CHAPTER I

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In this chapter the researcher has given a brief introduction about international trade and international trade theories, World and Indian history on import-export, tuna export and its opportunities in international market and steps to export fish from India and also describes upon the statement of the problem, objectives, hypotheses, methodology and limitations of the study.

1.1 INTERNATIONAL BUSINESS

Trade begins from human need. Every human being likes to lead a sophisticated and luxurious life. To lead such a life, various products and services are required. At the same time the needs of every individuals differ as per their requirement and economic back ground. In the present scenario consumers are showing more interest on high quality products especially on food products. After globalisation the demand for high quality products and services has increased throughout the globe. The globalisation brought the world into a small room which helps individuals to fulfil their needs through local and international products. Earning profit shall be main aim of any business. In every business at least two parties has to be involved namely buyer and seller. In terms of international business, the seller has been called as exporter and buyer as importer.

The simple difference between local and international business is that, in local trade, there is low transparency compared to international business. In international business every transaction is documented and submitted to concerned authority for further action. In foreign trade every single activity is planned, documented and executed as per the agreement between importer and exporter. International Business creates employment opportunities raises foreign exchange earnings and satisfies the consumers with quality goods at low price. In the present world, none of the nations shall survive independently without others’ co-operation. International Business brought mutual benefits on various aspects namely cultural, educational, economical, environmental, political, etc.
1.2 DEFINITIONS

“International Business means all commercial transactions either by private and governmental organization between two or more countries. Private companies undertake such transactions for profit and governments may or may not do the same in their transactions. These transactions include sales, investments, and transportation.”¹

International Business refers to business activities that involve the transfer of resources, goods, services, knowledge, skills, or information across national boundaries.

“International Trade is the exchange of goods and services across national boundaries. It is the most traditional form of international business activity and has played a major role in shaping world history.”²

“International Trade is the branch of economics concerned with the exchange of goods and services with foreign countries.”³

1.3 INTERNATIONAL TRADE THEORY

Many economists have developed various theories on international trade and provided information to understand international trade. The present international trade theories are derived from Mercantilism and Neo mercantilism theory. In 18th century, mercantilism theory was a popular theory on international business when the gold was been considered as the only currency of world trade. Mercantilism Theory stated that the economy shall be improved through encouraging exports and stifling imports which results positive balance of trade and leads to flow of gold into a country. Neo mercantilism also tried to produce a positive balance of trade without the reliance on using precious metals. But this concept was not accepted by many

experts due to their strong belief on mercantilism theory as a simplistic and erroneous theory\(^4\).

By keeping these theories as a base, a few new theories have been developed. They are Theory of Absolute Advantage, Theory of Comparative Advantage, Factor Endowment Theory and International Product Life Cycle (IPLC) Theory.

(i) **THEORY OF ABSOLUTE ADVANTAGE**

The theory of absolute advantage has been framed by considering the Labor cost (in hours) of production per unit. It describes that if a country produces goods efficiently and becomes specialized for their products against rest of the world, it gets an absolute advantage and shall develop as a successfully economy. The limitation of this theory is that it has been formulated neither forecasting exchange ratio between goods once trade opened nor resolving the division of the gains from trade between countries.

(ii) **THEORY OF COMPARATIVE ADVANTAGE**

The Theory of Comparative Advantage states that nations should produce those products for which they have the greatest relative advantage. It has concluded that the results of the theory of comparative advantage shall be same like the theory of absolute advantage and the only advantage of this theory was, it demonstrates countries’ joint benefits through free trade. This theory assumes that, to increase the consumption, a nation must have absolute advantage and unique efficiency. Under free trade both the countries shall be benefited but at the same time gains shall be enjoyed by only one group within that country. It is the one of the major drawbacks on free trade.

(iii) **FACTOR ENDOWMENT THEORY**

The Factor Endowment Theory explains that a large amount of production factors are involved in producing a product. To earn huge profit and benefit the

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nation, a country has to produce the products in which they have abundant production factors and import products in which they lack. This theory is also known as **Heckscher-Ohlin Theory**. This theory extends the concept of comparative advantage by considering the endowment and cost of production factors. This theory explains the relativity between large labor forces and labor-intensive goods and capital-intensive goods. The factor endowment theory has been framed with two limitations, the first limitation is that in some countries minimum wage laws implemented that result in high prices for relatively abundant labor and less expensive to import certain goods produced in home country. The second limitation is countries like United States export relatively more labor-intensive goods and import capital-intensive goods.

These limitations made **Wassily Leontief**, a Nobel Prize economist to discover **Leontief paradox**. In this theory, he explained in terms of the quality of labor input rather than just labor hours of work. For example, United States employs the highly educated labor to produce technology-intensive products and exports. The Leontief paradox describes the problems on Factor Endowment Theory and reason for avoiding the role of economic factors in trade theory.

(iv) **INTERNATIONAL PRODUCT LIFE CYCLE THEORY**

The Vernon’s **international product life cycle (IPLC) theory** is one of the famous theories. The International Product Life Cycle theory addresses various stages of product life cycle. This theory helps explain reason of a product that begins as a nation’s export often ends up becoming an import and also focuses on market expansion and technological innovation, concepts that are relatively de-emphasized in comparative advantage theory. The IPLC involves three stages namely New Product, Maturing Product and Standardized Product. IPLC theory has followed two important assumptions, technology and market. The technology plays a vital role in creating and developing new products. The market size and structure has to determine the trade patterns.
1.4 THE WORLD HISTORY OF INTERNATIONAL TRADE

International trade is one of the very old practices based on free exchange of goods. The free exchange of goods has started from early 2500 BC. According to archaeological discoveries the Sumerians of Northern Mesopotamia had enjoyed great wealth on trade and they traded their textiles and metals products via sea route. Before 2000 BC the Greeks had made a huge profit through the exchanging olive oil and wine for grain and metal. Around 340 BC the Greeks had adopted modern commerce like banking and credit, insurance, trade treaties. 5

In the first century AD, Rome successor of Greece expanded their trade to East. The Romans traded through Silk Road and developed many trade routes and complex trading patterns via sea with Chinese. On the other hand, they faced dangerous travel and discouraged the movement of goods that resulted losses on export markets. Hence their trade activities came to an end by fifth century.

In the eleventh century international trade was re-introduced in West through new ideas, customs and discovered products from East. The new products are carpets, furniture, sugar, and spices imported from Egypt, Syria, India, and China markets to West. The Italian cities like Venice and Genoa became the leading centers for international commerce. The documents like Letters of Credit, Bills of Exchange and insurance for goods imported and exported had been introduced during this period. In the later fifteenth century Western Europe became the center of international commerce followed by Mediterranean, Spain, Portugal and Holland.

The most important events happened in the end of fifteenth century had made a remarkable history on world trade. It was discovery of America in 1492 and sea routes to India in 1498. During this period European market was the richest market for Indian luxury goods and food products such as sugar, tobacco, coffee etc. Europe had introduced mercantilist policy to encourage trade and expanded their colonies. The main aim of expansion of colonies was to benefit the home country through exploiting the colonies.

1.5 INTERNATIONAL TRADE HISTORY OF INDIA

India has a long history of international business, the evidences are available in Indus Valley Civilization. Indus Valley Civilization evidence shows that India had undergone trade practices through utilizing advance transport facilities. Around 6th centuries Mahajanapadas has invented currency, the Silver punch-marked coins used as trade currency. It was the period of intensive trade activity and urban development. From 6th to 15th century India stood at first position and was the leading economy of the world.

In the first century and 11th century, India’s share of world income was 32.9 per cent and 28.9 per cent respectively. In 1500 AD, China overtook India by 0.5 per cent on world share income. India’s share was 24.5 per cent and China’s was 25 per cent. India’s formal and systematic international trade history was started from 1600 AD.

1600 - Queen Elizabeth signed a charter incorporating into one solid body the hitherto disconnected and independent English merchants who plied the export and import trade between England and India, on the 31st December.

1621 - Mr. Munn, one of the Directors of the East India Company had estimated the quantity of Indian articles imported and their prices at the places of export and import.

1686 - Indian calicoes (Textile) had been banned and the French market was completely closed to Asian textiles.

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8 Seshayangar Srinivasa Raghavaiyangar. (1893). Memorandum on the progress of the Madras presidency during the last forty years of British administration. The Superintendent, Government Press.

1700 - Once again India has become the world’s largest economy under Mughal Empire Aurangzeb and shared 24.4 per cent of world income.\textsuperscript{10}

1793 - An agreement called Permanent Settlement was signed between East India Company and Bengali landlords. This agreement was regarding to fix land revenues with far-reaching consequences for both agricultural methods and productivity.\textsuperscript{11}

1820 - Once again China became the world’s largest economy followed by the UK and India.\textsuperscript{12} The Industrial revolution resulted UK and India as a largest economy but due to economic policies India had been treated as an unequal partner.

1850 - India’s gross domestic product was estimated at about 40 per cent and that of China and British cotton exports reach 30 per cent of the Indian market.\textsuperscript{13}

1868 - Dadabhai Naoroji had estimated the first India's national income.\textsuperscript{14}

1870 - Under the British Empire, India's economy had held a share of 12.2 per cent of world income.\textsuperscript{15}

1913 - India's economy share was declined to 7.6 per cent world of income under the British Empire.

1947 - 15\textsuperscript{th} August, India became independent country.


\textsuperscript{11} Dr. Raghunath, Rai. (2011). Themes in Indian History. V. K. (India) Enterprises.


1950 - The government of India has constituted planning commission under the chairmanship of Jawaharlal Nehru. The main objective of this commission was to allocate resources to various sectors and create employment opportunities and take the economy on development path.

1951 - India’s first five year plan was launched. An enormous portion of resources was directed to agricultural sector and rural infrastructure development. Its results rose to 18 per cent on food production. The Indian government had signed an agreement with the American Standard- Vacuum Oil Company on construction of a large oil-cracking plant near Bombay and also agreed for duty-free import to all the equipment for the plant and of oil for processing, and unrestricted export.

1952 - India's share of world income was 3.8 per cent.

1962 - The Government of India selected a special Exim Policy Committee to review the Govt’s preceding policies of export - import (Indian Exim policy).

1966 - Devaluation of Indian currency has increased the value of export.

1975 - Asia-Pacific Trade Agreement (APTA), previously named the Bangkok Agreement was signed. 16

1982 - 1st January, Export Import Bank (EXIM Bank) was established in India to finance, facilitate and promote foreign trade of India.

1988 - The Agreement establishing the Global System of Trade Preferences (GSTP) among Developing countries was signed on 13th April at Belgrade following conclusion of the First Round of Negotiations. The modalities on market access adopted by the Ministers are as under:

- Across-the-board, line-by-line, linear cut of at least 20% on dutiable tariff lines;

Product coverage to be at least 70% of dutiable tariff lines;
- Product coverage shall be 60% for participants having more than 50% of their national tariff lines at zero duty level;
- Tariff cuts shall be made on the MFN tariffs applicable on the date of importation. Alternatively, participants may choose to apply the cuts on the MFN tariffs applicable on the date of conclusion of the Third Round;
- The Negotiating Committee shall also consider proposal for revision of the GSTP rules of origin.

1991 - India has engaged on trade with Association of South East Asian Nations (ASEAN).

1992 - India has become a Sectoral Dialogue Partner of ASEAN.

- **Indian Export and Import Policy** (1 April 1992 to 31 March 1997) system was introduced for the first time after the implementation of the Foreign Trade Act.

1994 - Bangladesh – India - Sri Lanka - Thailand Economic Cooperation (BIST-EC) was taken by Thailand to explore economic cooperation on a subregional basis involving contiguous countries of South East & South Asia grouped around the Bay of Bengal.

1996 - India has become Full Dialogue Partner of ASEAN.

1997 - On 31st March, a new **Import Export Policy** (1997 to 2002) was announced. The main objective of this policy was to integrate Indian economy with the world economy.

1998 - India-Sri Lanka Free Trade Agreement (ISLFTA) was signed and became operational in 2000.

2001 - New **Export-Import Policy** was announced on 31st March.

2002 - ASEAN-India Economic Linkages Task Force (AIELTF) was announced in September. India made the following major announcements:
i India will extend special & differential trade treatment to ASEAN countries based on their level of development to improve their market access to India.

ii Free Trade Agreement (FTA) within 10 years timeframe.

2003 - Joint Study Group (JSG) was established in the month of April with a view to widen the ambit of ISLFTA.

- MERCOSUR Preferential Trade Agreement (PTA) was signed in June.
- India - Thailand Comprehensive Economic Cooperation Agreement (CECA) was signed in November to establish Free Trade between India and Thailand.

2004 - The new Foreign Trade Policy (2004 – 2009) was announced. The basic objective of this policy was to double the India's share of global income by 2009 and make export an effective instrument for economic growth and employment generation. The Special Economic Zone (SEZ) Act, 2005 and the (SEZ) Rules, 2006 were also introduced under this policy.

- In August an Agreement on Economic Cooperation (AEC) between Republic of India and Gulf Cooperation Council (GCC) was signed.

- Agreement on Early Harvest Scheme (EHS) for elimination of tariff on a fast track basis on 82 items of export interest to the sides between India and Thailand has starred in the month of October.

2005 - In January Expansion of India-Chile Preferential Trade Agreement (PTA) was signed.

- India - Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA) negotiations. Negotiations were also held on Trade in Investments for improving the legal framework existing in both countries, including the bilateral Double Taxation Avoidance Convention (DTAC) and Bilateral Investment Promotion & Protection Agreement (BIPA). A Memorandum of Understanding related to the CECPA was signed by India and Mauritius in October, 2005 under the aegis of CECPA:
- MOU in the field of Consumer Protection and Legal Metrology.
- MOU between Bureau of Indian Standards (BIS) and Mauritius Standards Bureau (MSB).
- MOU between Indian Institute of Public Administration (IIPA) and Government of Mauritius.
- MOU on Preferential Trade Agreement (PTA)

- India - Singapore Comprehensive Economic Cooperation Agreement was signed.

2007 - India-EU Broad Based Trade and Investment Agreement. On 28th June India and EU had begun negotiations on a broad-based Bilateral Trade and Investment Agreement (BTIA) in Brussels, Belgium.

- During the Second Session (Asia-Pacific Trade Agreement) of the Ministerial Council at Goa on 26 October 2007 the following important decisions were taken:
  i  To launch the 4th Round of Negotiations;
  ii To adopt modalities for extension of negotiations in other areas such as non-tariff measures, trade facilitation, services, and investment;
  iii A common set of Operational Procedures for the Certificate and Verification of the Origin of Goods for APTA was approved and it was decided that the same would be implemented. w.e.f. 1st January, 2008; and
  iv To explore the possibilities of expanding the membership of the Agreement.

2008 - India signed Comprehensive Economic Cooperation Agreement with Australia in April.

- India-European Free Trade Association (EFTA) Negotiations on broad-based Bilateral Trade and Investment Agreement was signed in October.

- In November, during the 3rd round of negotiations, a Memorandum of Understanding (MOU) was signed by the representatives of India and Southern African Customs Union (SACU). During 5th round of negotiations,
SACU has presented a revised text of the PTA as a working document. Further, both sides had agreed on the following:

i The text on ‘Dispute Settlement Procedures’.

ii To use the text proposed by India on ‘Customs Cooperation and Trade Facilitation’ and TBT as the working text.

iii To use the text on ‘SPS’ proposed by SACU as the working text.

2009 - The second Foreign Trade Policy (2004-2009) was announced. In this policy for the first time Indian government had introduced two important schemes namely Focus Market Scheme and Focus Product Scheme.

- ASEAN-India Trade Negotiating Committee (TNC), India and the ASEAN had signed the following Agreements on 13th August.
  i Trade in Goods Agreement along with its Annexes.
  ii Agreement on Dispute Settlement Mechanism.
  iii Protocol to Amend the Framework Agreement.
  iv Understanding on Article 4 of the Agreement on Trade in Goods Agreement.

- India-Canada Comprehensive Economic Partnership Agreement was signed in November.

2011 - In January, India - Indonesia Comprehensive Economic Cooperation Agreement was signed.

- India - New Zealand Free Trade Agreement / Comprehensive Economic Cooperation Agreement. So far 6 rounds of negotiations had been held.

- India-Pakistan Trading Arrangement signed.

1.6 THE PRESENT STATUS OF INDIA IN FOREIGN TRADE

To facilitate international business, government of India has established various Trade Promotion Organisations, Export Promotion Councils, Export Development Authorities, Commodity Boards, Apex Chambers, Industry Associations and an Export Import Bank of India (EXIM Bank) and Export Credit
Guarantee Corporation (ECGC). India’s Foreign Trade has increased day by day and over 2 lakhs Indian Exporters and Importers are actively involved in International Business. In 2011, India has exported 98 varieties of commodities to 235 countries for Rs. 114,264,897.18 Crores and 98 varieties of commodities imported from 229 countries for Rs. 168,346,695.57 Crores. In 2010, India held 2.2 per cent share of world trade.\(^\text{17}\)

1.7 AN OVERVIEW ON GLOBAL SEAFOOD MARKET

Globally fishes are produced broadly through two methods namely capture and culture method. The risk and profitability are almost same on both the methods. According to FISHSTAT Plus the world fish production in the year 2008 was 89.9 million tonnes\(^\text{18}\). The two-third of world fish market is supplied by captured and the remaining by cultured. As per the demand in aquaculture products shrimp products lead the first position and in captured category it is Tuna fish variety. In 2011, the average tuna export price of Vietnam reached USD 7.81 per kilogram\(^\text{19}\).

1.8 AN OVERVIEW ON INDIAN MARINE SECTOR

India held a good potential on Agricultural sector. Agriculture shall be classified into two types, the first type is land based agriculture and the other is water based agriculture. The water based economic resources shall be broadly classified into two categories such as fresh water fisheries and Marine fisheries. The demand for the marine products in the world market is high.

Fishery is one of the important sectors to generate employment opportunity to millions of coastal populations and help the people below poverty. India fishery production has reached 6.57 million metric tonnes. India is the 3\(^{rd}\) largest fish producing country and 17\(^{th}\) seafood exporting country in the world. India has a long

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coast line of 8,129 Kms, two million sq. kms of Exclusive Economic Zone (EEZ) and 1.2 million hectares of brackish water bodies, which offer vast potential for development of fisheries. Out of the estimated fishery potential of 3.93 million tonnes from marine sector, only 3.3 million tonnes are tapped and remaining 0.6 million tonnes are untapped\(^\text{20}\).

Indian marine fishing activities were engaged in 7 States and 3 Union Territories namely Kerala, Maharashtra, Tamil Nadu, Gujarat, West Bengal, Karnataka, Orissa, Andhra Pradesh, Goa, Pondicherry, Lakshadweep and Andaman & Nicobar Islands respectively. The estimated India’s marine fisherfolk population is 30.57 lakhs and they are living in around 3,305 marine fishing villages. Of which 9 lakhs are involved directly in fishing activities and 7.6 lakhs people are involved in other fisheries-related activities. Fishing efforts are largely confined to the inshore waters through artisanal, traditional, mechanised sectors. 90 per cent of marine products yield within a depth range of 50 to 70 meters and remaining 10 per cent of yield extend to the depth upto 200 meters. 93 per cent of marine production was contributed by artisanal, mechanised and motorised sector and the remaining 7 per cent by deep sea fishing\(^\text{21}\).

1.9 INDIAN MARINE EXPORT

India has started marine product export through exporting dried items like dried fish and dried shrimp. In 1953, the frozen shrimp was coined and it helped to overcome the value of dried items from 1961. In the year 1966, the Government of India has devaluated the Indian currency and it resulted a rise on the export value of frozen and canned items in value. Neighboring countries are the traditional buyers to Indian seafood and it was steadily changed to developed countries markets. The high demand of seafood in developed countries helped India to expand market rapidly.


The markets for Indian marine dried products are Sri Lanka, Myanmar (formerly Burma), Singapore etc. The development of technology/modernization paved the way for canned and frozen items and it resulted in Indian marine product market shift from neighboring countries to developed countries like Japan, USA, Europe, Australia, etc. Indian marine export policies and subsidies boosted seafood processing units in number with modern machinery for freezing and production of value added products. The present of technology/ modernization units are not enough to utilize the full marine potential.

USA was the prime buyer for Indian frozen shrimp till 1977 and was overtaken by Japan, followed by the West European countries. Japan retained its position till 2002 through importing about 31 per cent on value of total marine products exports. During 2002-04, USA once again became the principle buyer and from 2004-06 European Union was the largest Indian marine products importer. In 2010-11, India’ marine products export has reached Rs. 12901.47 Crores. European Union (EU) has continued as largest importer by 26.78 per cent share. China maintained the second place with a share of 16.43 per cent followed by USA, Japan, Middle East and Other Countries by 15.35 per cent, 13.06 per cent, 5.19 cent and 7.79 per cent respectively. Exports to countries like Libya, Reunion islands, Australia, Puertorico, Dominican Republic, Kenya, Tanzania, Ukraine, Brazil etc. has shown positive growth\(^\text{22}\).

Expert committee had studied the Indian deep sector and recommended to diversify the existing fishing vessels into resource specific vessels such as long lining for tuna, jigging for squid etc. To execute their recommendation India has introduced progressive conservation policy. The main objective of this policy was to support tuna fish export with high quality and reach the top position in world sashimi (Japanese dish consisting of very thin bite-size slices of fresh raw fish) market.

1.10 MARINE PRODUCTS EXPORT DEVELOPMENT AUTHORITY

The Government of India has established various export promotion councils to encourage, periodical supervision and measures to increase the export. In this context, to promote the marine products export the Marine Products Export Development Authority (MPEDA) was constituted in 1972 under the Marine Products Export Development Authority Act 1972 (No.13 of 1972). MPEDA was one of the autonomous bodies, functions under Ministry of Commerce, Government of India. It acts as a coordinating agency with Central and State Governments engaged in fish production and allied activities. It cover all kinds of fisheries like increasing exports, specifying standards, processing, marketing, extension and training to fish producer and processors. MPEDA is providing the following schemes to improve capture fisheries export.

1. Subsidy provided to convert existing fishing vessels into tuna long liners.
2. Interest subsidy sanctioned for constructing new tuna long liners.
3. Assistance for installation of insulated fish hold/RSW system/ice to onboard fishing vessel.
4. Training on tuna long line fishing and better handling for value addition.

1.11 THE STEPS TO EXPORT MARINE PRODUCTS FROM INDIA

Export is an art, the exporter produces goods to satisfy the unknown foreign consumers. To satisfy the international customers and consumers three important things have to be considered namely Quality, Timing and Price. The following are the steps to start marine products Export Company in India and Export:  

Step 1. Apply for Import-Export Code Number (IE Code No.) and get from Director General Foreign Trade Regional office.

Step 2. Register with concerned export promotion council. For example, to export fish products, it was essential to obtain Registration-Cum-Membership

Certificate (RCMC) from the Marine Products Export Development Authority (MPEDA) for exporting and to avail subsidy benefits.

Step 3. The process of export starts from this stage. After getting satisfaction by sample, the buyer (Importer) shall place purchase order (or) Export Order. To assure the payment the importer has to send a promissory note issued from importer bank called Letter of Credit (LC). By using LC exporter shall get maximum upto 80 per cent value in advance from his bank (Exporter Bank) to meet the production expenses.

Step 4. Once the Export Order has been received, the exporter starts production as per the agreement between importer and exporter. In addition, Exporter shall approach Export Credit Guarantee Corporation (ECGC) for payment guarantee. ECGC shall charge 0.19 per cent on value for rendering their service.

Step 5. After getting over the production, the exporters make arrangements for quality control and obtain certificate from quality control inspector. To measure the quality of food products including fish products Hazard Analysis and Critical Control Points (HACCP) certificate has to be obtained and for EU Catch Certificate has to be obtained from MPEDA.

Step 6. An exportable finished product has to be dispatched to Ports/ Airports for transit.

Step 7. With the despatch of marine products, the exporter has to apply for Marine/ Air Insurance coverage from an insurance company. In some case this has to be done through Clearing and Forwarding (C&F) Agent.

Step 8. At this stage the exporter shall contact the Clearing and Forwarding (C & F) Agent for storing the goods at port warehouses. The C&F Agent comes out with a document called Shipping Bill (SB), it is essential for allowing shipment by the Custom Authority.

Step 9. The Clearing and Forwarding Agent submits shipping bill to custom house for verification and the custom house examines the documentation.
Step 10. The C&F Agent also submits a copy of the ‘verified’ shipping bill to the shed superintendent and obtains carting order for exports.

Step 11. The C&F Agent presents the shipping bill to the preventive officers who oversee the transit procedure for loading exports into ships or aircraft.

Step 12. Once the product has been loaded, the captain of the ship/air craft shall issue a receipt called “Mate’s Receipt” to the superintendent of the port. The superintendent calculates port charges and bills the C&F Agents for it.

Step 13. After making the payment, the C&F Agent collects mate’s receipt and requests the port or airport authority to prepare Bill of Lading or Airway Bill (AB).

Step 14. After collecting the Bill of Lading (BL), the C&F Agent shall send BL (or) AB to respective exporter.

Step 15. Exporter has to apply for the certificate of origin with the received documents in the relevant chamber of commerce.

Step 16. Exporter needs to send shipping documents to the importer stating the date of shipment, name of the vessel, etc., with other important documents like Bill of Lading, Custom Invoice and Packing List for getting their forging counterparts.

Step 17. From this stage the exporter starts working on the payment of export. The exporter submits all important documents to his bank for scrutinize these documents against the original Letter of Credit/ Purchase Order. The bank shall follow Uniform Customs and Practice for Documentary Credits (UGPDC)/ Uniform Rules for Collection (URC) Norms.

Step 18. The exporter’s bank sends all important documents to the importer’s bank, which presents the documents to the importer. Then the importer accepts the bill if it is Usance Bill and pays before the due date.
Step 19. After receiving the requisite documents, the importer makes payment through bank. The export amount shall be credited in the exporter account (in case of advance the balance amount shall be credited). Simultaneously, the **Guaranteed Remittance** (GR) Form shall be sent to RBI as evidence of realization of export proceeds and in case of Electronic Data Interchange System user the **SDF** shall be sent instead of GR Form.

Step 20. The last step, exporter shall apply for benefit from the various duty drawback schemes and automatically the sanctioned amount shall be credited to the exporter account.

### 1.12 SIGNIFICANCE OF THE STUDY

Tuna fish is highly demanded seafood in the global market especially in Japan, Europe and China. Abundant Tuna resources are available in Indian Ocean but tunas are not consumed by Indians due to our consumption habits. The advantages of availability and global demand were utilised by few Indian seafood exporters. They are involved in tuna fish and value added products export. The Indian marine fishing has touched the maximum yield level at most of the part of India except Andaman and Nicobar Islands. In 2010, Andaman and Nicobar Islands held nearly 30 per cent of Indian EEZ with estimated marine potential of 1.48 lakhs MT on account of Tunas itself 46500 tonnes (31.42 per cent) which was untapped. Tuna Fish export has tremendous opportunities in terms of generating employment and earning Forex reserves.

In 2011, an average export price of tuna fish in Japan market was USD 5.26 per Kg, therefore yearly estimated turnover on tuna fish export from these Islands shall be around Rs. 1118 crores. Once the tuna export has been started, that were impress importers to buy other fishes in additional from these islands. By developing fishing industry nearly 30, 000 new jobs shall be created in these islands. The Government, Non-government authority and fishing communities are aware of Tuna demand in international market. To utilise the opportunity, government has taken a few measures to develop tuna fisheries like subsidy schemes for import tuna inputs, assistance to converting tuna boats and provided training to a small group of
fishermen at Port Blair. But the impact was very poor. The fact that till date none of the entrepreneur has shown interest on tuna export and the opportunity of forex earning and generating employment to eradicate poverty was missed. In this context, the researcher has chosen this topic by considering the potential, export opportunities, employment availability and welfare of the islanders.

1.13 SCOPE OF THE STUDY

This study is confined to one of the Union Territories of India, Andaman & Nicobar Islands. The study has a limited scope of analysing the various facts of fish production and potential for marketing or exporting of fish in/from Andaman & Nicobar Islands in the pre and post tsunami period. This study mainly focuses on Tuna fish export potential and to find out the problems in developing this business and measures to overcome those problems. The study covers till the period 2011.

1.14 STATEMENT OF THE PROBLEM

The Andaman and Nicobar Islands is one of the union territories of India located in the Bay of Bengal. It consists of about 572 islands both small and large of which only 38 islands were inhabitants. The census 2001 shows that, the total population of these islands was 3.56 lakhs of which 17, 496 belongs to fishing community. Majority of A&N Islands population are settlers from the mainland including fisherman community. The geographical advantage of Andaman and Nicobar Islands was suitable to generate income form three important sectors. They are (i) Agricultural Sector (ii) Tourism sector and (iii) Fisheries sector. Regarding agriculture, these islands are depending on rain water harvest and the maximum amounts of agricultural commodities are brought from mainland to fulfil the islanders’ requirements. The tourism sector depends on tourists from mainland and abroad. The local tourism is very poorly attracted the islanders. The tourism sector is operated only seven months in a year (December to June) due to heavy rainfall. On the whole, a fishery is the only sector which helps to earn huge forex and creates sound job opportunities to these islands population. The marine potential of Andaman and Nicobar Islands is a long coastal-line of 1841 kms and 6, 00,000 sq. kms of Exclusive Economic Zone (EEZ) accounted nearly one-third (33 per cent) of India’s
Total Exclusive Economic Zone. The estimated marine potential in Andaman and Nicobar Islands is about 1.48 lakhs tonnes of which Tuna Fish alone accounts for 31.42 per cent (46500 tonnes). In the year 2010, 33000 MT (22.3 per cent) was captured, of the total marine potential only 21.56 per cent are locally consumed, 0.74 per cent was sold to exporter in mainland and the remaining 77.7 per cent was untapped\(^\text{24}\).

The Andaman and Nicobar Islands Administration, Government of India, Andaman and Nicobar Fisheries Department, ANIIDCO, MPEDA, Fisheries Survey of India, Non-Governmental Organizations, other Agencies and Financial Institutions are involved in developing fisheries firms but the result was none of the small and medium scale fishing enterprises has shown interest of direct export. The basic problems in developing Fishing business in these islands are:

- These islands are located more than 1000 KM. away from Mainland.
- These islands have lack of indigenous expertise, technology, trained skilled personnel.
- The entrepreneurs’ interest in high capital investment is very poor.
- The standard infrastructure facilities for fish processing and marketing is below the standard level.
- The export knowledge among the fishing community is low.
- The transportation plays a vital role in export, essentially on perishable goods like fish and fish products. There is no cargo flight operation from these islands.

Tunas are neither consumed by islanders nor by majority of Indians but at the same time it has high demand in international market. The objective for establishing Andaman Tuna export industry is not only to increase fish production but to increase export units. A good marketing system is necessary to ensure the regular supply to international consumers and particularly for recovering a good price for tuna fish and its value added products. Once a high quality tuna fish and its value added products are exported from these islands then there is a chance of exporting other marine products as well.

\(^{24}\text{Department of Fisheries. (2010). Andaman and Nicobar Fisheries at a Glance. Andaman and Nicobar Administration. Port Blair.}\)
The fish being highly perishable item, needs cleanliness and hygiene at all stages, from catching, transportation, processing, exporting and till it is consumed. The success of fishermen depends on skilful management in the area of production, processing and marketing of fishes. All private or cooperative fishing enterprises are not running on successful lines, some of them are being weak and others being strong due to above mentioned reasons. Andaman Tuna export shall yield a good return of a maximum of Rs. 1681.092 Crores annually and it provides suitable income. It is in this context, the researcher has carried out the research to upgrade the standard of living of the fishermen and poor of A&N Islands.

1.15 THE OBJECTIVES OF THE RESEARCH

- To study the socio-economic condition of fishing community in Andaman Islands.
- To examine the export procedure and policies and subsidy schemes provided by the Govt. of Andaman Islands.
- To analyze the trend of fish capture, marketing and exporting in pre and post tsunami in Andaman Islands.
- To examine the overall performance of Private and Cooperative fisheries enterprises in pre and post tsunami in Andaman Islands.
- To assess the potential contribution of forex earnings and employment generation by Tuna fish exports.
- To analyze the contribution of Tuna Fish and it is Value Added Products in improving standard of living of fishermen in Andaman & Nicobar Islands.
- To suggest suitable measures to improve the export potential of marine products.

1.16 RESEARCH METHODOLOGY

The present research is a descriptive study carried out in Andaman Islands. The aim of this research is to prepare an action plan for developing tuna export industry in these islands and benefiting the fishing community and others involved in fishing and its allied actives. Four taluks were selected from Andaman Islands of
which Port Blair belongs to South Andaman District, Rangat from Middle Andaman District and Mayabunder and Diglipur from North Andaman District. These Four Islands were selected for two reasons, the first reason is Tuna Hooking Rate nearer to these islands is high and the second reason is that only in these islands suitable conditions exist to develop marine export in future.

1.17 DATA COLLECTION

This study involves collection of both data primary and secondary data. The Primary Data were collected through a structured interview schedule from fishing community households and Questionnaire from head or chief of the fishery enterprises. From fishing family the decision maker was selected and interviewed. The secondary data was collected from the records, annual reports and other statutory reports of the Government departments, MPEDA and records and registers maintained by the Fishery enterprises functioning in Andaman Islands.

1.18 SAMPLING TECHNIQUE

Judgment Sampling Method was used to select a village from a taluks. The thickly populated fishermen villages were selected and interviewed. The villages so selected namely Junglihat, Nimbutala, Fishing Colony and Durgapur from Port Blair, Rangat Mayabunder and Diglipur taluk respectively. The proportional method was used to calculate the sample size for each village and through convenience sampling households were selected at the time of survey. In these islands no one was an exporter, all are export suppliers only. The fishery enterprises are classified into two strata on the basis of type of the business, viz., private and co-operative society. The private fish export suppliers were selected by convenience sampling and cooperative fishing societies were selected through Judgment sampling by discussing with the Andaman & Nicobar Islands Cooperative Registrar office officials at Port Blair.
1.19 SAMPLE SIZE DETERMINATION

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of Region</th>
<th>2001 Total</th>
<th>2001 NF</th>
<th>2005 Total</th>
<th>2005 NF</th>
<th>2010(P) by 2001 Total</th>
<th>2010(P) by 2001 NF</th>
<th>10%</th>
<th>CSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Port Blair</td>
<td>3354</td>
<td>839</td>
<td>4713</td>
<td>1011</td>
<td>4605</td>
<td>988</td>
<td>99</td>
<td>118</td>
</tr>
<tr>
<td>2</td>
<td>Rangat</td>
<td>1352</td>
<td>270</td>
<td>1743</td>
<td>364</td>
<td>1856</td>
<td>387</td>
<td>39</td>
<td>46</td>
</tr>
<tr>
<td>3</td>
<td>Mayabunder</td>
<td>2298</td>
<td>460</td>
<td>753</td>
<td>146</td>
<td>3160</td>
<td>612</td>
<td>61</td>
<td>73</td>
</tr>
<tr>
<td>4</td>
<td>Diglipur</td>
<td>3902</td>
<td>976</td>
<td>3068</td>
<td>664</td>
<td>5357</td>
<td>1160</td>
<td>116</td>
<td>138</td>
</tr>
<tr>
<td>Total</td>
<td>10906</td>
<td>2545</td>
<td>10277</td>
<td>2055</td>
<td>3148</td>
<td>315</td>
<td>375</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: (P)-Projected, NF: No. of Families, CSS: Calculate Sample Size

The Fishery Survey of India (FSI) does survey once in every five years among fishing community all over India. As per their record, in 2001 Andaman Islands fishermen population for the selected four taluks was 10,906 (2,545 families) and in 2005 it has been reduced to 10,277 (2,055 families) due to tsunami on 26th December 2004. The Fisheries Survey of India’s 2010 survey report is yet to be published. While discussing with FSI officials Port Blair, they revealed that the fishermen families were reoccupying these islands with additional families from mainland. Hence the population was unknown and so the projected population published by Department of Statistics, Andaman and Nicobar Islands has taken for the research. As per the National Educational Association, formula for determining sample size –

\[ s = X^2 NP (1 - P) \div d^2 (N - 1) + X^2 P (1 - P) \]

- \( s \) = Required sample size.
- \( X^2 \) = The table value of chi-square for 1 degree of freedom at the desired confidence level (3.841)
- \( N \) = The population size.
- \( P \) = The population proportion (assumed to be .50 since this would provide the maximum sample size)
- \( d \) = The degree of accuracy expressed as a proportion (.05)
The projected population was 14,978, and to calculate sample size for this population as per Determination of Sample Size table was 375. The sample size for each village was calculated by proportional method. According to family size 2001, the sample size for Port Blair was 118 families, 46 for Rangat, 73 for Mayabunder and 138 for Diglipur. In the selected Andaman Islands Six private fish export suppliers are working. Out of Six, Four private fish export suppliers had shown interest in providing data and to compare the financial performance, four cooperative fish export suppliers were selected through discussion method with the Andaman & Nicobar Islands Cooperative Registrar office officials at Port Blair.

1.20 TOOLS USED

(i) **Variables**

This research has studied the following variables – **independent variables** – Place & Year and **dependent variables** - Nature of the job, Size of the family, Respondent average monthly income, Total assets value, Marine fish captured in volume (MT), Marine export in volume (Kg), Current Asset, Current Liabilities, Shareholder’s Fund, Total Assets, Net Sales, working capital, fixed assets, net profit.

(ii) **Hypotheses**

Ho1 - There is no difference between Islands and Respondents’ Family Size.

Ho2 - There is no difference between Islands and Respondents’ Children Studying.

Ho3 - There is no difference between Jobs and Respondents’ Average Monthly Income.

Ho4 - There is no difference in monthly income of various Islands fishermen.

Ho5 - There is no difference in monthly family income of various Islands fishermen.

Ho6 - There is no difference in Net Assets Value held by fishermen of the Islands.

Ho7 - There is no difference between Volume of fish captured before and after Tsunami.
Ho8 - There is no difference between Volume of fish Exported before and after Tsunami.

Ho9 - There is no difference between the Financial Performance of Private companies and Co-operative Societies.

Ho10 - There is no difference in monthly income of various Islands fishermen. (For Suresh Mohan Business Model)

Ho11 - There is no difference in monthly family income of various Islands fishermen. (For Suresh Mohan Business Model)

(iii) Statistical Tools Used

The researcher has used modern and sophisticated statistical tools like ANOVA, Garret’s Ranking Technique, Independent Sample T-Test, Paired T-Test, Growth Rate, Cross Tabulation and Percentage Analysis to analyze and interpret the data.

(iv) Software and Style Used

The researcher has used SPSS 16 software package to analyze the primary data collected from Fishing Community. The researcher has used American Psychological Association (APA) Sixth Edition to write the references of this thesis.

1.21 LIMITATIONS OF THE STUDY

- The study involves only fishing community and personnel involved in this business.
- The study has taken past 10 years only for data analysis due to resource constraints.
- The empirical part of this study was confined to limited number of fishing community. The sample size may not be regarded as an exact replica of the Universe.
1.22 CHAPTERIZATION SCHEME

This study has been presented into six chapters. The first chapter gives a brief introduction on fish export and opportunities available to Indian marine industry, world and Indian history in international trade, export procedure for marine product in India, the tuna benefits and demand in world market and also touches upon the statement of the problem, objectives, hypotheses, methodology and limitations of the study.

The second chapter “Review of literature” deals with appropriate literature reviewed from various resources and the third chapter explains the Socio-economic status of fishing community and Marine Products Export Policies and Subsidy Schemes available in Andaman Islands.

Fourth chapter throws light on present trend on Fish Capture and Exporting and the overall financial performance of private and cooperative fisheries enterprises in Andaman Islands.

Fifth chapter deals with potential contribution of forex earning and employment generation by tuna fish and its value added products export and also brings out the suitable measures to improve tuna fish industry in these Islands.

The last chapter explains the Findings of the study and Suggest suitable measures to improve Tuna Export and the standard of living of fishing community and poor in Andaman and Nicobar Islands.

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