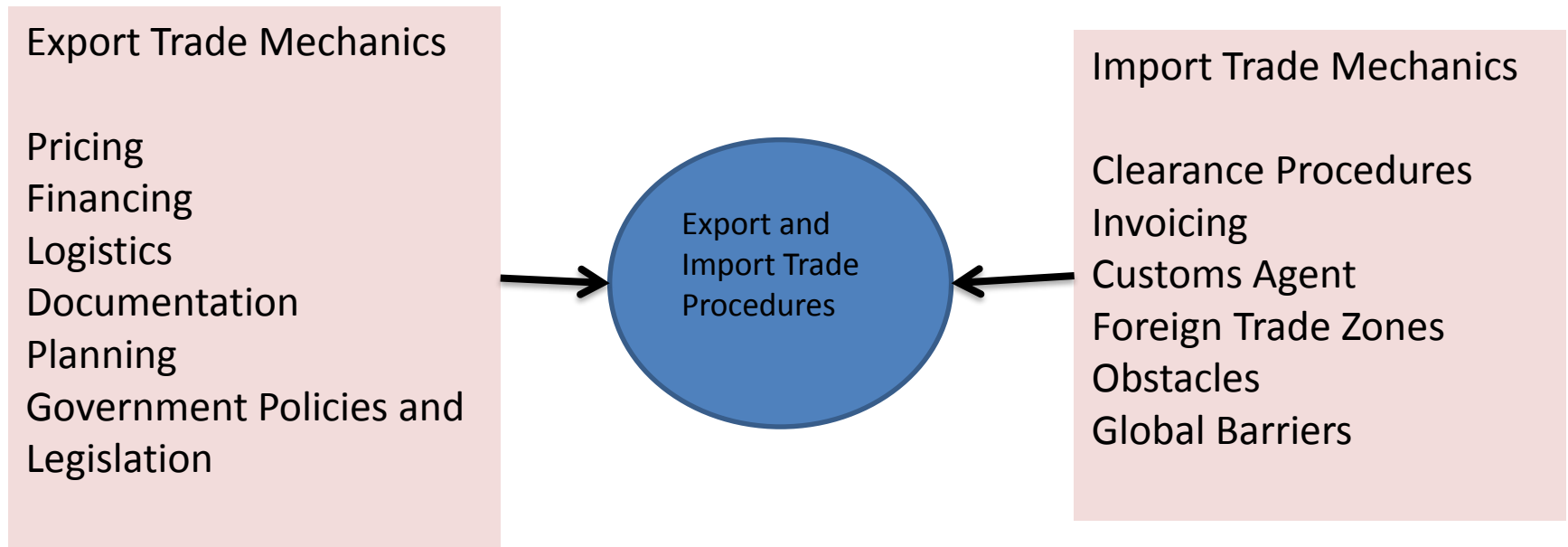


Operational Issues in International SCM: Import and Export Process

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Export Trade Mechanics



Pricing

- Most commonly used terms in quoting prices
 - **CIF** – cost, insurance and freight paid by the seller until the goods are unloaded from the named destination
 - **CF** – cost and freight
 - **FAS** – Free alongside ship, at a named port in the exporter's country. It includes goods, and any service and delivery charges to get the shipment alongside the vessel used for further transportation, but now at buyer's expense
 - **FOB** – Free on board. Price of placing the shipment onto a specified vessel or aircraft , but further transportation will be buyer's responsibility
 - **EX (named point of origin)**: Price for products at the point of origin and requires that the buyer assume all transportation charges

Financing Export Operations

- Cash or credit
- **Consignment sales** – exporter is not compensated until the products are physically sold by the importer
- **Draft or bill of exchange** – a formal order the exporter issues to the importer specifying when the sum is to be paid to the third party usually the exporter's bank
 - **Sight draft** – after seen the BL
 - **Time draft** – after specific time – 30, 60, 90, or more days

Financing Export Operations

- Letter of Credit – LC
- Different forms
 - **Revolving or periodic letters of credit** – for repetition of the same transaction as soon as the previous amount has been paid by the bank
 - **Cumulative letters of credit** – partial cash payments for the exporter as an advance on the shipment
 - **Back-to-back letters of credit** – original LC is used to issue the second LC
 - **Circular letters of credit** – issue LC without noting any bank
 - **Performance letters of credit** – guarantee the completion of a contract undertaken abroad.

Export Logistics

- Dynamic due to several policies and procedures in different countries

Export Documentation

- Commercial Invoice
- Consular invoice
- Certificate of origin
- Inspection certificate
- Bill of lading
- Dock receipts or warehouse receipts
- Certificate of manufacture
- Insurance certificates

Import Clearance Procedures

1. The value of the shipment to assess customs
 1. Complete description of the imported item
 2. Method of manufacture
 3. Specification of analysis
 4. Quantities and costs of component materials
 5. Commercial designation of the product in the US
2. The verification of required marketing and labeling
3. Shipment of prohibited merchandise
4. Verification of invoicing and determination of either shortages or excess compared to the invoice

Import Clearance Procedures

- The role of the customs agent
- Free Trade Zones or Foreign Trade Zones
- Obstacles to Foreign Imports
- Global import barriers
- Global trade negotiations – WTO, GATT