Understand the Import & export Procedure

1. Define Import.
2. Define export.
3. State procedure of import trade.
4. Describe the steps involve in opening letter of credit(L.C)
5. Describe the import procedure of garment raw materials, industrial goods and commercial goods.
6. Discuss procedure of garments export order.
7. Describe execution of garments export order.

What is Importing?
Importing involves bringing products or services into a country for sale that have been made elsewhere.
What is export?
Exporting involves giving products or services from a country for sale that has been made in our country.

Steps involve in importing product

(i) Trade Inquiry

The first stage in an import transaction, like any other transaction of purchase and sale, relates to making trade inquiries. An inquiry is a written request from the intending buyer or his agent for information regarding the price and the terms on which the exporter will be able to supply goods.

The importer should mention in the inquiry all the details, such as; the goods required, their description, catalog number or grade, size, weight and the quantity required. Similarly, the time and method of delivery, method of packing, terms and conditions regarding payment should also be indicated.

In reply to this inquiry, the importer will receive a quotation from the exporter which is generally known as Pro-forma Invoice (PI). The quotation contains the details as to the goods available, their quality etc., the price at which the goods will be supplied and the terms and conditions of the sale.

(ii) Sourcing Finance to open import L/C

After obtaining the license (or quota, in case of an established importer), the importer has to arrange for obtaining necessary foreign exchange since the importer has to make payment for the imports in the currency of the exporting country.

The foreign exchange reserves in many countries are controlled by the Government and are released through its central bank. For this, the importer has to submit an application in the prescribed form along-with the import license to any exchange bank as per the provisions of the Foreign Exchange Control Act and foreign exchange guideline.

The importer gets the necessary foreign exchange from the exchange bank concerned. It is to be noted that, whereas import license is issued for a particular period, the exchange is released only for a specific transaction.

(iii) Placing the Indent or Order through dispatching L/C:

After the initial formalities are over and the importer has obtained the necessary amount of foreign exchange, the next step in the import of goods is that of placing the order. This order is known as Indent. An indent is an order placed by an importer with an exporter for the supply of certain goods.

It contains the instructions from the importer as to the quantity and quality of goods required, method of forwarding them, nature of packing, mode of settling payment and the price etc. An indent is usually prepared in duplicate or triplicate.

Generally, foreign traders are not acquainted with each other and so the exporter before shipping the goods wants to be sure about the creditworthiness of the importer. The exporter wants to be sure that there is no risk of non-payment. Usually, for this purpose, he asks the importers to send a letter of credit to him.

A letter of credit, popularly known as ‘L/C or ‘L.C is an undertaking by its issuer (usually importer’s bank) that the bills of exchange drawn by the foreign dealer, on the importer will be honored on presentation up to a specified amount.

(iv) Obtaining Necessary Documents:

After dispatching a letter of credit, the importer has not to do much. On receipt of the letter of credit, the exporter arranges for the shipment of goods and sends Advice Note to the importer immediately after the shipment of goods. An Advice Note is a document sent to a purchaser of goods to inform him that goods have been dispatched. It may also indicate the probable date on which the ship is expected to reach the port of destination.

The exporter then draws a bill of exchange on the importer for the invoice value of goods. The shipping documents such as the bill of lading, invoice, insurance policy, certificate of origin, consumer invoice etc., are also attached to the bill of exchange. Such a bill of exchange with all these attached documents is called Documentary Bill. Documentary bill of exchange is forwarded to the importer through a foreign exchange bank which has a branch or an agent in the importer’s country for collecting the payment of the bill.

There are two types of documentary bills:

(a) D/P, D.P. (or Documents against payment) bills.

(b) D/A, D.A. (or Document against acceptance) bills.

If the bill of exchange is a D/P bill, then the documents of title of goods are delivered to the drawee (i.e., importer) only on the payment of the bill in full. D/P bill may be sight bill or usance bill. In case of sight bill, the payment has to be made immediately on the presentation of the bill. But usually, a grace period of 24 hours is granted.

Usance bill is to be paid within a particular period after sight. If the bill is a D/A bill, then the documents of title of goods are released to the drawee on his acceptance of the bill and it is retained by the banker till the date of maturity. Usually, 30 to 90 days are provided for the payment of the bill.

(vii) Customs Formalities and Clearing of Goods:

After receiving the documents of title of the goods, the importer's only concern is to take delivery of the goods, when the ship arrives at the port and to bring them to his place of business. The importer has to comply with many formalities for taking delivery of goods. Unless the following mentioned formalities are complied with, the goods lie in the custody of the Custom House.

(a) To obtain an endorsement for delivery or delivery order:

When the ship carrying the goods arrives at the port, the importer, first of all, has to obtain the endorsement on the back of the bill of lading by the shipping company. Sometimes the shipping company, instead of endorsing the bill in his favor, issues a delivery order to him. This endorsement of the delivery order will entitle the importer to take the delivery of the goods.

The shipping company makes this endorsement or issues the delivery order only after the payment of freight. If the exporter has not paid the freight, i.e., when the bill of lading, is marked freight forward, the importer has to pay the freight to get a green signal for the delivery of goods.

(b) To pay Dock dues and obtain Port Trust Dues Receipts:

The importer has to submit two copies of a form known as ‘Application to import’ duly filled into the ‘Lading and Shipping Dues Office’. This office levies a charge on all imported goods for services rendered by the dock authorities in connection with the lading of goods. After paying the necessary charges, the importer receives back one copy of the application to import as a receipt ‘Port Trust Dues Receipt’.

(c) Bill of Entry:

The importer will then fill in a form called Bill of Entry. This is a form supplied by the customs office and is to be filled in triplicate. The bill of the entry contains the particulars regarding the name and address of the importer, the name of the ship, packages number, marks, quantity, value, description of goods, the name of the country where from goods have been imported and custom duty payable.

(d) Bill of Sight:

If the importer is not in a position to supply the detailed particulars of goods because of the insufficiency of information supplied to him by the exporter, he has to prepare a statement called a bill of sight. The bill of sight contains only the information possessed by the importer along-with a remark that he is not in a position to give complete information about the goods. The bill of sight enables him to open the package and examine the goods in the presence of a customs officer to complete the bill of entry.

(e) To pay Customs or Import Duty:

There are three types of imported goods:

(i) Non-dutiable or free goods,

(ii) Goods which are to be sold within the country or which are for home consumption, and

(iii) Re-exportable goods i.e. goods meant for re-export. If the goods are duty-free, no import duty is to be paid at the customs office.

Custom authorities will permit the delivery of such goods after the usual examination of the goods. But if the goods are liable for duty, the importer has to pay custom or import duty which may be based on weight or measurement of goods, called Specific Duty or on the value of imported goods Ad-valorem Duty.

There are three types of import duties. On some goods, quite low duties are levied and they are called revenue duties. On some others, quite high duties are charged to give protection to home industries against foreign competition. While goods imported from certain nations are given preferential treatment for the levy of import duties and in their case full protective duties are not charged.

(f) Bonded and Duty paid Warehouses:

The port and customs authorities maintain two types of warehouses-Bonded and Duty paid. These warehouses are situated near the dock and are very useful to importers who do not have godown of their own to store the imported goods or who, for business reasons, do not wish to carry them to their godowns.

The goods on which the duty has already been paid by the importer can be kept in the duty paid warehouses for which a receipt called ‘warehouse receipt’ is issued to him. This receipt is a document of title and is transferable. The bonded warehouses are meant for goods on which duty has been paid by the importer. If the importer cannot pay the duty, he may keep the goods in Bonded warehouses for which he has issued a receipt, called ‘Dock Warrant’. Dock Warrant, also like warehouses receipt, is a document of title and is transferable.

The bonded warehouses are used by the importer when:

(i) He has no godown of his own.

(ii) He cannot pay the duty immediately.

(iii) He wants to re-export the goods and thereby does not want to pay the duty.

(iv) He wants to pay the duty in instalments.

A nominal rent is charged for the use of these warehouses. One special advantage of these warehouses is that the importer can sell the goods and transfer the title of goods merely by endorsing warehouse receipt or dock-warrant. This will save the importer from the trouble and expenses of carrying the goods from the warehouses to his godown.

(g) Appointment of clearing Agents:

By now we understand that the importer has to fulfill many legal formalities before he can take delivery of goods. The importer may take the delivery of the goods himself at the port. But it involves much of time, expenses and difficulties. Thus, to save himself from botheration of complying with all the complicated formalities, the importer may appoint clearing agents for taking the delivery of the goods for him. Clearing agents are the specialized persons engaged in the work of performing various formalities required for taking the delivery of goods on behalf of others. They charge some remuneration on performing these valuable services.

(h) Making the Payment:

The mode and time of making payments are determined according to the terms and conditions as agreed to earlier between the importer and the exporter. In case of a D/P bill, the documents of title are released to the importer only on the payment of the bill in full. If the bill is a D/A bill, the documents of title of the goods are released to the importer on his acceptance of the bill. The bill is retained by the banker till the date of maturity. Usually, 30 to 90 days are allowed to the importer for making the payment of such bills.

(I) Closing the Transactions:

The last step in the import trade procedure is closing the transaction. If the goods are to the satisfaction of the importer, the transaction is closed. But if he is not satisfied with the quality of goods or if there is any shortage, he will write to the exporter and settle the matter. In case the goods have been damaged in transit, he will claim compensation from the insurance company. The insurance company will pay him the compensation under advice to the exporter.

Process Sequence of Garments Export Process:

Contact with the buyer

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Order collection

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Sample development

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Sample approval

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Costing

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Confirmation of order

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Consumption

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Fabric & accessories booking

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Master L/C

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Back to back L/C

↓

Preparing T&A calendar

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Fabric & trims in House

↓

Pre-production meeting

↓

Pattern and marker making for bulk production

↓

Cutting

↓

Numbering, bundling & sorting

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Production line set-up

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Sewing

↓

Finishing

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Pre-final inspection

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Final inspection

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Ready for shipment

All the above processes have discussed in the below table:

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No.

Process

Procedure

01

Contact with the buyer

It is the first process of a garment export order. At first, the garments merchandiser has to contact the buyer for order collection.

02

Order collection

Here garments merchandiser receives garments orders from the buyer. Each order contains a garments specification sheet for different items or products.

03

Sample development

After receiving an export order, the garments merchandiser has to develop the required products by following the garments specification sheet.

04

Sample approval

After developing the product sample, the garments merchandiser sends it to the buyer for approval.

05

Costing

If the product sample is approved then the garments merchandiser will make the final costing for the product by discussing with the buyer.

06

Confirmation of order

Finally, the garments merchandiser confirms the order here.

07

Consumption

After confirmation of a garment export order, garments

merchandiser has to prepare the consumption of required fabrics, trimmings, and accessories.

08

Fabric & accessories booking

Here, fabrics and accessories booking has been done to in-house the required items for the export order.

09

Master L/C

Meanwhile, master L/C is opened from the buyer side and submitted to the garments merchandiser.

10

Back to back L/C

For importing raw materials for the export order, here manufacturer has to open back to back L/C.

11

Preparing T&A calendar

In the meantime, the garments merchandiser has o prepare a time and action plan here for the garments production.

12

Fabric & trims in house

All the required fabrics, trimmings and accessories are in-housed here according to the booking chart.

13

Pre-production meeting

It's an important factor for garments production. The production team should complete this meeting before starting the production.

14

Pattern and marker making for bulk clothing production

Here, the pattern and marker should prepare according to the approved sample.

15

Cutting

Fabrics cutting are done here according to the approved

pattern and marker.

16

Numbering, bundling & sorting

Here all the cutting fabrics have to do numbering sorting and bundling to avoid shade variation in the garments.

17

Production line set-up

Here, the production team sets a perfect production line for

completing smooth garments production.

18

Sewing

All the cutting fabrics are sewn here according to the approved sample.

19

Finishing

All the required finishing procedures are done here by

following the buyer's instruction.

20

Pre-final inspection

Here, a pre-final inspection has been done to ensure the right quality for the export order. Normally it is done by the factory inspection team.

21

Final inspection

Final inspection of an order has been done here by the buyer's inspection team. Where the inspection team is confirmed by the buyer.

22

Ready for shipment

Finally, garments are sent to the buyer by using sea freight or air freight.