EXPORT & IMPORT BUSINESS

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EXPORT

Exports are the goods and services produced in one country and purchased by citizens of another country. It doesn't matter what the good or service is.

It doesn't matter how it is sent. It can be shipped, sent by email, or carried in personal luggage on a plane. If it is produced domestically and sold to someone from a foreign country, it is an export.

How Exports Affect The Economy

The more they export, the greater their competitive advantage. That's because they gain expertise in producing the goods and services. They also gain knowledge about how to sell to foreign markets.

Governments encourage exports. That's because it increases jobs, brings in higher wages and raises the standard of living for residents. They become happier and more likely to support their national leaders.

How Exports Affect The Economy

Exports also increase the foreign exchange reserves held in the nation's central bank. That's because foreigners pay for exports either in their own currency or the U.S. dollar.

To control inflation, they use the foreign currency to purchase their own currency.

EXPORT MANAGER

An export manager serves as intermediary between foreign buyers and domestic sellers. Unlike trading companies who buy the products before selling directly to foreign buyers.

✓Export managers find buyers internationally for a domestic manufacturer that employs them.

✓An export manager plans and coordinates the international shipment of goods.

✓Export managers are also often responsible for personnel management, which often includes the hiring, training and supervision of the international department staff.

EXPORT MANAGER

- ✓Export managers may keep track of invoices and prepare reports to expedite the billing process.
- ✓Export managers may also have to ensure that shipments are in compliance with the laws and regulations governing the export industry.
- ✓Export managers have also to negotiate Export Contracts.

FOUR WAYS COUNTRIES INCREASE EXPORTS

- Countries often increase exports by increasing trade protectionism. That insulates their companies from global competition for awhile.
- Governments are now more likely to provide subsidies to their industries. The subsidy lowers business costs so they can reduce prices. This strategy has a lower risk of retaliation.

FOUR WAYS COUNTRIES INCREASE EXPORTS

- A third way countries boost exports is through trade agreements. Once protectionism has lowered trade for everyone, countries see the wisdom in reducing tariffs. The World Trade Organization almost succeeded in negotiating a global trade agreement.
- Most countries increase exports by lowering their currency value. That has the same effect as subsidies. It lowers the prices of goods. Central banks reduce interest rates or print more money.

PROCESS OF EXPORTING

- ✓**Enquiry and Sending Quotations receipt**: The potential buyer of the goods send an enquiry to various exporting firms and requests for quotations that comprise of its price, quantity, quality and terms and conditions.
- ✓**Order receipt**: Once the buyer agrees to price, quantity, terms and conditions of the exporter, he/she places an order for dispatching the goods called as an indent.
- ✓**Determination of creditworthiness of the importer**: After receiving the order, the exporter enquires about the credibility of the buyer (importer). This is to ensure that what are the chances of default in payment by the importer, once they reach the destination.

PROCESS OF EXPORTING

- Obtaining license: The exporter has to fulfill certain legal formalities, as the goods are subject to customs laws which require that the exporter organization must have an export license before it moves forward.
- Reshipment finance: After obtaining the export license, the exporter approaches the bank or financial institution for obtaining pre-shipment finance for carrying out production activities.
- Production of goods: Once the exporter receives finance from the bank, the exporter then starts the production of the goods, as per the requirements of the importer.

PROCESS OF EXPORTING

- Reshipment inspection: There is a mandatory inspection of the goods by the relevant authority to ensure that only good quality products are exported from the country.
- Obtaining a certificate of origin: The importer countries provide tariff concessions or other exemptions to the exporter country goods and to avail such benefit, the exporter is required to send a certificate of origin to the importer.
- Shipping space reservation: The exporter approaches the shipping company to reserve shipping space for the goods to be dispatched. For this purpose, the exporting firm has to specify the nature and type of the goods to be exported, shipment date, the destination of the port, etc.

PROCESS OF EXPORTING

- **Packing and Forwarding**: After completing all the legal formalities and applying for the shipping space, goods are carefully packed and then all the details such as gross and net weight, name and address of the importer, country of origin and so forth. After that, all the necessary steps are taken by the exporting firm for transferring the goods to the port.
- **Insurance of Goods**: The exporter insures the goods with an insurance company to get protection from the risk of loss or damage during transit.
- **Customs clearance**: Next the goods should be customs cleared before loading them on the ship.

PROCESS OF EXPORTING

- **Obtaining mates receipt**: The ship captain issues a mate's receipt to the port superintendent when the goods are loaded on board the ship.
- **Payment of freight**: The mate's receipt is surrendered by the Clearing and Forwarding (C&F) Agent to the shipping company determining the freight.
- **Preparation of Invoice**: Once the goods are sent to the destination, invoice of the goods is prepared, which states the quantity of the goods and amount due to the importer.
- **Securing Payment**: Lastly, the exporter communicates the importer regarding the shipment of goods.

IMPORT

Imports are foreign goods and services bought by residents of a country. Residents include citizens, businesses, and the government. It doesn't matter what the imports are or how they are sent.

They can be shipped, sent by email, or even hand-carried in personal luggage on a plane. If they are produced in a foreign country and sold to domestic residents, they are imports.

Affects Of Import On Economy

- Countries with high import levels must increase their foreign currency reserves. That's how they pay for the imports. That can affect the domestic currency value, inflation, and interest rates.
- Domestic companies must compete with the imports. Small businesses that can't compete will fail. Since they create 70 percent of all new jobs that will affect employment.
- Imports make a country dependent on other countries' political and economic power. That's especially true if it imports commodities, such as food, oil, and industrial materials.

PROCESS OF IMPORTING

- **Obtaining import license**: Some goods are subject to import license while others are not. So, the importer is required to have knowledge of the Export-Import policy in practice, to know whether the goods required by the importer needs import license or not.
- **Trade Enquiry**: The import procedure starts with the trade enquiry that how many countries and firms export the product required and so the importing company needs to obtain all the details from trade directories, trade associations etc.

PROCESS OF IMPORTING

- **Procurement of foreign exchange**: The importer is required to obtain foreign exchange as the exporter resides in a foreign country, and he/she will demand payment for the goods in the currency prevalent in the country, in which he/she resides.
- **Placement of order**: The importer places an order with the exporter for supplying the products. The import order contains details concerning the price, quality, quantity, color, grade, etc. of the goods to be dispatched.
- **Acquiring letter of credit**: On the agreement of the payment terms between the importer and exporter, then the importing company must obtain the letter of credit from its bank that shows the credibility regarding the realization of obligation.

PROCESS OF IMPORTING

- **Arranging funds**: The importer of the goods needs to arrange finance before they arrive at the port.
- **Receipt of shipment advice**: Once the goods are loaded on the ship, the exporter sends the shipment advice that contains the detailed information about the shipment of goods, such as invoice number, vessel name, bill of lading number, port of export, description of the goods dispatched.
- **Retirement of import documents**: After shipping the goods, the exporter makes certain important documents as per contractual terms and gives it to the banker, to transfer it further, in the manner, as specified in the letter of credit.

PROCESS OF IMPORTING

- **Arrival of goods**: The exporter ships the goods, according to the contractual terms. The ship in charge informs the officer in charge at the dock that the products are arrived in the country and provides a document, namely, import general manifest.
- **Customs clearance and release**: Once the goods reach India, they are subject to customs clearance, which is a huge process, wherein a number of legal formalities have to be completed.

Difference Between Import And Export

BASIS	IMPORT	EXPORT
Meaning	Import is when a company buys goods from another country, with an aim of reselling it in the domestic market.	Export is when a company provides goods and services to the other countries for selling purposes.
Objective	To meet the demand for goods which are not available in the domestic country.	To increase the market share or global presence.
Represents	High level of import is an indicator of robust domestic demand.	High level of export is an indicator of trade surplus.

Balance Of Payments

The balance of payments is the record of all international financial transactions made by a country's residents. A country's balance of payments tells you whether it saves enough to pay for its imports. It also reveals whether the country produces enough economic output to pay for its growth.

Two Types of Balance of Payments

Balance Of Payments Deficit

Balance Of Payments Surplus

Balance Of Payments

A **balance of payments surplus** means the country exports more than it imports. Its government and residents are savers. They provide enough capital to pay for all domestic production. They might even lend outside the country.

A **balance of payments deficit** means the country imports more goods, services and capital than it exports. It must borrow from other countries to pay for its imports. In the short-term, that fuels the country's economic growth.

Balance Of Payments

COMPONENTS OF BALANCE OF PAYMENTS

✓The balance of payments has three components. They are:

✓The financial account describes the change in international ownership of assets.

✓The capital account includes any financial transactions that don't affect economic output.

✓The current account measures international trade, the net income on investments and direct payments.

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Balance Of Trade

The balance of trade is the value of a country's exports minus its imports. It's the most significant component of the current account. It measures a country's net income earned on international assets. The current account also includes all payments across borders. The trade balance is the easiest to measure.

Trade Surplus

When exports are larger than imports, it's a trade surplus. Most nations view that as a favorable trade balance.

Trade Deficit

When exports are less than imports, it's a trade deficit. Most nations view that as a unfavorable trade balance.