

# UNIT VIII INTERNATIONAL BUSINESS

## CHAPTER

# 26

## EXPORT AND IMPORT PROCEDURES



செய்வினை செய்வான் செயன்முறை அவ்வினை  
உள்ளறிவான் உள்ளம் கொளல்.

-குறள் 677

### Couplet:

The method of performance for one who has begun an act is to ascertain the mind of him who knows the secret thereof.

### Learning Objectives

To enable the students to

- explain the need and importance of export trade
- describe the various procedures followed in the export trade
- state the role of intermediaries of export trade
- explain the various procedures followed and intermediaries involved in import trade

### 26.01 Export Trade.

Exports have attained greater importance in the contemporary world. It has emerged as one of the vital indicators of a nation's social, economical and political growth. No country in the world can produce all the goods and services it required. They have to inevitably buy and sell from one another. Therefore countries have to engage in international trade. Export and import represent two

sides of the same coin of international trade. In other words the countries have to buy the goods which are either not available or not adequately available in home country and sell the surplus goods/ services produced by it to other countries which need them utmost. In short each and every country has to export surplus goods and import the deficit goods. In this process, it earns precious foreign exchange and use the foreign exchange thus earned for import goods which cannot be produced or adequately produced in the home country.

Developing countries like India, Bangladesh, South Korea and so on require substantial amount of foreign exchange in order to acquire machineries, equipment, raw materials, petroleum products, mineral resources, technical know-how, managerial talents and so on for their faster economic development. Government of India has initiated several steps to encourage exports. It has been promoting export by providing

cash incentives, tax incentives and relief, institutional support, concessional interest rate, infrastructural assistance, loan assistance, tax exemptions, tax holidays and transport concessions, etc., Trade delegations are sent abroad to explore export potential for various products and services in various countries across the world. Bilateral trade agreements are entered into with foreign countries which offer bright prospects for export. Besides trade fairs and

exhibitions too are organized for promoting international business. The Government of India has set up several institutions for the purpose of promoting exports.

### **Export and Import Bank (EXIM Bank)**

Export and Import Bank which is one of the specialized financial institutions wholly owned by Government of India was set up in the year 1982 for financing, facilitating and

## **Institutions for promoting International Business In India.**

<b>Institution for promotion of International Business</b>	<b>Purpose</b>
<b>1. Department of Commerce</b>	Formulations of policies for promotion of international business and establishment of commercial relations with other countries. Initiating export promotion measures. Developing and Regulating of export-oriented units
<b>2. Export Promotion Council (EPC)</b>	Promotion and Development of certain export commodities
<b>3. Export Inspection Council(EIC)</b>	Developing export trade through quality control and pre-shipment inspection
<b>4. Indian Institute of Foreign Trade</b>	Providing training to people involved in international business and conducting research in the areas of international business
<b>5. Indian Institute of Packing.(IIP)</b>	Training in the art of packaging and testing
<b>6. Commodity Board</b>	Promoting of production of traditional commodities in the export
<b>7. India Trade Promotion Organisation (ITPO)</b>	Organising trade fair and exhibition and Developing export of new item and providing updated commercial and business information
<b>8. State Trading Corporation(STC)</b>	Promoting trade among different partners of the world
<b>9. Metals and Minerals Trading Corporation (MMTC)</b>	Handling export of primary products like, coal, iron, ore, manufactured agro and industrial products agricultural fertilizer and so on.
<b>10. Export and Credit Guarantee corporation (ECGC)</b>	Providing export credit insurance support to Indian exporters



promoting foreign trade of India. The main objective of EXIM bank is to co-ordinate the various activities of institutions and bank engaged in financing foreign trade.

### **Main Functions of EXIM Bank**

Main functions of EXIM bank are listed below

1. It provides direct financial assistance to exporters of plant, machinery, and related services.
2. It underwrites the shares, debentures and bonds of the companies engaged in exports
3. It provides re-discount facility in respect of export bills for a period not exceeding 90 days against short-term export bill discounted by commercial bank.
4. It gives overseas buyer credit to foreign exporters for the import of Indian capital goods which are used for manufacturing export products.
5. It finances export- oriented industries.
6. It collects and provides market and credit information about foreign trade to those engaged in international business.

### **Role of Commercial Bank in International Business**

Commercial banks provide financial assistance in two ways, namely, pre-shipment financial assistance and post-shipment financial assistance.

#### **Pre-Shipment Financial Assistance.**

This is the type of assistance given to enable exporters to purchase raw materials process them and create finished goods for the purpose of export. This credit is given

on the basis of exports orders and letter of credit opened in favour of overseas buyer

#### **Post-Shipment Financial Assistance.**

Post-shipment financial assistance is an assistance granted in the form of advances on the basis of bills of exchange and shipping documents drawn under letters of credit. This type of export finance is granted right from the date of shipment of the goods to date of realization collection of export proceeds for the purpose meeting capital need, paying insurance charges. ECGC premium commission and brokerage to agent export promotion expenses and so on and so forth.

### **Objectives of Export Trade**

The important objectives of the export include the following.

1. Facilitating selling of goods to countries which desperately need such goods
2. Expanding the market for goods by producing them on a large scale.
3. Earning foreign exchange through exports
4. Helping a country increase the national income
5. Creating employment opportunity in a country by promoting of export - oriented and export related enterprises.
6. Generating revenue for the Government in the form of customs and excise duties.
7. Promoting mutual understanding and co-operation among the nations.
8. Achieving optimum utilization of

resources by large scale production of goods

## Export Trade Procedure

An exporter has to fulfill the formalities given below to export the goods out of the country

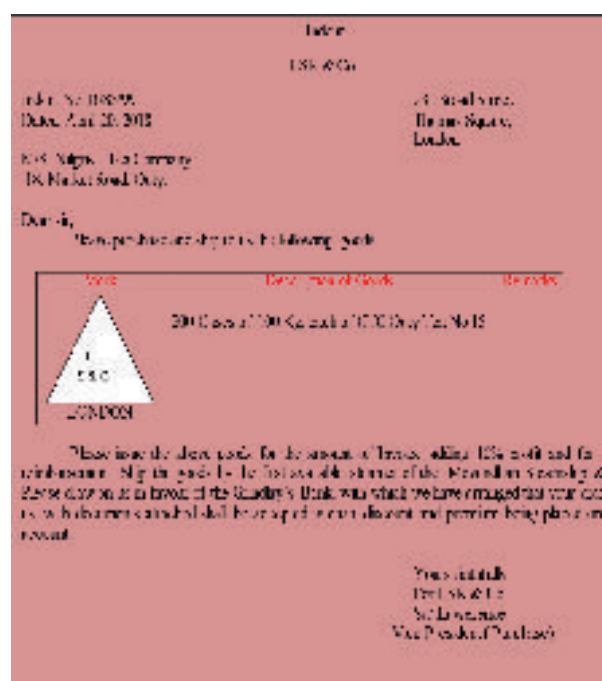
### 1. Receiving Trade Enquiry

Exporter receives trade enquiry (written request) from the importer / his agent who intends to buy the product. In the first place importer requests the exporter to supply the information given right below.

- Specification about the goods like, size, design, quality and brand name.
- Quantity of goods available.
- Price per unit
- Terms and conditions of shipment
- Terms and conditions of payment
- Probable delivery time
- The period up to which his proposal to import is valid.

### 2. Receiving Indent and Sending Confirmation

After the scrutiny of quotation / proforma invoice, the buyer who intends to buy the goods sends an indent to exporter. The latter may either receive the order directly from the importer or through an agent who acts as an intermediary between the exporter and the importer. The agent receives commission for this intermediating service. An indent actually points to an order received from abroad for export of goods. i.e. sale of goods. The indent contains the details in the box.



**DO YOU KNOW?**

### Content of an Indent

- Quantity of goods sent
- Design of goods
- Price
- Nature of packing shipment
- Mode of shipment
- Period of delivery
- Mode of payment

Indent is prepared in duplicate. One copy of the indent is sent to the exporters and second one is retained by the importer and kept in his records. There are three types of indent, namely open indent, closed indent and confirmatory indent.

### A. Open Indent

It gives complete freedom to exporter to choose type of goods, price, quality, method of packing etc.,





## B. Closed Indent

It does not give any freedom to exporter. Importer specifies the type of goods, price, quality, packing method, and so on which should be strictly observed by the exporter.

## C. Confirmatory Indent

An indent is to be confirmed by importer/his agent and the confirmatory indent is sent by importer thereafter.

## 3. Arranging Letter of Credit

Under this stage exporter intends to satisfy himself/herself about the trust worthiness of the importer. In this case the exporter is requested to arrange a letter of credit in his favour.

Letter of Credit (LC) is an undertaking by its issuer (importer's bank) that bills of exchange drawn by the foreign dealer on the importer will be honoured upon its presentation by exporter's bank up to a specified amount. In other words it simply represents a guarantee given by the importer bank to the foreign dealer (exporter) that the amount in the bill will be honoured upon its presentation by the exporter /his agent. There are different types of letter of credit.

Letter of Credit is opened only for well-established and reputed importer. It is beneficial both to the exporter and importer. Exporter is assured of payment and need not bother about credit worthiness of importer. The letter of credit simply transfers the burden of settling the transactions to the bank

# letter of credit sample

Name and Address of Bank

Date: \_\_\_\_\_

Irrevocable letter of Credit No. \_\_\_\_\_

Beneficiary: Commodity Credit Corporation

Account Party: Name of Exporter  
Address of Exporter

Gentlemen:

We hereby open our irrevocable credit in your favor for the sum or sums not to exceed a total of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), to be made available by your request for payment at sight upon the presentation of your draft accompanied by the following statement:

(Insert applicable statement)(2)

This Letter of Credit is valid until \_\_\_\_\_/3, provided, however, that this Letter of Credit will be automatically extended without amendment for \_\_\_\_\_/4 from the present or any future expiration date thereof, unless at least thirty (30) days prior to any such expiration date the Issuing Bank provides written notice to the Commodity Credit Corporation at the U.S. Department of Agriculture, 14<sup>th</sup> and Independence Avenue, S.W., Stop 1025, Washington, D.C. 20250-1025, of its election not to renew this Letter of Credit for such additional \_\_\_\_\_/5 period. The notice required hereunder will be deemed to have been given when received by you.

This letter of Credit is issued subject to the Uniform Customs and Practice for Documentary Credits, 2007 Revision, International Chamber of Commerce Publication No. 600

(Name of Bank)

By: \_\_\_\_\_

#### 4. Obtaining Importer Exporter Code (IEC) and RBI code Number

Exporter has to apply in Ayaab Niryatt Form 2A(ANF2A) to the Regional Authority of the Director General of Foreign Trade (DGFT) in the region where the registered office of the company is located. Exporter has to mention the number in all the shipping documents. However IEC number is not required where the goods are exported/imported for the personal use of importer and not for trade/manufacture or agriculture purpose.

#### 5. Obtaining Registration cum Membership Certificate (RCMC) from Export Promotion Council /Commodity Board

An Exporter is required to obtain RCMC from Export Promotion Councils/Commodity Board/Development Authority in order to avail himself/herself of export incentives, concessions, and other facilities offered by Government e.g. cash compensatory support and benefit of promotional scheme from Government.

#### 6. Manufacturing /Procuring Goods and Packing items

Exporters steps into manufacturing and procuring of goods required by the importer. Where the materials required for manufacturing of goods are subject to excise duty, the exporter has to apply to Export Commissioner for exemption from excise duty if the goods are meant for export along with the invoice AR4/AR5 and other documents. The Excise Commissioner would issue excise clearance certificate if he is satisfied with the documentation made by exporter. If the exporter has already paid excise duty, he can get refund from the Directorate of Drawback functioning under the Ministry of Finance.

The exporter proceeds to collect the goods from the factory or purchase it from the market. These goods have to be packed as per the specifications given by the importer. Where such instructions are not specifically given by the importer, the goods can be packed keeping in mind the safety and freight charges in respect of the consignment. The goods packed are marked distinctly to facilitate easy identification of goods of specific importer. The markings reveal the name of the importer, port of destination and weight of consignment.

#### 7. Export Inspection Certificate

After the goods have been packed as per the specifications of importer, the exporter has to apply to the Export Inspection Agency (EIA) or other designated agency in this connection. The agency sends an inspector





to inspect the consignment meant for export. If the inspector is satisfied with the packing he/she issues certificate mentioning that goods exported adhere to specification made by the exporter. This certificate is termed as Export Inspection Certificate. It is required by the customs authorities for the shipment of goods.

## 8. Insurance of Goods

Exporter has to arrange for getting the goods insured to protect them against the various risks like deterioration, collision, immersion, fire, entry of sea water etc., as per the instructions of importer if any.

## 9. Certificate of Origin.

Import regulation of foreign countries may require that all this import consignments must accompany a certificate of origin. This certificate certifies that goods which are exported have been manufactured in a particular country. In India, Chamber of Commerce, Trade Association, Export Promotion Council have been empowered to issue such certificate. It will be sent

Registration No. _____ (Optional) 1. Exporter (Name and Office Address)  2. Consignee (Name and Office Address)  3. Country of Origin _____		SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)  C847050428-06-000000			
4. Particulars of Imports		5. For official use only			
6. Place and number; number and kind of package; description of goods  (i) Marks Below                      (ii) Description of goods		7. Customs Tariff No.	8. C. Origin Certificate (See overleaf)	9. Gross weight or other quantity	10. Invoice No. & date (Optional)
11. CUSTOMS DISPOSURE  Declaration verified  Export Document (2) Part I _____ A1  Customs Office _____  Issuing Country or Territory _____  Date _____  _____		12. CERTIFICATION  _____ _____ _____ _____  Specimen Certificate of Customs or other Designated Authority  STAMP			

to importer, This certificate helps the importer to get concessions on import duty on the goods imported based on the bilateral trade agreement between the countries.

## 10. Consular Invoice

Where the customs duties are charged on the basis of value of goods at import's port (ad-valorem basis), the customs officers are empowered to open the consignment to calculate duties. In order to avoid this problem exporter obtains consular invoice and sends it over to the importer.

This document is signed by the consul of importer's country stationed in exporter's country. Hence customs officer at the port of destination will not open the consignment and simply assess customs duty based on the value declared in the invoice. They simply accept the invoice as true statement of the content of the consignment.

Your Company, Inc.		INVOICE	
To/From: City, State, ZIP		300-555-5555	
VENDOR: Name: Address: City, State, ZIP		DATED: 10/26/99 INVOICE DATE: 10/26/99 DATE RECEIVED: 10/27/99 YOUR ORDER NO: 100151 TRF# 30 INVOICE # 100151 CHQ# 100151 P. # 100151 PREPARED BY: 100151	
SERVICE TO: Name:		PREPARED BY: 100151	
300-555-5555		300-555-5555	
QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
120	Product	18.00	\$2,160.00
120	Product	18.00	2,160.00
		SUBTOTAL	4,320.00
		TAX	108.00
		TOTAL	\$4,428.00
DIRECT BILL INQUIRIES TO: VENDOR 300-555-5555 Email: vendor@yourcompany.com		MAKE ALL CHECKS PAYABLE TO: Your Company, Inc. Attn: Accounts Receivable Address: City, State, ZIP	





## 11. Engagement of Forwarding Agent

After Export Inspection certificate is obtained, the exporter has to obtain clearance from customs authorities. Generally exporters engage Clearing Forwarding Agent to fulfill various custom formalities. The latter do it for fees.

## 12. Dispatch of Goods to Port and Sending the Receipt to Agent

The exporter will send the goods over to port town by rail or by truck and endorse the Railway Receipt (R/R) or Lorry Receipt (L/R) to forwarding agent's favour with necessary instructions.

## 13. Fulfilment of Customs Formalities by Forwarding Agent

### i. Taking the Delivery of Goods at Port Town

When the goods arrive at port town, the forwarding agent takes delivery from the rail or from the truck after the submission of railway receipt (R R) or lorry receipt (L R). Then the agent arranges for storage of the consignment in a warehouse.

### ii. Obtaining Shipping Order

The clearing and forwarding agent approaches the shipping company or its agent to book space in the ship. On booking a space in ship, shipping company issues a document called Shipping Order. It contains instruction to the captain of the ship concerned to accept the consignment on board. Besides it provides information about the name of ship, nature of goods shipped, the date of shipping, weight of goods, port of destination, and freight paid.

### iii. Charter Party

A charter party is a formal agreement between ship owner and the exporter under which exporter hires an entire ship or a major part of ship either for a particular voyage or for a specific time period when the shipping is heavy. The hiring of ship for specific voyage is called voyage charter while this hiring of entire ship for a specific time period is called time charter. The content of charter party includes the following

1. Name of the ship
2. Place of loading
3. Port of destination
4. Name of exporter
5. Amount of freight





## 14. Customs Clearance

The exporter or his agent prepares three copies of shipping bill in printed form. The shipping bill contains the details like name and address of exporter, description of goods, value of goods, volume of goods, identification marks on the goods, port of destination and port of loading.

There are three types of shipping bills for three different categories of goods namely, dutiable goods, duty-free goods and duty draw-back goods. Forwarding agent proceeds to pay of export duty calculated by customs officers in the case of dutiable goods.

### i. Payment of Dock Dues

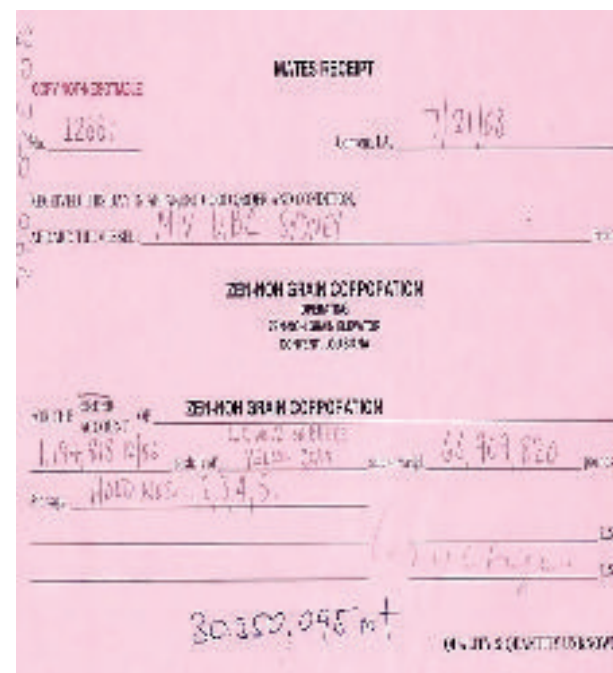
After the payment of export duty, the forwarding agent arranges for transporting the goods to docks. The agent fills two copies of challan and submits it to the dock authorities along with one copy of shipping bill. Then the agent pays dock charges. Dock authorities retain one copy of challan and return the second copy to the forwarding agent. This signed copy is called Dock Receipt or Port Trust Receipt.

### ii. Obtaining Permission for Shipment

The forwarding agent brings the consignment over to the dock. The Customs Preventive Officer stationed at the docks inspects the goods on the basis of declaration in the shipping bill. This officer gives permission to load the goods onto board by issuing Customs Export Pass or simply makes an endorsement with wordings 'Let Ship' on the duplicate copy of shipping bill.

### iii. Mate's Receipt

Mate's Receipt is the document issued by the captain of the ship acknowledging the receipt of goods on board by him to the port of specified destination. This contains details like quantity of goods shipped, number of packages condition for packing, etc., Where the Mate is satisfied with packing he/she issues clean receipt. If he/she is not satisfied with packing, he/she issues foul receipt. Forwarding agent should seek to get clean receipt. Otherwise insurance company will not bear liability for loss in case of foul receipt.



### iv. Bill of Lading

Bill of Lading, refers to a document signed by ship owner or by his agent mentioning that goods specified have been received and it would be delivered to the importer or his agent at the port of destination if good condition subject to terms and conditions mentioned therein.



### Content of the Bill Lading

1. Name of the ship
2. Date of shipment
3. Place of Boarding
4. Port of destination
5. Name address of exporter
6. Name and address of importer
7. Description of Goods
8. Number of package
9. Distinctive mark on good
10. Amount of freight

### 15. Preparation of Commercial Invoice and Submitting Documents to Bank

The exporter prepares a commercial invoice in respect of the goods shipped in triplicate according to the terms and conditions agreed between the exporter and the importer. Then the exporter submits all related documents like commercial invoice, insurance policy,

certificate of origin, consular invoice, etc., to his bank for onward transmission to importer's bank with the instruction that there documents should be delivered to importer only when he accepts the bills enclosed.

### 16. Securing Payment

#### i) Bills of Exchange

Bills of exchange of can be two types

- a) Document against payment (D/P)
- b) Document against acceptance(D/A)

#### Document against Payment (D/P)

In this case documents are handed over to the importer only against payment of bill by importers bank

#### Document Against Acceptance (D/A)

In this case documents are released to the importer immediately after he accepts the bills of exchange sent along with the



### Specimen of Bill of Lading

#### BILL OF LADING

Shipped in apparent good condition and order by Tamizhan Enterprises at Chennai in the Rebel Range's whereof Udaya Kumar is the master for the Present Voyage the 1000 cases of goods marked SE-01 to be delivered and conditions subject to the terms and conditions stated overleaf at the port of Chicago to Pallavan & Co. or their agents upon their paying the freight for the said goods with the primage and average.

Stamp  
for Mooventhan. Shipping Co.

Sd/-

Dated: 20/Feb/2018



### Distinction between Bill of Lading and Charter Party

Basis	Bill of Lading	Charter Party
1. Meaning	This represents a document acknowledging receipt of goods on board for carrying them over to specified port of destination	It refers to an agreement to hire a whole or major part of ship when the goods take exported is heavy.
2. Transferable	It can be transferred to third party by endorsement and delivery	It cannot be transferred to third party
3. Loan	Loan can be raised against it	Loan cannot be raised against it
4. Crew	Master and crew remain the agent of ship owner	Master and crew become the agent of exporter for a temporary period
5. Lease	It is not a lease of ship	It is a lease of ship

document of title to the goods and agrees to pay at maturity date. The exporter's bank makes payment through importer's bank either immediately or at maturity date in the case of usance bill. This amount is, then credited to the exporter's account.

from his bank mentioning that the documents relating to export have been presented to the importer for payment and the payment has been received from the importer as per exchange control regulation.

#### ii) Bank Certificate of Payment

After receiving payment for exports, the exporter has to get a certificate

#### Intermediaries in Export Trade

Intermediaries involved in export trade include the following





## 1. Forwarding Agent

## 2. Commission Agents

## 3. Export Trading House

### 1. Forwarding Agent

Forwarding agent is appointed by exporter to fulfill the customs and shipping related formalities and certain logistic functions.

1. Enlightening exporters on the relevant trade laws
2. Supplying transport, handling cost information to exporter.
3. Assisting exporter in packing, marking and labeling.
4. Arranging transport for exporter
5. Assisting in fulfilling customs formalities
6. Preparing and procuring documents
7. Exposing exporter on the developments happening in transportation.

### 2. Commission Agents

Commission Agent is an international agent who is paid a certain percentage of commission for the order booked by him abroad. He offers product to potential customers in the territory allotted to him in accordance with the terms and condition specified by the principal. However there is no employment relationship between the agent and the principal and the relationship is purely temporary. The agents gets only commission at the end of the deal.

### 3. Export Trading House

Export Trading House has been established to increase the export, strengthen the global market, capacity and get necessary facilities for increasing export performance of our country. It consists of merchants, exporters, trading companies, Export Oriented Units, units located in Export Processing Zones, electronic hardware technology park etc.

### Functions/Services of Export house

The functions of export house are mentioned below

1. Identifying potential market for a product
2. Finding buyers and their agent and obtain their response for export proposal.
3. Establishing product specification in the light of market needs, standards and regulation in accordance with suppliers capabilities.
4. Determining appropriate mode of transportation and routing keeping in mind the cost, quality of service and security
5. Preparing the goods for delivery at destination
6. Determining buyer's creditworthiness
7. Negotiating the transactions
8. Arranging proper insurance coverage against maritime risks and currency fluctuations
9. Financing the transactions and paying for goods and service received.
10. Preparing document for international trade
11. Settling claim.



### India's Exports and Imports. 2011-12 to 2016-17 (Rupees in Crores)

Year	Exports	Imports	Trade Balance
2011-2012	1,465,959	2,345,463	-879,504
2012-2013	1,634,318	2,669,162	-1,034,844
2013-2014	1,905,011	2,715,434	-810,423
2014-2015	1,896,348	2,737,087	-840,738
2015-2016(P)	1,716,378	2,490,298	-773,920
2015-2016 April to October	998,212	1,501,291	-503,079
2016-2017 April to October (P)	1,039,797	1,396,352	-356,554

P= Provisional

**Source:** Annual Report 2016-2017. Ministry of Commerce and Industry Government of India New Delhi

### India is Major Trading Partners (Exports)

Value Rs in Crores

Rank	Country	2014-15	2015-16	2016-17	2017-18
1	CHINA	73,030.43	58,932.74	68,246.12	34,523.14
2	The U A E	259,427.52	263,859.28	283,008.01	151,756.00
3	The U S A	201,852.69	198,140.14	208,939.49	98,227.09
4	SAUDI ARAB	68,029.68	41,796.44	34,253.90	50,685.41
5	SWITZERLAND	6,538.75	6,421.29	94,114.93	16,302.67
6	SINGAPORE	46,061.97	46,456.71	48,153.70	13,680.91
7	GERMANY	83,118.57	79,306.61	6,543.02	26,624.71
8	HONG KONG	24,674.35	23,038.41	23,400.69	2,901.97
9	INDONESIA	28,084.74	18,446.42	28,436.72	11,304.92
10	IRAQ	35,614.11	50,531.32	64,115.09	33,830.51
	Total of Top countries	826,432.81	786,929.37	859,211.67	439,837.32
	% Share of Top countries	43.58	45.85	46.46	46.91
	OTHER COUNTRIES	1,069,915.60	929,448.66	990,217.07	497,863.92
	% Share of other countries	56.42	54.15	53.54	497,863.92
	India's Total exports	1,896,348.41	1,716,378.03	1,849,428.74	53.09

Source: Annual Report 2016-2017. Ministry of Commerce and Industry Government of India



## 26.02 Import Trade

### Meaning

Import trade refers to purchasing goods and service from a foreign country. For Example Purchase of chemicals by an Indian company from France is termed as import. Domestic purchaser of goods is termed as importer and overseas seller is called exporter.

### Objectives of Import Trade

Objectives of import trade have been highlighted hereunder.

#### 1. Achieving Rapid Industrialization

Developing countries can achieve rapid industrialisation by importing advanced technology scarce raw materials, capital goods like machinery equipment, etc., and talents from other countries.

#### 2. Meeting Consumer Demand

Certain goods are either not available or cannot be manufactured / produced adequately to meet the growing demand in home country. Hence import is necessary to meet the short supply of those goods.

#### 3. Upgrading Standard of Living of the People

Consumers are able to use a wide variety of goods like cell phone, car laptop. television audio system, washing machine, perfume, soaps, etc., manufactured in foreign countries and enhance their standard of living through import trade.

#### 4. Meeting Shortage Situation

During famine, earthquake, flood draught, tsunami, abnormal price-increase situations

and so on food grains, vegetables and other essential commodities are imported from foreign countries and bad situation arising from the above situations are thus overcome.

### 5. Strengthening Defence

Many countries around the world import defence equipments for its armed force. Such imports enable the country to ensure its sovereignty and territorial integrity.

## Import Procedure

Import procedure varies from country to country depending upon the foreign trade policy of a country. Government of India has framed rules and regulations for the import. The import procedures has been clearly spelt out of Government of India. Following are the procedures of import trade.

### 1. Obtaining Import License

Importer has to secure Import and Export Code (IEC) from the Director General of Foreign Trade or its Regional Authority. The Indian Institute classification (ITC) –Harmonized System (HS) classified the goods into three categories, namely Restricted, Canalised and Prohibited. Goods not specified in the above categories can be freely imported without any restrictions. Import license is not required to import the goods not mentioned in the above classification. An import license is valid for 24 months for capital goods and 18 months for other goods.



#### ON THE LETTERHEAD OF THE EXPORTER

To  
The Commissioner of Customs  
Customs House  
Chennai 600 001

Dear Sir,

Sub: **ANF CODE, IEC CODE, IE CODE, BANK DETAILS – BEING FOR KATTUPALLI PORT**

One wish to inform you that we are intending Current Account Number ..... with  
..... Bank, ..... Branch, Chennai, Tamil Nadu.

IMPORT CONTRACT NO.	:
BANK TRANSIT CODE	:
IEC CODE	:
AUTHORIZED DEALER CODE	:
SAFETY DOCUMENT NUMBER	:
SAFETY NAME	:
SEARCH ADDRESS	:

I/we hereby declare that the above particulars are correct and certify that the above particulars are correct.

For .....  
Signature and official stamp of the  
Authorized Dealer/Official of the  
Bank

Authorized Signatory: \_\_\_\_\_



Importer has to fill in ANF 2A form and grant of e-LEC and submit all documents required in this regard online. IEC will be issued.

Importer has to submit the copy of IEC to customs authorities at the time of clearance of goods. The second copy of IEC is used to obtain foreign exchange from RBI.

## 2. Trade Enquiry

Having obtained IEC, the intending importer has to make enquiry from exporter or his agents. Importer makes request by e-mail or postal mail to supply the details given below.

- Specification of goods like size, design, quality etc.,
- Quantity goods available
- Price per unit

- Terms of shipping
- Terms of payments i.e. Letter of credit Documents against Acceptance (D/A) or Documents against Payment (D/P)
- Probable delivery time
- Validity of offer period

Importer responds to enquiry by sending proforma invoice

## 3. Obtaining Foreign Exchange

Since importer has to settle import bills in foreign currency, he has to obtain foreign exchange. Importer has to provide IEC code in the form supplied by authorized dealer to get foreign exchange.. The importer has to submit an application along with necessary documents to the Exchange Control Department of RBI. After scrutinising the said application, the Reserve Bank of India will sanction the release of foreign exchange.

## 4. Placing an Indent Order

Importer places an order either directly or through an indent houses. The indent contains the details like type of goods, design of goods, price, quantity, grade, packing instructions, insurance, delivery mode, desired delivery period, mode of period, mode of shipment, etc.,

## 5. Opening Letter of Credit(L/C)

Where foreign exporter does not know Indian importer, he may like to ensure the creditworthiness of the unknown importer. In such a case, exporter may advise the importer to arrange for letter of credit in his favour..Letter of credit is a document under which issuing bank undertakes to make payment on behalf of the importer or to the order of importer in exchange for specified documents from exporters bank. The letter



of credit is issued only for financially sound importer. Exporter's bank eventually sends the document to issuing bank which releases the payment.

## **6. Receiving Shipping Document**

The importer collects shipping documents along with the advice note of shipment of goods from the exporters. Advice note contains a written message through which exporter informs the importer about the dispatch of goods and advise him to make agreement for taking delivery of goods on arrival of goods at the port of destination. The captain of the ship informs the dock authorities about the arrival of goods on a document called Import General Manifest. The customs authorities in turn inform the importer concerned about the arrival of goods at the port.

## **7. Appointment of Clearing Agents**

There are lot of formalities involved in clearing the goods imported from the port. Normally importer does not feel comfortable with completing the formalities by himself. In this case he may delegate the task of clearing the imported goods from the port of discharge to clearing agent who is well-versed in this job. The latter performs the job for a fee. The importer sends all the documents to the clearing agent to enable him to take delivery of goods after fulfilling the customs formalities prescribed in this regard.

## **8. Fulfillment of Customs Formalities**

Clearing agent engaged by the importer performs the following activities in connection with taking delivery of goods from the port.

### **i) Getting Endorsement for Delivery**

The clearing agent gets bill of lading endorsed by importer in his favour to enable him to take delivery of goods and approaches the shipping company. Where the freight is not paid, the clearing agent pays it. The shipping company may give a separate delivery order after collecting the freight charges or it may simply endorse on the bill of lading by the importer or by his agent itself as a proof payment of freight charges.

### **ii) Payment of Dock Dues**

The clearing agent submits two copies of filled in Application form to "Landing and Shipping Dues Office". This office levies charges on all the imported goods. The clearing agent has to pay Dock charges by Dock challan. After paying dock charges 'Landing and Shipping Due Office stamps on the application form itself with wordings like Dock charges paid' or it may issue a separate receipt called Post Trust Dues Receipt.

### **iii) Preparation of Bill of Entry**

Bill of Entry is prepared in triplicate in order to pay custom duty. This document contains the details like name and address of importer, the name of the ship, full description of the goods, number of packages, importer and exporter code (IEC) name of the exporting country and custom duty payable. Bill of Entry is issued in three colours. The black form is meant for non-dutiable goods while the blue form is meant for the goods within the country and the violet is intended for re-export. Import duty is calculated on the basis of details given in the bill of entry by customs authorities. Where the importer / clearing agent does not know







## Specimen of Bill of Entry

Bill of Entry										
Vessel		Master or Agent		Port of Shipment	Port of Destination		Importer's Name and Address			
Packages		Quantity		Description of each class of Goods	Real Value as per Sea Customs Act		Value on which duty is assessed		Duty	
Number	Marks	Unit	Amount		Rate	Amount	Tariff Rate	Add Value	Amount	Rate
Total Value_Rs _____										
Total Duty Rs _____										

the exact /and full details about goods imported, he will prepare a bill of sight. He would provide as much as details possible about the goods imported to the extent of his memory and with specific remark that he cannot give complete information about the goods imported. In such a case , customs authorities will complete the statement and import duty only after assessing the arrival of goods at the port of delivery.

### iv) Payment of Import Duty

The clearing agent / importer submits the bill of entry and other required documents to the customs authorities. He pays import duty in the case of dutiable goods to the customs authorities.

### v) Release Order From Dock

After payment of customs duty, the bill of entry has to be marked by the dock. Superintendent and an examiner are instructed to physically examine the goods. He gives his report on the bill of entry. Then

the bill is passed over to the port authority. He would issue release order.

### vi) Getting Delivery From The Dock.

The clearing agent takes delivery of goods from the dock after submitting the documents like, Port Trust Dues Receipt, Bill of Entry and Bill of Lading. If the goods are imported for re-export, the agent / importer will deposit them in a bonded warehouse and receives Dock Warrant.

### vii) Dispatching Goods to the Importer

The agent despatches the goods to the importer by the rail/ road. He gets Railway Receipt (R/R) or Lorry Receipt (L/R) from the transporter.

### viii) Sending Advice to the Importer

Clearing agent informs the despatch of goods to the importer and sends Railway Receipt / Lorry Receipt with the statements of expenses incurred by him and the commission payable to him for his service.

## 9. Taking Delivery of Goods

Importer takes delivery of goods from the Railway /Carrier after producing the Railway Receipt or Lorry Receipt.

## 10. Settlement of Import Bill

The importer settles the import bill in the following ways.

- Importer collects shipping document after payment
- Importer gets shipping documents after payment of bills of exchange in the case of Documents against payments (D/P)
- Importer gets shipping documents after giving acceptance on bills of exchange in the case of Documents against Acceptance(D/A)

## Documents used in import trade

- 1.Import License (IEC)
- 2.Indent
- 3.Letter of Credit

## Import Documents

- i. Import License
- ii. Indent
- iii. Letter of Credit
- iv. Bill of Entry
- v. Bill of sight
- vi. Port Trust Dues Receipt
- vii. Bill Of Lading
- viii. Bill of Exchange
- ix. Advice Note

## India is Major Trading Partners (Imports)

Value Rs - in Cr.

Rank	Country	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
1	CHINA	309,234.96	369,565.36	404,043.38	411,093.52	241,603.57
2	U A E	135,613.46	133,420.60	142,678.20	149,655.40	75,526.59
3	U S A	174,126.66	159,624.88	126,981.39	144,237.12	73,060.39
4	SAUDI ARAB	220,515.49	171,220.87	132,579.98	133,945.75	36,403.90
5	SWITZERLAND	78,209.64	135,367.33	126,074.29	54,906.18	63,805.46
6	SINGAPORE	112,338.18	78,181.10	79,098.18	77,704.41	56,757.88
7	GERMANY	44,107.06	34,088.62	39,635.91	115,619.29	41,194.34
8	HONG KONG	89,035.42	91,845.35	85,363.11	90,081.93	62,408.53
9	INDONESIA	111,637.70	82,720.09	85,799.57	84,404.33	50,896.11
10	IRAQ	41,063.47	67,918.84	47,734.89	47,541.69	22,212.35
	Total of Top countries	1,315,882.04	1,323,953.03	1,269,988.91	1,309,189.62	723,869.12
	% Share of Top countries	48.46	48.38	51	50.79	50.99
	OTHER COUNTRIES	1,399,538.74	1,412,723.96	1,220,307.40	1,268,471.75	695,623.91
	% Share of other countries	51.54	51.62	49.00	49.21	49.01
	India's Total Imports	2,715,420.78	2,736,676.99	2,490,296.31	2,577,661.37	1,419,493.03



## Intermediaries in Import Trade

### 1. Indent Houses/ Import Agent

This intermediary is specialized in a particular trade. He charges fees for his service. Importer has to enter into contract with indent house to avail himself of his service

#### Services rendered by Indent Houses/ Import Agent

The services rendered include the following

- a. Helping the importer get orders from foreign countries
- b. Providing information about the availability of goods of various types and arranging credit facilities to importer
- c. Maintaining regular contact with the exporter and obtaining sample and transmitting it to the importer

### 2. Clearing Agent

Clearing Agent is specialised in clearing the goods from the port of discharge destination and transport it over to the importer. They fulfill the various custom formalities on behalf of the importer and get the goods cleared from the port. They charge commission for their service.

#### Key Terms

1. Export Trade
2. Import Trade
3. Export Promotion Councils
4. Export Trade Procedures
5. Letter of Credit



#### For Future Learning

1. Import Trade Procedures.
2. Agencies involved in Import Trade



#### For Own Thinking

1. You should be able to think to simplify Import Trade Procedures
2. Create interest in International Business for yourself



#### Exercise

##### 1. Choose the Correct Answer

##### 1. EPC stands for

- a) Export processing commission
- b) Export Promotion Council
- c) Export Carriage council
- d) Export Promotion Congress

##### 2. STC is expansion for

- a) State Training Centre
- b) State Training Council
- c) State Trading Centre
- d) State Trading Corporation

##### 3. An ----- is document prepared by importer and sent to the exporter to buy the goods

- a) Invoice
- b) Indent
- c) Enquiry
- d) Charter Party



4. The ----- receipt is an acknowledgement of receipt of goods on the ship issued by the Captain

- a) Shipping Bill
- b) Bill of Lading
- c) Mate's Receipt
- d) Consular Invoice

5. The Exporters appoint the ----- agent to fulfill the customs formalities

- a) Clearing Agent
- b) Forwarding Agent
- c) Commission Agent
- d) Factor

#### Answers

1. b 2. d 3. b 4. b 5. b

#### II. Very Short Answer Questions

1. What is meant by Indent?
2. Mention the types of Indent.
3. What is meant by Letter of Credit?

#### III. Short Answer Questions

1. What are the contents of Indents? (any 3)
2. What is meant by Mate's Receipt?
3. What are the documents used in Import Trade? (any 3)

#### IV. Long Answer Questions

1. What are the objectives of Import trade?
2. Distinguish between Bill of Lading and Charter Party.

#### Reference

1. Hand book of Business studies by Preeti Sharma Arihant Prakashan Meerut
2. ISC Commerce by S B Gupta - S Chand's Company Ltd New Delhi.2017

Share of top five commodities in India's exports, (April-October), 2016-17 (P)

