BA4060 EXIM MANAGEMENT LTPC 3 0 0 3

COURSEOBJECTIVES:

- Toenlightenthestudentsaboutthemajorfunctionsinexportandimportprocesses.
- Toprovidetheexpertiseforsolving issuesrelatedtorequirementsinEXIMmanagement.

UNIT – I FUNDAMENTALS OF IMPORT AND EXPORT 9

Role of Importand ExportTradein anEconomy-InstitutionalFrameworkfor Foreigntrade in India-RoleofDirectorGeneralofForeignTradeandCommerce-ObjectivesofEXIMPolicy- Global trade flows - Contract of International Sale of Goods - INCOTERMS 2010

UNIT- II OVERVIEWOFEXPORTANDIMPORT 9

MarketingforExports-NegotiationandfinalizationofExportcontract –ExportDocumentation Procedures - Cargo Insurance - Export Promotion Councils and incentive schemes- Role of Logistics in Exports- Export Houses / Trading Houses

UNIT- III DOCUMENTATIONFRAMEWORK 9

Importforindustrialuse/trading -ImportDocumentationandCustomsclearanceprocedures- Types of Imports - Import Licenses - Cargo Insurance - Role of Logistics in Import

UNIT- IV CREDITANDPAYMENTS 9

Payment methods in Foreign Trade - Documentary Credit / Letter of Credit–LOU-UCP 600 with respect to Shipping Documents and L/C Negotiation – Export / import financing strategies - Managing payment risks.

UNIT-V CUSTOMSCLEARANCEANDAGENCIES 9

Roles of Service providers in EXIM transactions – Global Traders – Commodity Brokers - Custom House Agents – Transport Operators – Freight Forwarders – Warehousing and 3PL service providers – Liners /Ship Agencies – Container Freight Stations - Port – Inspection Agencies/ surveyors – Quarantine Agencies – Pest Control Agencies – Chamber of Commerce.

TOTAL:45PERIODS

COURSEOUTCOMES:

- Thestudentswouldbeawareabouttheformalitiesofexportandimportindustry
- Thestudentswillbeabletocomprehendtheimportanceofeximmanagement.

REFERENCES:

1. JustinPaulandRajivAserkar,ExportImportManagement,SecondEdition,Oxford University Press, 2013.
2. UshaKiranRai,Export-ImportandLogisticsManagement,SecondEdition,PHI Learning, 2010.
3. DirectorGeneralofForeignTrade,ForeignTradePolicyandHandbookofProcedures, 2015
4. Coyleet.al,ManagementOfTransportation,7thEdition,CengageLearning,2011

UNITIFUNDAMENTALS OFIMPORT ANDEXPORT

- Roleof ImportandExportTradeinanEconomy
- InstitutionalFrameworkforForeignTradeinIndia
- RoleofDirector General ofForeignTradeandCommerce
- ObjectivesofEXIMPolicy
- Globaltradeflows
- ContractofInternationalSaleofGoods
- INCOTERMS 2010

IMPORTS:

Imports aredefined as purchases of goods or services bya domesticeconomyfrom a foreign economy.

Thedomesticpurchaser ofthegoodorserviceiscalledan importer.

Importsandexportsarecriticalformanyeconomiesandtheyarethedefiningfinancial transactions of international trade.

ImportedproductsinIndia

India_s major imports comprise **of crude oil machinery, military products, fertilizers, chemicals, gems, antiques and artworks.** Imported goods are divided into the following categories:

- **Freely importable items**: For these items, no import license is required. They can be freely imported by an individual or a firm.
- **Canalizeditems**:Theseitemscanonly beimportedbypublicsectorfirms.Forexample ***petroleumproducts*** fallunderthiscategory.
- **Prohibited items:** Itemssuchas***unprocessedivory,animalrennetandtallowfat*** cannot be exported to India.

WhydoNationsImport?OrNeedof Import.

- Allcountriesneedto—orchooseto—importatleastsomegoodsandservicesforthe following reasons:
- Goodsorservicesthatareeither

  ->Essentialtoeconomic well-beingor

  ->Highlyattractive to consumers but arenot available in the domesticmarket
- Goodsorservicesthatsatisfydomesticneedsorwantscanbeproducedmore inexpensivelyor efficientlybyother countries, and therefore sold at lower prices.

ROLEOFIMPORTSANDEXPORTSINECONOMY

Importsare criticalfor many economies; they are the defining financialtransactions ofinternational trade and account for a large portion of the GDP.

- In most countries, international trade and importing goods represents asignificant share of the gross domestic product (GDP)
- International trade is generally more expensive than domestic trade due to additionally imposed costs, taxes, and tariffs.
- On a business level, companies take part in direct-imports; a major retailer imports goods from an overseas manufacturer in order to save money.

ProtectingImports

Due to the economic importance of imports, countries enact specific laws, barriers, and policies in order to regulate international trade.

Protectionism is the economic policy of restraining trade between countries through tariffs on imported goods, restrictive quotas, and government regulations.

When trade barriers and policies of protectionism are eliminated, consumer surplus increases. The price of a good or service will decrease while the quantity consumed will increase.

Impactofbuyingimported goods

On a national level, in most countries international trade and importing goods represents a significantshare of the gross domestic product (GDP). International trade has a significant economic, social, and political importance in many countries.

Imports provide countries with access to goods and services from other nations. Without imports, a country would be limited to the goods and services within its own borders .

However, the factors of production are usually more mobile domestically than internationally (capital and labor).

Itiscommon forcountries toimportgoodsratherthanafactorofproduction.

For example, the U.S. imports labor-intensive goods from China. Instead of importing Chinese labor, the U.S. imports goods that were produced in China byChinese labor.

EXPORTS

- Exportmeanssaleofgoodstoaforeigncountry.
- Toshipthegoodsand servicesout oftheport ofacountry.
- Thesellerofsuchgoodsandservicesisreferredtoasexporter.

ExportedGoodsinIndia:

- Indian exports comprise mainly of engineering and textile products, precious stones, petroleum products, jewelry, sugar, steel chemicals, zinc and leather products. Most ofthe exported goods are exempt from export duties.
- India also exports services to several countries, primarily to the US. In fact, India is among the world_s largest exporters of services related to information and communication technology (ICT). It is also the key destination for business process outsourcing (BPO).

RoleofExports

- Growth ofan economyis directlyrelated to exports. Ifexports increaseat a fasterpace as compared to imports, nothing can stop an economy from being a developed one. On the other hand, the instability in exports can adversely affects the process of economic development.
- Lower exports mean low foreign exchange and lower foreign exchange in turn means a small purchasing capacity of a nation in the international market.
- Export instabilities have been claimed to affect economic growth both positively and negatively. Fluctuation in exports earnings introduces uncertainties in the economy
- Export instability stimulates inflation. The simple rule of the thumb is that as inflation rises in a country, the products and services tend to be costlier, with minor exceptions, of course.

INSTITUTIONALFRAMEWORKFORFOREIGNTRADEININDIA

IntroductiontoInstitutionalFrameworkforInternationalTrade:

India has a comprehensive institutional set up to promote international trade. Exporting firms need to understand and appreciatetheinstitutions involved and the functions carried out by them. The ***Department of Commerce is the prime agency of the country to promote international trade.***

It is supported by a massive institutional set up at the union and state government levels, carrying out a range of trade facilitation activities.

InstitutionalFramework –DepartmentofCommerce:

The Department of Commerce is the primary governmental agency responsible for developing and directing foreign trade policy and programmes, including commercial relations with other countries, state trading, various trade promotional measures and development, and regulation of certain export-oriented industries.

The principal functional divisions of the Department of Commerce engaged in export promotion activities are discussed as follows.

The Economic Division is engaged in ***export planning, formulating export strategies, periodic appraisal, and review of policies***. The Economic Division also ***maintains coordination with and control over other divisions*** and various organizations set up by the Ministry of Commerce to facilitate export growth

The Trade Policy Division keeps track of ***development in international organizations, such as WTO, UNCTAD, Economic Commission of Europe, Africa, Latin America, and Asia and Far East (ESCAP).*** The Trade Policy Division is also responsible for ***India's relationship with regional trading agreements,*** such as ***EU, NAFTA, SAFTA***, Commonwealth, etc.

The Foreign Trade Territorial Division looks after the ***development of trade with different countries and regions of the world.*** It also deals with state trading and barter trade, organization of trade fairs and exhibitions, commercial publicity abroad, etc. Further,it maintains contact with trade missions abroad and carries out related administrative work.

The Export Product Division looks after problems connected with ***production, generationofsurplus,anddevelopmentofproductsforexports***.However,forproductswherein theadministrativeresponsibilityremainswithconcernedministries,the ***Export Product Division keeps in close touch with them to ensure that the production is sufficient to realize the full export potential besides ensuring the home consumption.***

The Exports Industries Division is responsible for ***development and regulation of rubber, tobacco, and cardamom.*** It is also responsible ***for handling export promotion activities***

relating to textiles, woolens, handlooms, readymade garments, silk, and cellulosic fibers, jute and jute products, handicrafts, and coir and coir products.

The Export Services Division deals with the ***problems of export assistance, such as export credit, export house, market development assistance (MDA), transport subsidies, free tradezones,dryports,qualitycontrolandpre-shipmentinspection,assistancetoimportcapital goods, etc.***

Subordinateoffices:

Inadditiontothesedivisions,attachedandsubordinateofficesarealsoinvolvedinthepromotion of foreign trade.

Theseareas follows

1. **DirectorateGeneralofForeign Trade:**

   Thedirectorateisresponsibleforexecutionofexport-importpolicyannouncedby the Government of India.

   Itisheadedby DirectorGeneralofForeignTrade(DGFT).Thedirectoratealsolooks after the work relating to issuing of licenses and monitoring of export obligations.

2. **DirectorateGeneralofCommercialIntelligenceandStatistics:**

   TheDirectorate General of Commercial Intelligence and Statistics (DGCI&S) was set up in 1962 and is headquartered at Kolkata.

   Itisresponsiblefor***collection,compilation,anddisseminationoftradestatisticsand commercial information.***

   TheDGCI&Salsobringsoutanumberofpublications,mainlyoninlandandcoastal trade statistics, revenue statistics, shipping and air cargo statistics, etc.

   Its ***main publications***, such as ***India Trade Journal (weekly) and Foreign Trade StatisticsofIndia(monthly)providedetailedinformationonexporttradestatistics***.

   TheDGCI&SusesmainlytheDailyTradeReturns(DTRs),anauthenticsource,for compiling and generating export-import statistics.

3. **DirectorateGeneralof Anti-DumpingandAllied Duties:**

   Constituted in April 1998, the Directorate General of Anti-Dumping (DGAD) is responsible for carrying out ***anti-dumping investigations*** and to recommend wherever required, the amount of anti-dumping/countervailing duty under the Customs Tariff Act, on identified articles which would beadequate to remove injuryto the domestic industry.

InstitutionalFramework–AdvisoryBodies

Advisory bodies provide an effective mechanism for continued interaction with trade and industry and increased coordination among various departments and ministries concerned with export promotion. The Government of India has set up the following advisory bodies for promoting international trade.

Board ofTrade:

In order to set up an effective mechanism for maintaining continuous dialogue with trade and industry on issues related to international trade, the Board of Trade was set up under the chairmanship of the Union Minister of Commerce and Industry in May 1989. Itwasreconstituted on 1 April 2005 with an eminent representative from trade and industry as its Chairperson.

Secretaries of Commerce and Industry, Finance (Revenue), External Affairs (ER), Textile, Chairman of ITPO, Chairman/MD of ECGC, MD of Exim Bank, and Deputy Governor of Reserve Bank of India are official members of the Board.

ExportPromotion Board:

In order to provide greater coordination among concerned ministries involved in exports, the Export Promotion Board works under the chairmanship of the Cabinet Secretary to provide policy and infrastructural support.

The secretaries of all the ministries directly related to international trade are represented in this board, including secretaries of Departments of Commerce, Ministry of Finance, Department of Revenue, Department of Industrial Policy and Promotion, Ministry of Textiles, Department of Agriculture and Cooperation, Ministry of Civil Aviation, Ministry of Surface Transport, and others, according to the requirements of inter-ministerial coordination.

InstitutionalFramework –CommodityOrganizations:

In order to focus on the commodity-product-specific exports, there are variouscommodityorganizationssuchasexportpromotioncouncils,commodityboardsandautonomous bodies.Theseorganizationslookaftersectorsspecificexportsrightfromproductdevelopmentto export marketing.

ExportPromotion Councils:

Export promotion councils (EPCs) are non-profit organizations. They are supported by financial assistance from the central government. At present there are 21 EPCs, as given in Exhibit 4.6. The basic objective of the EPCs is to develop and promote the country_s exports of specific products from India.

EPCs aim to ***project India's image abroad as a reliable supplier of high-quality goods and services.*** In particular, the EPCs encourage and monitor the observance of international standards and specifications by exporters.

Themajorfunctions oftheexportpromotion councilsare:

i. Toprovidecommerciallyusefulinformationandassistancetotheirmembersindevelopingand increasing their exports

ii. To offer professional advice to their members in areas, such as technology up gradation, quality and design improvement, standards and specifications, product development, innovation, etc.

iii. To organize visits of delegations of its members abroad to explore overseas market opportunities

iv. To organize participation in trade fairs, exhibitions, and buyer-seller meets in India and abroad

v. To promote interaction between the exporting community and the government, both at the central and state levels

vi. Tobuildastatistical databaseanddisseminateinformation

TheEPCsalso issueregistration-cum-membership certificates (RCMCs)to theirmemberswhich are mandatory for getting export incentives.

CommodityBoards:

Inordertolookaftertheissuesrelatedtoproduction,marketinganddevelopmentof commodities, there are nine statutory commodity boards as under:

i. TheTeaBoard

ii. TheCoffeeBoard

iii. TheCoir Board

iv. TheCentralSilkBoard

v. TheAll-IndiaHandloomsandHandicraftBoard

vi. TheRubberBoard

vii. TheCardamom Board

viii. TheTobaccoBoard

ix. TheSpiceBoard

The functions carried out by commodityboards are similar to those of export promotion councils.

Theseboardsbroadlycarryoutthefollowingfunctions:

i. Provide an integrated approach for production development and marketing of the commodity under their purview.

ii. Actasalinkagebetween Indianexportersandimportersabroad.

iii. Formulate and implement quality improvement systems, research and development programmes, education and training of farmers, producers, packers, and exporters on post-harvest management practices.

iv. Act as an interface between international agencies, such as the ITC, Geneva, Food and Agriculture Organization (FAO), and United Nations Industrial Development Organization (UNIDO), etc.

v. Collect and disseminate information on production, processing, and marketingof the products under their purview.

vi. Exportpromotionactivities,suchasparticipationininternationaltradefairs,organizing buyer-seller meets, inviting foreign delegations, and taking Indian delegations abroad.

<u>InstitutionalFramework–AutonomousBodies:</u>

AgricultureandProcessedFoodProductsExportDevelopmentAuthority:

Set up under an act of Parliament of 1986, the Agricultural and Processed Food Products Export Development Authority(APEDA) looks after the promotion of exports of agriculture and processed food products. It works as a linkage between Indian exporters and global markets.

The products which fall under the purview of the APEDA, known as scheduled products, include fruits, vegetables and their products, meat and meat products, poultry and poultry products, dairy products, confectionary, biscuits and bakery products, honey, jaggery and sugar products, cocoa and its products, chocolates of all kinds, alcoholic and non-alcoholic beverages, cereal products, cashew nuts, groundnuts and papads, guar gum, floricultural products,and herbal and medical plants.

ThebasicfunctionsoftheAPEDA are:

i. Developmentofdatabaseonproducts,markets,andservices

ii. Publicityandinformationdissemination

iii. Invitingofficialandbusinessdelegationsfromabroad

iv. Organizingpromotional campaignsabroadandvisitsofofficialandtradedelegations abroad

v. ParticipationininternationaltradefairsinIndiaandabroad

vi. Organizationofbuyer-sellermeetsandotherbusinessinteractions

vii. Distributionofannual APEDAawards

MarineProductsExportDevelopment Authority:

The Marine Products Export Development Authority (MPEDA), established in 1972, isan autonomous body under the Ministry of Commerce aimed at increasing export- oriented production, specifying standards, processing, and export marketing of all kinds of fisheries and its products.

ThebasicfunctionsofMPEDAare:

i. Conservationandmanagementoffisheryresources anddevelopmentofoffshorefishing

ii. Registrationofexportersandprocessingplants

iii. Regulationofmarineproducts export

iv. Layingdownstandardsandspecifications

v. Helpingtheindustryinrelationtomarketintelligence,exportpromotion,andimportof essential items

vi. Impart training in different aspects of the marine products industry, such as quality control,processing, and marketing

<u>InstitutionalFramework–ServiceInstitutions:</u>

A number of institutions and organizations have been established to meet the requirements of industry and trade.

The fields in which these institutions are engaged include development of export management personnel, market research,export credit insurance, export publicity, organization of trade fairs and exhibitions, collection and dissemination of export-related information, inspection and quality control, development in packaging, etc.

Abriefreviewoftheactivities andfunctions ofsomeoftheseinstitutions isgiven below.

IndianInstituteofForeign Trade:

The Indian Institute of Foreign Trade (IIFT) was set up in 1963 by the Government of India as an autonomous organization to induce professionalism in the country_s foreign trade management. The institute has significantly contributed to India_s foreign trade policies, rationalizing the framework of procedures and documentation, and developing the country_s international trade strategy.

Themajorobjectivesoftheinstituteare:

i. Toimpartprofessionaleducationinmodemmanagementtechniquesintheareaofinternational business

ii. Toenableparticipantstoappreciatetheinterrelationshipbetweenthediverseandcomplex tasks of international business

iii. Todevelopcapacitiesamongbusinessexecutivesandgovernmentofficialsforimproved understanding of various trade and economic issues

iv. To conduct high-qualityresearch that addresses domestic as well as world trade and business issues

ExportInspectionCouncil:

TheExportInspectionCouncil(EIC)isresponsiblefortheenforcementofqualitycontrol and compulsory pre-shipment inspection of various commodities meant for exports, notified under the Export (Quality Control and Inspection) Act, 1963.

Headquartered in New Delhi it functions through Export Inspection Agencies (EIAs) located at Chennai, Delhi, Kochi, Kolkata, and Mumbai besides a network of 38 sub- offices and laboratories.

IndianCouncilofArbitration:

The Indian Council of Arbitration (ICA) set up under the Societies Registration Act, promotes arbitration as a means of setting commercial disputes and popularizes the concept of arbitration among traders, particularly those engaged in international trade.**India Trade Promotion Organization:**

The India Trade Promotion Organization (ITPO) is a premier trade promotion agency, which provides a broad spectrum of services to trade and industry so as to promote India_s exports.

ThemajoractivitiescarriedoutbyITPOare:

i. Participatinginoverseastradefairsandexhibitions

ii. Managingtheextensivetradefaircomplex,PragatiMaidaninDelhi

iii. EstablishinglinkagesbetweenIndiansuppliersandoverseasbuyers

iv. Organizingbuyer-sellermeetsandotherexclusiveIndiashowsin Indiaandabroad

NationalCentreforTrade Information:

The National Centre for Trade Information (NCTI) has been set up as a registered company in March 1995 with a view to create an institutional mechanism for collection and dissemination of trade data and improving information services to the business community, especially small and medium enterprises. NCTI is a non-profit joint venture of ITPOand National Informatics Centre (NIC).

ExportCreditGuaranteeCorporation(ECGC):

Operating in the international market is far more risky than operating indomestic markets. The Export Credit Guarantee Corporation (ECGC) provides credit insurance in order to protect exporters from consequences of payment risks, both political and commercial and to enable them to expand their overseas business without fear of loss.

Thetypeofinsuranceprotectionprovided byECGC maybegroupedasfollows:

i. Arangeofcredit riskinsurance coverstoexportersagainst lossinexportofgoodsandservices

ii. Guarantees to banks and financial institutions to enable exporters obtain better facilities from them

iii. Overseas investment insurance to Indian companies investing in joint ventures abroad in the form of equity or loan

Inaddition to insurance protectionto exportersagainst payment risks, the ECGCfacilitates the exporters by:

i. Providingguidancein export-relatedactivities

ii. Makingavailableinformation ondifferentcountrieswithitsowncreditratings

iii. Providinginformation onthecredit-worthinessof overseasbuyers

iv. Makingit easyto obtainexportfinancefrom banks/financial institutions

v. Assistingexportersinrecoveringbad debts

Export-ImportBankofIndia:

The Export-Import (Exim) Bank of India was setup byan act of parliament in September 1981. It aims to provide financial assistance to exporters and importers, and to function as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promote India_s international trade.

. It provides information and support services toIndian companies to help improve theirprospects for securing business in multilateral agencies funded projects.

Theseservicesinclude:

a. Disseminatingbusiness opportunitiesin fundedprojects

b. Providingdetailedinformation on projectsofinterest

c. Informingonprocurementguidelines,policies,practicesofmultilateralagencies

d. Assistingwithregistration withmultilateralagencies

e. AdvisingIndiancompaniesonpreparationofexpressionof Interest, capabilityprofile,etc.

IndianInstituteofPackaging:

Considering the existing deficiencies in the standards of packaging for eye-appeal and safetransit,theGovernmentof India,incollaborationwiththeindustrysetuptheIndian Institute of Packaging (IIP) in 1966.

Themain objectivesof theinstituteare:

i. Toundertakeresearch onrawmaterialsforthepackagingindustry

ii. TokeepIndiainstepwithinternationaldevelopments inthefieldofpackaging

iii. Toorganizetrainingprogrammes onpackagingtechnology

iv. Tostimulateconsciousnessoftheneedforgoodpackaging

FederationofIndianExportOrganizations:

The Federation of Indian Export Organizations (FIEO) is the apex body of variousexport-promotion organizations and institutions in India. Set up in 1965, the FIEO acts as a primary servicing agency to provide integrated assistance to government- recognized export and trading houses.

ThebasicfunctionsoftheFIEOare:

i. Maintaining linkages with international agencies and export promotion organizations in other countries

ii. Organizingbuyer-sellermeetsinIndiaandabroad

iii. Providingadvisoryservices toits membersaswellasforeignbuyersininternational markets

iv. MaintainingacomprehensivedatabaseonIndia_sexportsector

v. Actingasa nodalagencyforpromotingexports ofconsultancyandother services

vi. Disbursingmarketdevelopmentassistancetoexportandtradinghouses

InstitutionalFramework–GovernmentParticipationinForeignTrade:

For supplementing the efforts of the private sector in the field of foreign trade, the Government of India has set up a number of trading corporations, namely, the State Trading Corporation (STC), the Minerals and Metals Trading Corporation (MMTC), Spices Trading Corporation Limited, and Metal Scrap Trading Corporation (MSTC).

The STC itself has a number of subsidiaries, namely the Handicrafts and Handlooms Export Corporation, the Projects and Equipment Corporation, the Tea Trading Corporation of India, and the Cashew Corporation of India. The Mica Trading Corporation is a subsidiaryof the MMTC.

Briefly,theiractivitiesare:

1. Toarrangeforexports wherebulkhandlingandlong-termcontractsare advantageous

2. To facilitate exports of _difficult to sell_ items through various devices such as linking essential imports with additional exports under counter-trade

3. To organize production to meet export demands and to help production units overcome difficulties of raw materials and other essential requirements to meet export orders and develop lines of export by various methods

4. Toundertakeimportofsuchcommoditieswherebulkpurchaseis advantageous

InstitutionalFramework –States'InvolvementinPromotingExports:

States being the prime centres for export production need tobe involved actively in export promotion. The central and state governments, therefore, have enacted a number of measures to promote exports; these measures are discussed under this section.

Inter-StateTradeCouncil:

The Inter-State Trade Council has been set up in order to ensure a continuous dialogue between the state governments and union territories. It advises the governments on measures for providing a healthyenvironment for international trade with a view to boost India_s exports.

ROLEOFDIRECTORGENERALOFFOREIGNTRADE(DGFT)ANDCOMMERCE

- Directorate General of Foreign Trade is an attached office of the Department of Commerce, Ministry of Commerce and Industry, responsible for execution of the import and export Policies of India
- DGFT runs various schemes for trade promotion and facilitation. Using this facility you may file, prepare and track online application in these schemes.
- Itwasearlierknown asChiefControllerof Imports&Exports(CCI&E)till1991
- DGFT plays a very important role in the development of trading relations with various other nations and thus help in improving not only the economic growth but also provides a certain impetus needed in the trade industry

OrganizationalSetup

- Headquarter(NEWDELHI)
- Zonaloffice(4)
- Regionaloffice(36ALLOVERTHE COUNTRY)

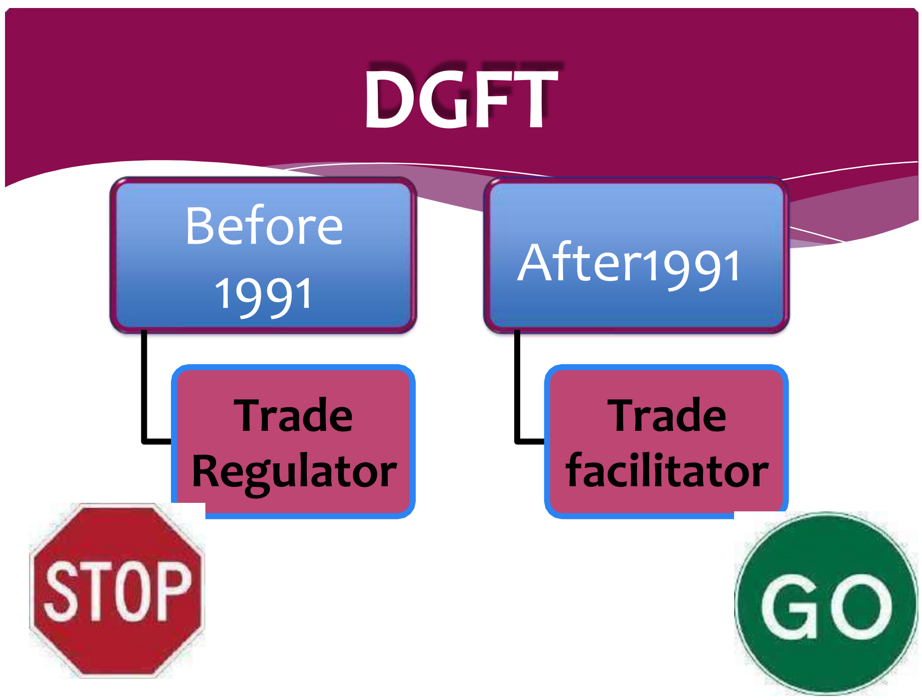
Tradescenariobefore 1991

- Requirementforlicenses
- Bureaucraticcontrols
- Complexlegislations&manufacturerprotective policies
- Highimportduties

TradeScenarioafter1991

- Endoflicensedraj
- Amarkedshift fromprotecting_producers_tobenefiting_consumers_.
- Processof globalintegrationof Indianeconomycommenced

* Drastic cut in import duties Emergence of worldwide financial markets and better access to external financing
* Realizationofacommonglobalmarket,basedonthefreedomofexchangeof goods and capital
* Increaseininformationflowbetweengeographicallyremotelocation.



MajorRolesand FunctionsofDGFT:

- DGFT grant10digit IEC(ImporterExporterCode),whichisaprimaryrequirementto Import Export
- PromotingForeign Tradewithneighboringcountries.
- Tograntpermissionofgoodstoimportandexportunder Policycondition—free‖of ImportPolicySchedule1andExport PolicySchedule 2.
- DGFTprovided Digital Signaturefacilityto Importersand Exportersonlinee-Commerce application filling since 2004.

- DGFT entrusted with the responsibilityof implementing various policies regarding trade for example, Foreign Trade Policy.
- DGFTis thelicensingauthorityfor exporters, importers,and exportand import business.
- DGFTcanprohibit,restrictandregulateexportsandimports.
- DGFThasimportantroletoissueNotifications, Publicnotices,Circulars, etc.
- DGFT introduces different schemes from time to time regarding tradebenefits throughout the country
- Issuing Notifications, Public notices and Circulars about changes in Foreign Trade rules, Regulations and amendments in existing Policy and procedure.
- Zonal/Regional offices of DGFT are also functioning as Export Facilitation Centers and as nodal agencies to attend to the problems of trade and industry and to coordinate with different departments.
- DGFT implemented the Right to Information Act, 2005. DGFT has alsoappointed CentralPublic InformationOfficers (CPIOs) and setupmechanism of appealas provided in the Act.
- Administervariousexport promotion measuresand exportincentiveschemes,
- Monitoringtheexportsobligations,
- TariffRateQuota allocations,
- Importlicensingandregulationthereof,
- Exportlicensingandregulation thereof,
- ExportQuota allocations
- AdministrationofGSP andotherCertificateofOriginrelated matters,
- AdministrationoftheForeign TradeDevelopmentandRegulationAct(FTDR Act).
- Investigation,EnforcementandAdjudicationfunctionsundertheForeignTrade Regulations,
- Settlement ofQualityand othertradedisputes,
- Actionagainst violationofexportobligationsundervariousexportpromotionschemes,
- Action against violation of Actual User conditions of Export and Import Quotas/Permissions,
- TradeFacilitation,
- Monitoringofimport ofSensitiveItems.

DGFT made recent changes in notifications include prohibition on any milk or milk products being imported from China, amendments in the Exim policy, a new standard for import and export of radial tires, various other major amendments in ITC HC policies and standard code of conduct, prohibition on export of non-basmati rice.

EXIMPOLICYOR FOREIGNTRADEPOLICY

ForeignTradePolicy–What

Trade policy refers to the complete framework of laws ,regulations ,international agreements, and, negotiating stances adopted by a government to achieve legally binding market access for domestic firms

-Walter Good

ForeignTradePolicy– Why

Foreign Trade Policy helps in increasing the *revenue of a nation* by improving on the exports, which in turn help in improving the Balance of Payment. The policy lays the guidelines to help the trader‗s tradeefficientlyand makethe maximum. Thepolicylaid down bythe government is in the interest of the stakeholders with the sole motive to provide them with an ideal platform for trade.

ObjectivesofTheEXIM/Foreign TradePolicy (FTP)

- Todoublethepercentage shareof globalmerchandisetradewithinthenextfiveyears.
- To act as an effective instrument of economic growth by giving a thrust to employment generation. To facilitate sustained growth in exports from India and import in India.
- To stimulate sustained economic growth by providing access to essential raw materials, intermediates, components, consumables and **capital goods scheme**required for augmenting production and providing services.
- To enhance the technological strength and efficiency of Industry Agriculture industry and services, thereby improving their competitive strength while generating new employment opportunities, and to encourage the attainment of internationally accepted standards of quality.

- To provide clients with high-quality goods and services at globally competitive rates. Canalization is an important feature of **Exim Policy**under which certain goods can be imported only by designated agencies. For an example, an item like gold, in bulk, can be imported onlyby specified banks like SBI and some foreign banks or designated agencies.
- Settleandsecureinternationalborders.
- Maintainregionalpeace andstabilitythroughtheprojection ofIndian power.
- Develop deeper and broader economic relations with countries that supplyfuel and military hardware.
- Protect—andcrediblydemonstratetheintentiontoprotectatallcosts—thelivesand well-beingofIndiancitizenslivingabroad.Neverforgivegovernments,organizationsor individualswhoharmIndians.
- Participateinmultilateralandbilateralmilitaryco-operationrelationships.
- Attracttalented individuals fromacross theworld to visit, stay, work, study, teachor livein India. Encourage talented Indians to do likewise abroad.
- Projectthe Indianmodelasanexampleforothercountriesto emulate.

Followingarethehighlights ofthe FTP:

- FTP 2015-20 provides a framework for increasing exports of goods and services as well asgenerationofemploymentandincreasingvalueadditioninthecountry, inlinewiththe _MakeinIndia_programme.
- The Policy aims to enable India to respond to the challenges of the external environment, keeping in step with a rapidly evolving international trading architecture and make tradea major contributor to the country_s economic growth and development.
- FTP 2015-20 introduces two new schemes, namely _Merchandise Exports from India Scheme(MEIS)_forexportofspecifiedgoodstospecifiedmarketsand_ServicesExports from India Scheme (SEIS)_ for increasing exports of notified services.

- Duty credit scrips issued under MEIS and SEIS and the goods imported against these scrips are fully transferable.
- For grant of rewards under MEIS, the countries have been categorized into 3 Groups, whereastheratesofrewardsunderMEISrangefrom2percentto 5percent.UnderSEIS the selected Services would be rewarded at the rates of 3 per cent and 5 per cent.
- Measures have been adopted to nudge procurement of capital goods from indigenous manufacturers under the EPCG scheme by reducing specific export obligation to 75per cent of the normal export obligation.
- Measureshavebeentaken togiveaboosttoexports ofdefenseandhi-techitems.
- E-Commerceexportsofhandloomproducts,books/periodicals,leatherfootwear,toysand customized fashion garments through courier or foreign post office would also be able to get benefit of MEIS
- 108 MSME clusters have been identified for focused interventions to boost exports. Accordingly, _Niryat Bandhu Scheme_ has been galvanised and repositioned to achieve the objectives of _Skill India_.
- Trade facilitation andenhancing the ease of doing business are the other major focus areas in this new FTP. One of the major objective of new FTP is to move towards paperless working in 24x7 environment.

GLOBALTRADEFLOWS

Tradeflowsarethebuyingandsellingofgoodsandservicesbetweencountries. There are three kinds of flow,

- Flowsofgoods,servicesandfinance
- Flowsduetohuman migrations
- Invisibleandillegalflows

Flowsof Goods,Services andFinance

- Trade in manufactured goods is predominated in the geographyof trade. Since 1950, the volume of trade has gone up 20 fold.
- Trade ingoodsandservicesrepresentsnearly 1/3of the value of the world population. 75% of the value of trade is manufactured materials.

- Farmingproducts represents 10%ofworldvaluetrade.
- Brazil is considered as the farm of the world. It is the first productor of coffee, sugar and orange in the world.
- Otherrawmaterial(Gas,oil)makeup 15%.
- OilindustryisdominatedbyMiddleEast40%andRussia13%.

Actually there are **flows of services**. What are they?

Itiseasynowtotradeservicesacrossborders.Forinstance,globalcompaniesuse―Backoffice‖. Now we can buy Airline ticket online. Data are fed into computer; It is linked with ***financial flows***. If we buy a ticket our money is moving.

FlowsduetoHumanmigrations:

Moreover , Human migrations represent a large part of global flows. The number of international migrants has increased over the last 10 years. 3.1% of the world populations are migrants.

Therearethreekindsofmigrants,

Economic migrants

International migrants

Tourists

- **Economicmigrants** make upthe largest part of migrants. People living in a poor country leave it to come to a more developed or richer. USA and Europe, for instance, were hosts to 75% of migration. Migrants come generally from less economical developed countries, Ex, Somalia.

  Itimpliesconsequences,
- There is more and more diversityin countries (different cultures, food, languages, religions, etc..)
- People who left their poor countries would send money to their families, still in misery. This process is called remittances.
- Therearealsopeoplewho**areinternallydisplacedandinternationalrefugees**.27.5 million persons are internally displaced and 15.4 million are refugees.
- Lastly, there are **migrants due to tourism**. Tourism flows are increasing however, they aresensitivetointernationalcrisis.Forex,afterthearabspring,lesspeoplewentto

Maghreb.Butwethinkmoreandmorepeoplewouldtravelfortourism.Especiallyin Europe. Today France is the most visited country with more than 84 million people.

Invisibleandillegal flows:

- Firstly, flows ofinformation makeourlives more easyto access to news or social media, it is a result of what we called global village.
- Nowwe are constantlyinformedbywhatishappeningonthe world.
- Illegal trade is the hidden of globalization, which is made up of various illegal trade such as drugs or arms.

AgenciesThatFacilitateInternationalFlows

International flowoffinancesiffacilitatedbytheseagencies;

1. **InternationalMonetaryFund (IMF**
2. **World BankGroup**;
3. **IBRD:InternationalBankforReconstructionand Development**;
4. **IFC:InternationalFinanceCorporation**;
5. **MIGA**:**MultilateralInvestmentGuaranteeAgency**;
6. **ICSID**:**International CentreforSettlementofInvestment Disputes**;
7. **WorldTradeOrganization (WTO)**;
8. **BankforInternationalSettlements(BIS);**
9. **RegionalDevelopmentAgencies**;

CONTRACTOFINTERNATIONALSALEOFGOODS-CISG

- UN-sponsored convention thatestablishesuniform-rulesfordrafting internationalsales contracts, and sets the legal rights and obligations of the seller and the buyer under suchcontracts.CISG rules apply automatically tothe sales contractsbetweenthe countries who have ratified the convention.
- An agreement between a seller and a buyer for the sale of goods. The contract should, ata minimum, identify the seller and buyer, the quantityand type of product, deliverytime, price and conditions of payment

- In order to facilitate the international trade, united nations developed the conventions on contract for the international sales of goods (CISG) in 1980. this is sometimes referred to as Vienna conventions.
- The CISG sets out the law that will applywhen a sale of goods involves parties from two or more countries which have adopted the CISG.
- When parties from different contacting states entering into a contract, the CISG is a default law to be applied, rather than the law of either of the countries, unless the party expressly agree that the CISG will not apply.

Purpose

The purpose of the CISG is to provide a modern, uniform and fair regime for contracts for the international sale of goods. Thus, the CISG contributes significantly to introducing certainty in commercial exchanges and decreasing transaction costs.

The seller_s obligations with respect to the quality of the goods as well as the time and place for delivery;

– Theplaceanddatefor payment;

– Thebuyer_sobligations totakedelivery,toexaminedelivered goods, andtogivenoticeofany claimed lack of conformity;

– Thebuyer_sremediesforbreachofcontractbytheseller,includingrightsto

Demanddelivery, to requirerepairor replacement ofnon-conforming goods, to avoid the contract, to recover damages, and to reduce the price for non-conforming goods;

-Theseller_sremediesforbreachofcontractbythebuyer,includingrightstorequirethebuyerto take delivery and/or pay the price, to avoid the contract, andto recover damages;

– Passingofrisk inthegoods sold;

– Recoveryofinterestonsums in arrears;

– Obligationstopreservegoodsthat aretobesentorreturnedto theother party.

INCOTERMS2010

The Incoterms rules or International Commercial terms are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) widely used in international commercial transactions. A series of three-letter trade terms related tocommon salespractices, the Incoterms rules areintended primarilyto clearlycommunicatethetasks, costs and risks associated with the transportation and delivery of goods.

The Incoterms rules are accepted by governments, legal authorities and practitioners worldwide for the interpretation of most commonly used terms in international trade.

They are intended to reduce or remove altogether uncertainties arising from different interpretation of therules in different countries. First publishedin 1936, the Incoterms rules have been periodically updated, with the eighth version—Incoterms 2010—having been published on January 1, 2011. "Incoterms" is a registered trademark of the ICC.

Incoterms2010consistsofonly11Incoterms,areductionfromthe13Incoterms 2000.

Ctermsrequirethesellertopayforshipping.

D terms meanthatthesellerorshipper_s responsibilityceasesat aspecifiedpoint, andtheydeal with who will pay pier, docking and clearance charges.

Etermsmeanthatwhenthegoodsareready toleavetheseller_spremises,hisresponsibility ceases.

Fterms mean that the primarycost ofshippingisnot met bythe seller.

IncotermsforanyModeorModesofTransport:

- **EXW**-ExWorks
- **FCA**-Free Carrier
- **CPT**-CarriagePaidTo
- **CIP**-CarriageandInsurancePaid
- **DAT**-DeliveredAtTerminal **(new)**
- **DAP**-DeliveredAtPlace**(new)**
- **DDP**-DeliveredDutyPaid

IncotermsforSeaandInlandWaterwayTransportOnly:

- **FAS**-FreeAlongsideShip
- **FOB**-FreeOnBoard
- **CFR**-Cost and Freight
- **CIF**-Cost,InsuranceandFreight

The reduction in Incoterms from 13 to 11 different terms was accomplished by substituting **two new Incoterms, DAT (Delivered at Terminal)** and **DAP (Delivered at Place)**, for DAF (Delivered at Frontier), DES (Delivered Ex-Ship), DEQ (Delivered Ex-Quay) and DDU (Delivered Duty Unpaid).

INCOTERMSFORANYMODEORMODESOFTRANSPORT:

EXW (ExWorks)	The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. The seller's obligation is to make the goods available at his premises (works, factory, warehouse).This term represents minimum obligation for the seller. This term can be used across all modes of transport.
FCA (FreeCarrier)	The seller's obligation is to hand over thegoods, cleared for export, into the charge of the carrier namedby the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. When the seller's assistance is required in making the contract with the carrier the seller may act at the buyers risk and expense. This term can be used across all modes of transport.
CPT (CarriagePaidTo)	The seller pays the freight for the carriage of goods to the named destination. The risk of loss or damage to the goods occurring after the delivery has been made to the carrier is transferred from the seller to the buyer. This term requires the seller to clear the goods for export and can be used across all modes of transport.
CIP (Carriage&insurancePaidto)	The seller has the same obligations as under CPT but has the responsibilityofobtaininginsuranceagainst the buyer's risk of loss or damage of goods during the carriage. The seller is required to clear the goods for export however is only required to obtain insurance on minimum coverage. This term requires the seller to clear the goods for export and can be used across all modes of transport.
DAT (DeliveredAtTerminal)	**NewTerm-Maybeusedforalltransportmodes** Sellerdeliverswhenthegoods,onceunloadedfromthe

arriving means of transport, are placed at the disposal ofthe buyer at a named terminal at the named port or place of destination. "Terminal" includes quay, warehouse, container yard or road, rail or air terminal. Both parties should agree the terminal and if possible a point within the terminal at which point the risks will transfer from the seller to the buyer of the goods. If it is intended that the seller is to bear all the costs and responsibilities from the terminal to another point, DAP or DDP may apply. **Responsibilities**

- Seller is responsible for the costs and risks to bring the goods to the point specified in the contract
- Seller should ensure thattheir forwarding contract mirrors the contract of sale
- Sellerisresponsiblefortheexportclearance procedures
- Importer is responsible to clear the goods for import,arrangeimportcustomsformalities,andpay import duty
- If the parties intend the seller to bear the risks and costs of taking the goods from the terminal to another place then the DAP term may apply

DAP (DeliveredAtPlace)

NewTerm-**Maybeusedforalltransportmodes** Seller delivers the goods when they are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. Parties are advised to specify asclearly as possible the point within the agreed place of destination, because risks transfer at this point from seller to buyer. If the seller is responsible for clearing the goods, paying duties etc., consideration should be given to using the DDP term.

Responsibilities

- Seller bears the responsibility and risks to deliver the goods to the named place
- Seller is advised to obtain contracts of carriage that match the contract of sale
- Sellerisrequiredtoclear thegoodsforexport
- If the seller incurs unloading costs at place of destination, unless previously agreed they are not entitled to recover any such costs

- Importer is responsible for effecting customs clearance, and paying any customs duties

DDP (DeliveredDutyPaid)	The seller is responsible for delivering the goods to the named place in the country of importation, including all costs and risks in bringing the goods to import destination. This includes duties, taxes and customs formalities. This term may be used irrespective of the mode of transport.

INCOTERMSFORSEAANDINLANDWATERWAY TRANSPORT ONLY:

FAS (FreeAlongsideShip-named port of shipment)	The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. Suitable only for maritime transport but NOT for multimodal sea transport in containers This term is typically used for heavy-lift or bulk cargo.
FOB (FreeOnBoard-namedportof shipment)	The seller must load themselves the goods on board the vessel nominated by the buyer. Cost and risk are divided when the goods are actually on board of the vessel(this rule is new!). The seller must clear the goods for export. The term is applicable for maritime and inland waterway transport only but NOT for multimodal sea transport in containers.
CFR (Costand Freight)	The seller must pay the costs and freight required in bringing the goods to the named port of destination. The risk of loss or damage is transferred from seller to buyer when the goods pass over the ship's rail in the port of shipment. The seller is required to clear the goods for export. This term should only be used for sea or inland waterwaytransport.
CIF (Cost,Insurance&Freight)	The seller has the same obligations as under CFR however he is also required to provide insurance against the buyer's risk of loss or damage to the goods during transit. Theseller is required to clear the goods for export. This term should only be used for sea or inland waterway transport.

UNITIIOVERVIEWOFEXPORTANDIMPORT

- MarketingforExports
- NegotiationandfinalizationofExportcontract
- ExportDocumentationProcedures
- CargoInsurance
- ExportPromotionCouncilsandincentiveschemes
- RoleofLogisticsinExports
- ExportHouses/TradingHouses

MARKETINGFOREXPORTS

Introduction

Export marketing means exporting goods to other countries of the world. It involves lengthy procedure and formalities. In export marketing, goods are sent abroad as per the procedures framed by the exporting country as well as by the importing country. Export marketing is more complicated to domestic marketing due to international restrictions, global competition, lengthy procedures and formalities and so on. Moreover, when a business crossed the borders of a nation, it becomes infinitely more complex. Along with this, export marketing offers ample opportunities for earning hugeprofits and valuable foreign exchange.

Export marketing has wider economic significance as it offers various advantages to the national economy. It promotes economic / business / industrial development, to earn foreign exchange and ensures optimum utilization of available resources. Every country takes various policy initiatives for promoting exports and for meaningful participation in global marketing. Global business is a reality and every country has to participate in it for mutual benefits. Every country has to open up its markets to other countries and also try to enter in the markets of other countries in the best possible manner. This is a normal rule which every country has to follow under the present global marketing environment. In the absence of such participation in global marketing, the processof economic development of the countrycomes in danger.

EXPORTMARKETING

Exportmarketingmeansexportinggoodstoothercountriesoftheworldasperthe procedures framed by the exporting country as well as by the importing country.

Export marketing has wider economic significance as it offers various advantages to the national economy. It has bought back several nations back from the dead.

DEFINITIONSOFEXPORT MARKETING

1) AccordingtoB.S.Rathor

―Exportmarketingincludesthemanagement of marketingactivitiesfor products which cross the national boundaries of acountry‖.

2) ―Exportmarketingmeansmarketingofgoodsandservicesbeyondthenationalboundaries‖.

FEATURESOFEXPORTMARKETING

SystematicProcess

Export marketing is a systematic process of developing and distributing goods and services in overseas markets. The export marketing manager needs to undertake various marketing activities, such as marketing research, product design, branding, packaging, pricing, promotion etc.

LargeScale Operations

Normally, export marketing is undertaken on a large scale. Emphasis is placed on large orders in order to obtain economies in large sole production and distribution of goods.

DominanceofMultinationalCorporations

Export marketing is dominated by MNCs, from USA, Europe and Japan. They are in a position to develop worldwide contacts through their network and conduct business operations efficiently and economically.

Tradebarriers

Export marketing is not free like internal marketing. There are various tradebarriers because of the protective policies of different countries. Tariff and non-tariff barriers are used by countries for restricting import.

Documentation

Export marketingis subject to various documentation formalities. Exporters requirevarious documents to submit them to various authorities like bill of lading.

ROLEOFEXPORTMARKETING

Need/Importanceof ExportMarketingatthe National Level:

1) Earningforeignexchange

Exports bring valuable foreign exchange to the exporting country, which is mainly required to payfor import of capital goods, raw materials, spares and components as well as importing advance technical knowledge**.**

2) InternationalRelations

Almost all countries of the world want to prosper in a peaceful environment. One way to maintain political and cultural ties and peace with other countries is through international trade.

3) Balanceofpayment

Large – scale exports solve BOP problem and enable countries to have favourable BOP position. The deficit in the BOT and BOP can be removed through large-scale exports.

4) Reputationinthe world

Acountrywhichisforemostinthefieldofexports,commandsalotofrespect, goodwill and reputation from other countries.

5) **EmploymentOpportunities**

Exporttradecalls formoreproduction. Moreproduction opens thedoors formore employment opportunities, not onlyin exportsector but also inallied sector like banking, insurance etc.

CHALLENGESTOEXPORT MARKETKETING

1Technologicaldifferences

The developed countries are equipped with sophisticated technologies less developed countries, on the other hand, lack technical knowledge and latest equipments.

2 ReductioninexportIncentives

Over the years, the Govt. of India has reduced export incentives such as withdrawal of income tax benefits for majority of exporters. The reduction in export incentives de-motivates exporters

3 Severalcompetitions inglobal marketing–

Exportmarketingishighlycompetitive. Indian exportersfacethree-facedcompetition while exporting.

4 Problemofproductstandards

DevelopedcountriesinsistonhighproductstandardsfromdevelopingcountrieslikeIndia. Theproductsfrom developingcountries aresubjecttoproduct tests in theimportingcountries.

5 ProbleminpreparingDocuments

Export involves a large number of documents. The exporter will have to arrange export documents required in his country and also all the documents as mentioned in the documentary letter of credit. In India, there are as many as 25 documents.

NEGOTIATION AND FINALISATIONOFEXPORTCONTRACTS

Export Negotiation

What is Export Negotiation?

When the seller has shipped the cargo to the buyer"s country, he will prepare and consolidate all documents that are called for under the Letter of Credit (LC). Once this is done, seller will present the documents to a bank. The process whereby the bank examines the documents and claims proceeds and the willingness to give value, i.e. advance or discount the transaction to and on behalf of the seller, is known as Export Negotiation.

Key Principles Governing the use of Letter of Credit

There are generally three key principles governing the use of LC:-

1. Banks dealin documents only and not the underlying goods.

2. The rule of strict compliance to the terms and conditions of the LC.

3. The rule of independence which implies that the LC is independent from the sales contract or other agreement between the parties.

Contract Finalization and Issuance

Introduction

Contract finalization is the process followed by the procurement officer to form a written contract with a supplier. The purpose of contract finalization is to ensure that all proper elements are in place to conclude a written agreement that protects the interests of the UN organization and reflects the offer made by the supplier in response to the requirement presented by the UN organization.

A contract is formed on the basis of an―offer‖and an―acceptance and in the context of procurement in the UN system of organizations,is a written document,containing the agreement, and the terms and conditions, between the UN organization and the supplier,and which serves as proof of the obligation.

In the UN system of organizations contracts are based on competitive solicitation processes. However, under certain circumstances (e.g. direct contract, sole source or complex contracts), in order to proceed to form a contract with the selected supplier, the procurement officer may need to clarify and negotiate terms and conditions.

Proper procedures should be followed to ensure that no negotiations take place with respect to issues already agreed at the solicitation stage and that the parties are clear about their respective rights and responsibilities. In certain cases, negotiations may be carried out with the selected supplier regarding payment terms, supplementary terms and conditions, delivery, etc. Negotiations nonetheless should result in a clear understanding of responsibilities under the contract. In this context, negotiation is the process of arriving at an agreement on the terms and conditions of a contractual agreement through discussions between the UN organization and the supplier.

Process

The flowchart below shows each of the stages in the contract finalization and issuance process.

Contract negotiation

In a competitive solicitation process it is good practice to select the appropriate contractual instrument at the time of the preparation of the solicitation documents and to include asample copyof a contractas an annex tothesolicitationdocuments.This willensureanyissues the supplier may have with the special and general terms and conditions of the contract are addressedintheirresponsetothesolicitationdocumentsandaretakenintoaccountduringthe evaluation of proposals. In these cases, in general, verylimited negotiations should need to take place after the evaluation / award and prior to the signature of the contract.

Where required, negotiations have the potential to improve the procurement outcome by reducinguncertainties,risksandcosts.However,asageneralrule,atthisstageoftheprocess

Elements	**Including,forexample…**
Technicalaspects	Warranties, after sale service, life cycle support maintenance agreements, quality output issues.
Remedies	Liquidateddamages
Specialterms	Typeofbonds,guarantees,insurance,paymentschedule.
Management information	Frequencyand content of reports; acceptance criteria for certain milestones.
Timeframes	Durationofcontract,keymilestones,deliverydates,response times.
Performance incentives	Costincentives,deliveryincentives andqualityincentives.
Personnel	Keyteammembersand focal points,subcontractingarrangements.

organization maybe reduced.

Process

To conduct successful contract negotiations, it is suggested that the procurement officer follows each of the stages and corresponding steps listed in the table below:

Step	Action
Stage1:Pre-negotiate	
1	Assemble the internal team (including other procurement officers, the requisitioner, other potential stakeholders and other departments of the UN organization whose activities may be impacted bycertain clauses such as legal, accounts payable, insurance, security, etc.).
2	• Identifyandprioritisekeyissuesandconcessions thatcanbemade. • Developan agenda. • Preparethelocation. • Identifyaperson to take notes and minutes.
3	Invitetheotherpartytonegotiate.
Stage2:Meet theother party	
4	• Makeappropriateintroductions. • Reviewtheagenda. • Confirmthatthesupplier"srepresentativehasauthoritytonegotiateandcommiton behalf of his/her organization. • Ensurethat all the itemstobediscussed are tabled.
Stage3:Negotiation	
5	Developabasisforagreementon allissues byusingtradeoffsand concessions.
6	Preparedetailed minutesofthemeetingand planofactionforboth parties.
Stage4:Postnegotiations	
7	Developacontractualdocumentandseek requiredinternalapprovals.

Documentation

To ensure that the contract finalization process is fully documented and that a proper audit trail is kept, and also in case of future disputes with the supplier, written negotiations with the supplier should be kept on the file. Minutes of telephone conversations or meetings must be kept on file. It is also important to keep documentation to show that the negotiation was justified and approved. The minutes should include:

- Datetimeandlocation ofthe meeting
- Namesofattendees
- Agendaitems discussed
- Itemswhereanagreementwasreached,includingoutliningthe agreement
- Itemswhereagreements havenotbeenreached.

Contract preparation

Procurement officers are encouraged to refer to existing templates or model contracts. If the contractual documents cannot be based on available templates, the procurement officer should ensure proper approvals and review by the appropriate officers before drafting new clauses.

Contractual documents should be based on the:

- Solicitation document and subsequent amendments and/or clarifications
- Offer from the supplier and any subsequent amendments and/or clarifications
- Awardre commendation
- Recommendations of the contracts committee, if applicable
- Final decision taken by the awarding authority.

Contractreview

For complex contracts, a copy of the draft contract should be shared with the supplier. It is recommended that the supplier is given sufficient time to review the draft contract and request thatanyproposedchangesormodificationstothetextbeprovidedinwriting andare justified.If at this stage the supplier raises a legal issue, the procurement officer should ensure that proper consultation takes place.

The supplier may request that its contractual template and/or additional or different terms and conditions are used. As a general rule, the procurement officer should always use the UN organization‟s templates. This ensures consistency, that UN organization‟s standard clauses are included, etc. If this is not acceptable to the supplier, especially in the case of sole source requirements, the UN organization, as an exception may have to agree to use the supplier‟s contract template and amend it to ensure that the UN organization‟s interests are protected, especially with respect to the UN organization‟s Privileges and Immunities and other essential UN organization specific clauses, such as the arbitration clause, child labour, etc.

Theprocurementofficer shouldreviewthechangesproposedbythesuppliertodetermine that they do not conflict with the original requirement and the offer and that they are acceptable to the UN organization. After internal consultation and discussion with the successful supplier, the UN organization revises the draft until the text is acceptable to both parties.

Careshould be taken to ensurethat the final text represents the offer from thesupplier, as the UN organization accepted it, and that it remains in compliance with the final decision by the Head of Office.

Finally, the procurement officer should ensure that the contract/purchase order (PO) is complete, that all the elements agreed by the parties and all appropriate annexes are included,and that the UN organization‟s general and special terms and conditions are part of the contract/PO.

Inparticulartheprocurement officershouldensurethat:

- No contract is entered into by the organization contrary to its general conditions of contract. For example, procurement officers should always ensure that the contractual documents neither include a choice of law clause, nor refer to the jurisdiction of the courts of any particularcountry.ThesetypesofclauseswouldimpairtheUNorganization‟sprivilegesand immunities as an international organization. All contractual documents clarify that the UN organization is exempt from taxes.

- The Incoterm included in the contractual documents is the same as the one requested in the solicitation document.
- Aperformancebondispresentedbythesupplier,ifrequiredasperthesolicitationdocument, in a form acceptable to the UN organization; performance bonds should be kept in a safeand secured environment.
- Allessential elementsof thePO orcontractareincludedin thedocument.
- Thename,title andaddress ofthepartiesareclearlyreflected inthe document.

Contractsignature

Once the contract has been completed to the satisfaction of the UN organization, the procurement officer should seek all required internal approvals and print two (in some organizations three or four) copies of the contract and ensure that all pages are numbered and initialled by the procurement officer. The contract should be signed by an authorized representative of both the supplier and the UN organization. In case of purchase orders the supplier should send back an acknowledgement copy of the order to establish acceptance of the contract. The procurement officer should also ensure that proper securities are in place, e.g. performance bond.

Procurement officers and requisitioners should always remember that any change or modification to an existing signed contract can only be documented by a written amendment, reviewed by the contracts committee as appropriate, and duly signed by the authorized representative of the parties.

Contractfiling

The procurement officer should ensure that an original copy of the contract is filed and that the fileis completebeforeproceedingwith anyotherinternal procedures, i.e.providingacopyto the requisitioningoffice,the freightforwarder where appropriate, theoffice‟s administrationunitfor (digital) archiving of the contract, etc.

Awardnotificationanddebriefingofunsuccessfulsuppliers

Once the purchase order, contract or LTA has been legally established, i.e. only after proper signatures have been received from all parties concerned, an award notification should be published and the unsuccessful suppliers notified and de-briefed.

Usuallythe UNorganizations publish theawardnotifications on theirinternet site. Normallythis includes the:

- Referencenumberofthesolicitation
- Typeofgoods/servicesprocured
- Nameoftheawardedsupplier
- Totalaward value.

In addition, unsuccessful suppliers maybenotified viafax oremail. Whereadebriefinghas been arranged, this should be a ―lessons learned‖ experience for the unsuccessful supplier, enabling thesuppliertorespondbettertofuturesolicitations.Therefore,thedebriefingshouldfocusonthe supplier‟s offer.

EXPORTDOCUMENTATIONANDPROCEDURES

Introduction

The exporting activity involves several commercial and regulatory procedures. These procedures also involve considerable documentation requirements. The export documentation involves the preparation of the specified number of copies of the prescribeddocuments pertaining to the different procedures.

Exporters should seriously consider having the freight forwarder handle the formidable amount of documentation that exporting requires; freight forwarders are specialists in this process. The following documents are commonly used in exporting; which of them are actually used in each case depends on the requirements of both our government and thegovernment of the importing country.

1. Commercialinvoice

2. Billof lading

3. Consular invoice

4. Certificateoforigin

5. Inspectioncertification

6. Dockreceipt andwarehousereceipt

7. Destinationcontrolstatement

8. Insurancecertificate

9. Exportlicense

10. Exportpackinglist

STEP1:Enquiry

Thestartingpoint foranyExport Transactionisan enquiry.

An enquiry for product should, inter alia, specify the following details or provide the following data

- Sizedetails -Std.oroversizeorundersize
- Drawing,ifavailable
- Sample,if possible
- Quantityrequired
- Deliveryschedule
- IsthepricerequiredonFOBorC&ForCIFbasis
- ModeofDispatch -Sea,airorSea/air
- ModeofPacking
- Terms of Payment that would be acceptable to the Buyer - If the buyer proposes to open any Letter of Credit, any specific requirement to be complied with by the Exporter
- IsthereanyrequirementofPre-shipmentinspectionand ifso,bywhich agency

- AnyCertificateofOrigin required-Ifso,fromwhatagency.

STEP2:-Proformageneration

After studying the enquiry in detail, the exporter - be it Manufacturer Exporter or Merchant Exporter - will provide a Proforma Invoice to the Buyer.

STEP3:Orderplacement

If the offer is acceptable to the Buyer in terms of price, delivery and payment terms, the Buyer will then place an order on the Exporter, giving as much data as possible in terms of specifications, Part No. Quantityetc. (No standard format is required for such a purchase order)

STEP4:Orderacceptance

It is advisable that the Exporter immediately acknowledges receipt of the order, giving a schedule for the delivery committed.

STEP5:Goodsreadiness&documentation

Once the goods are ready duly packed in Export worthy cases/cartons (depending upon the mode of despatch), the Invoice is prepared by the Exporter.

If the numberofpackagesismorethanone,apackinglistis amust.

Even Ifthegoodstobeexportedareexcisable,noexcisedutyneedbecharged atthetime of Export, as export goods are exempt from Central Excise, but the AR4 procedure is to be followed for claiming such an exemption.

Similarly,noSalesTax alsoispayableforexportofgoods.

STEP6: Goodsremoval fromworks

There are different procedures for removing Export consignments to the Port, following the AR4 procedure, but it would be advisable to get the consignment sealed by the CentralExciseauthoritiesat thefactorypremises itself,so that open inspection by Customs authoritiesat the Port can be avoided.

If export consignments are removed from the factory of manufacture, following the AR4 procedure, claiming exemption of excise duty, there is an obligation cast on the exporter to provide proof of export to the Central Excise authorities

STEP7:DocumentsforC&Fagent

The Exporter is expected to provide the following documents to the Clearing & Forwarding Agents, who are entrusted with the task of shipping the consignments, either by airor by sea.

- Invoice
- PackingList
- Declaration in FormSDF (Statutory DeclarationFormto meetthe requirements as per FERA) in duplicate.
- AR4-first andthe second copy
- Anyotherdeclarations, as required byCustoms

On account of the introduction of Electronic Data Interchange (EDI) system for processing shipping bills electronicallyat most of the locations - both for air or sea consignments - the C&F Agents are required to file with Customs the shipping documents, through a particular format, which will vary depending on the nature of the shipment. Broad categories of export shipments are:

- UnderclaimofDrawbackofduty
- WithoutclaimofDrawback
- Exportbya 100% EOU
- UnderDEPB(DutyEntitlement Pass book) Scheme

STEP8:Customs Clearance

After assessment of the shipping bill and examination of the cargo by Customs (where required), the export consignments are permitted by Customs for ultimate Export. This is what the concerned Customs officials call the „LET EXPORT" endorsement on the shipping bill.

STEP9:Document Forwarding

Aftercompletingtheshipmentformalities,theC&FAgentsareexpectedtoforwardtothe Exporter the following documents:

- CustomssignedExportInvoice&PackingList
- DuplicateofForm SDF
- Exchangecontrol copyof theShippingBill, processed electronically
- AR4(original duplicate) dulyendorsed byCustoms forhavingeffected the Export
- Bill ofLadingorAirwaybill, as the casemaybe.

STEP10: Bills negotiation

With these authenticated shipping documents, the Exporter will have to negotiate the relevant export bill through authorized dealers of Reserve Bank, viz., Banks.

Under the Generalized System of Preference, imports from developing countries enjoy certain duty concessions, for which the exporters in the developing countries are expected to furnish the GSP Certificate of Origin to the Bankers, along with other shipping documents.

Broadly,paymenttermscanbe:

- DPTerms
- DATerms
- LetterofCredit,payable atsightorpayableat...days.

Step11:Banktobankdocumentsforwarding

ThenegotiatingBankwillscrutinizetheshippingdocumentsandforwardthemtothe Banker of the importer, to enable him clear the consignment.

ItisexpectedofsuchauthorizeddealersofReserveBanktoensurereceiptofexport proceeds, which factor has to be intimated to the Reserve Bank bymeans of periodical Returns.

STEP12:Customsobligation discharge

As indicated above, Exporters are also expected to provide proof of export to the Central Excise authorities, on the basis of the Customs endorsements made on the reverse of AR4s and get their obligation, on this score, discharged.

STEP13:Receiptof Bankcertificate

Authorized dealers will issue Bank Certificates to the exporter, once the payment is received and only with the issuance of the Bank Certificate, the export transaction becomes complete.

It is mandatory on the part of the Exporters to negotiate the shipping documents only through authorized dealers of Reserve Bank, as only through such a system Reserve Bank can ensure receipt of export proceeds for goods shipped out of this country.

EXPORTDOCUMENTS

PrincipalExportDocuments

1. Commercialinvoice
2. Packinglist
3. Billof lading
4. Combinedtransportdocument
5. Certificateofinspection/qualitycontrol
6. Insurancecertificate/policy
7. Certificateoforigin
8. Billsofexchangeandshipmentadvice

AuxiliaryDocuments

1. Performainvoice
2. Intimationforinspection
3. Shippinginstructions
4. Insurancedeclaration

Difference between a packing note and a packing list is that the packing note refers to the particulars of the contents of an individual pack, while the packing list is a consolidated statement of the contents of a number of cases or packs.

2. **Certificateoforigin:**

A certificate of origin, as the name indicates, is a certificate which specifies the country of the productionof the goods.

CertificatesRelatedto Shipments:

1. **MateReceipt :**

A mate receipt is a receipt issued by theCommanding Office of the ship when the cargo is loaded on the ship, and contains information about the name of the vessel, berth, date of shipment, description of packages, marks and numbers, conditions of the cargo at the time of receipt onboard the ship etc.

2. **ShippingBill:**

The shipping bill is the maindocument on the basis of which theCustoms" permission for export isgiven.

3. **CartTicket:**

A cart ticket, also known as a cart chit, vehicle and gate pass, is prepared by the exporter and includes details of the export cargo in terms of the shipper"s name, the number of packages, the shipping bill number, the port of destination and the number of the vehicle carrying the cargo.

4. CertificateofMeasurement

5. BillofLading

6. AirwayBill

DocumentsRelatedto Payments

a) Letterof credit

b) Billof exchange

c) Trustreceipt

d) Letterofhypothecation

e) Bankcertificateof payment

DocumentsRelatedtoInspection

CertificateOfInspection:

It is a certificate issued bythe Export Inspection Agency, certifying that the consignment has been inspected as required under the Export (Quality Control and Inspection) Act, 1963

DocumentsRelatedtoExcisableGoods:

a) G.P.Forms

b) FormC

c) FormsA.R.-4/A.R.-4A

CARGOINSURANCE

Cargo insurance provides protection against all risks of physical loss or damage to freight from anyexternalcauseduringshipping,whetherbyland,seaorair.Itisan insuranceofferedto cargo owners for protection against damages to goods not covered bythe transporter of the goods.

BasicPrinciplesof CargoInsurance

1. **InsurableInterest**
   A person has an "insurable interest" in something when loss or damage to it would cause that person to suffer a financial loss or certain other kinds of losses.

2. **Utmostgoodof faith**

   Theduty ofgoodfaithimposedonbothpartiestoaninsurancecontracttodiscloseall material facts.

3. **Indemnity**

   Theplacingoftheinsuredinthesamefinancialpositionafteralossashewasinimmediately prior to the occurrence

4. **Proximatecause**
   - Thedirectcauseof aloss.
   - Identificationofproximatecause
   - Singlecause;multiplecause

ScopeofcargoInsurance

- Oceanmarinecargoinsurance
- Overlandtransportationcargoinsurance
- Airtransportationcargoinsurance
- Parcelpost insurance

1. Oceanmarinecargoinsurance

1) Risk

Perilsof thesea

a. **Natural calamities:**Caused by the forces resulting from the changes of nature, e.g. vile weather, thunder, lightning, tsunami, earthquake, flood, etc.

b. **Fortuitous accidents:** The accidents resulting from unexpected causes, the carrying conveyance being grounded, stranded, or in collision with floatingice or other objects, as well as fire or explosion.

2) Extraneousrisks

a. Generalextraneousrisks:

theft, shortage, leakage, dashed by fresh and rain water, sweating and heating, intermixture and contamination, taint of odor, hook damage, breakage ofpacking, rusting, etc.

b. Specialextraneousrisks:

Ondeck,war,strikes,failureofdelivery,rejection, etc.

3) Oceanlossesand expenses

1. Totalloss

Itisclassifiedinto2kinds:

ActualTotal Loss:

Theinsured subject matter istotallyand irretrievablylost.

ConstructiveTotal Loss:

It is estimated that the actual total loss of cargo is inevitable or the cost of salvage or recovery could have exceed the value of the cargo.

2. Partial loss

GeneralAverage:

It refers to a certain special sacrifice and extra expense intentionally incurred for the general interests of the **ship owner**, **the insurer**, and **the owners of the various cargoes** abroad the ship.

ParticularAverage:

It means that a particular cargo is damaged by any cause and the degree of the damage does not reach a total loss, i.e., only a partial loss, which shall be borne by the owner of this individual consignment.

EXPENSES

Sueandlaborcharges

The reasonable expenses to save, protect, or reduce the loss by insured and the policy beneficiary. It shall be covered by the insurer.

Salvagecharges:

The expenses of the third party to save the cargo and the ship successfully. According to therelativelaws,theinsurershallpaytothesalver.Butthereisaprinciple,i.e.,—nocure- no pay‖.

2. Overlandtransportationinsurance

- Overlandtransportation
- Overlandtransportationall risks
- Frozenproducts
- Warrisks

3. Airtransportation insurance

- Airtransportationrisks
- Airtransportation all risks
- Airtransportationwar risks

4. ParcelPostInsurance

- Parcelpost risks
- Parcelpostallrisks
- Parcelpostwar risks

Determinationofinsuranceamount

RateofInsuredAddition:CIForCFRx10% Insured

amount = **CIF** (or **CIP**) **x** (**1+10%**)

IfanimportercoverstheinsuranceunderFOBterm:

Insuredamount=FOB (orFCA)x(**1+averagetransitrate+averageinsuredrate**)

IfCFR or CPTpriceis given:

CIF(CIP) = CFR (orCPT) / 1 -【premiumratex(1+10%) 】

Premium=CIF(orCIP)x(1+10%)xPremiumrate

Insurance document

- Policy
- Insurancecertificate
- Open policy
- Endorsement

Claim:

- Lossnotice
- Reasonablemeasurestosalve
- Rightof subrogation

Reason/NeedforCargoInsurance:

1 .Reduceexposuretofinancialloss.

If you‟re an exporter who has not been paid for the goods at the time of shipment, or an importer who has paid for all or part of the goods prior to receiving them, you run the risk of suffering a financial loss if the goods are lost or damaged during transit.

2 .GeneralAverage– Expeditethereleaseofyourcargo.

You maybe required to post a bond and/or cash deposit in order to obtain release of your cargo following a general average – even though there was no loss or damage to your goods. By purchasing insurance, your insurance company assumes the responsibility and expedites the release of your cargo. General Average is an internationally accepted principle where if certain types of accidents occur to the vessel, all parties share in the loss equally.

3 ContractualRequirement

Your sales contract may obligate you to provide ocean cargo insurance to protect the buyer‟s interest or their bank‟s interest. This is especially true when selling goods CIP or CIF. Failure to do so cannot only subject you to financial loss if there is loss or damage to the goods, but non-compliance with the terms of your contract with the buyer can lead to loss of sales and legal problems.

4. Coverageforlimitedcarrierliability

The carriers, by law, are not responsible for many common causes of loss that occur in transit (for example, acts of God, general average, etc.). And, even if they are liable, carriers‟ liability in the event of a loss is limited – either by contract in the bill of lading or by law.In most cases, you will only recover cents on the dollar from the carrier.

5. Havemorecontroloverinsuringterms

Relying on the buyer‟s or seller‟s insurance may be a viable option, but you must be satisfied that the insurance has in fact been purchased and that the insuring terms, valuation, and limits provided by each insurer on each shipment are adequate to meet your needs. And, if there is a claim dealing with a foreign insurance company, perhaps in a different language, it can be time consuming and frustrating. If there‟s a claims issue, you‟re often dealing with courts in a foreign country.

TypesofMarineInsurancePolicy

1. Voyage Policy:

It covers the ***risk from the port of departure up to the port of destination***. The policy ends when the ship reaches the port of arrival. This type of policy is purchased generally for cargo. The risk coverage starts when the ship leaves the port of departure.

2. TimePolicy:

This policy is issued for a ***particular period***. All the marine perils during that period are insured. This type of policy is suitable for full insurance. The ship is insured for a fixed period irrespective of voyages. The policy is generally issued for one year. Time policies may sometimes be issued for more than ayear or they may be extended beyond ayear to enable a ship to complete a voyage. In India, a time policy is not issued for more than a year.

3. Mixed Policy: This policy is a mixture of time and voyage policies. A ship may be insured duringaparticularvoyageforaperiod,e.g., aship maybeinsured between Bombayand London for one year. These policies are issued to ships operating on a particular route.

4. ValuedPolicy:

Under this policy the value of the policy ***is decided at the time of contract***. The value is written on the face of the policy. In case of loss, the agreed amount will be paid. There is no dispute later on for determining the value of compensation. The value of goods includes cost, freight, insurance charges, some margin of profit and other incidental expenses. The ships are insured in this manner.

5. UnvaluedPolicy:

When the value of insurance policy is not decided at the time of taking up a policy, it is called unvalued policy. ***The amount of loss is ascertained when a loss occurs***. At the time of loss or damage the value of the subject-matter is determined. In finding out the value of goods, freight, insurance charges and some margin of profit is allowed to the policy in common use.

6. FloatingPolicy:

When a person ships goods regularly in a ***particular geographical area, he will have to purchase a marine policy every time***. It involves a lot of time and formalities. He purchases a policyfor a lump sum amount without mentioning the value of goods and name of the ship etc.

THEDIFFERENTTYPESOFMARINEINSURANCE

1. **CargoInsurance**:

   Cargoinsurance catersspecificallytothecargooftheship andalso pertainstothe belongings of a ship‟s voyagers.
2. **HullInsurance**:

   This type of marine insurance is mainly taken out by the owner of the ship in order to avoid any loss to the ship in case of any mishaps occurring.
3. **LiabilityInsurance**:

   Liabilityinsurance is that type of marine insurance where compensation is sought to be provided to anyliabilityoccurring on account of a ship crashing or colliding and on account of any other induced attacks.

4. **FreightInsurance:**

Freightinsuranceoffersandprovidesprotectiontomerchantvessels‟corporations which stand a chance of losing money in the form of freight in case the cargo is lost due to the shipmeetingwithan accident. This type of marine insurance solves the problem of companies losingmoneybecause of afew unprecedented events and accidents occurring.

EXPORTPROMOTIONCOUNCILSANDINCENTIVESSCHEME

Exportpromotionreferstothatpolicyofthegovernmentthatoffersencouragementtothe exporterswithaviewto enhancetheexportofthecountry. Inordertoachievethis objectivethey are given numerous incentives and facilities

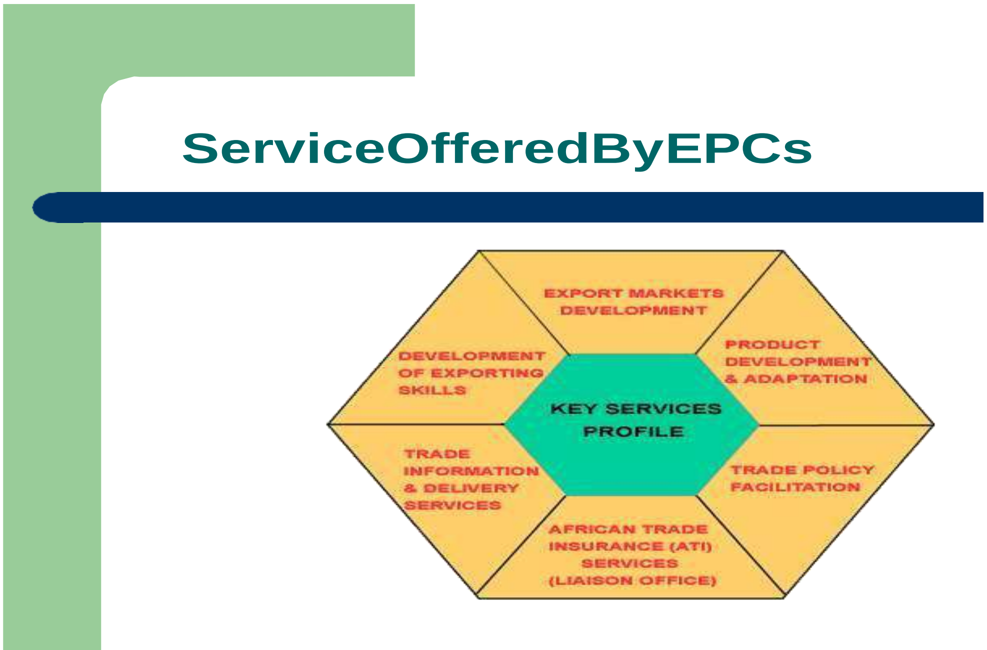
The basic objective of Export Promotion Councils is to promote and develop the exports of the country. Each Council is responsible for the promotion of a particular group of products, projects and services.

The main role of the EPCs ***is to project India's image abroad as a reliable supplier of high quality goods and services***. In particular, the EPCs shall encourage and monitor the observance of international standards and specifications by exporters. The EPCs shall keep abreast of the trends and opportunities in international markets for goods and services and assist their members in taking advantage of such opportunities in order to expand anddiversifyexports.

Themajorfunctions oftheEPCsare:

- To provide commercially useful information and assistance to their members in developing and increasing their exports;
- To offer professional advice to their members in areas such as technology upgradation, quality and design improvement, standards and specifications, product development, innovation, etc.;
- To organise visits of delegations of its members abroad to explore overseas market opportunities;
- To organise participation in trade fairs, exhibitions and buyer-seller meets in India and abroad;

- To promote interactionbetween theexporting community and the Governmentbothat the Central and State levels; and
- Tobuildastatisticalbaseandprovidedataontheexportsandimportsofthecountry, exports and imports of their members, as well as other relevant international trade data.



INCENTIVESSCHEME

Incentives/ExemptionavailabletoexportersinIndia

- SalesTax/VATExemption
- Excise Exemption
- DutyDrawback
- IncomeTax Concessions
- ImportConcessions

- SpecialEconomic Zones
- FreeTrade&WarehousingZones
- StarExportHouses
- EOUs(Export Oriented Units), Electronic Hardware Technology Parks(EHTPs), Software Technology Parks(STPs),Bio-Technology Parks(BTPs)

- DeemedExports

SalesTax/VAT Exemption

VATatzerorateand**fullcreditofinputtax** is also available to a dealerdirectly selling to an exporter provided the same goods are actually exported.

Theexporterneeds toprovidethefollowing**documents**asevidenceof goods exported:

- Copyofexport contractororderfrom aforeign buyer
- Copyofthecustoms clearancecertificate
- Copyof thecommercial invoiceissued totheforeign buyer
- Copyof Bill ofLading/Air-WayBill
- Proofofpaymentfromtheforeignpurchaserorletterof credit

ExciseExemption

Excise is a tax on production or manufacture of goods. It is a duty levied on the production of goods and the liability of payment of excise duty arises immediately upon manufacture of goods. In India, excise duty is governed by the provisions of the Central Excise Act, 1944.

Exporterscanavailexciseclearanceinthefollowingways:

- Exports under Claim ofExcise Rebate
- ExportunderBond

Dutydrawback

Duty drawback is an incentive given to the exporters of different categories of goods under the ―Customs and Central Excise Duty Drawback Rules, 1995‖ The duty drawback scheme is administered by the Directorate of Duty Drawback in the Ministry of Finance, Government of India.

Therearetwotypesofdrawbackrates:

- All IndustryRates
- Brand/SpecialBrand Rates

IncomeTax Concession

Under Section 10A of the Income Tax Act, 1961 undertaking operating from a ***Special Economic Zone (SEZ) that manufactures articles/things or computer software are eligible for deductionofexportprofits.***ForundertakingcommencingoperationfromthenotifiedSpecial

Economic Zones (SEZs) on or after 1st April, 2002, the tax holidayis available for a total period of seven assessment years, comprising of a deduction of 100% of export for five years followed by deduction of 50% of export profits for subsequent two years.

Importconcessions

The Government of India has several schemes in place that allow the exporters to import inputs/ capital goods at concessional rates of import duty. The schemes are discussed below:

- ExportPromotionCapital GoodsScheme (**EPCG**)
- DutyFreeImport AuthorizationScheme
- DutyExemption Passbook Scheme(**DEPB**)

✓ **ExportPromotionCapitalGoodsScheme(EPCG)**

Capitalgoodsarethethings youneed,inordertomanufacture yourproductsorgive your services.(including spares for pre production, production and post production)

Examples: Textile machines, big agro-harvesting vehicles, expensive lab instruments for medicines, printing press for magazine/newspaper, sophisticated computer-server foryour call center etc.

WhatisExportPromotionCapitalGoodsScheme?(EPCG)

Under EPCG scheme, you can import these instruments (capital goods)at only 5% customs duty(some times zero duty). But it is subject to an export obligation ranging from 6 to 8 times of duty saved on capital goods imported under EPCG scheme, to be fulfilled in 6 to 8 years reckoned from Authorization issue-date.

ThisEPCGispartofIndia‟sEXIMpolicy(Export-import)

✓ **DutyFreeImportAuthorizationScheme**

Thisschemeisthelatestimprovementannounced intheAnnualSupplement2006 to the FTP 2004-09. The new scheme seeks to clubs the Advance Licensing scheme and the DutyFree Replenishment Certificate and were to come into effect from May1, 2006.

AdvanceLicensecanbeissuedforthefollowing:

Physical exports

Intermediatesupplies

Deemed exports

- **DutyEntitlement Passbook Scheme**
  - Under DEPB (Duty Entitlement Passbook) Scheme, exporters are allowedto claim customs dutycredit as aspecifiedpercentageofFOBvalueofexports made in freely convertible currency. The objective of DEPB is to neutralize the incidence of Customs duty on the import content of the export product. The neutralization shall be provided by way of grant of duty credit against the export product.
  - Theschemelaunched in 1997 is likelyto be replaced bysomesuperior alternative thatisbeingworkedoutthroughadialoguewiththeexportcommunity.Underthe DEPB.
  - TheDEPBis**valid**foraperiodof**24months**from thedateofissue.

InformationTechnology

- Strongtelecommunication backbone
- Auniqueworkenvironment thatpowersthecity
- Optic-fibercablenetwork
- On-sitesub-stationforfailsafepower
- Railstationonsitetoprovideforeasycosteffectivetransport options
- Pollution-free,cleanandgreenenvironment

SpecialEconomicZone-SEZ

In order to create an internationally competitive and smooth working environment for exports in India, the Government of India formulated the Special Economic Zone policy. Under the current foreign trade policy, Special Economic Zone (SEZ) is defined as a specifically delineated ***duty free enclave that is deemed to be foreign territory for the purposes of trade operations and duties and tariffs.***

FreeTradeand WarehousingZones

Theunitsfunctioningoutofsuchzoneswill beextended from**:**

- IncomeTaxExemptionasperSection80-IAoftheIncomeTaxAct
- ExemptionfromServiceTax
- Freeforeignexchangecurrencytransactions
- OtherbenefitsasapplicabletounitsinSpecialEconomicZones

ROLEOFLOGISTICS INIMPORT&EXPORT BUSINESS

If you are a global supplier of products then you must know the importance of logistic services. Logistic service providers or freight forwarders offer variety of transportation services to their clients. They help to move the products and accessories including food, apparel, engineering equipment, and many other products. They offer an opportunity for the manufacturers to expand their business far across the nations. They can easily fulfill the intricate distribution needs of the manufacturers. These logistic service providers work in a determined manner and use highlystandard processes to ensure your business goals are met on time.

Logistic service providers work seamlessly with transportation service providers, supply chain & logistics professionals, customizing the solution to the needs of their worldwide clients. They work in association with their air, ocean, brokerage, warehousing as well as consolidation services. Their wide ranging consolidation and distribution services offer global logistics providers and manufacturers a complete control on their supply chain management.Theyprovide logistics and distribution services to the customers at the global location where business needs of the customers are best met, on time and within their budgetary constraints.

Logistic service providers can handle and manage all factors of sea freight, air freight, land transport and shipments with flawless integration of inbound receipts, warehousing, distribution, storage of cargo & end-to-end as well as port to port service with excellent transit times. They provide port-to-port and door to door freight services transit times consistent throughout the year and to any location of the manufacturer's choice. Their local experts work with the manufacturers to book capacity and track their shipment anywhere anytime to ensure goods arrive when needed.

The flexible services and their international network locations render an inspiring opportunity for the manufacturers, suppliers, transportation agencies, and warehousing companies to minimize cost of operation and distribution. Their efficient door to door transport services refers to the quick movement of goods from the door of the seller / shipper to the doorofthebuyer.Thistypeoftransportationservicemayincludevariousmodesoftransportation includingair,seaorroad.Eachmodeoftransportisspecializedand needsaprofessionalexcellence and thorough understating of the warehousing and distribution services.

The logistic service providers offer absolute professionalism, loyalty, and consistency with theessential services like:

1. AirExpress Service, high priority(24 hours)
2. Valueadded servicetoanydestination
3. Economical&timelydistribution
4. DoortoDoor&Airportto Airportservicewith excellenttransittimes
5. FullContainer Load(FCL) &PartialContainer Load(LCL)cargoservice
6. Worldwide delivery

Logistics and freight forwarder companies provide the ideal balance of time, space, frequency and cost. They offer the most efficient and cost effective solutions for the worldwide customer's freight needs while meeting time critical schedules to meet their requirements.

ObjectivesofLogistics&internationaltrade framework

Themainobjectiveofthe logisticsis tobringproduct andconsumertogetherwith3'R's namely,

- Rightquantityofgoodsat the
- Rightplace/pointatthe
- Righttimefortheleast cost.

Systemselementsofmarketinglogistics

Marketing logistics consists of two main components namely, Physical Supply (PS) or material management which is concerned with inward movement of raw material, components and spare parts, consumable stores, machinery, machinery, tools, etc. while the other element, Physical Distribution (PD), refers to that part of logistic systems which is concerned with the outward movement of finished products from the point of origin (for example, exporter's point)to the ultimate destination.

Theactivities falling under the PS and PD are closelyinterlinked due to the reason that in a majority of the cases, the outward movement or physical distribution management of the products of the suppliers becomes the physical supply management of the importersor consumers at the other end or ultimate destination. Hence the system elements of marketing logistics are common both to Physical Supply (PS) and Physical Distribution (PD). These common elements are

- Rawmaterialacquisition
- Inventorymanagement
- Warehousing
- Packagingandutilization
- Transportation
- Insurance
- Communicationandcontrol

EXPORTHOUSES/TRADINGHOUSES

HISTORICALBACKGROUND‡

1947 Indian achieves independence; highly protected economy because of colonial rule‡

1956FoundingofStateTradingCorporationofIndiaLtd.undertheIndianCompaniesAct 1960

Setting up of Export Houses

1981SettingupofTradeHouses

1992EstablishmentofSuperTradingHouses‡

1994 Start of Super Star Trading Houses

WHATAREINTERNATIONALTRADINGHOUSES?

International Trading Houses are of various types and forms. They exist in a number of countries and their activities and organization vary according to the historical background andthe scenario in which they operate as well as national priorities and government policies. They areknown bydifferent names in different countries.: TradingHouses in Canada and HongKong, Sogo Shosha (general Trading House) and Semen Shosha (specializing by product) in Japan, Comercializadoras in Latin America, OSCI (Opérateur Spécialisé en Commerce Extérieur) in France, EMC (Export Management Company) and ETC (Export Trading Company) in the USA, Export House in India, etc..

They procure locally and sell internationally, they procure internationally and sell locally and they also procure internationally and sell internationally. They have the flexibility and the agilityto workin manymarkets with manyproducts simultaneouslyas international marketingis their core business.

They serve as commercial intermediaries between suppliers and buyers located in different countries. To this end they adopt the role of merchants, consortia managers and trade facilitators of various sorts. As merchants they buy and sell on their own account and earn a margin.

DEFINITIONof'TradingHouse'

A business that specializes in facilitating transactions between a home countryand foreigncountries.Atradinghouseisanexporter,importerandalsoatraderthatpurchases and sells products forotherbusinesses.Tradinghousesprovideaserviceforbusinesses that want international trade experts to receive or deliver goods or services.

"Export House is defined as a registered exporter holding a valid export House certificate issued by the Director General of Foreign Trade in India".

OBJECTIVESOFEXPORT HOUSE

- To make available supplies of essential commodities to consumers at reasonable priceson a regular basis
- Toensurethefairpriceoftheproducertofarmerssothattheremaybeanadequate incentives to increase production
- To minimize the violent price fluctuations occurring as a result of seasonal variations in supply and demand.
- Toarrangeforsupplyoffertilizers and insecticides
- Toundertaketheprocurementandmaintenanceofbufferstockandtheirdistribution whenever and wherever necessary
- Toarrangeforstorage,distribution,packagingandprocessing.

WHAT SERVICES DO INTERNATIONAL TRADING HOUSES PROVIDE TO MANUFACTURERS?

Trading Houses vary considerably in their activities and functions. However typical Trading Houses would provide many of the following services:

- Marketselectionandmarket research
- Customeridentificationandevaluation
- Commercialandtechnicalnegotiations
- Vendordevelopment

- Product/packagingadaptationandtechnologyupgrading
- Imports,particularlyofitemsrequiredforexport production
- Financial arrangementsincludingsecuringcredits
- Counter-Trading
- Protectionagainst exportrisksincludinginsurance
- Ensuringpayments
- Exportdocumentationandshipping
- Managingcrisesand disasters
- Dealingwithclaims
- After-saleserviceandspare-partsavailability
- Projectexports,consortiaandtenderbusiness
- Creatingdistributionnetworksabroad
- Specialrelations withthegovernment

AdvantagesEnjoyed byExporthouses/TradingHouses:

- Theycanavailthemselvesofthevariouseconomiesofscaleintransportation, warehousing and other areas related to physical distribution
- Theycanavail themselves ofexportfinanceavailableatconfessionalrates.
- They are in a position to employ qualified and specialized staff to look after the complicatedworkrelatingtocustoms,legalproblems,proceduresanddocumentation.
- Theycanbargainwith largeaddingcompaniesin foreigncountriesonanequalfooting
- They can achieve economies in export promotion byusing the most effective advertising and publicity media as also by participating in many trade fairs and exhibitions.
- Theycan veryoften profitbytakingapositiononexchange rates.

- They are able to absorbmany of the risks inherent in International tradebecause of thewide range of products handled by them.

Smallindustrial unitscanderivesignificantadvantagesbyavailingthemselves of the services of export houses.

- Expertiseandinformation onmarketopportunities abroad
- Abilityto provide finance through trade credits, investments, direct loans and loan guarantees.
- Abilityto absorb manyofthe risksinherentintradebecause ofthewide rangeof products they handle.
- Salesopportunities inotherwiseout-of-the-waymarkets.

Export houses are themselves keen to help small manufacturers in their export effort as they get extra weightage for the foreign exchange earned by the exports of products manufactured by small industrial units and for exports of handicrafts including silk products (double weightage).

UNIT-III DOCUMENTATION FRAMEWORK

- Importforindustrialuse / trading
- ImportDocumentationandCustomsclearanceprocedures
- TypesofImports
- ImportLicenses
- CargoInsurance
- RoleofLogisticsinImport

IMPORT FORINDUSTRIAL USE/ TRADING

Import and export trade today affects almost every person in the world. Imports and exports enableeach countryto makethebest useofits mostabundant resources. Byexportingits surplus, whether raw materials such as coal, semi finished products such as cotton stuffs, or finished products such as computers, a country earns the money to import another nation's surplus. Import-export trade involves the building of offices or plants in foreign countries, sending technical or other specialists abroad, and expanding the distribution of a product into the international market.

The trade in dual-use items – goods, software and technology that can be used for both civilian and military applications and/or can contribute to the proliferation of Weapons of Mass Destruction (WMD) – is subject to controls to prevent the risks that these items may pose for international security. The controls derive from international obligations (in particular UN Security Council Resolution 1540, the Chemical Weapons Convention and the Biological Weapons Convention) and are in line with commitments agreed upon in multilateral export control regimes.

The EU therefore controls the export, transit and brokering of dual-use items as a key instrument contributing to international peace and security.

IMPORTDOCUMENTATIONANDCUSTOMSCLEARANCE PROCEDURES

- Goodsareimported inIndiaorexportedfromIndiathroughsea,airorland.
- Goodscancomethroughpost parcelorasbaggagewithpassengers.
- Proceduresnaturallyvarydependingon mode ofimportor export.

Introduction

All goods imported into India have to pass through the procedure of customs for proper examination, appraisal, assessment and evaluation.

This helps the custom authorities to charge the proper tax and also check the goods against the illegal import. Also it is important to note that no import is allowed in India if the importer doesn‘t have the IEC number issued by the DFGT.

BillofEntry

- A Bill of Entry also known as Shipment Bill, is a statement of the nature and value of goods to be imported or exported, prepared by the shipper and presented to a customhouse.

AmendmentofBillof Entry

- Whenever mistakes are noticed after submission of documents, amendments to the bill of entry is carried out with the approval of Deputy/Assistant Commissioner.

RequiredDocuments

- Signedinvoice
- Packinglist
- Billof Ladingor DeliveryOrder/AirwayBill
- GATTdeclaration form dulyfilledin
- Importers/CHA‘sdeclaration
- Licensewherever necessary
- LetterofCredit/BankDraft/wherever necessary
- Insurancedocument
- Importlicense
- IndustrialLicense,ifrequired
- Testreportincaseof chemicals
- Adhocexemptionorder
- DEECBook/DEPBinoriginal

- Catalogue, Technical write up, Literature in case of machineries, spares or chemicals as may be applicable
- Separatelysplitupvalueofspares,components machineries
- CertificateofOrigin, ifpreferential rateofdutyisclaimed
- NoCommissiondeclaration

PaymentofCustomsDuty

- The duty can be debited to such current account, or it can be paid in cash/DD throughTR-6 challan in designated banks.

PriorEntryforShipping Bill orBillofEntry

- For faster clearance of the goods, provision has been made in section 46 of the Act, to allow filing of bill of entry prior to arrival of goods. This bill of entry is valid if vessel/aircraft carrying the goods arrive within 30 days from the date of presentation of bill of entry.

SpecializedSchemes

- Importof goodsunderspecializedscheme,
- DEEC,
- EOUetc ,
- Requiredtoexecutebondswiththecustomauthorities.

BillofEntryforBond/Warehousing

- A separate form of bill of entry is used for clearance of goods for warehousing. Assessmentofthisbillof entryis donein thesamemanner asthe normalbillofentryand then the duty payable is determined.

AssessmentOfImport DutyAndClearance:

Notingof BillofEntry

BillofEntry submittedby importerorCustomsHouseAgentiscross-checked with _Import Manifest‘ submitted byperson in charge of vessel / carrier.

PriorEntryofBillof Entry

Importerhavecleared thegoodsusually3workingdays.

If not cleared then demurrage is charged byport trust/airport authorities, which is veryhigh.

AssessmentofCustoms duty

Section17providesthatassessmentofgoodswillbemadeafterBillofEntryis filed.

AppraisingTheGoods Appraiserhas to

a) correctlyclassifythegoods
b) decidetheValuefor purposeofCustoms duty
c) findout rate ofdutyapplicableas per anyexemption notificationand,
d) verifythatgoods arenotimportedin violation ofanylaw.

ValuationOf Goods

- As per rule 10 of Customs Valuation Rules, the importer has to file declaration about full 'value' of goods.

ApprovalOfAssessment

- The assessment has to be approved by Assistant Commissioner, if the value is more than Rs one lakh.

ExaminationOf Goods

- Examiners carry out physical examination and quantitative checking like weighing, measuring etc. Selected packages are opened and examined on sample basis in _Customs Examination Yard‘.
- Examinationreportispreparedbytheexaminer.

OutofCustomsCharge Order:-

- After goods are examined, it is verified that import is not prohibited and aftercustoms dutyispaid,CustomsOfficerwill issue_OutofCustomsCharge‘orderundersection47.

- Heavydemurrageispayable ifgoodsarenot cleared fromportwithinthreedays.

DOCUMENTSREQUIREDFORIMPORTCUSTOMS CLEARANCEININDIA

BillofEntry:

Bill of entry is one of the major import document for import customs clearance. As explained previously, Bill of Entry is the legal document to be filed by CHA or Importer duly signed.BillofEntryisoneoftheindicatorsof_totaloutwardremittanceofcountry‘regulatedby ReserveBankand Customsdepartment. Billof entrymustbefiled withinthirtydaysof arrivalof goods at a customs location.

Once after filing bill of entry along with necessary import customs clearance documents, assessment and examination of goods are carried out by concerned customs official. After completion of import customs formalities, a _pass out order‘ is issued under such bill of entry. Once animporteror hisauthorizedcustomshouseagentobtains _passout order‘fromconcerned customs official, the imported goods can be moved out of customs. After paying necessary import charges if any to carrier of goods and custodian of cargo, the goods can be taken out of customs area to importer‘s place

CommercialInvoice.

Invoice is the prime document in any business transactions. ***Invoice is one of the documents required for import customs clearance for value appraisal by concerned customs official***. Assessable value is calculated on the basis of terms of delivery of goods mentioned in commercial invoice produced by importer at customs location.

The concerned appraising officer verifies the value mentioned in commercial invoice matches with the actual market value of same goods. This method of inspection by appraising officer of customs prevents fraudulent activities of importer or exporter by over invoicing or under invoicing. So Invoice plays a pivotal role in value assessment in import customs clearance procedures.

Bill ofLading/ Airwaybill :

BL/AWBis oneofthedocuments requiredforimport customs clearance.

Bill of lading under sea shipment or Airwaybill under air shipment is carrier‘s document required to be submitted with customs for import customs clearance purpose. Bill of lading or Airwaybill issued by carrier provides the details of cargo with terms of delivery

ImportLicense

Import license may be required as one of the documents for import customs clearance procedures and formalities under specificproducts. This licensemaybe mandatoryforimporting specific goods as per guide lines provided by government. Import of such specific products may havebeenbeingregulatedbygovernmenttimeto time.Sogovernmentinsistanimportlicenseas one of the documents required for import customs clearance to bring those materialsfrom foreign countries.

Insurancecertificate

Insurance certificate is one of the documents required for import customs clearance procedures. Insurance certificate is a supporting document against importer‘s declaration on terms of delivery. Insurance certificate under import shipment helps customs authoritiesto verify, whether selling price includes insurance or not. This is required to find assessable value which determines import duty amount.

Purchaseorder/LetterofCredit

Purchase order is one of the documents required for import customs clearance.A purchase order reflects almost all terms and conditions of sale contract which enablesthe customs official to confirm on value assessment. If an import consignment isunder letter of credit basis, the importer can submit a copy of Letter of Credit along with the documents for import clearance.

Technicalwriteup,literatureetc.forspecificgoodsif any

Technical write up, literature of imported goods or any other similar documents may be required as one of the documents for import clearance under some specific goods. For example,if a machinery is imported, a technical write up or literature explaining it‘s function can be attached along with importing documents. This document helps customs official to derive exact market value of such imported machinery in turn helps for value assessment.

IndustrialLicenseifany

An industrial license copy may be required under specific goods importing. If Importer claims any import benefit as per guidelines of government, such Industrial License can be producedtoavailthebenefit.Insuchcase,Industriallicensecopycanbesubmittedwithcustoms authorities as one of the import clearance documents.

RCMC-RegistrationcumMembership Certificateifany

For the purpose of availing import duty exemption from government agencies under specific goods, production of RCMC with customs authorities is one of the requirements for import clearance. In such cases importer needs to submit Registration Cum Membership Certificate along with import customs clearance documents.

Testreportifany

The customs officials may not be able to identify the quality of goods imported. In order to assess the value of such goods, customs official maydraw sample of such imported goods and arranges to send for testing to government authorized laboratories. The concerned customsofficer can complete appraisement of such goods only after obtaining such test report. So test report is one of the documents under import customs clearance and formalities under some of specific goods.

DEEC/DEPB/ECGCoranyotherdocumentsforduty benefits

If importer avails any duty exemptions against imported goods under different schemes like DEEC/DEPB/ECGC etc., such license is produced along with other import clearance documents.

Centralexcisedocumentif any

If importer avails any central excise benefit under imported goods, the documents pertaining to the same need to be produced along with other import customs clearance documents.

GATT/DGFTdeclaration.

As per the guidelines of Government of India, every importer needs to file GATT declaration and DGFT declaration along with other import customs clearance documents with customs. GATT declaration has to be filed by Importer as per the terms of General Agreementon Tariff and Trade.

Anyotherspecificdocuments otherthantheabovementioned

Apart from the above mentioned documents, importer has to file additional documents if any required as per the guidelines of government / customs department under import of specific goods.

TYPESOFIMPORTS

Therearetwobasictypesof import

1. Industrialandconsumer goods
2. Intermediategoodsandservices

Companies import goods and services to supply to the domestic market at a cheaper price and better quality than competing goods manufactured in the domestic market. Companies import products that are not available in the local market.

Therearethreebroad typesofimporters:

1. Lookingfor anyproductaroundthe worldto importand sell.
2. Lookingforforeignsourcingtogettheirproducts atthecheapest price.
3. Usingforeign sourcingas partof theirglobalsupplychain.

Direct-importrefers to a type of business importation involvinga major retailer (e.g. Wal-Mart) and an overseas manufacturer. A retailer typically purchases products designed by local companies that can be manufactured overseas.

In a direct-import program, the retailer bypasses the local supplier (colloquial *middle-man*) and buys the final product directly from the manufacturer, possibly saving in added cost data on the valueofimports and theirquantities oftenbroken downbydetailedlists ofproducts areavailable in statistical collections on international trade published by the statistical services of intergovernmental organisations (e.g.UNSTAT,FAOSTAT,OECD), supranational statistical institutes (e.g. Eurostat) and national statistical institutes. Industrial and consumer goods.

IMPORTLICENSES

An import license is a document issued bya national government authorizing the importation of certain goods into its territory.

Permit that allowsan importerto bringin aspecified quantityof certain goods duringaspecified period (usually one year).

- CategoriesofImport
- FreelyImportableItems
- LicensedImports
- Canalized Items
- ProhibitedItems

TypesofLicenses

1. OpenGeneralLicensed Items

While normal items and traded goods like textiles, consumer durables, Handicrafts, electronics items, Food articles, Drugs etc are generally allowed to be imported and exported by all countries freely without restrictions.

2. ImportsagainstSpecificImport Licenses

Many items like second hand capital equipment, plant and machinery, engines etc are traded, transferred and imported normally by developing and under developed economies.

Such second hand machinery and goods are allowed to be imported into the receiving countries only through specific license obtainedfor the said purpose. Such license would set forth conditions required to be met by the importer to prove the residual life of the machineryetc. Import of Fire Arms and Ammunitions arealways covered under specific licenses in most of the countries.

3. Import-QuantityRestrictions orQuota

Some countries like USA do allocate quantity restrictions for import of items like textile on certain countries and exporters would have to adhere to the quota norms, which are periodically reviewed and amended as required.

4. ExportLicenses

While the domestic industries are engaged in export of some important natural resources and raw materials like iron and steel, certain kinds of herbs etc, Governments control and restrict the export through issuing Export Licenses.

5. NegativeList

Most countries maintain a negative list of items which prohibit import and export of certain items like animal hides and other wildlife, precious wild life, live stock, narcotics and many more sensitive items.

When people import or export items into the country without applicable licenses, do not bring in consignments avoiding customs clearance and thus avoid paying duties as well as those items that are prohibited are brought into the country illegally, such trade is labeledas smuggling.

ProcedureForObtainingAnImportLicenseIn India

Step1:Formacompany

Step2:Openabankaccount incompany‘s name.

Step 3 :ObtainImport Export Code Number fromJoint Director General of Foreign Trade inIndia.

Step4:Aproperapplication tobesubmittedtotheDirectorGeneralofForeignTrade(DGFT).

TheImportLicensingCommitteeundertheChairmanshipofImportCommissionerconsiders such applications on merits for issue of import licenses.

DocumentsusedinImport:

- Import LicenseandQuotaCertificate
- Indent
- LetterofCredit
- Billof Lading
- DocumentaryBill
- DockChallan
- DockWarrant
- DeliveryOrder
- PortTrustduereceipt
- BillofEntry

CARGOINSURANCE:Refer2nd UnitStudyMaterial ROLE

OF LOGISTICS IN IMPORTS (Ref 2nd Unit)

Effectively managing imports, Gould says, requires understanding the three flows that are involved in the process:

1. Information flow. Managing imports depends on effectively managing information. "Logisticians must understand what data needs to move when and whereinorder tomakeinternationaltransactionshappen effectively,"saysGould.Information flow also involves understanding taxes, tariffs, and other elements of trade compliance, as well as security regulations.

2. Fiscal flow. "Financial transactions have become more and more complex," notes Shanna O'Brien, customs compliance director for Honeywell International Inc.,Phoenix. "There's a lot of room to stumble, so you have to be very savvy."

Understanding fiscal flow means knowing who needs to be paid—including suppliers, customs and tax authorities, 3PLs, packers and others—as well as when and how they need to be paid.

"If you don't pay them at the right time, in the right way, your goods could be stopped. Or you could have supply chain interruptions leading to use of premium freight services or, worse, loss of customer relationships," Gould warns.

3. Physical flow. Understanding the physical movement of goods means accurately knowing how and where your goods will move, how they'll be handled, where they'll be stored, and the costs associated with this.

"Every time someone touches your goods—whether loading, unloading, or inspecting them—it adds costs and increases the likelihood of damage or pilferage," Gould says. In addition, make sure you know what condition your goods will be in from source to ultimate consumer (such as sitting on a dock awaiting inspection), so that you can ensure appropriate packaging.

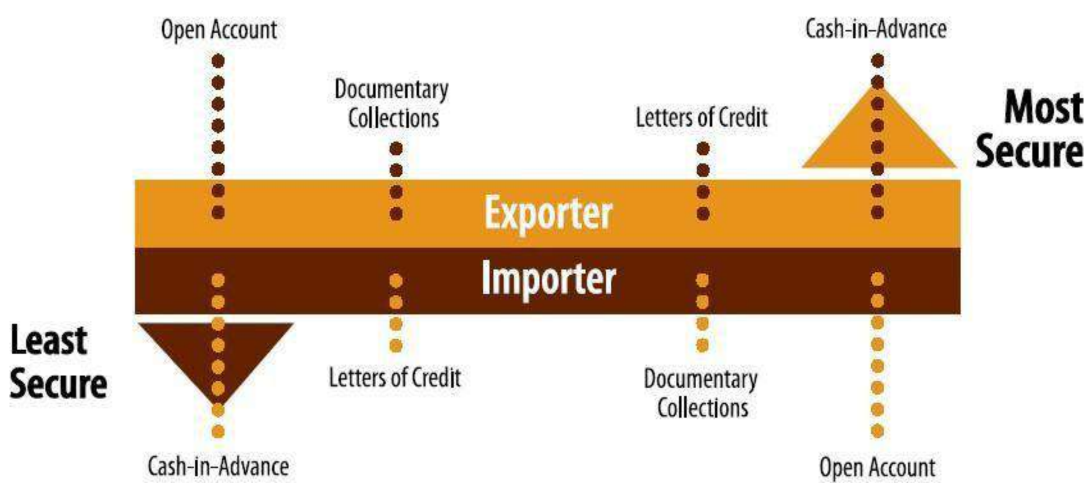
Understanding the physical flow also means having a true picture of timing. "If youbring in goods from China via ocean freight, they may be lockedin a box for 20-plus days and you can't touch them," Gould says. "If you haven't built into your planning the time when you can't touch your freight—whether it's on the water, in the belly of an airplane, or sitting in a customs warehouse—you may run into a situation where you don't have the goods you need."

UNIT-IVCREDIT ANDPAYMENTS

- PaymentmethodsinForeignTrade
- DocumentaryCredit /LetterofCredit
- UCP600withrespecttoShippingDocumentsandL/C Negotiation
- Export/Importfinancingstrategies
- ManagingPaymentRisks

PAYMENTMETHODSINFOREIGNTRADE

- To succeed in today's global marketplace and win sales against International trade presents a spectrum of risk, which causes uncertainty over the timing of payments between the exporter (seller) and importer (foreign buyer).
- Forexporters,anysaleis agiftuntilpaymentisreceived.
- Therefore, exporters want to receive payment assoon as possible, preferably as soon as an order is placed or before the goods are sent to the importer.
- Forimporters,anypayment isadonationuntil thegoodsarereceived.
- Therefore, importers want to receive the goods as soon as possible but to delay payment as long as possible, preferablyuntil after the goods are resold to generate enough income to pay the exporter.



Methodsof paymentincludethe following:

- CleanPayment
- Documentarycollections
- Documentsagainst acceptance
- Documentsagainstpayment
- Letterofcredit
- Confirmedletterofcredit
- Advisedletterofcredit
- Cashin advance

CleanPayments

In clean payment method, all shipping documents, including title documents are handled directly between the trading partners. The role of banks is limited to clearing amountsas required.Cleanpayment methodoffersa relativelycheap anduncomplicatedmethodofpayment for both importers and exporters.

Therearebasicallytwo typeofclean payments:

- **Advance Payment:** In advance payment method the exporter is trusted to ship the goods after receiving payment from the importer.
- **Open Account:** In open account method the importer is trusted to pay the exporter after receiptof goods. The maindrawbackofopenaccountmethodisthatexporterassumes all the risks while the importer get the advantage over the delay use of company's cash resources and is also not responsible for the risk associated with goods.

OpenAccount

A seller ships the goods and all the necessary shipping and commercial documents directlyto a buyer. This buyer agrees to paythe seller‘s invoice at a future date (net 15 days, net 30 days or with a discount offered--for example, 1% if paid within 20 days of invoice date).

DocumentaryCollections

ThePaymentCollectionofBillsalsocalled―UniformRulesforCollections‖ispublished byInternationalChamberofCommerce(ICC)underthedocumentnumber522(URC522)andis followed by more than 90% of the world's banks.

In this method of payment in international trade the exporter entrusts the handling of commercial and often financial documents to banks and gives the banks necessaryinstructions concerningthereleaseofthesedocumentstotheImporter. Itisconsidered tobeoneofthecost effectivemethodsofevidencingatransactionforbuyers,wheredocumentsaremanipulatedvia the banking system.

Therearetwo methodsofcollectionsofbill :

- **Documents Against Payment D/P:** In this case documents are released to the importer only when the payment has been done.
- **Documents Against Acceptance D/A:** In this case documents are released to the importer only against acceptance of a draft.

LetterofCredit

Letter of Credit also known as Documentary Credit is a written undertaking by the importers bank known as the issuing bank on behalf of its customer, the importer (applicant), promising to effect payment in favor of the exporter (beneficiary) up to a stated sum of money, within a prescribed time limit and against stipulated documents. It is published by the International Chamber of Commerce under the provision of Uniform Custom and Practices (UCP) brochure number 500.

VarioustypesofL/Csare:

Revocable & Irrevocable Letter of Credit (L/c): A Revocable Letter of Credit canbe cancelled without the consent of the exporter. An Irrevocable Letter of Credit cannotbe cancelled or amended without the consent of all parties including the exporter.

Sight & Time Letter of Credit: Ifpaymentistobemadeatthetimeofpresentingthedocument then it is referred as the Sight Letter of Credit. In this case banks are allowed to take the necessary time required to check the documents. If payment is to be made after the lapse of a particular time period as stated in the draft then it is referred as the Term Letter of Credit.

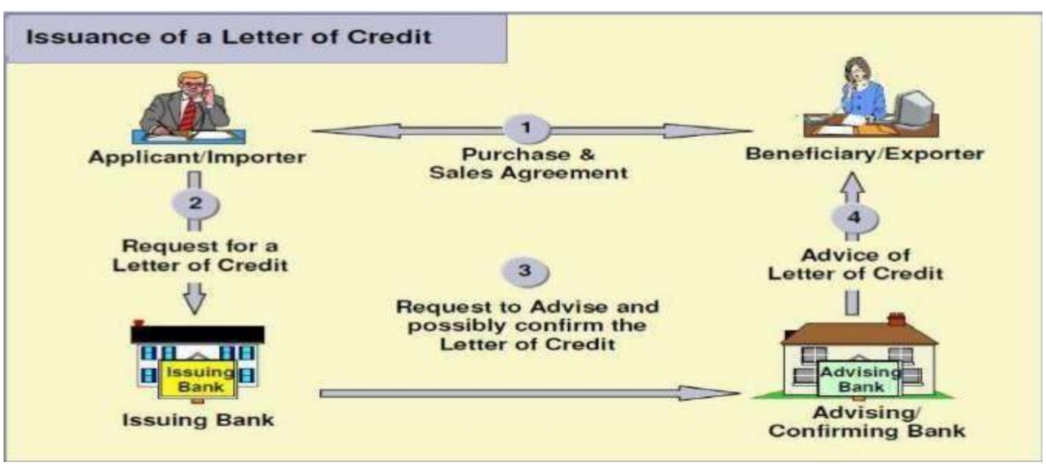
Confirmed Letter of Credit (L/c): Under a Confirmed Letter of Credit, a bank, called the Confirming Bank, adds its commitment to that of the issuing bank. By adding its commitment, the Confirming Bank takes the responsibility of claim under the letter of credit, assuming all terms and conditions of the letter of credit are met.

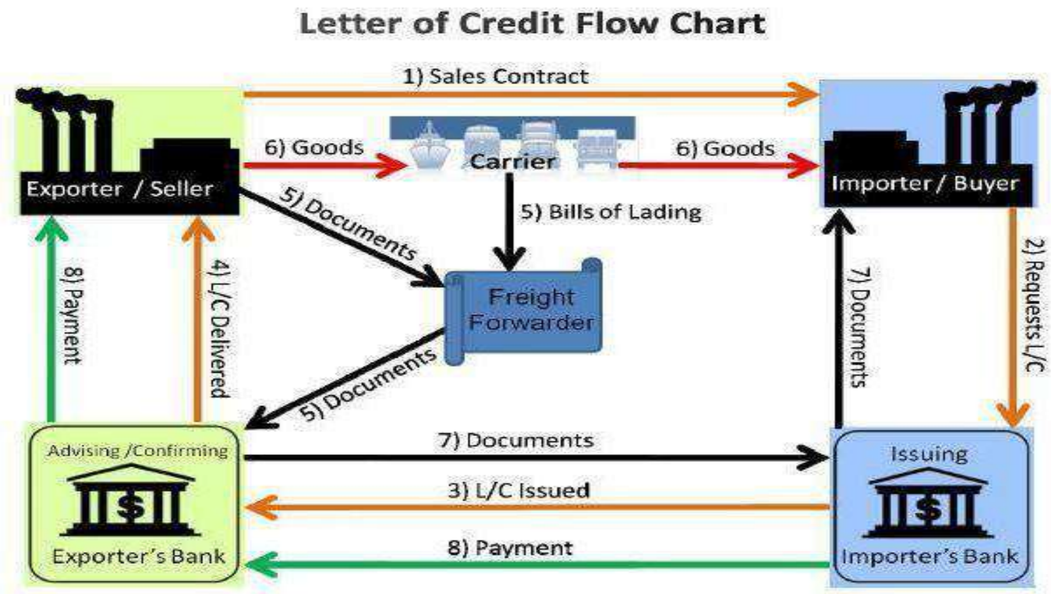
Cash in Advance

The seller requires receipt of payment from the buyer before shipping goods. Payment may be made by wire-fund transfer from the buyer's bank to the seller's bank, or by company check, credit card, or other agreed upon means.

DOCUMENTARYCREDIT /LETTEROFCREDIT

A Letter of Credit, simply defined, is a written instrument issued bya bank at the request of its customer, the Importer (Buyer), whereby the bank promises to pay the Exporter (Beneficiary) for goods or services, provided that the Exporter presents all documents called for, exactlyas stipulated in the Letter of Credit, and meet all other terms and conditions set out in the Letter of Credit.





PartiesinvolvedinL/C

- The**Applicant**opens theletterofcredit.
  - Thebuyer, orcustomer, isthe Applicant.
  - SometimestheApplicantiscalledtheaccountparty.
- The**OpeningBank** issues theletterofcredit.
  - TheOpeningBank'scredit replacesthebuyer'scredit.
- The**Advising Bank**isanagent ofthe OpeningBank.
  - Verifies the authenticityoftheOpening Bank.
- The **Confirming Bank** is usually the Advising Bank, but it confirms that the credit exists.
  - It can negotiate the documents, and can accept the letter of credit the Opening Bank will not pay.
- The**PayingBank**isalsocalledthedrawingbank.
  - The Paying Bank may act also the Advising Bank, or the Confirming Bank, or the Opening Bank.
- The**Beneficiary** isoften theseller.
  - Itis partyto whom thecredit is issued.

StepsInvolvedIn L/C

1. Buyer andselleragreeto conductbusiness.Thesellerwantsaletterofcredittoguarantee payment.
2. Buyerapplies tohis bankforaletterofcredit infavoroftheseller.
3. Buyer's bank approves the credit risk of the buyer, issues and forwards the credit to its correspondent bank (advising or confirming). The correspondent bank is usually located in the same geographical location as the seller (beneficiary).
4. Advising bank will authenticate the credit and forward the original credit to the seller (beneficiary).
5. Seller (beneficiary) ships the goods, then verifies and develops the documentary requirements to support the letter of credit. Documentary requirements may vary greatly depending on the perceived risk involved in dealing with a particular company.
6. Seller presents the required documents to the advising or confirming bank tobe processed for payment.
7. Advising or confirming bank examines the documents for compliance with the terms and conditions of the letter of credit.
8. Ifthedocumentsarecorrect,theadvisingorconfirmingbankwillclaimthefundsby:

   Debiting the account of the issuing bank.

   Waitinguntiltheissuingbankremits,afterreceivingthedocuments.

   Reimburse on another bank as required in the credit.
9. Advisingorconfirmingbankwillforwardthedocumentstothe issuing bank.
10. Issuingbankwillexaminethedocumentsforcompliance.Iftheyareinorder,the issuingbank will debit the buyer's account.
11. Issuingbank thenforwards thedocumentstothebuyer.

Methodsof Settlement

Thedocumentarylettersofcredit can beopened in two ways:

1. SightLetterof Credit:

A Sight Letter of Credit is a credit in which the seller obtains payment upon presentation of documents in compliance with the terms and conditions.

2. TimeDraftorUsanceLetterofCredit:

ATimeDraftorUsance LetterofCredit is acredit in whichthesellerwillbepaid afixed or determinable future time. A time Draft or usance letter of credit calls for time or usance drafts to be drawn on and accepted by the buyer, provided that documents are presented in good order. The buyer is obligated to pay the face amount at maturity. However, the issuingbank‘s obligation to the seller remains in force until and unless the draft is paid.

TYPESOFL/C

RevocableLC

- Allowsforamendments,modificationsandcancellationofthetermsoutlinedin the letter of credit at any time and without the consent of the exporter or beneficiary. Generally, not accepted.

IrrevocableLC

- Requirestheconsentoftheissuingbank,thebeneficiaryandapplicantbeforeany amendment, modification or cancellation to the original terms can be made. Irrevocable letters of credit can be
  - **Confirmed**
    - Theseller/beneficiarymayalsolooktothecreditworthinessofthe additional confirming bank for payment assurance.
  - **Unconfirmed**
    - Whenaletterofcreditis notconfirmedbyanybankotherthanthe issuing bank.
  - **Backto back**
    - Openedwithanotherletterofcreditasthesecurity,i.e.ifaforeign buyer will issue a letter of credit to an exporter, certain banks and trade finance companies will issue independent letters of credit to the exporter‘s suppliers so that the required goods can be purchased.

DeferredPaymentLC

- Deferred payment LCs allows the issuing bank to make the payment to the beneficiaryininstallments.Thetimingandtheamountsoftheseinstallmentsare predetermined.Thebuyeracceptsthedocuments andagreestopaytheissuing bankonafixed maturitydate;thus, thebuyer getsagraceperiodfor payment.

RevolvingLC:

- Single L/C that covers **multiple-shipments over a long period**. Instead of arranginganewL/Cforeachseparateshipment,thebuyerestablishesaL/Cthat revolves either in value (a fixed amount is available which is replenished when exhausted) or in time (an amount is available in fixed instalments over a period such as week, month, or year). L/Cs revolving in time are of two types:
  - Cumulative
  - Non-Cumulative

TransferableLC:

IrrevocableL/Cwithtwo(andonlytwo)successivebeneficiaries.In thisarrangement,thefirstbeneficiary(anintermediaryorimporter'sforeignrepresentative) can assign part or whole of the L/C amount to a second beneficiary (the supplier or manufacturer). To be transferable, the L/C must be so marked by the issuing bank on theinstructionsofthebuyerorimporter(theaccount-party).Ontheinstructionsofthefirst beneficiarythe advising bank can transfer it to the second beneficiary but not any further

AnticipatoryLC

- It is a letter of credit under which payment is made to the beneficiary even at the pre-shipmentstage.Therearetwokindsofanticipatorylettersofcredit.Underthe **red clause credit**, advance is given for purchase of raw material, processing and/orpackingofgoods.Underthe**greenclausecredit**,advanceisalsogivenfor warehousing and insurance charges at port.

Standby LC

- Astandbyletterofcredit isaformofabankguarantee.Banksissuethemtostand behindmonetaryobligations,toensuretherefundofadvancepayment,tosupport performanceandbidobligations,andtoensurethe completionofasalescontract. The credit has an expiration date.
- Theyareoftencallednon-performinglettersofcreditbecausetheyareonlyused as a backup should the buyer fail to pay as agreed.

Thus,astandbyletterofcreditallowsthecustomertoestablisharapportwiththeseller by showing that it can fulfill its payment commitments.

CashadvanceagainstLC:

- AcashadvanceagainstaLCworkslikeaback-to-backLC,withtheexception that the bank or financing company will issue cash to the suppliers instead of another letter of credit.

CleanLC:

- L/C thatdoes not requireanydocument otherthana
written demand for payment by its beneficiary. This credit is mainly used for encashmentagainstthebeneficiary'sapprovalbywayofcounter–signingthe invoices.

BenefitstoExporters

- Assuresthesecurityofpayment from aninternational bankoncethe terms oftheletterof credit are met.
- Sellercandeterminewhenpaymentwill besatisfiedandshipthegoodsaccordingly.
- Bank bears theresponsibilityofoversight.
- Seller does not have to open an account and grant payment terms to buyer. Credit risk is nearly eliminated. The risk of exchange control created with payment delays is greatly reduced.
- Providessellereasieraccess tofinancingoncethe letterofcredit hasbeen issued.
- Once the bank confirms the letter of credit, political and economic risk and questions regarding the buyer's ability to pay are eliminated.The confirming bank is obliged to pay, even if the buyer goes bankrupt, provided the terms of the letter of credit are met.

BenefitstoImporter

- Facilitatesfinancing–forexample,creatingbanker'sacceptances.
- Buyercanconfirm thatthemerchandiseis shippedonorbeforetherequireddate.
- Itissafertodealwith bankthantoprepay.
- Buyermayget bettertermsand prices.

- No cash is tied up in the process. Buyer does not have to pay cash up front to a foreign seller before receiving the documents of title to the goods purchased. This is particularly helpful when the buyer is unfamiliar with local suppliers and laws.
- Protects the buyer since the bank only pays when the supplier complies with the specific terms and conditions and produces the documents required by the buyer.
- The buyer can build safeguards into the letter of credit, including inspection of the goods and quality control, and set production and delivery times.

UCP600WITHRESPECTTOSHIPPINGDOCUMENTSANDL/CNEGOTIATION

- ICCUniformCustomsandPracticeforDocumentaryCredits (UCP 600)
- UCP 600 are the latest revision of the Uniform Customs and Practice that govern the operation of letters of credit.
- TheUCP600providesa globalstandardsetofpracticesforlettersofcredit.
- Anyone engaged in international trade, whether selling goods, buying goods, orproviding financing, needs to be familiar with the UCP600.

The UCP defines the responsibilities of banks involved in handling letters of credit and provides rules for examining documents they call for; documents must strictly comply in order to trigger the issuing and confirming banks‘ payment obligation, but if documents do not strictly comply, the banks must themselves follow strict rules for refusing payment.

Manyof revisions have been made to clarifyterms and remove ambiguity contained in UCP 500 with regard to dayto day operational practices - such as dealing with non compliant documents.

Article2: Definitions

ThisisanewarticlenotfoundinUCP500.Itisasignificantimprovementtothewording and structure of the UCP document as it defines key terms, creates consistency between clauses and improves clarity of interpretation. Notable definitions include:

Honour - A term introduced in the UCP 600 to clarify the obligations of an Issuing or Confirming Bank and remove ambiguity.

"Honourmeans:

a. topayat sight if thecredit is available bysightpayment.

b. toincuradeferredpaymentundertakingandpayatmaturityifthecreditisavailableby deferred payment.

c. toacceptabillofexchange("draft")drawnbythe beneficiaryandpayat maturityifthecredit is available by acceptance.‖

Negotiation - a term which was not clearly defined in UCP 500 and open to different usage has been clarified.

Negotiation meansthepurchasebythenominated bank ofdrafts (drawnonabankotherthan the nominated bank) and/or documents under a complying presentation, byadvancing or agreeing to advance funds to the beneficiary on or before the banking day on which reimbursement is due to nominated bank.‖

Article3:Interpretations

This is also a new article not found in UCP 500 which primarilyaddresses the terms used in LCs to describe required documents or state conditions. This article is likely to be of day to day practical use and lead to better worded and simpler LCs being issued. Examples of items under this article are:

Terms such as "first class", "well known", "qualified", "independent", "official", "competent" or "local" used to describe the issuer of a document allow any issuer except the beneficiary to issue that document.‖ Unless required to be used in a document, words such as "prompt", "immediately" or "as soon as possible" will be disregarded.

Article12:Nomination

By nominating a bank to accept a draft or incur a deferred payment undertaking, an issuing bank authorizes that nominated bank to prepayor purchase a draft accepted or a deferred payment undertaking incurred by that nominated bank.‖

Article 14: Standard for Examination of Documents The concept of ―reasonable time‖ has been removed. Banks have a maximum of five banking days to determine if a presentation is complying

A nominated bank acting on its nomination, a confirming bank, if any, and the issuing bank shall each have a maximum of five banking days following the day of presentation to determineif apresentation is complying. This period is not curtailed orotherwise affected bythe occurrence on or after the date of presentation of any expiry date or last day for presentation.‖

Clause ―d‖ below is expected to reduce differences relating to inconsistency in dealing with documents under a credit. Data in a document, when read in context with the credit, the document itself and international standard banking practice, need not be identical to, butmust not conflict with, data in that document, any other stipulated document or the credit.‖

Article17:OriginalDocumentsand Copies

In addition to clarifying that original documents can also be presented under an LC that calls for copies, the description of an original document has been further defined:

A bank shall treat as an original any document bearing an apparently original signature, mark, stamp, or label of the issuer of the document; unless the document itself indicates that it is not an original.‖

Articles19-27:RelatingtoTransportDocuments

The aim of changes to these clauses has been to make the wording more crisp and to define more explicitly what the documents must evidence in line with the transport industry practices. Effort has been made to define explicitly aspects like: 1) What is the document? 2) Who can sign it and how? 3) Determination of date of shipment 4) Nature and mode of transportation, including transhipment, for example

A transport document may be issued by any party other than a carrier, owner, master or charterer provided that the transport document meets the requirements of articles 19-24 of these rules.‖

Article28:InsuranceDocumentandCoverage Changesinthisarticleinclude:

Signaturebyproxies:

An insurance document, such as an insurance policy, an insurance certificate or a declaration under an open cover, must appear to be issued and signed by an insurance company, an underwriter or their agents or their proxies.‖

Exclusion clauses:

Aninsurancedocumentmaycontain referencetoanyexclusion clause.‖

Article36:ForceMajeure

The increasing use of digital documents and the number of providers now delivering documents online led to the development of the eUCP in 2002.

The 12 Articles of the e-UCP cover a range of issues including the format of electronic records, presentation, examination and, most controversially, corruption of an electronic record. Thee-UCPhasbeenupdatedand continuestobeasupplementtotheUCP600aswith UCP500. Letters of Credit need to stipulate application of e-UCP, where applicable.

<u>EXPORT/IMPORT FINANCINGSTRATEGIES</u>

Export financing refers to any form of financing export transactions. To make sales of foreign customers, exporters need export financing.

Therearetwomethods offinancingavailablefor exporters, theyare

1. PreShipmentFinance
2. PostShipmentFinance

PRE SHIPMENT CREDIT is issued by a financial institution when the seller wants the payment of the goods before shipment. The main objectives behind pre-shipment credit or pre export finance are to enable exporter to:

- Procurerawmaterials.
- Carryoutmanufacturingprocess.

- Provideasecurewarehouseforgoodsandraw materials.
- Processandpackthegoods.
- Shipthegoods tothe buyers.
- Meetotherfinancialcostofthebusiness.

TypesofPreShipmentcredit

- PackingCredit
- Advanceagainstcheques/draftetc.representingAdvancePayments.

PackingCredit

Thisfacilityis providedtoan exporterwhosatisfiesthefollowingcriteria

- Atendigit importerexportercodenumberallotted byDGFT.
- Exportershould notbein thecautionlistofRBI.
- IfthegoodstobeexportedarenotunderOGL(OpenGeneralLicense),theexporter should have the required license /quota permit to export the goods.

Packing credit facility can be provided to an exporter on production of the following evidencesto the bank:

- Formal application for release the packing credit with undertaking to the effect that the exporter would be ship the goods within stipulated due date and submit the relevant shipping documents to the banks within prescribed time limit.
- Firm order or irrevocable L/C or original cable / fax / telex message exchange between the exporter and the buyer.
- License issued byDGFT if the goods to be exported fall under the restricted or canalized category. If the item falls under quota system, proper quota allotment proof needs to be submitted.

The confirmed order received from the overseas buyer should reveal the information about thefullnameandaddressoftheoverseasbuyer,descriptionquantityandvalueofgoods(FOBor CIF), destination port and the last date of payment.

AdvanceagainstCheque/Draftsreceivedasadvancepayment

Whereexporters receive direct payments from abroad bymeans ofcheques/drafts etc. the bank may grant export credit at concessional rate to the exporters of goods track record, till the time of realization of the proceeds of the cheques or draft etc. The Banks however, must satisfy themselves that the proceeds are against an export order.

ProcedureforPreShipment Finance:

AppraisalandSanctionof Limits

Before making any an allowance for Credit facilities banks need to check the different aspects like product profile, political and economic details about country. Apart from these things, the bank also looks in to the status report of the prospective buyer, with whom the exporter proposes to do the business. To check all these information, banks can seek the help of institution like ECGC or International consulting agencies like Dun and Brad street etc

TheBankextendedthepackingcredit facilitiesafterensuringthefollowing"

- The exporter is a regular customer, a bona fide exporter and has a goods standing in the market.
- Whetherthe exporterhas thenecessarylicense andquotapermit (asmentionedearlier)or not.
- Whether the countrywith which the exporter wants to deal is under the list of Restricted Cover Countries (RCC) or not.

DisbursementofPackingCreditAdvance

Oncethepropersanctioningofthedocumentsisdone,bankensureswhetherexporterhas executed the list of documents mentioned earlier or not. Disbursement is normallyallowed when all the documents are properly executed.

Sometimes an exporter is not able to produce the export order at time of availing packing credit. So, in these cases, the bank provide a special packing credit facility and is known as Running Account Packing.

Before disbursing the bank specifically check for the following particulars in thesubmitted documents"

- Nameofbuyer
- Commoditytobeexported
- Quantity
- Value(eitherCIFor FOB)
- Lastdateofshipment/ negotiation.
- Anyotherterms tobe compliedwith

The quantum of finance is fixed depending on the FOB value of contract /LC or the domestic values of goods, whichever is found to be lower. Normally insurance and freight charged are considered at a later stage, when the goods are ready to be shipped.

In this case disbursals are made onlyin stages and if possible not in cash. The payments are made directly to the supplier by drafts/bankers/cheques.

The bank decides the duration of packing credit depending upon the time required bythe exporter for processing of goods.

The maximum duration of packing credit period is 180 days, however bank mayprovidea further 90 days extension on its own discretion, without referring to RBI.

FollowupofPackingCreditAdvance

Exporter needs to submit stock statement giving all the necessary information about the stocks. It is then used by the banks as a guarantee for securing the packing credit in advance. Bank also decides the rate of submission of this stocks.

Apart from this, authorized dealers (banks) also physically inspect the stock at regular intervals.

LiquidationofPackingCreditAdvance

Packing Credit Advance needs be liquidated out of as the export proceeds of the relevant shipment, thereby converting pre shipment credit into post shipment credit.

This liquidation can also be done by the payment receivable from the Government of India and includes the duty drawback, payment from the Market Development Fund (MDF) of the Central Government or from any other relevant source.

OverduePacking

Bank considers a packing credit as an overdue, if the borrower fails to liquidate the packing credit on the due date. And, if the condition persists then the bank takes the necessary step to recover its dues as per normal recovery procedure.

POSTSHIPMENT FINANCE

Post Shipment Finance is a kind of loan provided by a financial institution to an exporter or seller against a shipment that has already been made. This type of export finance is granted from the date of extending the credit after shipment of the goods to the realization date of the exporter proceeds. Exporters don‘t wait for the importer to deposit the funds.

TypesofPostShipment Finance

Thepostshipmentfinancecanbeclassifiedas:

- ExportBillspurchased/discounted.
- ExportBills negotiated
- Advanceagainst exportbillssentoncollection basis.
- Advanceagainstexportonconsignmentbasis
- Advanceagainst undrawnbalanceonexports
- AdvanceagainstclaimsofDutyDrawback.

1. ExportBillsPurchased/Discounted.(DP&DA Bills)

Export bills (Non L/C Bills) is used in terms of sale contract/ order may be discounted or purchased by the banks. It is used in indisputable international trade transactions and the proper limit has to be sanctioned to the exporter for purchase of export bill facility.

2. ExportBillsNegotiated (Billunder L/C)

The risk of payment is less under the LC, as the issuing bank makes sure the payment. The risk is further reduced, if a bank guarantees the payments by confirming the LC. Because of the inborn security available in this method, banks often become ready to extend the finance against bills under LC.

However,thisarises twomajorriskfactorsforthebanks:

- The risk of nonperformance by the exporter, when he is unable to meet his terms and conditions. In this case, the issuing banks do not honor the letter of credit.
- The bank also faces the documentary risk where the issuing bank refuses to honour its commitment. So, it is important for the negotiating bank, and the lending bankto properly check all the necessary documents before submission.

3. AdvanceagainstExportBillsSentonCollectionBasis

Bills can only be sent on collection basis, if the bills drawn under LC have some discrepancies.Sometimesexporterrequeststhebilltobesentonthecollectionbasis,anticipating the strengthening of foreign currency.

Banksmayallowadvanceagainst thesecollection billstoanexporterwithaconcessional rates of interest depending upon the transit period in case of DP Bills and transit period plus usance period in case of usance bill.

The transit period is from the date of acceptance of the export documents at the bank's branch for collection and not from the date of advance.

4. AdvanceagainstExportonConsignmentsBasis

Bank may choose to finance when the goods are exported on consignment basis at therisk of the exporter for sale and eventual payment of sale proceeds to him by the consignee. However, in this case bank instructs the overseas bank to deliver the document only against trust receipt /undertaking to deliver the sale proceeds by specified date, which should be within the prescribed date even if according to the practice in certain trades a bill for part of the estimated value is drawn in advance against the exports.

In case of export through approved Indian owned warehouses abroad the times limit for realization is 15 months.

5. AdvanceagainstUndrawnBalance

It is a very common practice in export to leave small part undrawn for payment after adjustment due to difference in rates, weight, quality etc. Banks do finance against the undrawn balance, ifundrawnbalanceis in conformitywith thenormal level ofbalanceleft undrawnin the particularlineofexport,subject to amaximum of10 percent oftheexportvalue.Anundertaking is also obtained from the exporter that he will, within 6 months from due date of payment or the date of shipment of the goods, whichever is earlier surrender balance proceeds of the shipment.

6. AdvanceagainstClaims ofDuty Drawback

Duty Drawback is a type of discount given to the exporter in his own country. This discount is given only, if the in-house cost of production is higher in relation to international price. This type of financial support helps the exporter to fight successfully in the international markets.

In such a situation, banks grants advances to exporters at lower rate of interest for a maximum period of 90 days. These are granted only if other types of export finance are also extended to the exporter by the same bank.

After the shipment, the exporters lodge their claims, supported bythe relevant documents to the relevant government authorities. These claims are processed and eligible amount is disbursed after making sure that the bank is authorized to receive the claim amount directlyfrom the concerned government authorities.

IMPORTFINANCING

Loan given to the importer to provide liquidity for buying with sight payment to the exporter. Each loan must be related to one specific import transaction and the term of the financing can vary depending on the type of products imported and the requirements of the importer.

Advantages:

- Obtainliquiditytopayforimports
- Theimportercanreceive betterconditionsforthe purchasebasedonsightpayment.

TypesofImport Finance

The methods of import financing include: financing under L/C, financing against' bills under collection, financing against deferred payment, financing under foreign credit and finance by EXIM Bank of India. Let us discuss them in detail.

1. FinancingImportUnderLetterofCredit

Letter of credit can be defined as a commitment of bank to pay the seller of goods or services a certain amount provided he presents stipulated documents evidencing the shipment of goods or performance ofservices within a prescribed period of time, As a creditinstrument anda means of making and securing payment, the letter of credit is an essential instrument for conducting world trade today.

It fulfils all the requirements provided the regarding its use are stated in clear and unambiguous terms. Import letters of credit financing involves three principal stages:

- Requestingbankto openaletterofcredit
- Retiringdocumentsunderletterofcredit
- ImportTrustreceipt facility.

2. Financingagainstbillsundercollection

Sometimes, shipping documents may be sent by the exporter directly to his importer. In such a case, the bank may receive clean bills for collection of proceeds. In such cases, banks are required to call for documentary evidence of imports such as custom noted invoice, exchange control copy of bill of entry and import license, if any. Payment for bills in respect of imports through post can also be arranged through a bank. In such cases, tile relative postal receipts must be produced as evidence of shipment through post and an undertaking to submit postal wrappers within three months from the date of wrappers.

3. FinancingagainstDeferredPayments

Imports under deferred payment implies that the supplier has agreed to supply goods on credit terms extending beyond six months. In such cases, authorized dealer has to refer each deferred payment case to RBI for prior approval of advance payment, bank guarantee and installments (principal and interest) with documents viz. exchange control copy ofimport license, if any, contract copy arid statement of desired facilities.

4. Financingunderforeign credit

Government of India gets assistance in the form of loans and development credits from international financial institutions as also foreign governments. These loans are of two types . . - tied loans and loans in free foreign currencies. Terms and conditions of each loan along with detailed instructions regarding the procedure to be followed for opening letters of credit. submission of documents etc. are set out in public notices issued by DGFT. RBI also issues circulars for each foreign credit giving important instructions relating to Such imports.

5. ImportLoansbyEXIMBankofIndia

Exim Bank also finances bulk imports of consumable inputs and canalized items. Under this scheme, promissory notes drawn in favour of commercial banks bytheir importer borrowers are discounted, Exim bank will issue letter of commitment for finance on request from commercial bank indicating its requirement. The quantum of finance depends on the condition that import order should not be less than Rupees one Crore.

FinancingMethodsforImportofCapitalGoods

Buyer's credit:

A buyer's credit is a loan facility extended to an importer by a bankor financial institutiontofinancethepurchaseof capital goodsorservicesandotherbig-ticketitems.Buyer's credit is a very useful mode of financing in international trade, since foreign buyers seldom pay cash for large purchases, while few exporters have the capacity to extend substantial amounts of long-termcreditto theirbuyers.Abuyer'screditfacilityinvolvesabankthatcanextendcreditto the importer, as well as an export finance agency based in the exporter's country that guarantees the loan.

Supplier'scredit:

Supplier‘s credit is defined as a financial credit facility that is extended to a local Buyer by the Foreign Seller/ BANK/ Financial institutions, preferably of Seller‘s Country. The local bank will issue Usance Bills under the LC for the Importer and in return the Foreign bank will discount this LC.

Fixedrateloans:

In addition to above two methods, fixed rate loans can also be raise through commercial banks. Such loans are normally arranged for a period upto 8 years and are priced at a specific spread above the going rate in the concerned country of the chosen currency.

MANAGINGPAYMENT RISKS

With the advance of technology, communication and transportation has improved tremendously, thereby pushing forward the development of international business. In the age of globalization, the line between ―foreign‖ and ―domestic‖ investing has become increasingly blurry. However, investing in foreign markets takes on additional risk, as well as opportunities, compared with what investors normally face when investing at home.

CURRENCY EXCHANGE RATE RISK is a financial risk posed by an exposure to unanticipated changes in the exchange rate between two currencies. The exchange rate between currencies fluctuates over time, and can lead to unexpected gains or losses.

Currency exchange rate risk includes transaction exposure, economic exposure, and translation exposure.

1. TransactionExposure

A firm has *transaction exposure* whenever it has contractual cash flows (receivables and payables) whose values are subject to unanticipated changes in exchange rates due to a contract being denominated in a foreign currency.

2. Translation Exposure

A firm‘s translation exposure is the extent to which its financial reporting is affected by exchange rate movements. Translation risk involves the revaluation of foreign assets that areheld in a foreign currency because foreign currency exchange rates vary over time. This kind of revaluation will create an exchange loss or gain.

3. EconomicExposure

Economic exposure (also known as *operating exposure*) is the risk ofacompany‘s marketvaluechangingfromunexpectedexchangeratefluctuations.When thecurrencyexchange rate rises or falls, the cost of production and sale price can be affected by the change which may in turn affect profits.

COUNTRYRISKincludespoliticalriskandeconomicriskthatmayaffectitsbusinessesand result in investment losses

1. Political Risk - *Political risk* can be defined as the risk of losing money due to changes that occurinacountry‘sgovernmentorregulatoryenvironment.Actsofwar,terrorism,tradebarriers and military coups are all extreme examples of political risk.

2. EconomicRisk-Economic*Risk*istheriskassociatedwithacountry‘sfinancialcondition and ability to repay its debts. Economic indicator movements in the foreign country such as GDP, unemployment, purchasing power, inflation, etc. are important measurements for economic risk.

Internationaltraderiskcanbecategorizedas followings:

1. CreditRisk
2. CarriageRisk
3. CurrencyRisk
4. CountryRisk

Credit risk is the risk that the buyer will not pay to the seller after receiving the goods.**Carriage risk** is the risk that there could be possible loss of cargo in transit or unusual delayin delivering the goods at the destination due to delay in transit.

Currency risk is nothing but the change in exchange rate negatively affecting the exporter or overseas importer. **Country risk**is defined as the loss that may arise from conducting business in a specific foreign country. Country risk is defined as the relates to the likelihood that changes in the business environment, socio political scenario, financial and other policy regulations, that reduce the profitability of doing business in a country.

RiskManagementTechniques:

ForeignCurrencyExchangeRisk

First,ifyouhavetheoptiontoselectthebillingandpricingcurrency,consideryour national currency toconduct the business.Thisway youcan eliminateexchangerisk however manycompanies maynot have this option. If not, add a margin buffer to anyinvoice quoted in a foreign currency or create a contract by which the buyer and seller share the risk of significant Fluctuations in foreign exchange rates between the time the invoice is generated and the date on whichthepaymentismade.Second,utilizefinancialinstrumentslikeforwards,futures,and options to hedge the risk.

1. ForeignExchangeForward

In theforwardcontract,theamountofthetransaction,thedeliverydate,andtheexchange rate are all tailored in advance, no exchange of money takes place until the actual settlementdate. The two parties in the contract have the obligation to buy and sell in foreign currency. Foreign exchange forward contract is a wayof locking in the foreign exchange rate.

2. CurrencyFuture

Currency future is somehow similar to foreign exchange forward which determines a deliverydate, the size of the contract and a fixed foreign exchange rate.

However, there are some important differences between them. The most obvious one is that the price of the contract changes daily in currency future. For forwards, there is only one transfer at maturity date. Compared with forward contracts, future contracts avoid default risk which possibly takes place in forwards.

3. CurrencyOption

Acurrencyoptionisacontractthatallowsthecontractholdertohavetherighttobuyor sell the currency at an agreed price. American options permit the holder to exercise the option any time before the expiration date.

CountryRisk Management

Before investing in a foreign country, investors should assess the possibility of the investingcountry‘spoliticalrisk(thestabilityofpoliticsandattitudetowardsforeigninvestment) or estimate the foreign country‘s current economic condition and future development via foreign country‘s GDP, unemployment rate, purchasing power, inflation. Using this information, investors can then predict how much loss the political or economic risk might bring. After the assessment, if the investing country satisfies the investing condition, the investorshould negotiate the investment environment and draft an investment agreement. After all the pre- investment work, the investor also can look for investment insurance to lower the risk.

UNITVCUSTOMSCLEARANCEANDAGENCIES

- RolesofServiceproviders inEXIMtransactions
- GlobalTraders
- CommodityBrokers
- CustomHouseAgents
- TransportOperators
- FreightForwarders
- Warehousingand 3PLserviceproviders
- Liners/Ship Agencies
- ContainerFreight Stations
- Port–InspectionAgencies/surveyors
- QuarantineAgencies
- PestControl Agencies
- ChamberofCommerce

ROLESOFSERVICEPROVIDERS INEXIMTRANSACTIONS:

Export-Import Bank of India(Exim Bank) was set up byan Act of the Parliament ―THE EXPORT-IMPORT BANK OF INDIA ACT, 1981‖ for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for co-ordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country‘s international trade and for matters connected therewith or incidental thereto.

EximBankhastwobroad businessstreams:

one, The traditional export finance typical of export credit agencies around the world and two, financing of export oriented units (export capability creation), which are non-traditional for export credit agencies.

AsperMemorandumPEM(MEMORANDUMOFINSTRUCTIONSONPROJECT EXPORTSANDSERVICEEXPORTS)ofReserveBankofIndia,thefollowingconstitute project exports:

- Supplyofgoods / equipmenton deferred payment terms
- Civilconstructioncontracts
- Industrialturnkeyprojects
- Consultancy/servicescontracts

EximBankextendsfundedandnon-fundedfacilitiesforoverseasturnkeyprojects,civil construction contracts, technical and consultancy service contracts as well as supplies.

- **Turnkey Projects** are those which involve supply of equipment along with related services, like design, detailed engineering, civil construction, erection and commissioning of plants and power transmission & distribution
- **Construction Projects** involve civil works, steel structural works, as well as associated supply of construction material and equipment for various infrastructure projects.
- **Technical and Consultancy Service** contracts, involving provision of know-how, skills, personnel and training are categorised as consultancy projects. Typical examples of services contracts are: project implementation services, management contracts,supervisionoferectionofplants,CAD/CAMsolutionsinsoftwareexports, finance and accounting systems.

ForIndianCompaniesexecutingcontractsoverseas

- Pre-shipmentcredit
- Supplier'sCredit

ForProjectExporters

- **ExportProjectCash-Flow DeficitFinancingProgramme[EPCDF]**

  Indian project exporters (including those under Deemed Exports category) incur expenditure in rupee or foreign currency while executing contracts i.e. costs of mobilisation/acquisition of materials, personnel and equipment etc. Exim Bank's facility helps them meet these expenses for -

- ProjectExportContracts;
- ContractsinIndiacategorizedasDeemedExportsintheForeignTradePolicyof India.

- **CapitalEquipmentFinanceProgramme(CEFP)**

Capital Equipment Finance Programme [CEFP] has been conceived to cater to capital expenditure for procurement of capital equipment to be utilized across multiple contracts. CEFP provides direct access to Exim Bank‘s finance for eligible Indian companies for procurement of indigenous and imported capital equipment for executing overseas projects / deemed export projects.

ForExportersofConsultancyandTechnologicalServices

Exim Bank offers a special credit facility to Indian exporters of consultancy and technologyservices, so that they can, in turn, extend term credit to overseas importers.

GuaranteeFacilities

Indian companies can avail of guarantee facilities of different types to furnish requisite guarantees to facilitate execution of export contracts (including deemed export contracts) and import transactions.

- **Advance Payment Guarantee (APG)**: Issued to project exporters to secureaproject mobilization advance as a percentage (10-20%) of the contract value, which is generally recovered on a pro-rata basis from the progress payment during project execution.
- **Performance Guarantee (PG)**: PG for up to 5-10% of contract value is issued valid until completion of maintenance period and/or grant of Final Acceptance Certificate (FAC) by the overseas employer/client.
- **Retention Money Guarantee (RMG)**:Thisenablestheexportertoobtaintherelease of retained payments from the client prior to issuance of Project Acceptance Certificate (PAC)/ Final Acceptance Certificate (FAC).
- **Other Guarantees**: e.g. in lieu of customs duty or security deposit for expatriate labour, equipment etc.
- **Eligibility**:Indianprojectexporterssecuringoverseasordeemedexportcontracts.

ForOverseasEntities

Buyer's Credit

- Overseas buyerscan avail of Buyer's Credit from Exim Bank, for import of eligible goods from India on deferred payment terms. As per Memorandum PEM guidelines, RBI hasauthorised EximBank toextendoverseasbuyer‘s creditsupto USD20 mnforproject exports without seeking approval of RBI.
- The facility enables exporters/contractors to expand abroad and into non-traditional markets. It also enables exporters/contractors to be competitive when bidding or negotiating for overseas jobs.

BenefitstoForeign Customers

- Enablesoverseasbuyers toobtainmedium-andlong-termfinancing
- Competitiveinterestrateagainsthostcountry'shighcostof borrowing.

FinanceforGrassroots Enterprises

The Bank supports globalisation of enterprises based out of rural areas of the country through its GRID programme. Through this initiative, the Bank extends financial support to promote grassroots initiatives/technologies, particularly those having export potential. The objective of the programme is to help artisans/producer groups/clusters/small enterprises across the country realize remunerative return on their produce essentially through facilitating exports from these units

A Line of Credit (LOC) is a financing mechanism through which Exim Bank extends support for export of projects, equipment, goods and services from India. Exim Bank extendsLOCs on its own and also at the behest and with the support of Government of India. Exim Bank extends Lines of Credit to:

a) ForeignGovernmentsortheirnominatedagenciessuchascentralbanks,stateowned commercial banks.

b) Nationalorregionaldevelopmentbanks;

c) Overseasfinancialinstitutions;

d) Commercialbanks abroad;

e) Othersuitableoverseas entities.

GLOBAL TRADERS

The exchange of goods & services **between countries** is called International trade. Those who involved in the international trade is called global traders.

Ex:IBM,Microsoft,AppleInc,etc..

Terminologies:

EXPORTS–goodsormerchandisethataresoldtoothercountriesinordertoearndollars IMPORTS –

goods or merchandise boughtfrom foreign countries

TRADEDEFICIT–occurswhenavalueofanation‘sexportislessthanthevalueofitsimports Exports <

Imports

TRADESURPLUS–occurswhenavalueofnation‘sexportisgreaterthanthevalueofits imports

Exports>Imports

Importance:

Providesgoodsand services

- Someofthegoodsandservicesweareprovidedofcomefromoutsidethecountry.

Provides employment

- Createjobs
- International trade also motivates workers to produce the goods or services better

Dictatesthecostofgoods and services

- Supplyanddemandaffects global events

*Ex

- Oil
- Politicalconditions

PavesthewayforGLOBALIZATION

Globalization is the integration of economies and cultures through a global network of political ideas through communication, transportation and trade

DomesticTrade:

Deals with the exchange and distribution of goods and services made for local consumption includes the marketing of different goods and services to various parts of the country

BarriersinInternationalTrade:

1. **BuyerInsolvency**
   Includesthemarketingofdifferentgoodsandservicesto*variouspartsofthe country*

2. **Non acceptable**

   The buyer rejects goods and services as different from the agreed upon specifications

3. **Creditrisk**

   Becauseofthetrust given bya countryto its buyer,it allowsto takeofpossession of goods prior to payment

4. **Regulatoryrisk**

   A changein ruleswithin acountrythat maycauseproblems during transaction.

5. **Intervention**

   Intervention is a governmental action to prevent a transaction being completed. It is done in order to block goods coming from other places that must not enterthe country's territory.

6. **Politicalrisk**

   When a country changes its leader(s), it can result to change in transactions and prices due to the interference of the new government system

7. **Waranduncontrollableevents**

   In addition, the risk of unfavourable exchange rate movements can also happen due to the international trade.

COMMODITYBROKERS

A commodity broker is a firm or individual who executes orders to buy orsell commodity contracts on behalf of clients and charges them a commission. A firm or individual who trades for his own account is called a trader. Commodity contracts include futures, options, and similarfinancial derivatives. Clients whotradecommoditycontracts areeither hedgersusing the derivatives markets to manage risk, or speculators who are willing to assume that risk from hedgers in hopes of a profit.

Firmsand individuals whoareoften collectivelycalled commoditybrokersinclude:

Floor Broker/Trader: An individual who trades commodity contracts on the floor of a commodities exchange. When executing trades on behalf of a client in exchange for a commission he is acting in the role of a broker. When trading on behalfof his own account, or for the account of his employer, he is acting in the role of a trader. Floor trading is conducted in the pits of a commodity exchange via open outcry.

Futures Commission Merchant (FCM): A firm or individual that solicits or accepts orders for commodity contracts traded on an exchange and holds client funds to margin, similar to a securities broker-dealer. Most individual traders do not work directly with a FCM, but rather through an IB or CTA.

Introducing Broker (IB): A firm or individual that solicits or accepts orders for commodity contracts traded on an exchange. IBs do not actuallyhold customer fundsto margin. Client funds to margin are held by a FCM associated with the IB.

Commodity Trading Advisor (CTA) A firm or individual that, for compensation or profit, advises others, on the trading of commodity contracts. They advise commodity pools and offer managed futures accounts. Like an IB, a CTA does not hold customer funds to margin; they are held at a FCM. CTAs exercise discretion over their clients' accounts, meaning that they have power of attorney to trade the clients account on his behalf according to the client's trading objectives. A CTA is generally the commodity equivalent to afinancial advisor or mutual fund manager.

Commodity Pool Operator(CPO): Afirmorindividualthatoperatescommoditypoolsadvised by a CTA. A commodity pool is essentially the commodityequivalent to a mutual fund.

Registered Commodity Representative (RCR)/Associated Person (AP): An employee,partner or officer of a FCM, IB, CTA, or CPO, duly registered and licensed to conduct the activities of a FCM, IB, CTA, or CPO. This is the commodity equivalent to a registered representative.

CUSTOMHOUSEAGENTS-CHA

InIndia, a customs house agent (CHA) is licensed to act as an agent for transaction of anybusiness relating to the entryor departure of conveyances or the import or export of goods at a customs station. CHAs maintain detailed, itemized and up-to-date accounts. A CHA license may be temporary or permanent.

The mostimportantpartof the CustomsHouse AgentsRegulationsis Rule14,whichlays down the obligations of Customs House Agents, as under,

1. obtain an authorization from each of the companies, firms or individuals by whom he is, for the time being, employed as Customs House Agent and produce such authorization whenever required by an Assistant Commissioner of Customs;

2. Transact business in the Customs Station either personally or through an employee duly approved by the Assistant Commissioner of Customs, designated by the Commissioner;

3. Does not represent a client before an officer of Customs in anymatter to which he, as an officer of the Department of Customs gave personal consideration, or as to the facts of

4. Which he gained knowledge, while in Government service; advise his client to comply with theprovisions oftheAct and in caseof non compliance, shall bringthematterto the notice of the Assistant Commissioner of Customs;

5. Exercise due diligence to ascertain the correctness of any information which he impartstoa client with reference to anywork related to clearance of cargo or baggage;

6. Not withhold information relating to clearance of cargo or baggage issued by the Commissioner of Customs from a client who is entitled to such information.

7. Promptlypayoverto theGovernment, when due, sums receivedforpayment ofanyduty, tax or other debtor obligations owed to the Government and promptly account tohis client for funds received for him from the Government or received from him in excess of Government or other charges payable in respect of the clearance of cargo or baggage;

8. Does not procure or attempt to procure directly or indirectly, information from the Government records or other Government sources of any kind to which access is not granted by proper officer;

9. Not attempt to influence the conduct of any official of the Customs Station in any matter pending before such an official or his subordinates by the use of threat, false accusation, duress or the offer of any special inducement or promise of advantage or bythe bestowing of any gift or favouror other thing of value;

10. Not refuse access to, conceal, removeordestroythewholeor anypartof anybook, paper or other record, relating to his transactions as a Customs House Agent which is sought or may be sought by the Commissioner;

TRANSPORTOPERATORS

Transport operators are primarily responsible for supervising or operating wheel vehicles to transport personnel and cargo. They are the backbone of the Army's support and sustainment structure, providing advanced mobility on and off the battlefield.

- Transportationreferstothemovementofproductfromonelocationtoanotherasit makes its way from the beginning of supply chain to the customer.
- Transportation is an important supply chain driver because products are rarely produced and consumed in the same location.

KeyDrivers:

Shipper:

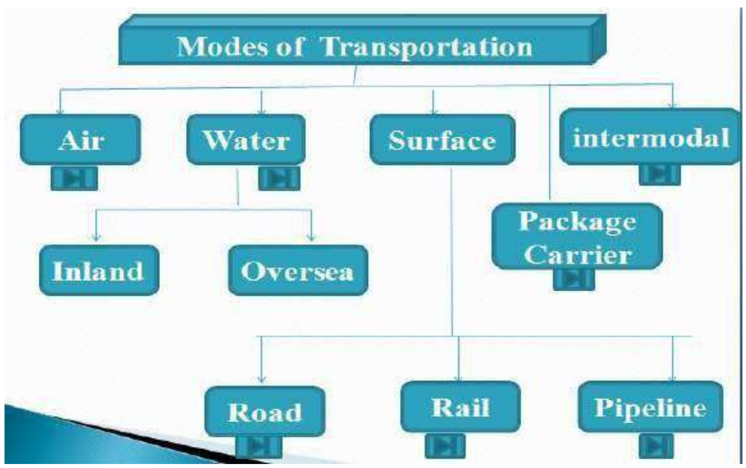
Thepartywho wants to transport theproduct from one placeto anotherplace**.**

Carrier:

Carrieris companythatmovesthegoodsfromoneplacetoanotherplace.

Forexample:DHL,FedEx.Etc. Modes

of Transportation



IntermodalTransportation

Intermodal Transportation is use of more than one mode of transport for themovement of shipment from origin to its destination.

Intermodaloperationisusedtwoormoremodeoftransport totaketheadvantageof inherenteconomies of each and thus provide the integrated service at lower cost.

Forexample:truck/water/rail

MultimodalTransport

Multimodal transport, as understood by many, refers to a transport system usually operated by one carrier with more than one mode of transport under the control or ownership of one operator. It involves the use of more than one means of transport such as a combination of truck, railcar, aeroplane or ship in succession to each other e.g. a container line which operates both a ship and a rail system of double stack trains.

FREIGHTFORWARDERS

FreightForwarding:

- Aserviceusedbycompaniesthatdealininternationalormulti-nationalimportand export.
- Servicesguaranteethatproductswillgettotheproperdestinationbyanagreedupon date, and in good condition.

FreightForwarder:

It is a commission agent performing on behalf of the exporter and importer routine tasks such as loading / unloading of goods, storage of goods, storage of goods, arranginglocal transport obtaining payment for his customer, etc..

It renders may often range from routine and basic tasks such the booking of space or customs clearance to a comprehensive package of services covering the total transportation and distribution process.

Undertakestheprocessofmovementsofgoodsthroughthevariousstagesinvolved.

Provide these services directly or through sub- contractors

FreightForwarderalsooftenengagesintheconsolidationof cargo….

RoleasCargo Consolidator

Individual or firm who accepts less than container load (LCL) shipments from individual shippers

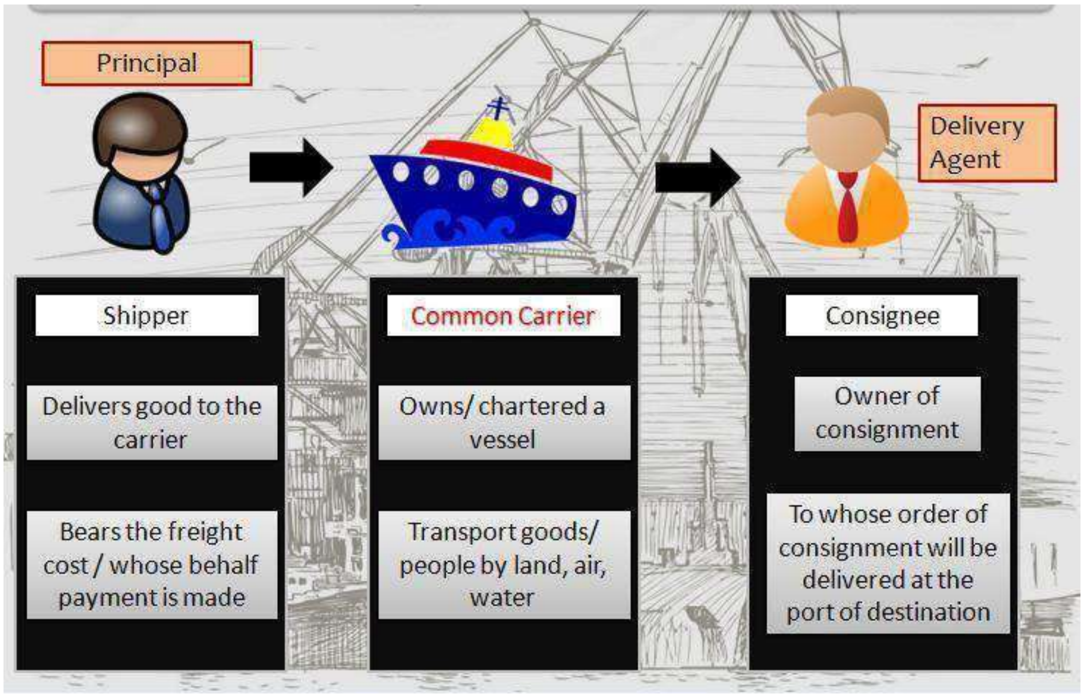
Combinesthemfordeliverytothecarrierinfull container load(FCL) shipment.

FreightForwarderdiffersfromaCommonCarrier

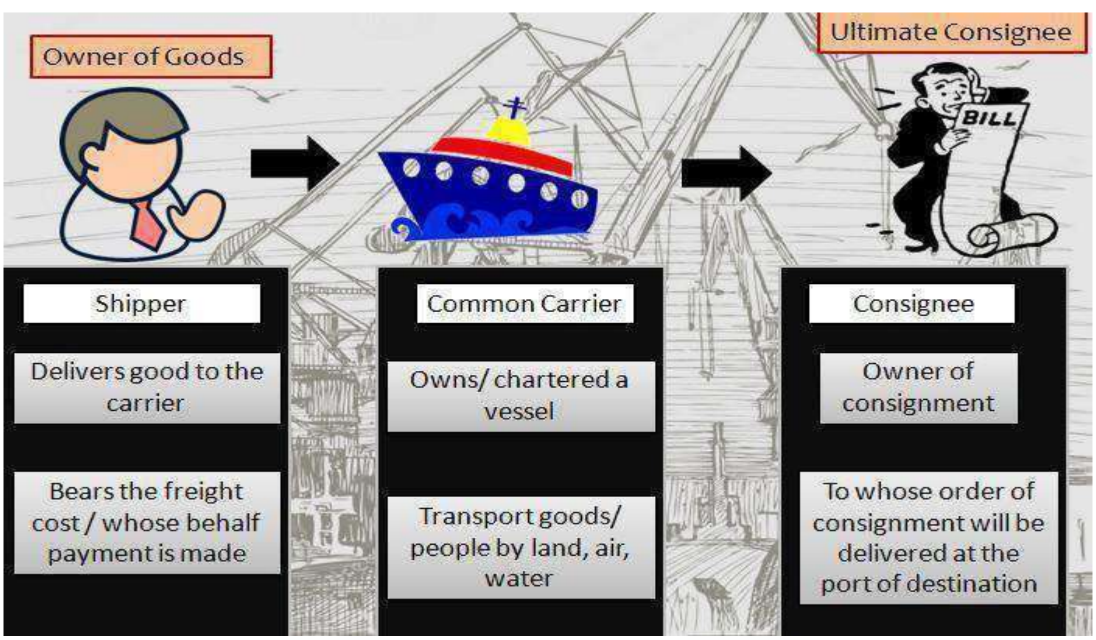
FreightForwarder-Does notownanyvesselbutfunction asaprincipalcarrier

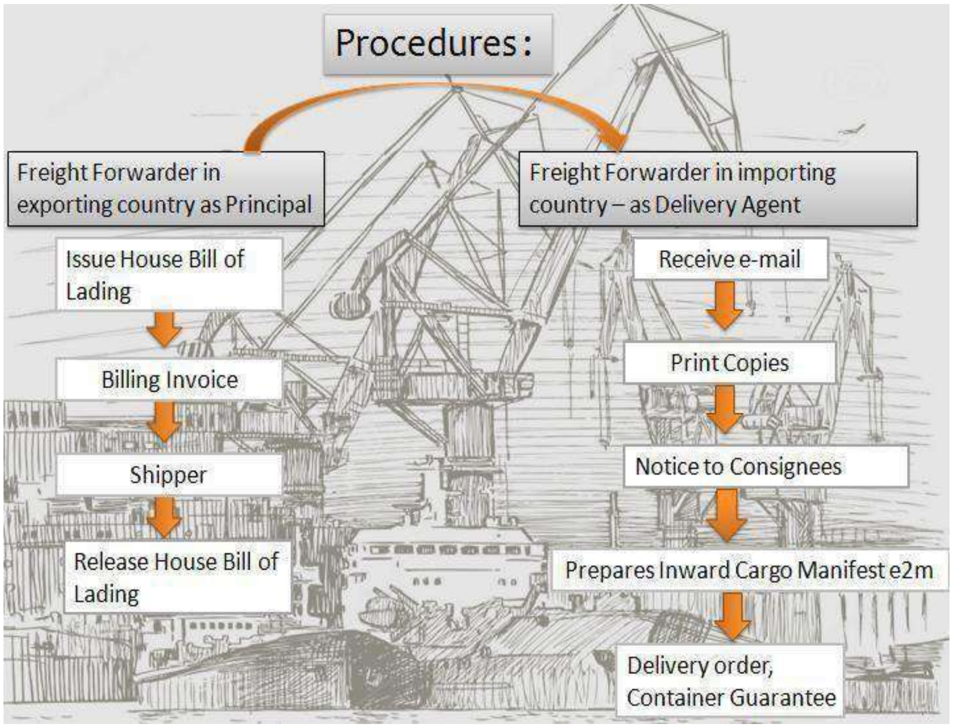
Common Carrier is a person, corporations and firms engaged in the business of transporting / carrying of goods / passengers both by land, water or air for compensation, offering their services to the public.

PartiesinvolvedasFreightforwarderinconsolidation process



Partiesinvolvedwholeshipmentprocess





DocumentsinFreightForwarding:

- HouseAirWaybills (AWB)
- HouseBillof LadingB/L
- CommercialInvoice
- CertificateofOrigin
- PackingList

WAREHOUSINGAND3PLSERVICEPROVIDERS

- PlacewheregoodsarekeptiscalledWAREHOUSE
- Thepersonin-chargeofwarehouseiscalledWAREHOUSE-KEEPER
- Acommercial buildingforstorageofgoods
- Used by manufacturers, importers, exporters, wholesalers, transport business, customers etc.

"Warehousingreferstotheactivitiesinvolvingstorageofgoodsonalarge-scaleina systematic and orderly manner and making them available conveniently when needed".

Need&Importance:

- Regularsupply
- Quality
- Stockoftrade
- Pricestabilisation
- Seasonalproducts
- Perishablegoods
- Continuousproduction
- Seasonaldemand
- Large-scaleproduction
- Quicksupply
- Protectionandpreservationofgoods
- Easyhandling
- Usefulforsmallbusinesses
- Creationofemployment
- Facilitatessaleofgoods
- Availabilityoffinance

Functions:

- Storageofgoods
- Protectionofgoods
- Risk bearing
- Identificationofgoods
- Financing
- Processing

TypesorKindsofWarehousing Private

Warehousing

These are owned or leased bythe firm. A firm has complete control over its activities. It is used when a firm has special storage and handling needs. A firm uses it when it product is moving to large areas. Private warehousing is used bythe firm which has high volume of goods.

PublicWarehousing

These are operated bythe professionals. Theyprovide the services to the large number of firms. They charge the fee from the firms. A firm may choose the warehousing, keeping in view the location and fright rates. There is no fixed investment involved in it. Fixed costs are widely distributed among users. In this case managerial control is limited

Bondedwarehouses

Bonded warehouses are such types of warehouses, which are duly licensed by the government for accepting of imported goods to store. The goods are released to the importers on payment of custom duties. The bonded warehouses are constructed at sea ports or at dry ports in big cities. The bonded warehouses may be owned bythe dock authorities or may be bysomeone private person. These warehouses work under the supervision and control of the custom authorities of the country

CooperativeWarehouses

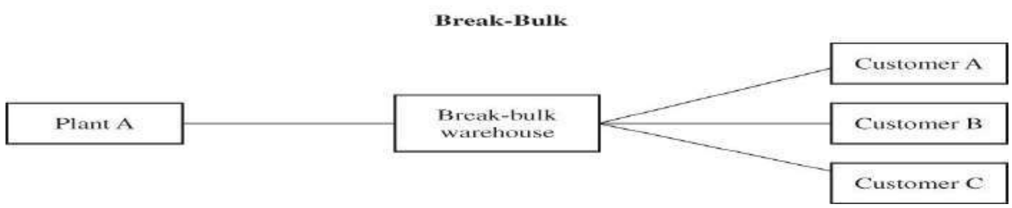
Cooperative warehouses can also be set up in villages or cities under Cooperative Societies Act in 1925. The members of the Cooperative Warehouse can store their goods on rent basis, which is comparatively low than the private warehouses. The non members can also have benefits by storing the goods in cooperative warehouse by paying them enforced rent.

Consolidation Warehouse

Consolidation occurs when awarehousereceives materials from anumberofsources and combines them into exact quantities for a specific destination

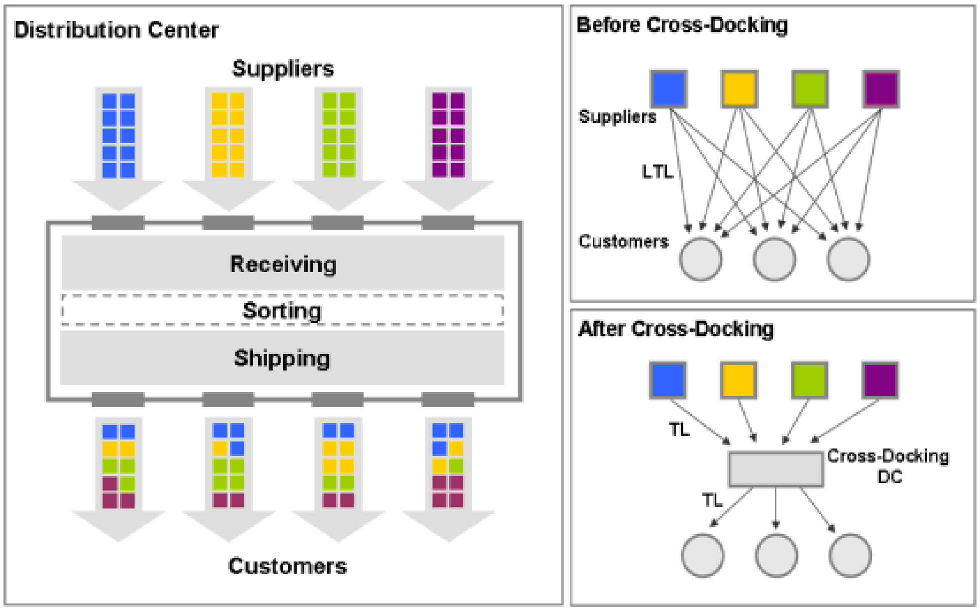
Break–bulkwarehouse

Break-bulk occurs when a warehouse receives a single large shipment and arranges for delivery to multiple destinations



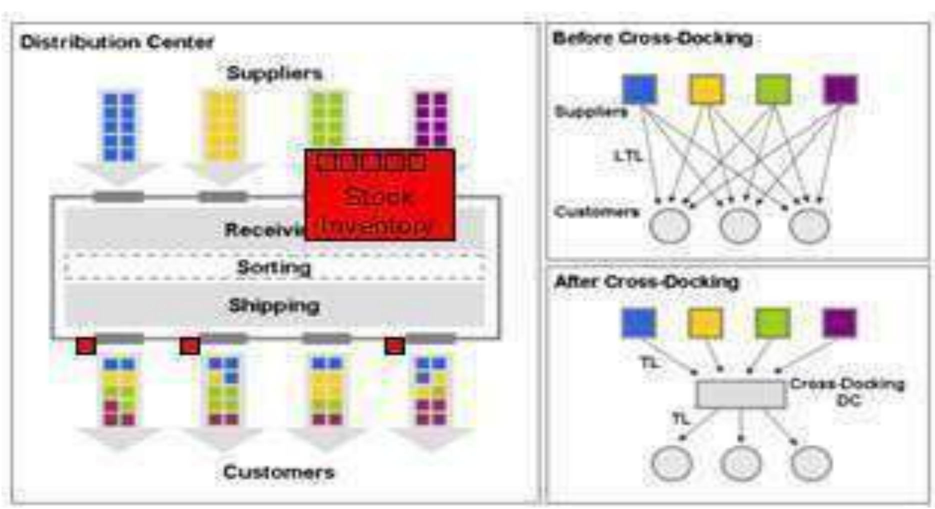
Cross-dockingisusedextensivelybyretailerstoreplenishstoreinventories

- Cross-dockingcombines inventoryfrom multipleorigins intoaprespecified varietyfora specific customer



Mixingisusuallyperformed atanintermediate locationbetweenoriginanddestination

- Mixingcombinesinventoryfrommultipleorigins (likecross-docking)butalsoadds items that are regularly stocked at the mixing warehouse



3PLSERVICEPROVIDER- Definition:

According to the Council of Supply Chain Management Professionals, 3PL is defined as "a firm that provides multiple logistics services for use by customers. Preferably, these services are integrated, or bundled together, by the provider. Among the services 3PLs provide are transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding."

Typesof 3PL Providers

Third-partylogisticsprovidersincludefreightforwarders,couriercompanies,aswellasother

companies integrating & offering subcontracted logistics and transportation services.

Standard 3PL Provider: This is the most basic form of a 3PL provider. They would perform activities such as, pick and pack, warehousing, and distribution (business) – the most basic functions of logistics. For a majorityof these firms, the 3PLfunction is not their main activity.

Service Developer: This type of 3PL provider will offer their customers advanced value-added services such as: tracking and tracing, cross-docking, specific packaging, or providing a unique security system. A solid IT foundation and a focus on economies of scale and scope will enable this type of 3PL provider to perform these types of tasks

The Customer Adapter: This type of 3PL provider comes in at the request of the customer and essentially takes over complete control of the company's logistics activities. The 3PL provider improves thelogisticsdramatically, but do not develop a new service. The customer base for this type of 3PL provider is typically quite small.

The Customer Developer: This is the highest level that a 3PL provider can attain withrespect to its processes and activities. This occurs when the 3PL provider integrates itself with the customer and takes over their entire logistics function. These providers will have few customers, but will perform extensive and detailed tasks for them.

4PL

Arrangement in which a firm contracts out (outsources) its logistical operations to two or more specialist firms (the third partylogistics) and hires another specialist firm (the fourth party) to coordinate the activities of the third parties.

LINERS/SHIP AGENCIES

The term agent means someone who acts on behalf of another person or business organisations. When it comesto portagents and port agencythat theyrepresent, theformerplays a veryimportant role as a part of shipping services in the shipping and marine industry.

Cargo liners are ships on schedules, operating on trade arteries that grow ever more important as globalisation spreads its benefits around the world. Liner services provide both precision and reliability and to the shippers and consignees alike, the near-certainty that their goods can depart and will arrive on time. Liner services today tend to be predominantly containerised trades, the goods being shipped down the logistic ―chain‖ stretching from the premises of the producer to those of the ultimate receiver. Speed and certainty have saved huge sumsofmoneyaslargestocksofgoodsarenolongerrequired,withdeliveryguaranteed―justin time‖.

The role of the liner agent is to establish and maintain the links betweenthe manufacturersofgoodsthatwillbeshippedandtheshippinglineswhichwillcarrythem.Their ―product‖istransportandagentsmarketthefacilitiesofferedbytheshippinglinetheyrepresent, in a competitive business. They are selling reliability and efficiency as an economic commodity, and, moreover, ensure that the expectations of the shipper of the goods are fulfilled

The liner agency is a multi-tasking organisation, frequently part of the shipping company itself,althoughitmaybeanindependentcontractedtotheline,tofinditcargoandto―facilitate‖ the business. Once located in the ports served by their clients, containerisation and ―through-transport logistics‖ have extended their influence inland and liner agencies will have offices in cargo catchment areas often miles from the sea.

The liner agent is alsoresponsible for the collection of payments for the carriage of goods, a most important role, and also has to be in a position to monitor the progressof thegoods as theytravel, providing assurance to the shipper and consignee that there are no delays or interruptions in the smooth passage of their goods. If the ships, trains and trucks can be considered the physical mechanism of international trade, it is the liner agency which makestheir work possible.

CONTAINERFREIGHTSTATIONS

CFS isa place where containers are stuffed, de-stuffed and aggregation and segregation ofexportandimportcargohappens.Withthegrowingvolumeofinternationaltrade, theneed for expeditious clearance of goods at the port within the minimum possible time has been gaining importance. This is more so when the ports are facing congestion at their premises. CargoNet Container Freight Station system enables ports and people to optimally utilize the existing infrastructure, space, equipment and manage fluent Cargo and container movements within the allocated premises.

A facility where freight shipments are consolidated or de-consolidated and staged between transport legs. A CFS is typically located in proximity to an ocean, port, or airport, where cargocontainers are transported to and from. The term CFS at loading port means the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier. Atdischarge or destination ports, the term CFS means the bonded location designated by carriers for devanning of containerized cargo

CFSActivitiesincludes

- Containerarrivalat the station
- Containerwarehousing
- ContainerandCargo inspection
- Yardmanagement
- Containerstuffingand destuffing
- Containerservicingandmaintenance
- Terminaloperations handling
- Invoiceandbills generation
- CustomerandVendorcommunicationmanagement
- Financeintegration
- ContainerclearancefromtheCFS

PORT–INSPECTIONAGENCIES/SURVEYORS

In shipping, Marine surveyors of AIM(Australian Institute of Marine) Control (including "Independent Marine Surveyors", “Marine Consultancy Experts", “Marine Professional Investigators”, “Loss Prevention and Adjusters” “Hull & Machinery Surveyors", “Ship inspectors”, “Bunker Surveyors” and/or "Cargo Surveyors", Inspection Divers) are the personal who conducts inspections under surveyor’s maritime professional qualifications and certificates.

A team professional marine surveyors of AIM Control, multi-disciplinary engineers in shipping area.

AIMMarinesurveyorsperforminspectionsofvesselsofalltypesincluding pleasure marine tanker, marine bulk carrier, marine heavy lift ship, craft, passenger vessels, tugboats, barges, dredges, oil rigs, ferries, cargo ship. . .

TheMarineSurveyingofAIMControlisanindependentorganisationpromotingthe professionalism and training of marine surveyors in Vietnam, Asia and Global.

Cargo inspectors and/or surveyors examine cargo description from shipping documents and select containers or vessels, ships to inspect, before delivery. These inspectors or surveyors then ensure that the cargo matches the description in the documentation as such specification of cargoes. When wrongly rated cargoes/containers or vessels, ships are identify and found in unsuitable condition and different from/to indented use, the consultancies of inspectors and surveyors to concerning parties to implement Corrective Actions amount and hold the containers, vessels or ships until the correct corrective actions implemented appropriately. This service helpsprovide a level playing field for all customers.

QUARANTINEAGENCIES

A condition, period of time, or place in which a person, animal, plant, vehicle, or amount of material suspected of carrying an infectious agent is kept in confinement or isolated in an effort to prevent disease from spreading.

Anactionresultinginsuchacondition: thegovernment'squarantineoftheanimals.

ThefunctionofDepartmentofQuarantineandInspection Clearance

ThebasicfunctionsofDepartmentofQuarantineandInspection

Clearance are to protect human health and safety, animal or plant life and health, environment, and prevent fraud and safeguard national security.

Specificcontentsincludes:

1. Thespreadpreventionofepidemic diseases.
2. Harmfulorganisms prevention.
3. Toxicandhazardoussubstancesprevention.
4. Defectiveimportandexportcommoditiesprevention.

PESTCONTROLAGENCIES

Pestcontrolreferstotheregulationormanagementofaspeciesdefinedasapest,andcan be perceived to be detrimental to a person's health, the ecologyor the economy. A practitioner of pest control is called an exterminator

Part of pest control may require pesticide application. Pest control workers use two different types of pesticides—general use and restricted use.

General use pesticides are the most widely used and are readily available; in diluted

Restricted use pesticides are available only to certified professionals for controlling the most severe infestations.

Their registration, labeling, and application are regulated by Federal law, interpreted by theU.S. Environmental Protection Agency(EPA),because oftheirpotential harmto pest control workers, customers, and the environment.

CHAMBEROFCOMMERCE

A chamber of commerce is an association of businessmen and businesswomen designed to promote and protect the interests of its members. There is a national Chamber of Commerce, as well as numerous state and local chambers. Among the benefits members receive are dealsand discounts from other chamber members, listing in a member directory and a variety of other programs and services designed to promote business activity in a region

ChamberModels

Community,cityandregional chambers

Chambersofcommerceinthe UnitedStatescanbeconsideredcommunity, city,regional, state, or nationwide (United States Chamber of Commerce). City Chambers work on the local level to bring the business community together to develop strong localnetworks, which can result in a business-to-business exchange. In most cases, city Chambers work with their local government, such as their mayor, their city council and local representatives to develop pro- business initiatives. There are also bilateral chambers of commerce that link the business environments of two countries (e.g. Romanian-American Chamber of Commerce, Moldovan– American Chamber of Commerce).

Communitychambers

Community chambers of commerce have started in the UK and later spread to in the US, becoming city chambers of commerce as the communities developed and became larger. Communitychambers of commerce are smaller and most have a limits on numbers of members

Nationalandinternational chambers

Understanding the National orInternational need for understanding and information isthe key service that these level of chambers of commerce provide. These services are in most cases are at no fee or cost to their members, someof the resources offer personal and/or business services that mayhave a very low fee (Memberships to other association like the NRA etc