international trade commission	Regulation of foreign trade
3 rd	World trade center	Control trade between USA & rest of the World
4 th	Deliberative and consultative organization	Discussion and consultation between govt. and industries.
5 th	Commodity organization	Assisting export efforts of specific products group
6 th	Service organization	Assisting and facilitating export to enhance export market
7 th	Government trading organization	Handle trade of various specific products
8 th	Other organization	Assist export and import measures for various sector of USA

At first Level: USA department of commerce- The Dept. of commerce is the main central body in USA, which is responsible for framing policies, regulation and control of foreign trade of USA. The main function of the department is to direct economic relationship with rest of the world.

At Second Level: USA International trade commission- This commission is the second largest body in institutional framework of USA. It directs and regulate the various issues related to foreign trade of USA. This commission provides advice to exporter and importer of the country related to licensing, marketing development assistance.

At Third level: World Trade center- As all knows it was one of the highest building in New York. This center provides all important information and trade documentation facilities.

At fourth Level: Deliberative and Consultative Organizations: - This organization includes various boards of trade established to enhance the international trade of USA. This board held its meeting twice a year and suggest govt. of USA on various matters related to trade of USA as how to remove barriers and measures for improvement in export of the country.

At fifth level: Commodity organization: - On this level there are two main institutions in USA which are Bureau of Industry and Security and Trade Promotion Council of USA. First one is a statutory body which controls the quality of various industrial products. And second one is a registering authority of USA which performs both advisory and executive functions.

At Sixth Level: Service Organization- At this level there are four important service organizations in USA to provide necessary services to exporter and importer of the country as follows:-

- A. Department of Agriculture Services, USA.
- B. Development of Industrial Services, USA.
- C. Patent and Trademark Office, USA.

D. Financial Institutions of USA.

At Seventh and Eighth Level: Government Trading and Other Organization- To encourage the efforts of private sector in the area of foreign trade , USA Government has established a number trading and other assisting institutions as USA treasury Dept. office of foreign asset control, USA Department of Defense office of foreign contradictions. Govt. also established a Trade Compliance Centre which brings complaints and reports related to international trade.

COMPARISION BETWEEN INSTITUTIONAL FRAMEWORK OF INDIA AND USA

As discussed in the above study there are various bodies on six levels which regulate the international trade of India. Department of commerce is the apex body to formulate and implement the EXIM policy of India. There are various commodity organizations which controls over the production and export of various commodities. For financial assistance to exporters and importers of India, there are main financial institutions as RBI, EXIM bank, ICICI and others. On state level in India, there are also some state promotion agencies which regulate and control international trade at stat level. On the other hand, in United State of America foreign trade covers the wide area of international market. Institutional framework also framed at eight levels. Department of commerce is also top most body in USA as in India. USA also has a treasury department and Defense Department in its institutional framework for international trade which performs important functions to assist in international trade. It has also commodity and service department like India. It is observed that as institutional framework is concerned there is not a very much difference between two countries, but the level of services is totally different. This difference is mainly due to the development stages of two countries as one developed country and another one I developing country. Rules and policy framed by the bodies are according to the structure of the trading units, but the implementation is different. The process of getting permission regarding trade decisions is very modified and time saving in USA as compared to India. companies engaged in international business enjoys all the facilities without any obstacles and in India organizations are faced many difficulties in the form of long proceeding a lot of formalities which effects on production, exports and imports also.

CONCLUSION

On the basis of above comparative analyzes it is concluded that as USA is developed country covered a wide area in international trade with huge Capital and good quality products with low prices as compare of developing country like India. So, India still needs to improve and make its policy implementation and institutional framework more flexible to get at least 1% share in international trade with USA. However after the introduction of WTO in 1995 the international trade scenario has changed. Globalization, liberalization and open economies policy are adopted by all its member countries. India has also eliminated most trade obstacles from its almost all products and FDI increases in every sector. India has to pay more focus for improvement of quality to compete in international market.

REFERENCES

Davis. K. R. , "India's trade with American countries" Eastern Economic Edition, Prentice –Hall if India Pvt. Ltd. New Delhi.



Jha L. K. , "India's External Trade with USA," Nabhi Publication, New Delhi.

Francis Cherunilm,"USA and its trading partners,"1993.

www.govinida.in

<http://internationalportal.com>

Singh Maan,"Indo-US Ties strong and Robust," Himalaya Publishing House, Bombay,1992