SUBJECT – Export Import Management

Syllabus and Notes

Unit I	**Import-Export Management: Overview** Import Export Management Introduction; Concept Key Feature; Foreign Trade - Institutional Framework and Basics; Trade Policy; Foreign Trade; Simplification of Document; Reduction in Document to Five for Custom Purpose; Exporting; Importing Counter Trade; the Promise and Pitfall of Exporting; Improving Export Performance; Counter Trade.
Unit II	**International Marketing: Environmental and Tariff Barrier** International Marketing: Definition, Components of International Marketing Management; Trade Barrier definition: Components of trade barrier, Objectives of Trade barrier. Non-Tariff barriers; Government Participation in Trade; Quota; Ad valorem Duty; Specific Duties and their Differences. **Export and Import Financing, Procedure, and Primary Consideration** Export and Import Financing Procedures; 14 Steps for Conducting Export Transaction; Export Assistance; Export-Import Primary Consideration.
Unit III	**Import Export Documentation** Import and Export Documentation: Introduction, Freight Forwarder's Powers of Attorney, Bill of Lading, Certificates of Origin, Letter of Credit. Processing of Export Order; Nature and Format of Export Order; Examination and Confirmation of Export order; Manufacturing or Procuring Goods; Central Excise Clearance; Pre Shipment Inspection; Appointment of Clearing and Forwarding Agents; Transportation of goods to Port of Shipment; Port formalities and Customs Clearance; Dispatch of Documents by forwarding Agent to the Exporter; Certificate of Origin and Shipment Advice; Presentation of Documents to Bank; Claiming Export Incentives; Excise Rebate; Duty Drawback.

UNIT I

Introduction to Export-Import Management

Export-Import Management –

Export-Import Management refers to the planning, organizing, and controlling of activities related to the movement of goods and services across international borders. It involves understanding global

Export	Selling goods/services to a foreign country
Import	Buying goods/services from a foreign country
Trade Balance	Difference between a country's exports and imports
Tariffs	Taxes imposed on imported goods
Incoterms	International commercial terms defining buyer/seller responsibilities
Customs Clearance	Official permission to move goods across borders

trade regulations, logistics, documentation, and market dynamics.

Importance of Export-Import in Business

- Market Expansion: Helps businesses reach international customers.
- Revenue Growth: Increases sales and profitability.
- Risk Diversification: Reduces dependence on domestic markets.
- Global Competitiveness: Encourages innovation and quality improvement.
- Foreign Exchange Earnings: Boosts national economy through currency inflow.

Major Functions of Export-Import Management

- Product Selection: Choosing goods suitable for international markets
- Market Research: Identifying demand, competition, and regulations
- Pricing Strategy: Setting competitive and profitable prices
- Documentation: Preparing invoices, shipping bills, certificates of origin, etc.
- Logistics & Shipping: Managing transportation and delivery
- Compliance: Following international trade laws and customs regulations

Essential Documents in Export-Import

- Commercial Invoice
- Bill of Lading

- Packing List
- Certificate of Origin
- Letter of Credit
- Insurance Certificate
- Customs Declaration

Government Support & Institutions

- DGFT (Directorate General of Foreign Trade): Regulates and promotes foreign trade in India
- EXIM Bank: Provides financial assistance to exporters and importers
- Customs Department: Ensures legal movement of goods
- Export Promotion Councils: Help exporters with market access and incentives

Modes of Transport in International Trade

- Sea Freight: Cost-effective for bulky goods
- Air Freight: Fast but expensive
- Land Transport: Used for neighbouring countries
- Multimodal Transport: Combination of two or more modes

Career Opportunities in Export-Import

- Export Manager
- Import Coordinator
- Logistics Executive
- Customs Broker
- International Marketing Analyst
- Trade Compliance Officer

Foreign Trade - Institutional Framework and Basics

Institutional Framework for Foreign Trade in India

India's foreign trade is managed by a network of government bodies, financial institutions, and promotional councils. Here's a breakdown:

1. Ministry of Commerce and Industry

- Apex body responsible for formulating trade policy
- Oversees export promotion and trade negotiations

2. Directorate General of Foreign Trade (DGFT)

- Implements the Foreign Trade Policy (FTP)
- Issues Importer Exporter Code (IEC)
- Regulates licensing and export incentives

3. Reserve Bank of India (RBI)

- Regulates foreign exchange transactions under FEMA
- Monitors payment mechanisms like Letters of Credit

4. Customs Department

- Ensures compliance with import/export regulations
- Collects duties and taxes
- Manages customs clearance

5. Export Promotion Councils (EPCs)

- Sector-specific bodies that promote exports
- Examples: Apparel EPC, Engineering EPC, etc.

6. Commodity Boards

- Promote specific commodities like tea, coffee, spices
- Examples: Tea Board, Coffee Board, Spices Board

7. Indian Institute of Foreign Trade (IIFT)

- Research and training institute for foreign trade
- Supports policy development and capacity building

8. Export Credit Guarantee Corporation (ECGC)

- Provides export credit insurance
- Protects exporters against payment risks

9. EXIM Bank

- Offers financial assistance for export/import activities
- Supports overseas investment and joint ventures

Institution / Department	**Current Head / Position**
Ministry of Commerce and Industry	Shri Piyush Goyal – Cabinet Minister
	Shri Jitin Prasada – Minister of State
	Shri Sunil Barthwal – Commerce Secretary
Directorate General of Foreign Trade (DGFT)	Shri Ajay Bhadoo – Director General
Reserve Bank of India (RBI)	Shri Sanjay Malhotra – Governor (since Dec 2024)
Customs Department (CBIC)	Shri Manas Ranjan Mohanty – Chief Commissioner (ad hoc) Shri Naveen Kumar Jain – Chief Commissioner (regular)
Export Promotion Councils	Mr. S.C. Ralhan – President, FIEO

Institution / Department	Current Head / Position
(FIEO)	Dr. Ajay Sahai – Director General & CEO, FIEO
Indian Institute of Foreign Trade (IIFT)	Prof. Rakesh Mohan Joshi – Vice Chancellor
Export Credit Guarantee Corporation (ECGC)	Shri Sristiraj Ambastha – Chairman & MD
Export-Import Bank of India (EXIM Bank)	Ms. Harsha Bangari – Managing Director

Legal Framework

India's foreign trade is governed by:

- Foreign Trade (Development & Regulation) Act, 1992
- Customs Act, 1962
- Foreign Exchange Management Act (FEMA), 1999
- Export Quality Control & Inspection Act, 1963

These laws ensure trade compliance, quality standards, and protection against unfair practices like dumping.

Foreign Trade Policy (FTP)

India's Foreign Trade Policy is a strategic document issued by the DGFT to:

- Promote exports
- Simplify trade procedures
- Align with global standards

Foreign Trade Policy 2023–2028 (FTP 2025): Key Features

India's Foreign Trade Policy (FTP) 2023–2028 marks a strategic shift from incentive-based schemes to a remission and facilitation-based approach, aligning with global trade norms and WTO commitments. It was launched on March 31, 2023, and is designed to be dynamic, responsive, and tech-driven, with a strong emphasis on ease of doing business, digitization, and inclusive growth.

1. Shift to a Paperless, Online Trade Ecosystem

- FTP 2025 emphasizes **end-to-end digitization** of trade processes.
- Introduction of automated approval systems for various applications like status holder certification, duty remission schemes, and export authorizations.
- Integration with Customs ICEGATE, GSTN, and other government portals for seamless data

exchange.

- Reduces human interface, speeds up approvals, and enhances transparency.

2. Districts as Export Hubs

- Each district is identified as a potential export growth center.
- Focus on product and service specialization at the district level.
- Creation of District Export Action Plans and capacity-building for local exporters.
- Promotes decentralized export growth and empowers MSMEs and rural entrepreneurs.

3. Boost to E-Commerce Exports

- FTP 2025 introduces a dedicated framework for e-commerce exports.
- Simplified procedures for warehouse-based exports, payment reconciliation, and returns management.
- Plans to increase the e-commerce export value limit from ₹5 lakh to ₹10 lakh per consignment.
- Encourages startups and small businesses to access global markets via digital platforms.

4. Support for MSMEs and Emerging Sectors

- Simplified norms for status holder certification to recognize high-performing MSMEs.
- Enhanced access to export finance, insurance, and capacity-building programs.
- Special focus on green technology, renewables, electronics, and pharmaceuticals.
- Makes global trade more inclusive and future-ready.

5. Remission-Based Schemes (WTO-Compliant)

- FTP 2025 replaces incentive schemes with remission schemes like:
- RoDTEP (Remission of Duties and Taxes on Exported Products)
- RoSCTL (for textile exports)
- These schemes refund embedded taxes and duties not refunded through GST.
- Ensures compliance with WTO norms while supporting exporters.

6. Facilitation for Exporters

- Introduction of Special Advance Authorisation Scheme for apparel and garments.
- Faster processing of Export Obligation Discharge Certificates (EODC).
- Self-certification for certain categories of exporters to reduce compliance burden.
- Improves ease of doing business and reduces turnaround time.

7. Dynamic Policy with Continuous Updates

- FTP 2025 is not static—it allows for real-time updates and sector-specific interventions.
- DGFT can issue notifications and amendments without waiting for a full policy cycle.
- Makes the policy more agile and responsive to global developments.

8. Promotion of Services Exports

- Expansion of the Services Export from India Scheme (SEIS) framework.
- Focus on IT, education, healthcare, tourism, and professional services.
- Encouragement of Mode 1 and Mode 2 services (cross-border and consumption abroad).

- Diversifies India's export basket beyond merchandise.

9. Sustainability and Green Trade

- Promotion of environmentally sustainable exports.
- Incentives for green technology, EVs, solar products, and organic goods.
- Alignment with India's climate commitments and global ESG standards.
- Positions India as a responsible global trade partner.

10. Trade Security and Compliance

- Strengthening of risk management systems and compliance monitoring.
- Enhanced coordination with Customs, RBI, and FEMA authorities.
- Focus on anti-dumping, quality control, and export standards.
- Protects domestic industry and ensures global competitiveness.

The FTP 2025 is a forward-looking, tech-enabled, and inclusive policy that aims to:

- Achievement $2 trillion in exports by 2030 (goods + services)
- Empowered MSMEs, startups, and district-level entrepreneurs
- Aligned India's trade practices with global standards and WTO rules
- Promoted sustainable and diversified exports

India's Foreign Trade –2025

Exports

- Merchandise Exports: USD 36.2 billion
- Top Export Items: Engineering goods, petroleum products, chemicals, textiles

Imports

- Merchandise Imports: USD 58.1 billion
- Top Import Items: Crude oil, electronics, gold, machinery

Trade Deficit = Exports – Imports = USD 21.9 billion

Simplification of Export-Import Documentation in FTP 2025

The simplification of documentation under FTP 2025 is a game-changer for Indian trade. It:

- Reduces bureaucracy
- Enhances transparency
- Speeds up export-import cycles
- Empowers MSMEs and startups
- Aligns India with global best practices

India's Foreign Trade Policy 2025 introduces a major shift toward digitization, automation, and ease of compliance. The goal is to eliminate redundant paperwork, reduce approval delays, and create a seamless experience for exporters and importers.

1. End-to-End Digitization

- Paperless Trade Initiative: Most documentation processes are now digital, reducing manual errors and physical submissions.
- Online Portals: DGFT's revamped portal allows exporters to apply for licenses, authorizations, and certificates online.
- Integration with Customs & GSTN: Real-time data sharing between DGFT, Customs (ICEGATE), and GST Network ensures faster validation and fewer duplications.

Impact: Saves time, lowers costs, and improves transparency.

2. Reduced Documentation Requirements

- Self-Certification for Status Holders: Recognized exporters can self-certify certain documents, avoiding repeated scrutiny.
- Single Document Upload: Exporters can upload common documents once and reuse them across applications.
- Simplified Forms: Application formats for schemes like Advance Authorization and EPCG have been condensed and standardized.

Impact: Less paperwork, faster approvals.

3. Automated Approvals & AI-Based Scrutiny

- Auto-Approval for Routine Applications: Many applications are now processed without manual intervention.
- AI-Based Risk Management: High-risk transactions are flagged automatically, while low-risk ones are fast-tracked.

Impact: Reduces human bias and speeds up processing.

4. Harmonization Across Ministries

- Trade regulations are being aligned across ministries to avoid overlapping compliance.
- Common standards for documentation and digital signatures are being adopted.

Impact: Creates a unified and predictable trade environment.

5. Customs Reforms

- Faceless Assessment: Customs clearance is now done remotely, reducing physical interface.
- Pre-Arrival Processing: Documents can be submitted before goods arrive, speeding up cargo release.
- Electronic Bill of Lading & e-Invoice: Promoted for faster reconciliation and tracking.

Impact: Reduces port congestion and dwell time.

6. Support for MSMEs & E-Commerce

- Simplified Export Declarations for small consignments and e-commerce shipments.

- Relaxed Documentation Norms for MSMEs under specific schemes.

Impact: Makes global trade more accessible to small businesses.

Key Documents Now Digitized

Document	Status under FTP 2025
Importer Exporter Code (IEC)	Fully online
Shipping Bill	Electronic via ICEGATE
Bill of Lading	Digital formats encouraged
Certificate of Origin	Issued online for many FTAs
Export Obligation Reports	Auto-generated and uploaded

Reduction in Document to Five for Custom Purpose

The **Foreign Trade Policy (FTP) 2023–2028** introduced a landmark reform by reducing the number of mandatory documents required for customs clearance to just five. This move is part of India's broader strategy to simplify trade procedures, enhance ease of doing business, and align with global best practices.

Reduction to Five Key Customs Documents

Earlier, exporters and importers had to submit a large number of documents—often duplicative—for customs clearance. FTP 2025 streamlines this by mandating only five essential documents for both exports and imports.

The Five Mandatory Documents

Purpose	Document Name	Description
1. Identity	Importer Exporter Code (IEC)	Unique 10-digit code issued by DGFT to identify exporters/importers.
2. Shipment	Shipping Bill / Bill of Entry	Legal document filed with Customs for export (Shipping Bill) or import (Bill of Entry).
3. Transport	Commercial Invoice	Details of goods, value, buyer/seller info—used for valuation and taxation.
4. Origin	Certificate of Origin (CoO)	Certifies the country of origin; required for availing trade agreement benefits.

Purpose	Document Name	Description
5. Payment	Packing List	Itemized list of goods in the shipment; helps Customs verify contents.

Impact of Document Reduction -

1. Elimination of Redundancy

- Many documents previously overlapped in content.
- FTP 2025 removes duplication and focuses on core data points.

2. Faster Clearance

- Fewer documents mean quicker scrutiny and reduced dwell time at ports.
- Supports **faceless assessment** and **pre-arrival processing**.

3. Digital Submission

- All five documents can be submitted electronically via portals like ICEGATE and DGFT.
- Promotes paperless trade and minimizes physical interaction.

4. Global Alignment

Matches international standards set by WTO Trade Facilitation Agreement and UNESCAP.

- Enhances India's credibility and competitiveness in global trade.

Supporting Reforms

- Proof of Origin replaces Certificate of Origin under CAROTAR 2020 for trade agreements.
- ICETAB system enables automated cargo examination and digital image uploads.
- Self-certification allowed for status holders to reduce compliance burden.

Impact on Stakeholders

Stakeholder	Benefit
MSMEs	Easier entry into global trade
Exporters	Reduced compliance cost and faster refunds
Customs	Streamlined operations and better risk profiling
Logistics Firms	Quicker cargo movement and reduced delays

Exporting Importing Counter Trade

Exporting - the process of selling goods or services produced in one country to another. It helps:

- Earn foreign exchange
- Expand market reach
- Boost domestic production

Importing - the act of buying goods or services from another country. It allows:

- Access to advanced technology
- Fulfillment of domestic shortages
- Competitive pricing for consumers

India trades with over 220 countries, exporting engineering goods, textiles, pharmaceuticals, and importing crude oil, electronics, and machinery.

Countertrade: An Alternative Trade Mechanism

Countertrade is a form of international trade where goods and services are exchanged directly—without using money as the primary medium. It's especially useful when:

- Countries face foreign exchange shortages
- Trade involves politically sensitive regions
- Conventional payment systems are restricted

Types of Countertrade Arrangements

Type	Description
Barter	Direct exchange of goods/services without money
Counterpurchase	Exporter sells goods and agrees to buy unrelated goods in return
Buyback	Exporter supplies equipment and receives output from that equipment
Offset	Common in defense deals; seller agrees to invest or source locally
Switch Trading	Third party buys and resells obligations between two countries
Clearing Agreements	Bilateral trade settled through clearing accounts, often in local currency

India has used countertrade in sectors like **defense, energy, and infrastructure**, especially with countries facing currency constraints.

Pros	Cons
Conserves foreign exchange	Difficult valuation and pricing

Pros	Cons
Enables trade during sanctions	Limited demand for exchanged goods
Secures critical imports	Time-consuming negotiations
Builds diplomatic and trade ties	No formal policy framework in India

Countertrade in India: Policy & Practice

RBI Guidelines

- Countertrade must comply with Foreign Exchange Management Act (FEMA).
- Transactions must be priced at international market rates.
- Escrow accounts in USD may be used, but no interest is paid on balances.

Institutional Support

- EXIM Bank of India promotes countertrade for resource security and development partnerships.
- India uses countertrade to access critical minerals, technology, and infrastructure services from emerging economies.

Strategic Benefits for India

- Diversifies export markets beyond traditional cash-based trade
- Strengthens diplomatic ties with developing nations
- Secures resources like oil, gas, and rare earths
- Supports MSMEs by opening non-traditional trade routes

Challenges

- Complex negotiations and legal frameworks
- Risk of unequal value exchange
- Limited scalability in high-tech or perishable goods

Countertrade is a powerful tool in India's foreign trade arsenal—especially in times of global financial uncertainty or geopolitical tension. While traditional exporting and importing remain dominant, countertrade offers flexibility, resilience, and strategic depth.

Promise and Pitfall of Exporting

Exporting has long been a cornerstone of India's economic strategy, offering immense potential while also presenting complex challenges.

The Promise of Exporting in India

1. Economic Growth & Foreign Exchange

- Exporting fuels GDP growth and brings in valuable foreign currency.
- India earned over $450 billion in exports in recent years, with sectors like IT, pharmaceuticals, and textiles leading the charge.

2. Market Diversification

- Exporting reduces dependence on domestic demand.
- Indian businesses can tap into global markets like the US, EU, and ASEAN, spreading risk and increasing resilience.

3. Higher Profit Margins

- Global markets often offer better pricing than domestic ones.
- For example, Indian agricultural products like spices and basmati rice fetch premium prices abroad.

4. Boost to Employment

- Export-oriented industries create jobs in manufacturing, logistics, and services.
- MSMEs (Micro, Small & Medium Enterprises) benefit significantly from export incentives.

5. Government Support

- Schemes like RoDTEP (Remission of Duties and Taxes on Exported Products) and MEIS (Merchandise Exports from India Scheme) offer financial incentives.
- Exporters also receive support through EXIM Bank, DGFT, and SEZs (Special Economic Zones).

The Pitfalls of Exporting in India

1. Complex Documentation & Compliance

- Exporting from India involves numerous documents—from shipping bills to certificates of origin—which can be overwhelming.
- Regulatory clarity is often lacking, especially for new exporters.

2. Infrastructure Bottlenecks

- Port congestion, poor road connectivity, and outdated logistics systems slow down shipments.
- Inland transport costs in India are among the highest globally.

3. Global Competition

- Indian exporters face stiff competition from countries like China, Vietnam, and Bangladesh.
- Price wars and quality expectations can be difficult to match.

4. Limited Awareness of Schemes

- Many exporters are unaware of government benefits and trade agreements.
- Lack of training and outreach limits participation, especially among rural and small-scale producers.

5. Currency Fluctuations

- Volatile exchange rates can erode profit margins.
- Hedging tools exist but are underutilized by smaller exporters.

6. Trade Barriers & Protectionism

- Tariffs, anti-dumping duties, and non-tariff barriers in importing countries can restrict access.
- Geopolitical tensions (e.g., with China or the EU) may impact trade flows.

Strategic Takeaways

Promise	**Pitfall**
Expands market reach	Complex compliance and documentation
Enhances profitability	Infrastructure and logistics challenges
Strengthens national economy	Fierce global competition
Creates jobs and innovation	Limited awareness of export schemes
Government incentives available	Vulnerability to currency and policy shifts

Improving Export Performance in India

Improving India's export performance is not just about increasing volumes—it's about building resilience, competitiveness, and global relevance. Here's a detailed breakdown of **strategic suggestions**, backed by examples and insights from recent policy and industry trends:

1. Strengthen Export Infrastructure

- Modernize ports and logistics hubs to reduce turnaround time.
- Develop dedicated freight corridors and cold chain networks for perishables.
- Expand dry ports and inland container depots in landlocked regions.

Example: The **Sagarmala Project** aims to enhance port connectivity and reduce logistics costs, especially for coastal states like Gujarat and Tamil Nadu.

2. Digitize Trade Processes

- Implement end-to-end digital documentation for customs, shipping, and compliance.
- Use blockchain for secure and transparent trade records.
- Integrate exporters with platforms like India Stack for seamless data sharing.

Example: The **ICEGATE portal** by CBIC allows online filing of shipping bills and customs documentation, reducing delays and paperwork.

3. Boost MSME Participation

- Provide easy access to trade finance through digital platforms and alternate products like cross-border factoring.
- Offer capacity-building programs on global standards, packaging, and branding.
- Create cluster-based export hubs for textiles, handicrafts, and agro-products.

Example: The **One District One Product (ODOP)** initiative promotes unique local products for export, such as **Banarasi silk** from Varanasi or **Mango pulp** from Ratnagiri.

4. Diversify Export Markets

- Reduce overdependence on traditional markets (US, EU) by exploring Africa, Latin America, and Central Asia.
- Sign bilateral trade agreements with emerging economies.
- Use Export Preparedness Index to identify state-level strengths and target new geographies.

Example: India's **FTA with UAE** (CEPA) has boosted exports of gems, jewellery, and textiles by reducing tariffs and improving market access.

5. Invest in Innovation and R&D

- Encourage product innovation tailored to global demand.
- Support tech-driven sectors like biotech, EV components, and green energy.
- Provide R&D grants for export-oriented startups.

Example: India's **pharmaceutical exports** surged due to innovation in generic drugs and vaccines, especially during the COVID-19 pandemic.

6. Improve Data and Market Intelligence

- Create a centralized export dashboard for real-time analytics.
- Offer AI-driven insights on global demand trends, competitor pricing, and regulatory changes.
- Train exporters to use data tools for strategic decision-making.

Example: Platforms like **Trade Intelligence Portal** by DGFT help exporters identify HS codes, tariff rates, and market opportunities.

7. Policy and Regulatory Reforms

- Simplify GST refund processes for exporters.
- Harmonize standards with international norms (ISO, Codex).
- Create a single-window clearance system for all export-related approvals.

Example: The **RoDTEP scheme** refunds embedded taxes not covered by other schemes, making Indian goods more competitive globally.

UNIT II

International marketing for export-import management involves a structured process encompassing market research, product and market selection, and adapting the four P's (product, price, place, promotion) to foreign markets. Key components include developing a marketing plan, managing logistics and documentation, handling international regulations and payments, and strategically selecting transportation and market entry methods.

Core components

1. **Market Research:**

Identify demand, competition, and regulatory requirements in foreign markets.
Analyze trade data, including volume, value, and direction of trade.
Conduct competitive analysis to understand market position.

2. **International Marketing Mix (4 P's):**

Product: Select products suitable for export and adapt them to international standards if necessary.
Price: Develop pricing strategies that are both competitive and profitable in the target market.
Place: Choose appropriate distribution channels, such as direct export, or appoint agents.
Promotion: Create international promotional strategies, including advertising, participation in trade fairs, and using mailing lists.

3. **Documentation and Compliance:**

Prepare all necessary export and import documents, such as bills of lading, certificates of origin, and letters of credit.
Ensure compliance with domestic and international trade regulations and customs procedures.

4. **Logistics and Operations:**

Arrange for the transportation of goods from the port of origin to the port of destination.
Process export orders, from confirmation and quality inspection to final delivery and payment.
Manage foreign exchange and risk assessment.

5. **Strategic Planning:**

Develop a comprehensive export marketing plan and a clear budget.
Define business goals, export targets, and financial resources.

6. **Market Entry and Risk Management:**

Select appropriate market entry strategies, such as direct investment or joint ventures.
Address risks through careful planning and by understanding legal aspects like arbitration clauses.

Dumping - Barriers can be used to counteract "dumping," where foreign companies sell goods below the cost of production to gain market share and eliminate competition.
Improving the Balance of Trade/Payments: By reducing imports and promoting exports (through

subsidies), a country can work to correct a trade deficit and conserve its foreign exchange reserves.

Generating Government Revenue: Tariffs on imported goods serve as a source of income for the government, particularly in developing nations.

Retaliation: A country might impose trade barriers in response to another country's unfair trade policies or restrictions, using them as a bargaining tool in international negotiations.

Protecting Consumer Health and the Environment: Standards and regulations (NTBs) can be implemented to ensure that imported products meet specific health, safety, and environmental standards, protecting the domestic population.

TRADE BARRIERS

A trade barrier is any government policy, regulation, or rule that restricts or controls the flow of goods and services between countries. The primary purpose is often to protect domestic industries from foreign competition, encourage local production, or achieve specific political or social objectives.

Components and Types of Trade Barriers

Trade barriers are generally categorized into two main components: tariff barriers and non-tariff barriers (NTBs).

Tariffs are taxes on imported goods, which increase their price, while non-tariff barriers are other restrictions like quotas, embargoes, and regulations that limit trade without using taxes. Both are used to protect domestic industries from foreign competition, but tariffs make imports more expensive, whereas non-tariff barriers limit the quantity or type of goods that can be imported.

i. **Tariff Barriers**

Tariffs are financial barriers that involve imposing taxes or duties on imported goods. This increases the price of the foreign product, making it less competitive compared to domestically produced goods.

ii. **Specific Tariffs:** A fixed fee charged per unit of an imported item (e.g., a specific dollar amount per television).

iii. **Ad Valorem Tariffs**: A tax calculated as a percentage of the imported good's value (e.g., 10% of the value of an imported car).

iv. **Punitive Tariffs:** High taxes intended to penalize other countries for unfair trade practices like dumping or subsidies.

B. Non-Tariff Barriers (NTBs)

Non-tariff barriers involve rules and regulations that make trade more difficult or expensive without applying a direct tax. These can be more subtle but highly effective restrictions.

i. **Quotas**: A direct limit on the quantity of a specific product that can be imported into a country within a given timeframe.

Subsidies: Government financial support provided to domestic industries, making their products cheaper to produce and more competitive against imports.

ii. **Import Licenses/Permits**: A government requirement for an importer to obtain a special license to bring specific (often restricted) goods into the country, limiting who can import and how much.

iii. **Embargoes/Sanctions:** A complete ban on trade with a specific country or for a specific product, often implemented for political reasons.

iv. **Regulatory & Technical Standards**: Stringent product quality, safety, health (sanitary and phytosanitary measures), or labeling requirements that foreign producers may find difficult or costly to meet.

v. **Voluntary Export Restraints (VERs):** An agreement between an importing and an exporting country in which the exporter "voluntarily" agrees to limit the quantity of a particular good it exports to avoid mandatory restrictions imposed by the importing country.

vi. **Local Content Requirements**: A regulation demanding that a certain percentage of a product's components or value be domestically produced.

For more information, the World Trade Organization (WTO) website provides details on trade regulations and agreements, including the Agreement on Technical Barriers to Trade.

Feature	Tariff Barriers	Non-Tariff Barriers
Definition	Taxes (duties) on imported goods that increase their cost.	Non-tax restrictions that limit imports.
Mechanism	Monetary charge on the value or quantity of imports.	Regulations, quotas, licenses, standards, and embargoes.
Examples	Import duties, export duties, specific tariffs, ad valorem tariffs	Import quotas, licensing requirements, embargoes, strict product standards, and subsidies.
Impact on Cost	Directly increases the cost of imported goods.	Increases costs indirectly by creating hurdles, delays, and the need for special compliance.
Clarity	Generally clear and measurable, though complex tariffs exist.	Can be less clear, more complex, and difficult to understand or overcome.
Includes	import duties and export duties, which are taxes on imported and exported goods respectively	Non-tariff barriers include quotas, embargo

EXPORT AND IMPORT FINANCING PROCEDURES

Export–Import financing refers to the financial methods and institutional support systems that help exporters and importers conduct international trade smoothly. Since global trade involves long distances, different legal systems, foreign exchange, and high risk, specialized financial procedures are necessary to support business operations.

1. Meaning and Concept of Export–Import Finance

Export finance means providing financial assistance to exporters to produce, pack, ship, and sell goods abroad. Import finance refers to financial facilities given to importers to pay foreign suppliers and clear imported goods. These financial services are usually provided by commercial banks, EXIM Bank, and other trade promotion institutions.

2. Objectives of Export and Import Financing

• To provide working capital for international trade activities.
• To bridge the time gap between shipment of goods and receipt of payment.
• To reduce commercial and political risks.
• To promote foreign trade and economic development.
• To help new and small exporters enter global markets.

PART A: EXPORT FINANCING

Export finance is the credit and financial support provided to exporters before and after shipment of goods. It is broadly classified into pre-shipment finance and post-shipment finance.

A. Pre-Shipment Finance (Packing Credit)

Pre-shipment finance is the financial assistance provided to exporters before goods are shipped. It is used for purchasing raw materials, processing, manufacturing, packaging, warehousing, and inland transportation.

Procedure of Pre-Shipment Finance:

1 Receipt of export order or letter of credit from foreign buyer.
2 Exporter applies to bank with required documents.
3 Bank evaluates creditworthiness and sanctions packing credit.
4 Funds are released to exporter.
5 Exporter manufactures and packs goods.
6 Goods are shipped within the permitted time.

B. Post-Shipment Finance

Post-shipment finance is provided after goods have been dispatched but before payment is received. It helps exporters maintain liquidity and continue business operations.

Forms of Post-Shipment Finance:

• Discounting of export bills.
• Advance against export bills.
• Export credit insurance support.

Procedure of Post-Shipment Finance:

1 Shipment of goods.
2 Submission of shipping documents to bank.
3 Bank verifies documents.
4 Finance is granted by discounting bills.
5 Bank collects payment from foreign buyer.
6 Loan is adjusted after receipt of payment.

5. Institutions Supporting Export Finance in India

• Commercial Banks
• EXIM Bank of India
• Reserve Bank of India (RBI)
• Export Credit Guarantee Corporation (ECGC)
• Directorate General of Foreign Trade (DGFT)

PART B: IMPORT FINANCING

Import financing refers to the financial assistance provided to importers to pay foreign suppliers and meet import-related expenses.

Need for Import Finance

• To pay foreign exporters.
• To cover customs duty and port charges.
• To manage long shipping periods.
• To maintain working capital.

Methods of Import Financing

• Advance payment
• Letter of Credit (L/C)
• Documents against Payment (D/P)
• Documents against Acceptance (D/A)
• Import loans
• Trust receipt
• Bank guarantee

Procedure of Import Financing

1 Trade enquiry and quotation.
2 Obtaining import license (if required).
3 Arranging foreign exchange.
4 Opening of Letter of Credit.
5 Shipment of goods.
6 Submission of documents.
7 Payment or acceptance of bill.
8 Release of documents.
9 Clearing goods from port.
10 Final settlement with bank.

Role of Letter of Credit in Import Finance

A Letter of Credit is a written undertaking by the importer's bank to pay the exporter on presentation of specified documents. It reduces risk and ensures trust between trading partners.

Problems in Export–Import Financing

• Foreign exchange fluctuations.
• Political and commercial risks.
• Delay in payments.
• Complex documentation.
• High bank charges.

Conclusion

Export and import financing procedures play a vital role in promoting international trade. Proper financial support ensures smooth flow of goods, stability in business operations, and overall economic growth.

14 STEPS FOR CONDUCTING AN EXPORT TRANSACTION

An **export transaction** means the complete process by which goods are sent from one country to another and payment is received from the foreign buyer. Because international trade involves distance, risk, and legal formalities, exports follow a **systematic procedure**.

1. Receipt of Trade Enquiry

The export process begins when a **foreign buyer sends an enquiry** to the exporter.
It may include:

- Description of goods
- Quantity
- Quality standards

- Delivery schedule
- Price expectations

Purpose: To know buyer's requirements and assess feasibility.

2. Sending Quotation / Proforma Invoice

The exporter replies by sending a **quotation or proforma invoice**.

It contains:

- Price (FOB/CIF)
- Product details
- Payment terms
- Delivery period
- Packing and insurance terms

Purpose: To make a formal offer to the buyer.

3. Receipt of Export Order / Indent

If the buyer agrees, they send an **export order (indent)**.

It includes:

- Quantity and quality
- Price and delivery terms
- Shipping instructions
- Payment method (L/C, advance, D/P, etc.)

Purpose: It is legal confirmation of the deal.

4. Confirmation of Order

Exporter examines the order carefully and sends **order confirmation**.

Checks include:

- Profitability
- Production capacity
- Payment safety
- Country risk

Purpose: To formally accept the export contract.

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

If payment is through L/C, the importer opens a **Letter of Credit** in favor of exporter.

L/C assures that:

- Bank will pay exporter
- If correct documents are presented

Purpose: To reduce payment risk.

6. Obtaining Export License & Registration

Exporter must complete legal formalities:

- Import Export Code (IEC)
- Registration with export promotion council
- Export license (if goods are restricted)

Purpose: Legal permission to export goods.

7. Pre-Shipment Finance (Packing Credit)

Exporter approaches bank for **pre-shipment finance**.

Used for:

- Buying raw materials
- Manufacturing
- Packaging
- Transport to port

Purpose: To arrange working capital before shipment.

8. Production / Procurement and Packing

Exporter:

- Manufactures or purchases goods
- Ensures quality control
- Packs goods as per international standards
- Labels and marks packages

Purpose: To make goods export-worthy.

9. Appointment of Clearing & Forwarding Agent

Exporter appoints a **C&F agent** to handle port formalities such as:

- Customs clearance
- Documentation
- Booking cargo space
- Loading goods

Purpose: To professionally manage export documentation and port work.

10. Shipment of Goods

Steps involved:

- Space booked in ship/aircraft

- Goods moved to port
- Customs examination
- Shipping Bill submitted
- Goods loaded on vessel

Exporter receives **Bill of Lading / Airway Bill**.

Purpose: Physical movement of goods to foreign country.

11. Preparation and Submission of Documents

Exporter prepares important documents such as:

- Commercial invoice
- Packing list
- Bill of lading
- Insurance policy
- Certificate of origin
- Bill of exchange

These are submitted to bank.

Purpose: To claim payment from importer.

12. Post-Shipment Finance

Bank provides **post-shipment finance** by:

- Discounting export bills
- Advancing money against documents

Purpose: To maintain cash flow till payment is received.

13. Realisation of Export Proceeds

Importer pays the amount to exporter's bank.

Payment modes:

- L/C (Letter of Credit)
- D/P (Document against Payment)
- D/A (Document against Acceptance)
- Wire transfer

Bank credits exporter's account.

Purpose: Completion of payment process.

14. Settlement of Claims and Incentives

Final step includes:

- Settlement of bank loan

- Claiming export incentives
- Handling customer complaints
- Maintaining export records

Purpose: Closing the export transaction formally.

Conclusion

Export transaction is a long but systematic process involving:

- Market contact
- Legal formalities
- Financing
- Logistics
- Documentation
- Payment realization

Proper knowledge of these steps helps exporters reduce risk and operate successfully in global markets.

Export Assistance

Export assistance refers to the various **facilities, incentives, financial support, institutional help, and services** provided by the **government, banks, and export promotion agencies** to encourage and support exporters.

Since exporting involves:

- High risk
- Heavy finance
- Complex procedures
- International competition

exporters need organized assistance to operate successfully.

In India, export assistance is provided mainly by the **Government of India, RBI, EXIM Bank, ECGC, commercial banks, and Export Promotion Councils.**

Objectives of Export Assistance

The main objectives are:

- To promote **foreign trade**
- To increase **foreign exchange earnings**
- To encourage **new and small exporters**
- To make Indian goods **globally competitive**
- To reduce **export risk**
- To provide **financial and technical support**

Example: MSME exporters get subsidized credit and marketing support to enter international markets.

Types of Export Assistance

Export assistance can be broadly classified into:

1. **Financial Assistance**
2. **Institutional Assistance**
3. **Marketing Assistance**
4. **Technical and Development Assistance**
5. **Fiscal and Policy Assistance**

PART A: FINANCIAL EXPORT ASSISTANCE

Financial assistance helps exporters arrange funds and protect against losses.

1. Pre-Shipment Financial Assistance

Finance given **before goods are shipped**.

Includes:

- Packing credit
- Advance against export orders
- Working capital loans

Used for:

- Buying raw materials
- Manufacturing
- Packaging
- Inland transportation

Example:

A garment exporter in Tiruppur gets packing credit from SBI to purchase cloth and pay workers before exporting shirts to Germany.

2. Post-Shipment Financial Assistance

Finance given **after shipment but before payment is received.**

Includes:

- Discounting export bills
- Advance against bills
- Export factoring

Used to maintain cash flow.

Example:

An exporter ships tea to the UK and discounts the export bill with the bank to get immediate money.

3. Export Credit Insurance (ECGC)

The **Export Credit Guarantee Corporation of India (ECGC)** protects exporters against:

- Non-payment by foreign buyer
- Political risks (war, import ban, currency restrictions)

Benefits:

- Reduces financial risk
- Increases confidence of banks

Example:

If a buyer in Africa fails to pay due to political unrest, ECGC compensates the Indian exporter.

PART B: INSTITUTIONAL EXPORT ASSISTANCE

Various institutions guide and support exporters.

1. Role of EXIM Bank of India

EXIM Bank provides:

- Long-term export credit
- Overseas investment finance
- Technology and project exports support
- Advisory services

Example:

EXIM Bank finances an Indian company setting up a power plant project in Sri Lanka.

2. Role of Commercial Banks

Commercial banks provide:

- Pre and post shipment finance
- Foreign exchange services
- Letter of credit services
- Advisory support

Example:

A handicraft exporter uses HDFC Bank for packing credit and foreign payment collection.

3. Export Promotion Councils (EPCs)

EPCs are product-specific organizations that:

- Promote Indian exports
- Conduct trade fairs
- Provide market information
- Issue Registration-cum-Membership Certificate (RCMC)

Examples:

- APEDA (Agricultural exports)
- EEPC (Engineering exports)
- FIEO (Federation of Indian Export Organisations)

Example:

APEDA helps mango exporters find buyers in the Middle East.

PART C: MARKETING EXPORT ASSISTANCE

Marketing support helps exporters find markets and buyers.

1. Market Research and Information Support

Government agencies provide:

- Overseas market reports
- Trade statistics
- Buyer–seller meets
- Export opportunities alerts

Example:

DGFT publishes reports on demand for Indian spices in Europe.

2. Trade Fairs and Exhibitions

Government sponsors participation in:

- International trade fairs
- Buyer-seller meets
- Virtual expos

Purpose:

- To promote Indian products
- To find foreign buyers

Example: Indian exporters participating in Dubai Expo to display handicrafts and textiles.

PART D: TECHNICAL & DEVELOPMENT EXPORT ASSISTANCE

1. Quality Control and Standardization Support

Assistance in:

- ISO certification
- Packaging standards
- Testing laboratories
- Product upgradation

Example: An electronics exporter gets help from BIS and EIC to meet European quality standards.

2. Training and Skill Development

Support through:

- Export management training
- Documentation workshops
- Digital export programs

Institutions:

- IIFT
- NIFT
- Indian Institute of Packaging

Example: A startup attends DGFT training on export documentation.

PART E: FISCAL & POLICY EXPORT ASSISTANCE

1. Export Incentives and Schemes

Government provides:

- Duty drawback
- RoDTEP
- SEZ benefits
- Export promotion capital goods (EPCG) scheme
- Tax benefits

Purpose:

- Reduce export cost
- Improve global competitiveness

Example: A footwear exporter receives duty drawback on imported leather used in exported shoes.

2. Infrastructure and Logistics Support

Includes:

- Special Economic Zones (SEZs)
- Export processing zones
- Inland container depots
- Port development

Example: An exporter in SEZ enjoys tax benefits and faster customs clearance.

Advantages of Export Assistance

- Encourages new exporters
- Reduces financial burden

- Minimizes risk
- Improves product quality
- Expands global reach
- Increases national income

Conclusion

Export assistance plays a vital role in the growth of international trade. With financial, institutional, marketing, and technical support, exporters can overcome risks, compete globally, and contribute to economic development.

Export–Import Primary Considerations

Primary considerations in export–import trade are the **basic factors that must be carefully examined before entering into any international trade transaction.**

These considerations help exporters and importers to:

- Reduce risk
- Avoid losses
- Follow legal procedures
- Select the right market, buyer, product, and payment method

They act as the **foundation of successful foreign trade.**

Need for Primary Considerations

Because international trade involves:

- Distance and time gap
- Foreign laws and currencies
- Political and commercial risks
- Cultural and quality differences

primary considerations become essential.

Example: An exporter who ignores foreign quality standards may face rejection of goods at the destination port.

MAJOR EXPORT–IMPORT PRIMARY CONSIDERATIONS

1. Selection of Product

The exporter must choose a product that:

- Has **demand in foreign markets**
- Meets **international quality standards**
- Can be supplied regularly

- Is cost-competitive

Factors to consider:

- Consumer preferences
- Climate and culture
- Packaging requirements
- Import restrictions

Example: Cotton garments from India have high demand in Europe, but woollen products suit colder countries better.

2. Market Selection

Selecting the right country/market is crucial.

Consider:

- Market size and growth
- Import regulations
- Competition
- Political stability
- Trade barriers
- Transport cost

Example: Exporting rice to Middle Eastern countries is easier than Europe due to fewer quality barriers and high Indian diaspora demand.

3. Buyer Selection and Creditworthiness

Exporter must ensure the foreign buyer is:

- Financially sound
- Reputable
- Experienced

Tools used:

- Bank references
- Trade chambers
- ECGC reports

Example: Before exporting machinery worth ₹50 lakhs, the exporter verifies the buyer's payment history through the bank.

4. Price Determination

Export price must cover:

- Cost of production
- Packaging

- Transport
- Insurance
- Duties
- Profit margin

Also consider:

- International competition
- Currency rates
- Incoterms (FOB, CIF, etc.)

Example: An exporter quoting CIF price includes insurance and freight in the final price.

5. Payment Terms and Methods

Exporter must choose safe payment methods such as:

- Advance payment
- Letter of Credit
- D/P and D/A

Decision depends on:

- Buyer's reliability
- Country risk
- Order value

Example: For a new buyer from Africa, exporter prefers 100% advance or confirmed L/C.

6. Foreign Exchange Risk

Changes in exchange rates can cause:

- Profit or loss

Exporters should consider:

- Hedging
- Forward contracts
- Invoicing currency

Example: If rupee strengthens after contract, exporter may receive less in rupees.

7. Legal and Regulatory Requirements

Exporter/importer must follow:

- Export-import policy
- Customs law
- FEMA
- Product-specific regulations
- Documentation requirements

Example: Pharmaceutical exporters must follow USFDA or WHO standards.

8. Quality Standards and Specifications

Products must comply with:

- International standards
- Importing country laws
- Buyer's specifications

Includes:

- Testing
- Certification
- Labelling

Example: Food exporters need phytosanitary certificates.

9. Packaging, Labelling and Marking

Must suit:

- Long transportation
- Climate
- Foreign language laws
- Handling requirements

Example: Fragile electronic items need moisture-proof and shock-proof packaging.

10. Transportation and Logistics

Consider:

- Mode of transport
- Cost
- Delivery time
- Port facilities
- Risk involved

Example: Perishable goods like grapes are exported by air, not by sea.

11. Insurance Coverage

Insurance protects against:

- Loss
- Damage
- Theft
- Marine risks

Types:

- Marine insurance

- Cargo insurance

Example: Fire damage to shipment at sea is covered under marine insurance.

12. Documentation and Customs Procedure

Export requires accurate documents like:

- Invoice
- Packing list
- Bill of lading
- Certificate of origin
- Insurance policy

Example: Incorrect documents can delay customs clearance and payment.

13. Government Incentives and Assistance

Exporter should consider:

- Export incentives
- Duty drawback
- Financial schemes
- Institutional support

Example: Using RoDTEP scheme reduces export cost.

---

14. Political and Commercial Risk

Includes:

- War
- Import bans
- Buyer insolvency
- Payment default

Protection:

- ECGC cover
- Secure payment modes

Example: Political instability may block payment even if buyer is willing.

Importance of Primary Considerations

- Reduce uncertainty
- Improve profitability
- Prevent fraud and loss
- Ensure legal compliance
- Support long-term export success

Conclusion

Export–import primary considerations are the **basic pillars of foreign trade decision-making.** Careful analysis of product, market, buyer, price, payment, risk, legal environment, and logistics is essential for safe and successful international business.

UNIT III

Import–Export Documentation

Import–export documentation refers to the preparation, processing, and presentation of various **legal, commercial, financial, and transport documents** required to carry out international trade transactions.

These documents serve as:

- **Proof of shipment**
- **Proof of ownership**
- **Basis for payment**
- **Evidence for customs clearance**
- **Legal protection**

Example: A **Bill of Lading** proves that goods have been shipped and also acts as a document of title.

Nature and Characteristics of Export–Import Documents

Import–export documents are:

- **Legal in nature** – required under customs, foreign trade, and exchange laws

- **Internationally standardized** – formats recognized globally
- **Transaction-specific** – prepared for each export/import order
- **Multi-purpose** – used by banks, customs, shipping companies, and insurance firms
- **Evidence-based** – act as proof in disputes

Example: A **Commercial Invoice** is used by customs to assess duty and by banks to release payment.

Objectives of Import–Export Documentation

The main objectives are:

1. To **comply with legal and customs requirements**
2. To **facilitate payment** from foreign buyers
3. To **enable transportation and insurance**
4. To **provide proof of export/import**
5. To **protect rights of exporter and importer**

Example: Without a proper **Certificate of Origin**, some countries may refuse tariff concessions.

Importance of Import–Export Documentation

Documentation is important because it:

- Ensures **smooth movement of goods**
- Helps in **customs clearance**
- Enables **bank financing**
- Acts as **evidence in case of disputes**
- Helps in **claiming export incentives**

Example: Incorrect documents may cause goods to be held at port, increasing storage charges.

Parties Involved in Export–Import Documentation

Several agencies are involved:

- Exporter and Importer
- Commercial banks
- Shipping companies / airlines
- Insurance companies
- Customs authorities
- Clearing and forwarding agents

Example: A clearing agent prepares the **Shipping Bill** and coordinates with customs.

Types of Import–Export Documents (Introductory Classification)

Export–import documents are broadly classified into:

A. Commercial Documents

Used in trade and sale of goods.

Examples:

- Commercial Invoice
- Packing List
- Certificate of Origin

Example: Invoice shows value of goods sold.

B. Transport Documents

Issued by shipping or airline companies.

Examples:

- Bill of Lading
- Airway Bill

Example: Bill of Lading acts as receipt and title document.

C. Financial Documents

Related to payment.

Examples:

- Bill of Exchange
- Letter of Credit
- Bank draft

Example: Bill of exchange is used to demand payment.

D. Insurance Documents

Used for risk coverage.

Examples:

- Marine Insurance Policy
- Insurance Certificate

Example: Insurance policy protects exporter against loss at sea.

E. Regulatory / Official Documents

Required by government authorities.

Examples:

- Shipping Bill
- Bill of Entry
- Export license
- Certificate of inspection

Example: Bill of Entry is compulsory for customs clearance of imports.

Key Export Documents (Brief Introduction with Examples)

- **Commercial Invoice:** Details of goods sold, price, buyer, and seller.
- **Packing List:** Shows how goods are packed.
- **Bill of Lading:** Proof of shipment and ownership.
- **Certificate of Origin:** Country where goods are produced.
- **Insurance Policy:** Risk coverage document.
- **Shipping Bill:** Customs export permission.

Example: To export tea to the UK, exporter submits shipping bill, invoice, bill of lading, and insurance certificate.

Key Import Documents (Brief Introduction with Examples)

- **Bill of Entry:** Legal document for customs clearance.
- **Commercial Invoice:** Basis for duty calculation.
- **Bill of Lading / Airway Bill:** Needed to take delivery of goods.
- **Import License (if required)**
- **Insurance document**

Example: An Indian electronics importer files Bill of Entry to clear goods at Mumbai port.

Problems Caused by Improper Documentation

- Delay in shipment
- Rejection of documents by banks
- Non-payment or delayed payment
- Legal disputes
- Heavy demurrage charges

Example: Wrong description in invoice may lead to customs penalties.

Role of Documentation in International Trade

Documentation acts as:

- A **bridge between exporter, importer, and banks**
- A **legal proof of transaction**
- A **tool for risk control**
- A **means to claim incentives**

Conclusion

Import–export documentation forms the **backbone of international trade**. Proper documentation ensures legal compliance, smooth logistics, secure payment, and risk protection. Without accurate documents, no export or import transaction can be successfully completed.

Freight Forwarder's Power of Attorney (POA)

A **Power of Attorney (POA)** given to a **freight forwarder** is a **legal authorization** by an exporter or importer allowing the freight forwarder to **act on their behalf** in matters related to transportation, customs clearance, documentation, and logistics.

It legally empowers the freight forwarder to:

- Sign documents
- Deal with customs authorities
- Arrange shipment
- Receive cargo documents
- Pay duties and charges

Example: An exporter in Jaipur gives POA to a freight forwarder to clear handicrafts through Mumbai port and arrange shipment to France.

Need for Power of Attorney

International trade involves:

- Complex documentation
- Port and customs formalities
- Coordination with many agencies

Exporters/importers often lack technical expertise or time. Hence, they appoint freight forwarders legally through POA.

Example: A small business exporting spices authorizes a freight forwarder to handle customs and shipping procedures.

Legal Nature of POA

A POA:

- Creates an **agent–principal relationship**
- Must be **written and signed**
- Can be **general or specific**
- Is recognized under **contract and agency laws**

It defines:

- Rights
- Duties
- Limitations

Example: A POA may allow documentation and customs work but not financial commitments.

Main Powers Granted to a Freight Forwarder

Below are the **important powers usually included in a freight forwarder's POA**:

(1) Power to Prepare and Sign Documents

Freight forwarder can:

- Prepare shipping bills
- Commercial invoices
- Packing lists
- Bills of lading instructions
- Customs declarations

Example: Forwarder signs shipping bill on behalf of exporter.

(2) Power to Deal with Customs Authorities

They are authorized to:

- File export/import declarations
- Present goods for inspection
- Answer customs queries
- Obtain customs clearance

Example: Forwarder submits Bill of Entry to customs to clear imported machinery.

(3) Power to Arrange Transportation and Shipment

Forwarder can:

- Book cargo space
- Choose carriers
- Issue shipping instructions
- Coordinate loading/unloading

Example: Forwarder books container space on Maersk Line for shipping textiles to the USA.

(4) Power to Receive and Deliver Cargo Documents

They can collect:

- Bill of lading
- Delivery order
- Airway bill
- Dock receipt

Example: Forwarder collects original Bill of Lading from shipping line.

(5) Power to Arrange Insurance

Forwarder can:

- Arrange marine insurance
- Receive insurance policies
- Lodge claims

Example: Forwarder insures shipment of glassware against breakage risk.

(6) Power to Pay Duties, Taxes, and Charges

They may:

- Pay customs duty
- Port charges
- Freight charges
- Demurrage

Example: Forwarder pays customs duty for imported electronic goods.

(7) Power to Handle Warehousing and Distribution

Forwarder can:

- Arrange storage
- Inland transport
- Stuffing and de-stuffing containers
- Delivery to consignee

Example: Forwarder stores goods in bonded warehouse before shipment.

(8) Power to Represent in Disputes and Claims

Forwarder can:

- File claims
- Respond to notices
- Attend customs hearings

Example: Forwarder represents importer in case of damage claim against shipping company.

Types of POA for Freight Forwarders

(A) General Power of Attorney

Gives broad authority for all shipping-related matters.

Example: Appointing a freight forwarder for all exports during a year.

(B) Special Power of Attorney

Limited to a specific shipment or task.

Example: Authorizing forwarder only to clear one import consignment.

Advantages of Granting POA

- Saves time
- Professional handling
- Reduces legal and documentation errors
- Faster customs clearance
- Better coordination
- Risk reduction

Example: Exporters focus on production while forwarders manage logistics.

Limitations and Precautions

Exporter/importer should:

- Clearly define scope of authority
- Appoint licensed and reputed forwarders
- Avoid giving unrestricted financial powers
- Monitor performance
- Keep copies of all documents

Example: POA may allow documentation but restrict contract signing.

Cancellation of Power of Attorney

POA can be cancelled:

- By written notice
- On completion of task
- On expiry date
- On death or insolvency

Example: Exporter cancels POA after changing freight forwarder.

Importance of Freight Forwarder's POA in International Trade

- Legally empowers logistics experts
- Ensures compliance with customs law
- Smoothens export–import operations
- Minimizes procedural delays
- Protects interests of principal

Conclusion

Freight forwarder's Power of Attorney is a vital legal instrument in international trade. It authorizes professionals to manage complex logistics, customs, and documentation on behalf of exporters and importers, ensuring smooth, lawful, and efficient global trade operations.


K&K GLOBAL LLC

SAMPLE

BILL OF LADING

A document that is signed by the shipowner or a representative to prove that the vessel or the carrier received the goods.

The functions of a Bill of Lading are as follows:

1. Receipt – It acts as a document of the receipt of the goods by the issuing body.
2. Contract – It outlines the shipping method that will be used for the cargo and acts as evidence of the contract of carriage with the carrier.

3. Title of goods – For a named consignee to take the delivery of the goods on the discharge port or on the final destination (depending on what has agreed on), they must surrender the original copy of a B/L.

Types of Bill of Ladings based on whether it is negotiable or non-negotiable

The main difference between the negotiable and non-negotiable Bill of Lading is the ability to change the consignee or cargo ownership. A negotiable Bill of Lading notifies the carrier to deliver the goods, depending on the endorsement of the shipper. A non-negotiable B/L defines the specific consignee and is non-transferrable.

1. **Straight Bill of Lading**

This is a standard B/L, used if the shipment is going to a customer who has already paid a shipment. The shipment can only be received by the consignee and the bill and cannot be transferred.

2. **Order Bill of Lading**

This is the type of shipment that is usually used for consignments. The consignee on the record is considered the owner of the cargo unless the consignee has transferred the title of the cargo ownership to another entity by endorsing the Bill of Lading.

3. **Charter Party Bill of Lading**

This type of Bill of Lading is used when a shipper, or group of shippers, charter or rent a whole vessel to carry the cargo.

4. **Switch Party Bill of Lading**

This Bill of Lading is considered a duplicate. The consignee can request the carrier to switch the Bill of Lading when the consignee does not want to divulge the carrier information to the new consignee or buyer.

5. **Air Waybill**

This is a non-negotiable document that is only used for cargo that is transferred via air freight. Unlike an ocean’s Bill of Lading, an Air Waybill does not act as a title of goods.

Types of Bill of Ladings based on the carrier’s responsibility

1. **Ocean Bill of Lading**

This type allows the carrier to ship the goods domestically or internationally. The carrier's responsibility starts from the port of origin and typically ends at the port of discharge, stated in the document. This is also known as a port-to-port Bill of Lading.

2. **Inland Bill of Lading**

This document shows the information of the carrier transporting the cargo domestically either by road or rail.

3. **Direct Bill of Lading**

This is used if the carrier will be the same carrier who will handle the shipment to the final destination. The responsibility of the carrier in this case is from the receipt of the goods until it gets delivered to the final destination.

4. **Multimodal or Combined Transport Bill of Lading**

This B/L covers at least two modes of transport. An example is a combination of sea, rail, and road. The carrier can subcontract the other mode of shipment to other carriers.

5. **Through Bill of Lading**

This type of bill is very similar to combined transport or multimodal, where there are different legs of shipments. The only difference is that there is no change in the shipping mode (an ocean shipment will remain on the waters) on this Bill of Lading.

6. **Transshipment Bill of Lading**

If a carrier doesn't have a direct service between two ports, a carrier can transship the cargo to another port at the carrier's expense.

Samples -

Ocean Hosue Bill of Lading (HBL)

1
Shipper
GUANGZHOU[redacted]TRADING CO., LTD
[redacted]
GUANGZHOU,CHINA

2
Consignee:
[redacted]PANAMA
COLON FREE ZONE
TEL:(507[redacted]

3
Notify Party:
[redacted]PANAMA
COLON FREE ZONE
TEL:(507[redacted]

BILL OF LADING - ORIGINAL

4

Date of Issue	B/L Number
2018-05-08	AI 004

For delivery of goods please apply to:

5

Place of Receipt	Port of Loading
YANTIAN	YANTIAN
Ocean Vessel	**Voyage No.**
COSCO DEVELOPMENT	041E
Port of Discharge	**Final Destination**
COLON FREE ZONE	COLON FREE ZONE

Freight Payable at	Number of Original B/L
	3

6

Marks & Numbers Container & Seal Numbers	No. of Packages	Description of packages and Goods Particular Furnished by Shipper	Gross Weight Kilos	Measurement cbm
N/M	143 CARTONS	SHIPPER'S LOAD & COUNT & SEAL CFS/CFS GARMENTS	4,576.000	12.160
8308/CD1 0/40HQ/143CARTONS/4576KGS/12.16CBM			FREIGHT PREPAID SHIPPED ON BOARD 2018-05-05	
SAY TOTAL 143 CARTONS ONLY				

7

Freight & Charges	Prepaid	Collect

RECEIVED the goods or containers, vans, trailers, pallet units or other packages said to contain goods herein mentioned, in apparent good order and condition, except as otherwise indicated, to be transported, delivered or transhipped as provided herein. All of the provisions written, printed or stamped on either side hereof are part of this bill of lading contract.

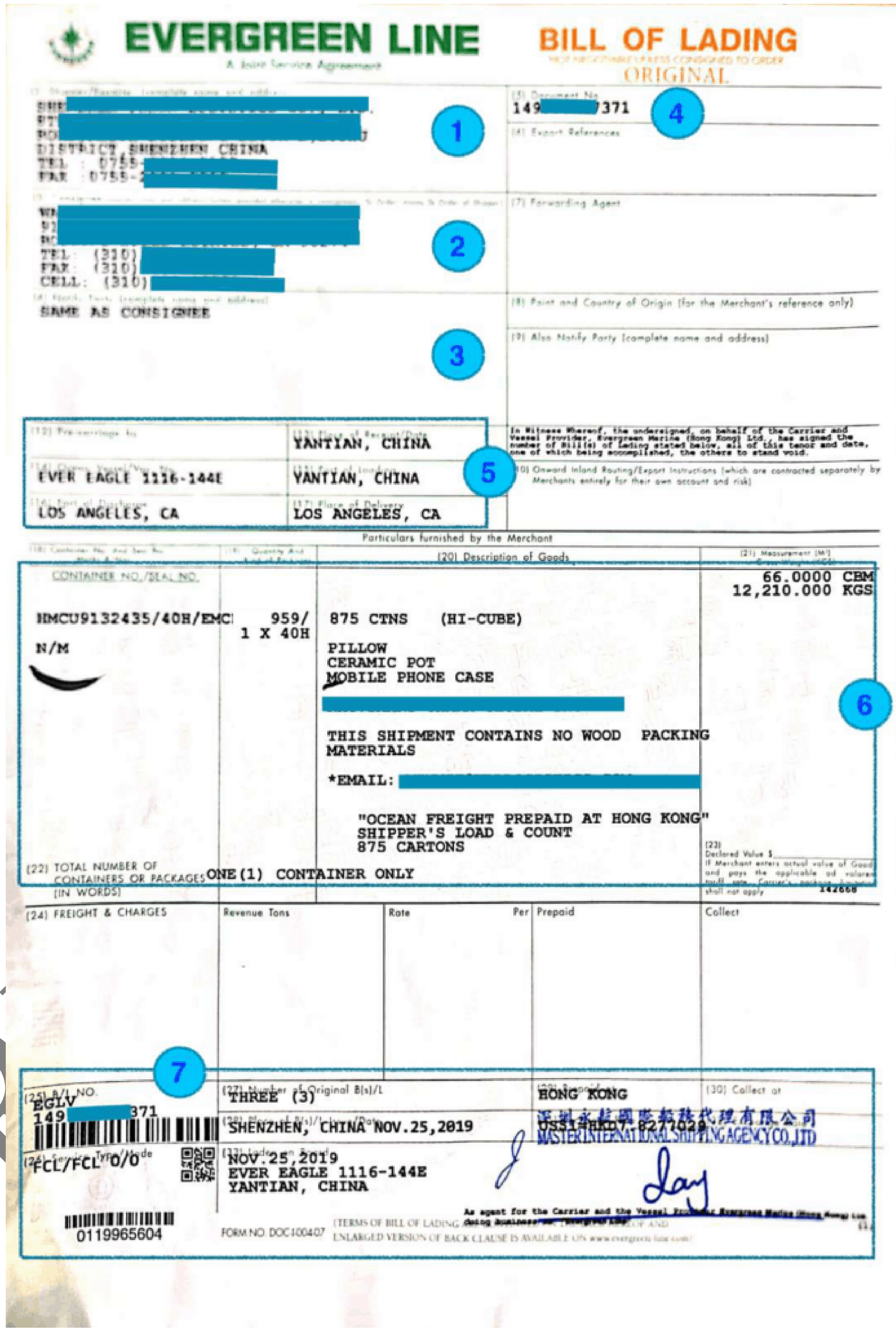
IN WITNESS WHEREOF the master or agent of said vessel has signed 3 (THREE) original bills of lading, all of the same tenor and date, ONE of which being accomplished, the others to stand void.

Declared cargo Value $__________
If Merchant enters a value, Carrier's limitation of liability shall not apply and the ad valorem rate will be charged.

Stamp and Authorized Signature

NOT NEGOTIABLE UNLESS CONSIGNED "TO ORDER"

Ocean Master Bill of Lading (MBL)



EVERGREEN LINE

BILL OF LADING

ORIGINAL

(2) Shipper/Exporter: [redacted]
DISTRICT, SHENZHEN CHINA
TEL : 0755-[redacted]
FAX : 0755-[redacted]

1

(3) Consignee: [redacted]
TEL: (310) [redacted]
FAX: (310) [redacted]
CELL: (310) [redacted]

2

(4) Notify Party: SAME AS CONSIGNEE

3

(5) Document No.: 149[redacted]371

4

(6) Export References

(7) Forwarding Agent

(8) Point and Country of Origin (for the Merchant's reference only)

(9) Also Notify Party (complete name and address)

(12) Pre-carriage by	(13) Place of Receipt/Date: YANTIAN, CHINA
(14) Ocean Vessel/Voy. No.: EVER EAGLE 1116-144E	(15) Port of Loading: YANTIAN, CHINA
(16) Port of Discharge: LOS ANGELES, CA	(17) Place of Delivery: LOS ANGELES, CA

5

(10) Onward Inland Routing/Export Instructions (which are contracted separately by Merchants entirely for their own account and risk)

Particulars furnished by the Merchant

(18) Container No. And Seal No. Marks & Nos.	(19) Quantity And Kind of Packages	(20) Description of Goods	(21) Measurement (M³) Gross Weight (KGS)
CONTAINER NO./SEAL NO. HMCU9132435/40H/EMC[redacted] N/M	959/ 1 X 40H	875 CTNS (HI-CUBE) PILLOW CERAMIC POT MOBILE PHONE CASE [redacted] THIS SHIPMENT CONTAINS NO WOOD PACKING MATERIALS *EMAIL: [redacted] "OCEAN FREIGHT PREPAID AT HONG KONG" SHIPPER'S LOAD & COUNT 875 CARTONS	66.0000 CBM 12,210.000 KGS

6

(22) TOTAL NUMBER OF CONTAINERS OR PACKAGES (IN WORDS): ONE (1) CONTAINER ONLY

(24) FREIGHT & CHARGES	Revenue Tons	Rate	Per	Prepaid	Collect

7

(25) B/L NO. EGLV 149[redacted]371

(26) Service Type/Mode: FCL/FCL O/O

(27) Number of Original B(s)/L: THREE (3)

(28) Place of B(s)/L Issue/Date: SHENZHEN, CHINA NOV.25,2019

(29) Prepayable at: HONG KONG

(30) Collect at

(33) Laden on Board: NOV.25,2019 EVER EAGLE 1116-144E YANTIAN, CHINA

0119965604

FORM NO. DOC100407

As agent for the Carrier and the Vessel Provider Evergreen Marine (Hong Kong) Ltd.

House Air Waybill (HAWB)

SHA HAWB: AHE1 0002 4

Shipper's Name and Address	Exporter's Account Number 1	Not Negotiation **Air Waybill** Issued by
		Copise 1,2and 3 of this Air Waybill are originals and have the same validity
Consignee's Name and Adress	Consignee's Account Number 2	It is agreed that the goods described Herein are accepted in Apparent good order and condition (except as noted)for carriage SUBJECT TO THE CONDITIONS OF CONTRACT ON THE REVERSE HEREOF,THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIERS LIMITATION OF LIABILITY. Shipper may increase such limitation of liability by declaring a higher value for carriage and paying a supplimental chargeif required.
Issuing Carrier's Agent Name		Notify partyFREIGHT PREPAID 3
Agent's IATA Code	Account No.	

Airport of Departure				Reference Number		Shipping Information					
To	By First Carrier	To	By	To	By	Currency USD	CHGS Code	WT/VAL PPD COLL V	Other PPD COLL V	Declared Value for Carriag NVD	Declared Value For Comtoms N.C.V
Airport of Destination		Flight/Date				Amount of insurance		INSURANCE : If Carrier offers insurance,and such insurance is requested in accordance with the conditions thereof,indicate amount to be insured in figures in box marked Amount of insurance.			
Handling Information 5											

No.of Pieces RCP	Gross Weight	kg lb	Rate Class Commodity Item No.	Chargeable Weight	Rate/Charge	Total	Nature and Quantity Goods (incl.Dimensions or Volume)
						AS ARRANGED AS ARRANGED	**Description of Goods** **DIM:** **VOLUMN:** 6

Prepaid / Weight Charge / Collect AS ARRANGED		Other Charges
Valuation Charge		
Tax		
Total Other Charges Due Agent		Shipper certifies that the particulars on the face hereof are correct and that insofar as any part of the consignment contains restricted articles,such part is properly described by name and is in proper condition for carriage by air acording to the International Air Transport Association's Restricted Articles Regulations. 7
Total Other Charges Due Carrier		Signature of Shipper or his Agent
Total Prepaid	Total Collect AS ARRANGED	##
Currency Conversion Rates	CC Charges in Dest.Currency	Executed on (Date) at (Place) Signature of Issuing Branch
For Carriers Use Only Of or Destination	Charges at Destination	HAWB:

1: Shipper	The Shipper section shows the information of the shipper which is usually either the freight forwarder or the factory, whoever is responsible for the customs documents in the origin country. Aside from the name and address, this section can also show the contact details of the shipper.
2: Consignee	The consignee is the one to whom the goods will be released upon arriving at the destination port and the one who is financially responsible for the receipt of shipment in a contract of carriage. The consignee can either be the actual owner of the cargo or a trading company, whoever is responsible for the import license.
3: Notify Party	The notifying party will be notified upon the arrival of the goods. This can be the same as the consignee or a different party, usually the buyer or the receiving party.
4: Bill of Lading tracking number	The tracking number and the date of the Bill of Lading/Air Waybill is shown under this section.
5: Voyage/ FlightDetails	The shipment information of the cargo are identified on this part of the Bill of Lading/Air Waybill. The place of receipt is where the cargoes were received by the issuer of the bill of lading/air waybill while the port of loading is the port where the vessel will load the cargoes from. The ship's (or flight) information is also identified under this section. This information can be used to track the location of the vessel. In the case of air shipment, only the flight schedules are available because the transit-only takes a day or less. Websites such as Vessel Finder can give the basic information as well as the recent port calls of the ship for free. Another information included on this part of the bill of lading/air waybill is where the vessel/plane will unload the cargoes on (Port of Discharge) and where the responsibility of the issuer of the Bill of Lading ends (Final

	Destination).
6: Cargo Details	The information under this section will identify the cargo details such as cargo description, gross weight and volume, and any notes with regards to the cargo that can easily identify the goods. In addition to that, this section also indicates the container number and seal no. Additional notes from the carrier upon the acceptance of goods can be placed under this box.
7: Contract Details	This section is where the document is signed-off by the issue for legality. It states the information on the freight charges (as needed), any amendments on the bill of lading details (changes on weight after a VGM [Verified Gross Mass] weighing, etc), and the negotiability of the document.

Certificate of Origin

A **Certificate of Origin (COO)** is an **official document** which certifies that the goods exported are **wholly obtained, produced, manufactured, or processed in a particular country.**

It is issued by an **authorized body** (such as Chamber of Commerce, Export Promotion Council, or government authority).

Example: If cotton garments are manufactured in India and exported to France, the Certificate of Origin will declare **India as the country of origin.**

Definition – A Certificate of Origin is a **documentary proof of the nationality of goods**, required by customs authorities of the importing country for tariff, trade, and statistical purposes.

Objectives of Certificate of Origin

The main objectives are:

- To **prove the origin of goods**
- To determine **customs duty rates**
- To grant **preferential tariff benefits**
- To **comply with import regulations**
- To prevent **trade fraud and dumping**

Example: Under free trade agreements, goods from India may get **lower import duty** in ASEAN countries if supported by COO.

Need and Importance of Certificate of Origin

A Certificate of Origin is required because:

1. **For Customs Clearance**

Importing country customs use it to verify where goods are produced.

2. **For Preferential Treatment**

Some countries give **concessional duty** only if COO is submitted.

3. **For Trade Statistics**

Helps governments maintain import–export data.

4. **For Legal Protection**

Acts as documentary proof in case of disputes.

5. **For Import Restrictions**

Some countries ban or restrict goods from specific countries.

Example: European Union may restrict goods from certain countries for safety reasons, so COO is compulsory.

Who Issues Certificate of Origin?

In India, COO is issued by:

- **Chambers of Commerce**
- **Export Promotion Councils**
- **Trade Associations**
- **DGFT-authorized agencies**

Example: A spice exporter may obtain COO from **Federation of Indian Export Organisations (FIEO).**

Types of Certificate of Origin

(A) Non-Preferential Certificate of Origin

Issued for **normal trade** where no tariff concession is involved.

Used for:

- Customs clearance
- Statistical purpose
- Legal compliance

Example: Export of handicrafts to USA without duty benefits.

(B) Preferential Certificate of Origin

Issued under **trade agreements** where importing countries give **duty concessions.**

Examples:

- SAFTA
- ASEAN-India FTA

- GSTP
- GSP

Example: Textile exports from India to Sri Lanka under SAFTA with reduced duty.

Contents of Certificate of Origin

A Certificate of Origin generally includes:

- Exporter's name and address
- Importer's name and address
- Description of goods
- Quantity and weight
- Invoice number and date
- Country of origin declaration
- Signature and seal of issuing authority

Example: "Certified that the goods mentioned above are of Indian origin."

Procedure to Obtain Certificate of Origin

1. Exporter applies to authorized agency
2. Submits:
   - Commercial invoice
   - Packing list
   - Export order
   - Manufacturing declaration
3. Agency verifies documents
4. COO is issued and stamped
5. Exporter submits it to bank and customs

Example: Be fore shipping tea to the UK, exporter applies to Chamber of Commerce for COO.

Importance of Certificate of Origin in Export Trade

- Mandatory for customs
- Helps in claiming **duty benefits**
- Enhances **credibility of exporter**
- Avoids **shipment delays**
- Supports **international agreements**

Problems if Certificate of Origin is Absent or Wrong

- Customs rejection
- Loss of tariff benefits

- Delay in clearance
- Penalties
- Return of goods

Example: Wrong origin declaration can lead to confiscation of goods.

CERTIFICATE OF ORIGIN

Exporter **ABC Exports** **4300 Longbeach Blvd** **Longbeach, California, 90807** **United States** **+121388447711** **Randy Clarke** **Company Tax ID: 93377112** **info@abcexports.com** ABC Exports	Pages **1 of 1** Export Invoice Number & Date: **34567** **04 Jul 2022** Letter Of Credit No: **NA**
Consignee **XYZ Imports** **410 Queen Street** **Brisbane, Queensland, 4814** **Australia** **+61404822536** **Bob Jones**	Buyer (if not Consignee)

Method of Dispatch **Sea**	Type of Shipment **FCL**
Vessel / Aircraft **MAERSK**	Voyage No **V001S**
Port of Loading **Long Beach**	Date of Departure **04 Jul 2022**
Port of Discharge **Sydney**	Final Destination **SYDNEY, AUSTRALIA**

Marks & Numbers	Kind & No of Packages	Description of Goods	Tariff Code	Gross Weight (Kg)
XYZ IMPORTS 34567	**16 X PALLETS**	**FURNITURE, STAINLESS STEEL BAR STOOLS AND TABLES**	**12345.6789**	**3,225.00**

Download Template

Declaration By The Chamber	Declaration By The Exporter
The undersigned certifies on the basis of information provided by the exporter that to the best of it's knowledge and belief, the goods are of designated origin, production or manufacture.	I, the undersigned, being duly authorized by the Consignor, and having made the necessary enquiries hereby certify that based on the rules of origin of the country of destination, all the goods listed originate in the country and place of designated. I further declare that I will furnish to the Customs authorities of the importing or their nominee, for inspection at any time, such as evidence as may be required for the purpose of verifying this certificate. The goods were produced/manufactured at **United States**
Place and Date of Issue	Place and Date of Issue **LONGBEACH** **04 Jul 2022**
Signatory Company	Signatory Company **ABC Exports**
Name of Authorized Signatory	Name of Authorized Signatory **Randy** **Clarke**
Signature	Signature *Randy Clarke*

Definition of Letter of Credit

An LC is a financial document provided by a third party (with no direct interest in the transaction), mostly a bank or a financial institution, that guarantees the payment of funds for goods and services to the seller once the seller submits the required documents. A letter of credit has three important elements – the beneficiary/seller who is the recipient of the LC, the buyer/applicant who buys the goods or services and the issuing bank that issues the LC on the buyer's request. At times, there is an involvement of another bank as an advising bank that advises the beneficiary.

Types of Letter of Credit

There are various types of letters of credit in trade transactions. Some of these are classified by their purpose. The following are the different types of letters of credit:

Commercial LC

A standard LC is also called a documentary credit. For more information click on Commercial LC

1. Export/Import LC

The same LC becomes an export or import LC depending on who uses it. The exporter will term it as an exporter letter of credit whereas an importer will term it as an importer letter of credit. For more information click on Export/Import LC

2. Transferable LC

A letter of credit that allows a beneficiary to further transfer all or a part of the payment to another supplier in the chain or any other beneficiary. This generally happens when the beneficiary is just an intermediary for the actual supplier. Such LC allows the beneficiary to provide its own documents but transfer the money further. For more information click on Transferable LC

3. Un-transferable LC

A letter of credit that doesn't allow the transfer of money to any third parties. The beneficiary is the only recipient of the money and cannot further use the letter of credit to pay anyone.

4. Revocable LC

An LC that issuing bank or the buyer can alter any time without any notification to the seller/beneficiary. Such types of letters are not in use frequently as the beneficiary is not provided any protection. For more information click on Revocable LC

5. Irrevocable LC

An LC that does not allow the issuing bank to make any changes without the approval of all the parties.

6. Standby LC

A letter of credit that assures the payment if the buyer does not pay. After fulfilling all the terms under SBLC, if the seller proves that the promised payment was not made. In this situation, the bank will pay to the seller. In a nutshell, it does not facilitate a transaction but guarantees the payment. It is quite similar to a bank guarantee. For more information click on Standby LC

7. Confirmed LC

Which the seller or exporter acquires the guarantee of payment from a confirming bank (also called the second bank). This is primarily to avoid the risk of non-payment from the first bank. For more information click on Confirmed LC

8. Unconfirmed LC

A letter of credit that is assured only by the issuing bank and does not need a guarantee from the second bank. Mostly the letters of credit are an unconfirmed letter of credit.

9. Revolving LC

When a single LC is issued for covering multiple transactions in place of issuing separate LC for each transaction is called revolving LC. They can be further classified into Time Based (Could be Cumulative or Non-Cumulative) and Value-Based. For more information click on Revolving LC

10. Back to Back LC

Back to back LC is an LC which commonly involves an intermediary in a transaction. There are two letters of credit, the first issued by the bank of the buyer to the intermediary and the second issued by the bank of an intermediary to the seller. For more information click on Back to Back LC

11. Red Clause LC

A letter of credit that partially pays the beneficiary before the goods are shipped or the services are performed. The advance is paid against the written confirmation from the seller and the receipt. For more information click on Red clause LC

12. Green Clause LC

An LC that pays advance to the seller is just not against the written undertaking and a receipt, but also a proof of warehousing the goods. For more information click on Green Clause LC

13. Sight LC

A letter of credit that demands payment on the submission of the required documents. The bank reviews the documents and pays the beneficiary if the documents meet the conditions of the letter. For more information click on Sight LC

14. Deferred Payment LC

An LC that ensures payment after a certain period. The bank may review the documents early but the payment to the beneficiary is made after the agreed-to time passes. It is also known as Usance LC. For more information click on Differed payment LC

15. Direct Pay LC

A letter of credit where the issuing bank directly pays the beneficiary and then asks the buyer to repay the amount. The beneficiary may not interact with the buyer.

Letter of Credit

Must be issued on bank letterhead

From: ______________________________ **To:** ________________________________

Bank's Name Applicant's Name

____________________________________ ____________________________________

____________________________________ ____________________________________

Bank's Address Applicant's Address

____________________________________ ____________________________________

City, State, ZIP Code City, State, ZIP Code

____

Date

Re: ________________________________

Subject

Credit Amount: $______________

Letter of Credit Number: ____

Roject/Development: ____

Location: ____

Place and Date of Issue: ____

Place and Date of Expiration: ____

We hereby establish this letter of credit in your favor for the account of __________________ up to the aggregate amount of $_________________.

This letter of credit is available for payment against presentation of Beneficiary's drafts at sight drawn on [Bank Name], [Bank Address], bearing the clause "Drawn Under Bank Name, Credit No. _________________", accompanied by the Beneficiary's signed statement reading:

> _________________ certifies that _________________ has failed to complete the required improvements: _________________ for the _________________ project/development and we are therefore entitled to the sum of $_________________.

Meaning of Processing of Export Order

Processing of an export order refers to all the **activities performed by the exporter after receiving the confirmed export order until the goods are shipped and payment is realized.**

It includes:

- Planning
- Arranging finance
- Production/procurement
- Documentation
- Shipment
- Follow-up

Example: An exporter receives an order for handicrafts from Germany. From arranging raw material to shipping goods and submitting documents to bank – all actions together are called *processing of export order.*

Steps in Processing of Export Order

1. Receipt of Export Order

Exporter receives an order (indent) containing:

- Description of goods
- Quantity and quality
- Price and delivery terms
- Payment method

Example: Order for 1,000 cotton shirts at CIF Dubai basis.

2. Examination and Confirmation of Order

Exporter checks:

- Profitability
- Production capacity
- Payment safety
- Delivery feasibility

If satisfied, exporter sends **order confirmation.**

Example: Exporter confirms order after ensuring L/C is opened.

3. Opening of Letter of Credit

If payment is through L/C, exporter ensures:

- Correct buyer name

- Correct product description
- Shipment date
- Required documents

Example: Exporter checks that L/C allows shipment from Nhava Sheva port.

4. Obtaining Export License and Registration

Exporter arranges:

- IEC code
- RCMC
- Export license (if goods are restricted)

Example: Pharma exporter obtains drug export permission.

5. Pre-shipment Finance

Exporter approaches bank for **packing credit** to buy raw material and start production.

Example: Leather exporter takes packing credit to buy hides.

6. Production / Procurement of Goods

Exporter:

- Manufactures goods or
- Purchases from suppliers
- Conducts quality checks

Example: Garment exporter manufactures clothes as per buyer's size chart.

7. Packing and Marking

Goods are packed according to:

- International standards
- Buyer's instructions
- Safety requirements

Example: Fragile items packed in wooden crates.

8. Appointment of Clearing and Forwarding Agent

C&F agent is appointed to:

- Handle customs
- Prepare shipping documents
- Arrange shipment

Example: Exporter hires a CHA at Mumbai port.

9. Shipment of Goods

Includes:

- Booking cargo space
- Transporting goods to port
- Customs clearance
- Loading goods

Exporter receives **Bill of Lading / Airway Bill.**

10. Documentation and Submission to Bank

Exporter prepares:

- Invoice
- Packing list
- Bill of exchange
- Insurance
- Certificate of origin

Documents are submitted to bank.

Example: Bank sends documents to foreign buyer's bank.

11. Post-shipment Finance

Exporter may discount bills to get immediate funds.

Example: Exporter discounts bill to pay suppliers.

12. Realisation of Payment and Follow-up

Exporter ensures:

- Payment received
- Claims incentives
- Settles complaints

Example: Exporter receives payment under L/C after 45 days.

NATURE AND FORMAT OF EXPORT ORDER

Nature of Export Order – An **export order** is a **formal written confirmation from a foreign buyer** showing willingness to purchase goods on agreed terms.

Nature / Characteristics

1. **Legal Document** – creates contractual obligation
2. **Written Evidence** – proof of agreement
3. **Detailed Document** – contains full trade terms

4. **Binding on Both Parties** – exporter must supply, importer must pay
5. **Base for Export Process** – entire export activity depends on it

Example: An export order acts as legal proof in case of dispute.

Contents of an Export Order

An export order usually includes:

- Importer’s name & address
- Exporter’s name & address
- Description of goods
- Quantity and quality
- Price and Incoterms
- Delivery schedule
- Packing instructions
- Mode of transport
- Payment terms
- Insurance responsibility

Example: “500 cartons of Basmati rice, CIF Dubai, payment by irrevocable L/C.”

EXAMINATION AND CONFIRMATION OF EXPORT ORDER

Meaning

Examination of export order means carefully checking all terms and conditions before accepting the order.
Confirmation means formally communicating acceptance to the buyer.
This is a **critical step**, because once confirmed, the exporter is legally bound.

Points to be Examined in Export Order

1. Product Description and Quality

Exporter checks:

- Correct product
- Quality standards
- Technical specifications

Example: Fabric GSM, color, size, tolerance limits.

2. Quantity and Delivery Schedule

Exporter ensures:

- Capacity to supply

- Delivery deadlines are realistic

Example: Exporter rejects order if 10,000 units cannot be supplied in 10 days.

3. Price and Profitability

Exporter calculates:

- Production cost
- Transport cost
- Duties
- Insurance
- Margin

Example: If cost exceeds quoted price, order is renegotiated.

4. Payment Terms and Risk

Exporter examines:

- L/C terms
- Credit period
- Buyer reliability
- Country risk

Example: New buyer → exporter insists on confirmed L/C.

5. Shipping and Insurance Terms

Exporter checks:

- FOB / CIF / CFR terms
- Responsibility of insurance
- Port of shipment

Example: CIF means exporter bears insurance and freight.

6. Legal and Policy Restrictions

Exporter verifies:

- Export restrictions
- Import regulations
- Sanctions
- Licensing requirements

Example: Some chemicals need government approval.

7. Documentation Requirements

Exporter ensures ability to provide:

- COO
- Inspection certificate
- Special documents

Example: EU market requires phytosanitary certificate.

Confirmation of Export Order

After satisfactory examination, exporter:

- Accepts order
- Sends **written confirmation**
- Requests opening of L/C
- Begins processing

Example: Exporter emails signed confirmation copy to importer.

Importance of Examination and Confirmation

- Prevents losses
- Avoids legal disputes
- Ensures feasibility
- Secures payment
- Builds professional credibility

CONCLUSION

Processing of export order, understanding its nature and format, and careful examination and confirmation are **foundation steps of export management**. They ensure safe, profitable, and legally compliant international trade.

Manufacturing or Procuring Goods

Introduction

When a company gets a confirmed export order, it must ensure that the goods to be exported are ready for shipment.

This step — Production/Manufacturing or Procuring Goods — is one of the first and most important parts of the export process in export-import management.

What Does "Manufacturing or Procuring Goods" Mean?

a) Manufacturing Goods

Manufacturing means producing products from raw materials using machines, labour, and technology.

Definition: If the exporter has a factory or production facility, they make the goods themselves as per the

buyer's specifications.
Example: A leather goods company in India receives an export order for 500 leather belts to Germany.
Here, the exporter manufactures those 500 belts in its own production unit before exporting.
In the context of exports, companies that manufacture goods for foreign buyers may also be called manufacturer exporters — they make goods to export under their own name.

b) Procuring Goods

Procuring means buying finished goods / products from other companies or the local market instead of producing them.
Definition: If the exporter doesn't produce the goods themselves, they procure (purchase) them from suppliers or manufacturers and then export.
Example: An export trading company gets an order for 2,000 units of T-shirts from the US, but it doesn't have a factory.
So, it procures those T-shirts from different suppliers in India and prepares them for export.

In both cases, the exporter must ensure that goods are produced/secured on time and meet buyer specifications.

Key Activities in Manufacturing or Procuring for Export
A. After Receiving Export Order

Once an export order is confirmed:
Review Buyer's Specifications
Quality, size, design, packaging instructions, delivery schedule.
Plan Production or Procurement
If manufacturing → prepare production schedule and raw materials list.
If procuring → identify suppliers and check product availability.

B. Manufacturing Steps

If goods are manufactured:
Prepare the Bill of Materials
List of components/raw materials needed for production.
Schedule Production
Plan when each product will be made, in what order, and by what machines.
Quality Inspection

Check intermediate products to ensure quality standards are met.
Packaging for Export
Export packaging must protect goods during long overseas transit and meet buyer requirements (like waterproof, strong crates).
Example: A sports shoes exporter may use customised cartons and moisture-proof covers for overseas transport.

C. Procuring Steps

If goods are procured:
Supplier Identification
Shortlist reliable manufacturers/suppliers.
Negotiate Price & Terms
Price, payment terms, delivery timeline.
Purchase Order / Contract
Issue a purchase order stating product specs, quantity, and delivery date.
Receive & Inspect Goods
Before export packaging begins, check quality, quantity, and documentation.
Example: A company exports handcrafted pottery to the UK. It purchases finished pottery items from artisans and consolidates them for export.

5. Why Is This Step Important?

Timely Delivery: International buyers expect goods to arrive on schedule. Delay in manufacturing or procurement harms reputation.
Quality Assurance: Buyer satisfaction depends on meeting correct specifications.
Cost Control: Efficient planning reduces unnecessary inventory and production cost.

6. Real-Life Example: Exporting Organic Spices

Let's say a firm gets an export order for organic turmeric powder to Canada:
Scenario 1 — Manufacturing
The firm buys raw turmeric roots.
The company processes, dries, grinds, and packs the powder.
Good quality control and specification checks are done before export.
Scenario 2 — Procuring
The firm does not have grinders.

It contacts certified spice processors/suppliers.

Buys finished spice powder, inspects quality, and then packs for export.

Both paths must ensure goods meet export standards and buyer requirements.

7. Connection With Export Procedures

After manufacturing or procuring goods, the next steps include:

✓ Packing and labelling the goods.

✓ Inspection by export authorities.

✓ Arranging documentation (like packing list, invoice, bill of lading).

✓ Customs clearance and shipping.

8. Simple Flow – Export Goods Preparation

Order confirmed → 2. Manufacture / Procure goods → 3. Inspect & Pack → 4. Export Documentation → 5. Customs & Shipment

Central Excise Clearance

Central Excise Clearance refers to the process where the Central Excise Department (now under the Central Board of Excise & Customs) permits the removal of goods from a factory or warehouse for export without charging excise duty.

In export trade, goods exported from India are generally exempt from excise duty because international trade practices require that exports are free of domestic indirect taxes.

Why Is Central Excise Clearance Needed in Export?

a) Avoid Indirect Tax Burden

Excise duty is a tax on goods manufactured in India.

When goods are exported, excise duty should not apply because the goods are not for domestic consumption.

b) Confirm Genuine Export

Central Excise clearance ensures the goods being sent abroad are genuinely export consignments and not diverted into the local market to avoid taxes.

c) Facilitate Duty Exemption or Refund

Exporters can either:

Export under a bond or LUT (Letter of Undertaking) — no payment of excise duty initially.

Pay the excise duty and claim a refund (rebate) later.

Legal Background

Excise duty was traditionally levied under the Central Excise Act, 1944.

The idea is that exports are exempt from indirect taxes so that Indian goods are competitive globally.

When Does Central Excise Clearance Happen?

Central Excise clearance happens after goods are manufactured (or procured) and before they are handed over to Customs for shipping out of India.

Main Methods of Central Excise Clearance

A. Export Under Bond / Letter of Undertaking (LUT)

Exporter gives a guarantee or LUT that goods will be exported.

Goods are removed from the factory without paying excise duty.

This is the most common practice to save cash flow and avoid up-front taxes.

Example: A company exports leather wallets to Italy. It executes an LUT with excise authorities and sends out goods duty-free. No excise duty is paid upfront.

Export With Payment of Duty and Refund Claim

Exporter pays excise duty when goods are removed.

After shipment and proof of export, the exporter claims a refund (rebate) of the excise duty paid.

Example: An exporter pays excise on cotton fabric at ₹10 per meter, exports it, and then applies for a refund of the same amount.

Documents Required for Central Excise Clearance

Key Documents

Commercial Invoice – Details about goods sold.

ARE-1 (Application for Removal of Excisable Goods) – Declaration to excise authorities for removing goods.

ARE-2 Forms – Required when claiming rebate for duty on inputs and finished goods (less common in practice today).

CT-1 Form – Used for obtaining goods without payment of duty when exporting.

Invoice & Packing List – Needed for export documentation and duty rebate/refund procedures.

Note: Requirements may vary slightly based on current rules, but these are the traditional documents used in the excise clearance process.

Procedure for Central Excise Clearance

Here's a step-by-step flow:

Goods are Ready for Export
Either manufactured or procured, packed for export.
Exporter Submits Application
Submit ARE-1 to Central Excise Officer or excise Superintendent.
Inspection (Optional)
Excise officer may examine goods or allow removal without physical inspection.
Clearance Granted
Excise officer signs documents allowing removal of goods duty-free/to export point.
Export Goods to Port/Airport

Goods go for customs clearance where customs officers check export documents and release goods for shipment.

Simple Flowchart

Goods Ready for Export
↓
Submit ARE-1 / LUT or Bond
↓
Excise Clearance Granted
↓
Move Goods to Customs
↓
Customs Clearance → Shipment

Real-Life Example

Suppose "Spice X Ltd." in India gets an export order for 5,000 kg of turmeric powder to Germany:

Step 1– Produce the goods
Spice X manufactures and packs 5,000 kg of turmeric powder for export.

Step 2– Apply for Excise Clearance
It files an ARE-1 or LUT with the Central Excise Department.

Step 3– Excise Officer Action

Without inspection: Excise officer signs and returns documents.
With inspection: Officer checks and then signs.

Step 4– Export
Once cleared, goods move to the shipping point, Customs checks documents, and goods are shipped.
In this process, Spice X doesn't pay excise duty on turmeric powder meant for export — saving cost and complying with regulations.

Importance in Export Management

✔ Avoids double taxation on exports.
✔ Maintains international competitiveness by keeping export prices competitive.
✔ Helps export businesses manage cash flow efficiently by avoiding upfront duty payment.

Clearing and Forwarding Agents

Clearing and Forwarding Agents (C&F Agents) are specialised intermediaries who handle the logistics, customs clearance, documentation, and shipment coordination of goods for importers and exporters. They are also called freight forwarders because they clear goods through customs and forward them to the destination.

Example: When an exporter finishes producing goods and needs to send them abroad, a C&F agent ensures the goods are legally cleared out of the country and shipped via the best route at the best cost.

Why Appointment of C&F Agents Is Important
A. Manage Complex Procedures
Export-import involves many formalities such as customs rules, shipping documents and transport logistics. C&F agents help exporters and importers navigate these correctly.

B. Save Time and Cost
Their expertise helps avoid errors, delays, or penalties, and can lead to better freight rates through negotiations with carriers.

C. Ensure Legal Compliance
They ensure customs duties, taxes (if applicable), and other legal requirements are met so goods can move smoothly.

Who Needs C&F Agents?

✓ Exporters who don't have in-house expertise for customs and logistics
✓ Importers needing help clearing goods through customs and transporting them to their warehouse
✓ Businesses focusing on production and core business activities, not logistics

When to Appoint a C&F Agent?

The appointment typically happens after manufacturing/procurement of goods and before export shipment (or import clearance). Exporters collect potential C&F agent details, evaluate them, and enter into an agreement before starting export documentation and customs filing.

How to Select and Appoint a C&F Agent

A typical procedure for appointment involves the following steps:

Collect Contact Information
Exporters collect details of C&F agents from sources like Export Promotion Councils, existing exporters, or trade directories.

Evaluate Services & Experience
Check what services they offer (customs, freight booking, warehousing), their experience, pricing, and reliability.

Shortlist Agents
Narrow down to those who have the expertise and rates that fit your export business needs.

Preliminary Discussions
Talk with agents about timelines, documentation support, and charges.

Finalize Appointment
Select best fit and sign an agency contract outlining responsibilities, fees, and liabilities.

Main Functions of C&F Agents
A. Customs Clearance

They prepare and submit customs documents, classify goods under correct tariff codes, pay duties/taxes (if any), and secure Let Export Order (LEO) for exports or clearance for imports.

B. Transport and Logistics

They arrange movement of goods from the exporter's warehouse to port or airport and book space on ships or aircraft.

C. Documentation Support

C&F agents help prepare and check key export/import documents such as:
Bill of Lading or Air Waybill
Shipping Bill (for exports)

Commercial Invoice
Packing List
Certificate of Origin
Insurance documents

D. Advice on Shipping & Cost

They advise the exporter on the best route, mode of transport (sea/air) and economical freight choices.

E. Warehousing and Storage

Agents often arrange storage at ports or inland facilities if goods need to wait before shipment or delivery.

F. Non-Essential Services

Some agents provide additional services such as coordination with surveyors if goods are damaged in transit or arranging warehousing at destination if the importer cannot receive immediately.

7. Example to Understand Appointment of C&F Agent

Example: A leather exporter in India receives an order to export handbags to the UK. After the goods are ready:

They contact several C&F agents and shortlist three based on cost and services offered.

They sign a contract with a C&F agent who agrees to handle customs, freight booking, and documentation.
The agent files the Shipping Bill on ICEGATE, arranges transport to the port, and books space on a cargo ship.
The agent obtains the Bill of Lading and ensures all documents are ready for export.
The goods are shipped on time without delays or penalties.

8. Benefits of Appointing a C&F Agent

✓ Error-free Documentation: Reduces chances of customs rejection.
✓ Timely Shipment: Ensures shipments meet dispatch deadlines.
✓ Cost Savings: Helps negotiate better freight rates and avoid demurrage charges.
✓ Focus on Business: Export-import companies focus on core business, leaving logistics to experts.
✓ Smooth Coordination: Acts as liaison with customs, ports, shipping lines, and carriers.

Transportation of Goods to Port of Shipment

"Transportation of goods to the port of shipment" refers to the movement of cargo from the exporter's location (factory, warehouse, inland depot, etc.) to the port where the goods will be exported from (the loading port). This step is part of the export logistics process before the goods are loaded on a ship for overseas transport.

Why This Stage Matters

Responsibility & Costs (Incoterms)
Depending on the commercial terms agreed between buyer and seller (Incoterms), either the seller or the buyer bears the cost and responsibility for this transportation. For example:

Under FOB (Free on Board), the seller pays to move goods to the port of shipment and loads them on the vessel.

Other terms like CIF or CFR may shift cost or risk at different points, but transporting goods to the port of shipment typically remains the seller's obligation in export deals unless otherwise specified.

Customs and Export Compliance
Before goods can reach the port, the exporter must arrange export customs clearance, which includes preparing documentation (export declaration, invoice, packing list, permits, etc.) so that trucks or trains can carry the goods legally to the port.

Physical Handling and Loading
Once at the port, goods undergo port handling — unloading from trucks, movement into container freight stations (CFS) if needed, and then being loaded onto vessels.

Typical Steps in Transporting Goods to the Port

Here's a general sequence of activities:

1. Preparation at Origin

Goods are packed, labeled, and ready for transport.
Export documentation is prepared (commercial invoice, packing list, certificates, export licenses).

2. Booking Freight & Transport
Exporter books inland transport (road or rail) through a logistics provider or freight forwarder.

3. Inland Transport
Cargo moves from the factory/warehouse to the Port of Shipment.
The carrier issues a transport receipt (e.g., railway receipt or trucking waybill) acknowledging cargo pickup.

4. Port Handling
Goods arrive at port and are received by terminal staff.
They may be stored temporarily in container freight stations if not directly loaded.

5. Export Customs Clearance
Export customs formalities are completed (checking documentation, security filings, etc.).

6. Loading on Vessel
Cargo is loaded onto the ship.
A Bill of Lading (B/L) or similar shipping document is issued, proving the cargo is now in the carrier's possession.

Port Formalities

Port formalities are all the administrative and logistical steps cargo goes through when it enters or leaves a port. These include:

- Receiving the cargo at the port terminal
- Checking and verifying shipping documents
- Storing goods in customs or port warehouses
- Obtaining permission from port authorities before loading/unloading
- Payments of port charges (storage fees, handling charges, wharfage, etc.)
- Coordination with customs for clearance processes

Key Points

Before export goods can be loaded onto a vessel, authorised customs officials must give formal permission. Without this, the cargo cannot be shipped out.

Port formalities are often handled by the exporter's agent (often a Customs House Agent or CHA) who deals with the shipping line, terminal, and customs officials.

What Is Customs Clearance?

Customs clearance is the process through which goods are legally allowed to enter or leave a country. Customs ensures compliance with national laws, correct duties/taxes are paid, and required documentation is in order.

Customs clearance differs slightly for imports and exports:

Export Customs Clearance

Before goods are shipped overseas:
Shipping Bill Filing
The exporter (or agent) files a Shipping Bill — a key customs document listing goods, value, quantity, HS codes, exporter/consignee details, etc. This is submitted electronically via systems like India's ICES/ICEGATE.

Verification of Documents and Goods
Customs checks the documents and may examine the goods to confirm they match declarations.

Export Permission
If all checks are satisfactory, customs issues a Let Export Order allowing the goods to be loaded on the ship.

Import Customs Clearance

After goods arrive at the destination port:

Arrival and Manifest Submission
The shipping line or carrier provides the Import General Manifest (IGM) and other arrival details to customs.

Bill of Entry / Cargo Declaration
The importer or agent files a Bill of Entry declaring the goods, their value, and classification. This may be done electronically.

Assessment & Duties
Customs determines duties and taxes (like customs duty, IGST) based on classification and value, which the importer must pay.

Inspection
Goods might be inspected physically or through risk-based checks to ensure documentation and contents align. This is usually selective and risk-based.

Release Order
Once duties are paid and formalities complete, customs issues a pass out order, and cargo can be moved out of the port for delivery.

Key Documents Involved

Common documents needed in port formalities and customs clearance include:
Shipping Bill (for exports) – formally declares goods being exported
Bill of Entry (for imports) – customs declaration for incoming goods
Bill of Lading / Airway Bill – proof of shipment issued by carrier
Commercial Invoice & Packing List – details value, quantity, packing of goods
Certificates & Licences (if required) – origin certificate, export licence, health or safety certificates etc.

How Modern Systems Help

Electronic Data Interchange (EDI) systems like India's ICEGATE/ICES automate filing and processing of

customs documents electronically, reducing paperwork and speeding up clearances.
India also supports single-window systems where exporters/importers submit key trade documents through one portal, making compliance easier.

Dispatch of Documents by the Forwarding Agent to the Exporter

A key step in the **post-shipment stage** of international trade.

What It Means

Once the **clearing & forwarding agent (C&F agent)** has arranged the **Bill of Lading** (or airway bill) from the shipping or airline company after the goods are physically loaded and customs formalities are complete, the forwarding agent **sends all required export documents back to the exporter**. This step ensures the exporter has the official paperwork needed to claim export benefits, obtain certificates, advise the importer, and proceed with payment collection.

Why This Is Important

After shipment, the exporter needs these documents to:

1. **Apply for certificates** (e.g., Certificate of Origin).
2. **Send shipment advice to the buyer (importer)**.
3. **Submit documents to the bank to get paid** (especially under Letter of Credit terms).
4. **Claim export incentives** like drawback or duty refunds.

Typical Documents Dispatched

The forwarding agent usually sends the following key documents to the exporter:

Core Shipping & Export Documents

- **Commercial Invoice** – the export sale invoice, often attested by customs.
- **Export Promotion Copy** – used for incentive claims.
- **Drawback Copy** – if export duty drawbacks are claimed.
- **Clean on Board Bill of Lading (Sea) / Air Waybill (Air)** – proof that goods are shipped.
- **Letter of Credit** – original if the sale is under LC terms.
- **AR4 / AR4A and Gate Pass** – customs and port exit paperwork.
- **GR Form (in duplicate)** – goods receipt/trade control form (used in some countries).

Note: The exact set may vary by country and contract terms (e.g., if packing list, insurance certificate, or inspection certificate are separately required by buyer or bank, they might also be included).

Mode & Timing of Dispatch

- The forwarding agent usually **sends these documents by courier, registered mail, or electronic**

transfer depending on urgency, contract terms, and buyer/bank requirements.

- The mode or timing of dispatch may be specified in the **Letter of Credit (L/C)** if one is used — especially for LC transactions.

What Happens Next

Once the exporter receives these documents:

1. They can apply for a **Certificate of Origin** from the Chamber of Commerce (and GSP certificate if applicable).
2. They send **shipment advice** to the importer, along with a non-negotiable copy of the Bill of Lading.
3. They submit the full set of documents to their bank for **payment realization** (especially under LC, DP or DA terms).

Certificate of Origin (CoO)

A **Certificate of Origin (CoO)** is an official document that **certifies the country where the goods being exported were manufactured, produced or obtained**. It may be prepared by the exporter or manufacturer and often needs to be **endorsed by a qualified authority**, such as a **Chamber of Commerce or Export Promotion Council**.

Purpose and Importance

✓ **Customs Clearance** — It helps customs authorities in the importing country verify the source of the goods and apply correct duties or restrictions.

✓ **Preferential Tariff Benefits** — Under *free trade agreements* or similar trade deals, a CoO may allow reduced or duty-free import tariff treatment for qualifying goods (called a *preferential CoO*).

✓ **Compliance & Credibility** — Demonstrates compliance with trade regulations and builds trust with buyers and customs officials.

Types of Certificate of Origin

1. **Non-Preferential CoO** – Basic certification of origin for general export purposes.
2. **Preferential CoO** – Required to claim tariff benefits under specific trade agreements (e.g., ASEAN FTA, EU agreements).

Who Issues It

In India (and many other countries):

- **Chambers of Commerce** or
- **Export Promotion Councils (EPCs)**

These bodies validate and stamp the certificate after reviewing the export documents.

Why Exporters Need It

• Required by customs in the importing country for clearance.
• Helps determine correct duties and tariff treatment.
• Often required under *Letters of Credit* or buyer requirements.

2. Shipment Advice (also called *Shipping Advice* or *Advice of Shipment*)

Shipment Advice is a **formal notification sent by the exporter (or their agent) to the importer/buyer** (and sometimes to their bank) advising that the goods have been **shipped** and providing key details about the shipment.
Unlike transport documents such as the **Bill of Lading** (which is issued by the carrier), Shipment Advice is more of a **communication/notice** from the exporter.

Purpose and Importance

✓ **Advance notification** — Informs the buyer that the goods are on their way so they can prepare for customs clearance, storage, or distribution at the destination.
✓ **Logistics planning** — Helps the buyer arrange transport, warehousing, labour, and insurance.
✓ **Bank & Payment Coordination** — If a **Letter of Credit (L/C)** is used, timely shipment advice allows the importer's bank to begin processing documents for payment.

Typical Information Included

A Shipment Advice typically contains:

- Exporter & buyer details
- Contract/L/C reference number
- Commercial invoice number and date
- Bill of Lading or Air Waybill number and date
- Vessel name and voyage number (or flight number)
- Port of loading and discharge
- Expected arrival date (ETA)
- Description and quantity of goods

When It Is Sent

Shipment Advice is usually sent **after the goods have been loaded** onto the vessel or aircraft, once shipping details are confirmed.

Presentation of Documents to Bank

When an exporter ships goods to a buyer abroad, the exporter prepares and submits a set of shipping and export documents to their bank. This process is called presentation of documents to the bank — it is a key step in getting payment from the buyer or processing collection/negotiation through the bank.

In simple terms:

It's the exporter's formal submission of all required paperwork to a bank so that the bank can process payment, credit the exporter's account, or send the documents to the importer's bank for collection/payment.

Why This Step Is Important

This step is crucial because:

It initiates payment realization — The exporter cannot receive payment until the bank has the export documents and follows the agreed payment terms.

It enables the importer to take possession of goods — Documents like the Bill of Lading are needed by the buyer to clear the goods at the destination customs.

It ensures compliance with contracts — Especially under a Letter of Credit (LC), banks check that the documents match the LC terms before releasing payment.

Typical Documents Presented to the Bank

When presenting documents to the bank after shipment, an exporter usually submits:
Commercial Invoice (multiple copies)
Full set of Clean-on-Board Bill of Lading
Packing List
Certificate of Origin
Original Letter of Credit / Export Contract
Bill of Exchange / Draft
Customs Invoice / GR Form / Exchange control documents
Marine Insurance Policy or Certificate
Bank Certificate in prescribed form
These documents collectively show that goods have been shipped and meet the terms of the sale contract or Letter of Credit.

How the Bank Handles the Documents

1. Verification

The exporter's bank (often called the negotiating bank or remitting bank) checks the documents to ensure they are complete and align with the terms of the contract or LC.

2. Forwarding to Importer's Bank (if applicable)

Under documentary collection arrangements (like Documents against Payment (D/P) or Documents against Acceptance (D/A)), the bank forwards documents to the importer's bank with instructions on payment conditions.

3. Payment Process

Depending on the payment terms:

Under Documents against Payment (D/P), the importer only gets the documents (and hence the goods) after payment.

Under Documents against Acceptance (D/A), the importer accepts a draft promising to pay later, and the bank releases documents accordingly.

Under a Letter of Credit (LC), the bank pays the exporter upon presentation of compliant documents, often immediately or as per LC terms.

4. Credit to Exporter

Once the bank has processed the documents and received payment from the importer's bank (or accepted a draft), the exporter's account is credited with the export proceeds (after deducting any commission/charges).

Timing and Compliance

Exporters are generally required to present the documents to the bank within a specified period (for example, within 21 days from date of shipment) to comply with foreign exchange and export regulations.

This submission and negotiation process is sometimes referred to as "Negotiation of Documents."

Claiming Export Incentives" — what it is, why it matters, and how exporters (especially in India) go about claiming the financial benefits government export schemes offer.

Export Incentives

Export incentives are financial benefits provided by governments to exporters to make their products more competitive in international markets by offsetting taxes, duties, and other costs associated with production and export. These can include duties refunded, tax rebates, scrips, duty-free imports, etc.

For example, in India schemes like RoDTEP, Duty Drawback, EPCG, and rebate schemes reimburse exporters for embedded taxes and duties that are not otherwise refunded.

Why Claim Export Incentives?

Reduce production and export costs — Cash refunds or credit scrips boost margins.
Improve global competitiveness — By neutralising embedded taxes that competitors might not face.
Enhance cash flow — Immediate or future duty credit helps working capital.
Support policy compliance — Incentives are tied to correct export documentation and procedures.
Industry groups have highlighted that exporters particularly need timely and adequate incentive disbursal to offset rising global costs.

Major Export Incentive Schemes (India)

Here are common incentives export businesses may claim:

► RoDTEP (Remission of Duties and Taxes on Exported Products)
Reimburses embedded taxes and duties not refunded elsewhere. Exporters must declare intent to claim RoDTEP on their shipping bills and then generate a credit scrip on the ICEGATE portal.

► Duty Drawback Scheme
Refunds customs and excise duties paid on imported inputs or raw materials used to make export goods.

► EPCG (Export Promotion Capital Goods)
Allows duty-free import of capital goods for export production, subject to fulfilling export obligations.

► Advance Authorization / DFIA

Permits duty-free import of inputs required for making export goods (Advance Authorization) or after export (DFIA), under value-addition norms.

► Rebate of State and Central Levies (RoSCTL)

Provides transferable duty credit scrips for textiles and made-ups based on FOB value to cover central/state taxes and levies.

► Other Schemes

Schemes like Market Access Initiative (MAI), Marketing Development Assistance (MDA), and Status Holder privileges may provide financial support or non-fiscal benefits.

Prerequisites Before You Can Claim

To be eligible to claim export incentives, exporters generally must have:

✓ Import Export Code (IEC) – Mandatory identity for exporters.

✓ Registration Cum Membership Certificate (RCMC) – Required for DGFT schemes.

✓ AD Code Registration – Links your bank account for direct credit of refunds.

✓ ICEGATE Portal Registration – For customs-linked incentives and scrip generation.

Without these, export incentive claims can be blocked or rejected even if otherwise eligible.

Step-by-Step: How to Claim Export Incentives

1. Declare Incentive Claim in the Shipping Bill

At the time of export, the exporter must indicate the incentive they intend to claim (e.g., RoDTEP) in the shipping bill. If this intent isn't declared, many claims (especially for RoDTEP) are permanently forfeited.

2. Ensure Payment Realisation

Export proceeds must be realised in foreign currency and recorded (e.g., via an e-BRC or FIRC) within prescribed timelines set by RBI. Without this, claims may be reversed.

3. File on Appropriate Portals

ICEGATE – for customs duties and tax scrips (RoDTEP, drawback).

GST Portal – for IGST/ITC refunds or LUT filing.

DGFT Portal – for licence-based scheme claims (EPCG, MAI, etc.).

4. Generate/Receive Credits or Refunds

RoDTEP credits are generated as duty credit scrips on ICEGATE.

Duty drawback refunds may be credited directly to your bank account.

Licence-based incentives may be credit scrips usable for duty payment.

5. Record-Keeping & Compliance

Maintain supporting documents (invoices, shipping bills, bank realisation certificates, export contracts) to withstand audits.

Duty Drawback

Duty Drawback is a mechanism by which a portion of the customs and excise duties paid on inputs (raw materials, components, packing materials) used in the manufacture of exported goods (or on the imported goods themselves when re-exported) is refunded to the exporter after the goods are exported.

It is mainly governed in India by Sections 74 and 75 of the Customs Act, 1962 and the Customs and Central Excise Duties Drawback Rules, 1995/2017.

Drawback ensures that export products are “zero-rated” — i.e., they don’t carry embedded duties when sold abroad.

How It Works

Exporters can claim drawback on:
✔ Customs duty paid on imported raw materials/components used in export goods.
✔ Excise duty paid on indigenous inputs used in production.
✔ In some cases, drawback can be claimed on re-export of duty-paid imported goods (up to 98% of duty paid).

Exporters generally choose between two types of drawback rates:

All Industry Rate (AIR) – an average duty refund rate set for products.

Brand Rate – based on actual duty incidence for specific products, available if AIR doesn't sufficiently compensate duty costs.

Key Points

Drawback applies to duties on inputs used to make exports; it does not cover GST/IGST for duty drawback purposes after GST reforms, though separate GST refunds may apply.

It must be claimed by filing the shipping bill with appropriate drawback declaration and supporting documents.

If export proceeds are not realized in foreign exchange within the stipulated time, drawback amounts may be recoverable.

Purpose: To make Indian exports competitive by removing duty costs embedded in goods destined for overseas markets.

Excise Rebate

Excise Rebate refers to a refund of excise duty that was paid on:

Finished goods that are excisable and are exported, or

Materials used in the manufacture/processing of those goods.

This rebate is provided under Rule 18 of the Central Excise Rules, 2002 (and Section 11B of the Central Excise Act, 1944).

How It Works

The rebate is claimed by exporters who have paid excise duty on goods meant for export.

The government may specify conditions and procedures under Rule 18 for claiming this rebate.

Key Points

Excise rebate targets duty paid on exported excisable goods themselves or on inputs used in manufacturing those goods.

Rebate is distinct from drawback — one focuses on refund of excise duty directly, while drawback focuses on refund of duties on inputs used in exports.

Authorities will often limit or prescribe conditions (e.g., time limits for export, minimum rebate value) that must be met to claim rebate.

Difference Between Excise Rebate and Duty Drawback

Feature	**Duty Drawback**	**Excise Rebate**
What is refunded?	Duty on **inputs** used for exports (customs + excise)	Duty on the **finished excisable goods exported** or on inputs
Governing law	Customs Act + Drawback Rules	Central Excise Act & Rules (Rule 18)
Purpose	Neutralise duty costs embedded in export products	Refund of duties actually paid on exported goods or inputs
Timing of claim	After export, via shipping bill declaration	After export with rebate application as per rules

Avoiding Double Benefits

Exporters cannot claim duty drawback and excise rebate simultaneously on the same duty paid because that would give a double benefit. Indian courts and rules (e.g., Rule 18 and Drawback Rules) explicitly prevent overlapping claims to avoid undue advantage.