Export Trade:

What is Export Trade?

Exports are explained as the goods and services manufactured in one country and acquired by citizens of another country. The export of good or service can be anything. This trade can be done through shipping, e-mail, transmitted in private luggage on a plane. Basically, if the product is manufactured domestically and traded in a foreign country, it is known as an export.

In International trade, exports are one of the components. The other component is imported which means the goods and services purchased by a country's citizens that are manufactured in a foreign country. Both the export and import combined contribute to the country's trade balance. Whenever the country's export is more than the import, it is called a trade surplus. However, when the import is more than the export, it is known as a trade deficit.

Objectives of Export Trade:

(1) Sale of Surplus Production

- A country may produce more than it requires.
- Then, in that case, the surplus may be sold to foreign countries.

(2) Optimum Utilization of Domestic Resources

- Every country has some natural resources in plenty.
- These resources can be utilized to increase the production and sell to those countries where these are in shortage.

(3) Employment Opportunities

- International business helps the business enterprises to focus on more production which requires more manpower that means more employment opportunities.

(4) Earning of Foreign Exchange

- A country with surplus production may earn foreign exchange by selling goods and services to other countries.

(5) Increase the National Income

- Earning of foreign exchange due to exports add to the national income of a country.

- This help in improving the standard of living of people.

The procedure of Export Trade

(1) Trade Enquiry and Sending Quotations	• The international buyer who wishes to buy the goods from the other country sends an inquiry relating to price, desired quality, terms, and conditions for the export of goods which is known as **Trade inquiry.** • The exporter sends a reply to the inquiry in the form of 'Quotation'. • **The quotation is also known as 'Proforma Invoice'** which contains information about the selling price, quantity, quality, mode of delivery, etc.
(2) Receipt of Order or Indent	• After the receipt of the 'Quotation', if the prospective buyer finds the information suitable to him, he places the 'Order/Indent' for the import of goods.
(3) Assessing the Creditworthiness	• Before proceeding further, the exporter wants to satisfy him regarding the payment of goods. • For this, he demands a Letter of Credit (L/C) from the importer. • This L/C is issued by importer's bank in favour of the exporter's bank. • Through the (L/C), the bank gives assurance to the exporter of accepting the bill of exchange of a certain amount. • If required, the exporter can ask for advance payment also from the importer
(4) Obtaining Export Licence & Apply Preshipment Finance and	• After satisfying himself about the payment, the exporter has to get an export license. • For receiving the export license, he has to apply to the office of the controller of imports and exports. • Along with the application, he has to deposit a certain fee also. • The Controller of Imports and Exports checks the

	application thoroughly and after having satisfied himself, issues an export license to the exporter. • The exporter can apply for a Pre Shipment Finance on the basis of Confirmed Indent, Letter of Credit and Export License.
(5) Procurement or Production of Goods	• Exporting firm has to either procure ready-made goods from the market or procure raw materials and start producing the goods according to the specification of the importer.
(6) Obtain Inspection Certificate and Excise Clearance	• An exporter must approach a Govt. Authorized Agency for Quality Check and Inspection of Goods meant for Exports and obtains an Inspection Certificate. • After Inspection, The exporter has to apply to the Excise Commissioner to obtain the excise clearance from the excise duty. The exporter needs to check if he is covered under the duty drawback scheme.
(7) Obtaining Certificate of Origin	• This certificate certifies about the origin of the country in which the goods are produced and exported.

(8) Packaging, Forwarding, and Insurance	• The products are correctly prepared and labelled with necessary details (Prepare PACKING List) such as:
	  • Title and address of the importer
	  • Net and Gross weight
	  • Port of destination and cargo
	  • Country of origin
	  • Road / Railway Receipt
	  • The exporter must ensure the Goods meant for Exports and obtain a valid Insurance Policy (in case of sea Transport – Marine Insurance Policy is required)

(9) Custom Clearance	• The goods can be loaded on the ship after the customs duty has been paid.

(10) Obtaining Mate's Receipt	• Then the products are boarded on the ship. The captain or the mate of the ship delivers the mate's receipt to the port superintendent.
(11) Payment of Freight and Issuance of Bill of Lading	• After the freight receipt, the freight company delivers a bill of lading. • Bill of lading is a document which works as proof that the sailing company has received the products for shipping to the assigned destination.
(12) Preparation of Invoice	• After shipping the goods, the exporter prepares a receipt of the transmitted goods. • The invoice is mentioned with the number of goods shipped and the expense to be cleared by the importer.

(13) Securing Payment	• Once the shipment is done, the exporter notifies the importer about the consignment.
	• The importer requires different documents to declare the ownership of goods on reaching the destination and making them customs cleared, such as :
	  ◦ Verified copy of the invoice
	  ◦ Invoice of lading
	  ◦ Packing list
	  ◦ Insurance policy
	  ◦ Certificate of origin
	  ◦ Letter of credit

Multiple Choice Question:

Q.1- ____________ refers to the selling and shipping of goods or services to another country.

a. Export trade
b. Import trade

c. Bilateral trade

d. None of the above

Q.2 –Which of the following highlights the objectives of export trade?

a. To speed up industrialization
b. To meet domestic demand

c. To improve the standard of living

d. All of the above

Answer Key

1-a, 2-d