



CONTENTS

	PAGE
<i>Foreword</i>	<i>iii</i>
<i>Recommended reading</i>	<i>v</i>
<i>Syllabus</i>	<i>vii</i>
<i>Chapter-heads</i>	<i>ix</i>

SECTION 1 **MACRO PERSPECTIVE**

CHAPTER 1.1

THEORIES OF INTERNATIONAL TRADE

◆ International trade	3
◆ International trade theory	3
◆ Conclusion - Limits of international trade theory	6

CHAPTER 1.2

INTERNATIONAL TRADE POLICY FRAMEWORK

◆ World trade Organization	7
◆ Regional trade blocks	8
◆ Potential negative effects of regional trade agreements	9
◆ Major regional trading blocks	10
◆ Mercosur	13



CONTENTS

PAGE

CHAPTER 1.3

INTERNATIONAL CHAMBER OF COMMERCE

- ◆ The ICC'S origins *15*
- ◆ Practical services to business *15*
- ◆ Importance of ICC for banks *16*
- ◆ Section 1 - Self-review *18*

SECTION 2

TRADE TRANSACTIONS

CHAPTER 2.1

COMPONENTS OF TRADE

- ◆ Key factors in trade *21*
- ◆ Risks in international transactions *22*
- ◆ Incoterms *24*
- ◆ Incoterms outlined *25*
- ◆ Invisible trade transactions *29*
- ◆ Countertrade *30*
- ◆ Merchanting trade *30*
- ◆ High-seas sale *32*

CHAPTER 2.2

MODES OF INTERNATIONAL TRADE

- ◆ Clean payments *33*
- ◆ Bills for collection *34*
- ◆ Documentary credit *34*

CHAPTER 2.3

CLEAN PAYMENT TRANSACTIONS

- ◆ Introduction *36*
- ◆ How it works *36*

CHAPTER 2.4

DOCUMENTARY COLLECTIONS

◆ Introduction	39
◆ How it works	39
◆ Role of various parties	40

CHAPTER 2.5

DOCUMENTARY CREDIT

◆ Introduction	47
◆ Parties to letters of credit	48
◆ Inter-bank communication	49
◆ Fees and reimbursements	59
◆ Risks associated with opening import LCS	60
◆ ISBP	65
◆ FEDAI guidelines	66

CHAPTER 2.6

IMPORTANT TRADE DOCUMENTS

◆ Documents	68
◆ Air waybill	69
◆ Bill of lading (B/L)	69
◆ Certificate of origin	71
◆ Combined transport document	72
◆ Commercial invoice	72
◆ Draft (or bill of exchange)	73
◆ Packing list/specification	75
◆ Section 2 - Self-review	76



SECTION 3

TRADE FINANCE

CHAPTER 3.1

IMPORTANCE OF TRADE FINANCE

- ◆ Term financing for foreign buyers 81
- ◆ Export trade finance 82
- ◆ Import trade finance 82

CHAPTER 3.2

PRE-SHIPMENT TRADE FINANCE

- ◆ Types of pre-shipment finance 83
- ◆ Requirements for getting packing credit 84
- ◆ Eligibility 85
- ◆ Quantum of finance 85
- ◆ Different stages of pre-shipment finance 85
- ◆ Special cases 88
- ◆ Period of credit 90

CHAPTER 3.3

POST-SHIPMENT TRADE FINANCE

- ◆ Features 93
- ◆ Financing for various types of exports 95
- ◆ Types of post-shipment finance 96
- ◆ Crystallization of overdue export bills 98
- ◆ Options for the exporter 99

CHAPTER 3.4

FORFAITING AND FACTORING

- ◆ Brief history 101

	PAGE
◆ Documentary requirement	104
◆ Fee type description	105
◆ Factoring	106
◆ Fee type description	110
◆ Bill discounting <i>vs.</i> factoring	110

CHAPTER 3.5

BANK GUARANTEES

◆ Direct/indirect guarantee	112
◆ Direct guarantee	112
◆ Indirect guarantee	113
◆ Claim (guarantee utilization)	115
◆ Uniform Rules for Demand Guarantees (URDG)	117
◆ URDG 758	117
◆ Similarities with the guarantee	120
◆ Area of application	120
◆ Purpose	120
◆ Special features	121
◆ Co-acceptance of bills	121
◆ Benefits to customer	121
◆ Benefits to bank	122
◆ Process flow	122

CHAPTER 3.6

DOMESTIC TRADE FINANCE

◆ Channel financing	124
◆ Vendor financing	125
◆ Section 3 - Self-review	127



CONTENTS

PAGE

SECTION 4 **RISK MANAGEMENT**

CHAPTER 4.1

RISK ELEMENTS

131

CHAPTER 4.2

TRANSPORT RISK

- ◆ Transport insurance *134*
- ◆ Scope of coverage *134*
- ◆ Specialist covers *135*
- ◆ Seller's/buyer's contingent interest insurance *135*
- ◆ Loss of profits/consequential loss insurance *135*
- ◆ Charterer's liability insurance *136*

CHAPTER 4.3

CONTRACT AND CREDIT RISK

- ◆ Credit risk management *137*

CHAPTER 4.4

COUNTRY AND POLITICAL RISK

- ◆ Pre-delivery risks *144*
- ◆ Pre-delivery cover *144*
- ◆ Binding contracts cover and non-cancellable limits *145*

CHAPTER 4.5

CURRENCY RISK

- ◆ Currency hedging *146*
- ◆ Tender to contract risks *147*



	PAGE
◆ Forward rate <i>vs.</i> spot rate	148
◆ RBI reference rate	148
◆ Inter-bank rate	148
◆ T.T. rate	149
◆ TC rates	149
◆ Buying and selling	151
◆ Speculation	156
◆ Calculating the forward rate	156

CHAPTER 4.6

WHEN THINGS GO WRONG

◆ Watch out list	159
◆ Late payment	159
◆ Rescheduling	160
◆ Loss	160
◆ Dishonoring	161
◆ Political contract frustration	161
◆ Section 4 - Self-review	163

CHAPTER 4.7

MARITIME FRAUDS

◆ Introduction	164
◆ Definition of maritime fraud	165
◆ Different types of maritime fraud	165
◆ <i>Modus operandi</i>	167
◆ Preventive measures	168
◆ Conclusion	173
◆ Terminal questions	174



CONTENTS

PAGE

SECTION 5 **REGULATORY FRAMEWORK**

CHAPTER 5.1

REGULATORY FRAMEWORK

◆ Director General of Foreign Trade (DGFT)	178
◆ Reserve Bank of India (RBI)	178
◆ International Chamber of Commerce (ICC)	178
◆ Foreign Exchange Dealers' Association of India (FEDAI)	179

CHAPTER 5.2

DGFT REGULATIONS

◆ General provisions regarding imports and exports	180
◆ Incentives to exporters	190

CHAPTER 5.3

FOREIGN TRADE POLICY (EXIM POLICY)

◆ Highlights of exim policy 2015-2020	193
◆ Miscellaneous	199
• Trade facilitation & ease of doing business	199

CHAPTER 5.4

FOREIGN EXCHANGE MANAGEMENT ACT

◆ Some highlights of FEMA	204
◆ Buyer's/supplier's credit	206

CHAPTER 5.5

ICC - UCPDC GUIDELINES

209

CHAPTER 5.6

FEDAI GUIDELINES

◆ Application of interest	217
◆ Normal transit period	217
◆ Merchant trade	218
◆ Clean instruments	218
◆ Outward remittances	218
◆ Guarantees	218
◆ Section 5 - Self-review	219

SECTION 6

FACILITATION BODIES

CHAPTER 6.1

EXPORT-IMPORT BANK OF INDIA

◆ Export-import bank of India	223
● The institution	223
● The initiatives	223
◆ Export credits	225
● Pre-shipment credit	225
● Supplier's credit	225
● For project exporters	226
● For exporters of consultancy and technological services	226
● Guarantee facilities	226
◆ Finance for export-oriented units	226
● Term finance (for exporting companies)	226
● Working capital finance (for exporting companies)	227



CONTENTS

	PAGE
● Working capital finance (for non-exporting companies)	227
● Term finance (for non-exporting companies)	227
● Export finance	227
● Equity participation (in Indian exporting companies)	228
● Technology and Innovation Enhancement and Infrastructure Development (TIEID) for MSME sector	228
◆ Overseas investment finance	228
◆ Confirmation of letters of credit (l/c) by exim bank under the Global Trade Finance Program (GTFP) of the International Finance Corporation (IFC), Washington DC	228
● Introduction	228
● Features of the program	229
● How it works	229
◆ Export services	230
◆ Lines of credit	230
● Procedural flow chart	231
● Eligible goods	232
● General	232

CHAPTER 6.2

EXPORT CREDIT GUARANTEE CORPORATION OF INDIA

◆ What is ECGC?	233
◆ What does ECGC do?	233
◆ How does ECGC help exporters?	234
◆ Need for export credit insurance	234
◆ Credit insurance policies offered to exporters	235
◆ Credit insurance for banks	236
◆ Special schemes	236

CONTENTS



PAGE

APPENDIX 1

IMPORTANT TRADE TERMS

237

APPENDIX 2

DEEMED EXPORTS

242

APPENDIX 3

EXIM BANK'S OPERATIVE LINES OF CREDIT

245

APPENDIX 4

EXIM BANK'S PIPELINE LOCs

267

TRADE FINANCE TEST

269