International Marketing
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Lecture – 15
Import Export Procedures

Hello, good evening. I welcome you to my module 4, lecture 15 on import export procedures. I am sure you remember my intro video where I have said that I have designed the course in such a way there will be certain amount of theory, there will be certain amounts of practical aspects of international marketing and also the interaction with the industry experts of certain case studies.

So, here as I promised I have included this import and export procedures which is very important for all the practicing managers and also important for the MBA students who wants to go ahead with the course with international marketing positions in future and also the intrapreneurs who are thinking of expanding the business internationally. So, this is fundamental which one has to understand.

So, this is very practical and without this you will not able to go for any international business without the knowledge of this here and then I will explain about import export procedures and then there are various payment mechanism and once you go through this you will have good amount of knowledge to practically do day-to-day activities of imports and exports related to the international marketing.

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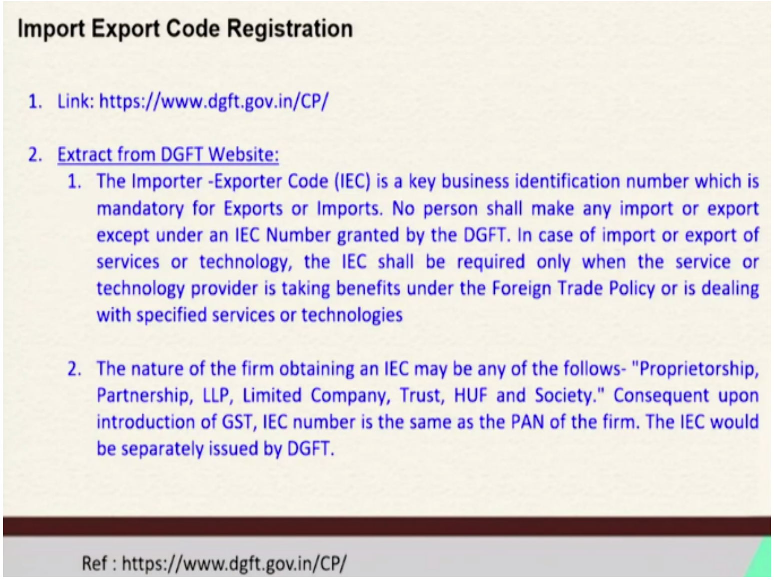

So, the concepts of imports and exports process: So the concept the first thing is which is very important for any company wants to import or export in India, he has to have an IE code or we call it IEC code. So how do you get that? If you have that IEC code with your company that is fine. If you are not having an IEC code or if you are an entrepreneur or your company have just started planning to start the operation international marketing you have to get the IEC code. So, how do you get that?

So, you go to the DGFT website which is mentioned there and you go to DGFT website and then apply there with the forms and other things, online application you can submit for the IEC code. Remember, I have extracted this from the DGFT website. The Importer-Exporter code is a key business identification number which is mandatory for exports or imports. So, no person shall make any import or export except under the IEC number granted by DGFT.

In case of import or export of services or technology, the IEC shall be required only when the service or technology provider is taking benefits under the Foreign Trade policy or is dealing with the specific services or technologies. Who can get it? The nature of the form obtaining IEC may be any of the follows like a proprietorship company or a partnership company, LLP, limited company, trust, HUF or Hindu undivided family and society this can be done.

And consequent upon the introduction of GST, IEC number is the same as the PAN of the form. The IEC would be separately issued by DGFT. So that is the most important part here. So, guys, you have to remember that if you have to do the international business, if you are importing any goods to the country of your exporting any goods outside this country, you have to have an IEC code which is issued by DGFT and the website reference is there.

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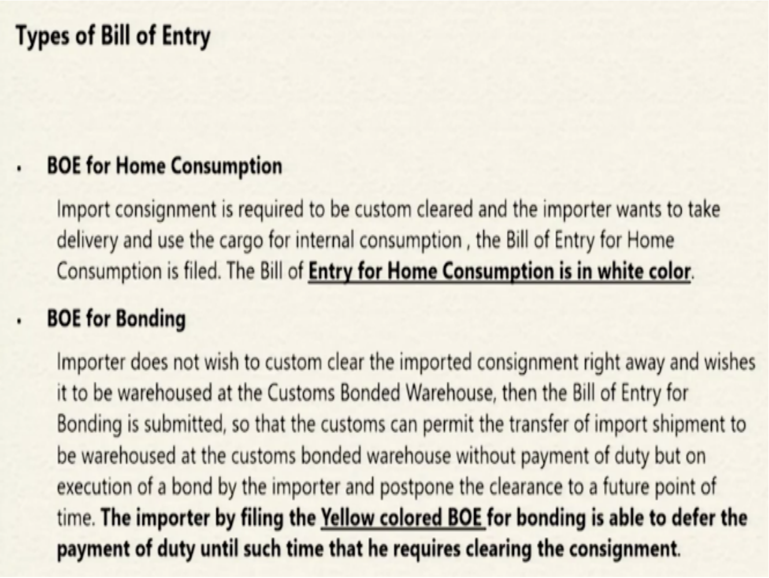

So now, once you have imported a good to India, so you have to file the goods and I will give you an example. Suppose you have imported this consignment from abroad, from some countries you have imported this consignment and this consignment has landed at customs port say in Delhi or Kolkata, in Mumbai or Chennai or Bangalore any of the customs port like airport or seaport it has landed.

Then you have to clear that consignment from the customs by paying the customs duty and then take it to your warehouse for selling or for manufacturing whatever the purpose of your import. So, the there are three different types of Bill of Entry which you have to file. So, what is Bill of Entry? Bill of Entry is the form which you need to file to the customs authority with filling up that form with the customs authority along with the shipping documents.

That means the airway bill or the shippers bill and the packing list and also the copy of the invoice, everything should be filed together and file to the customs authority. And there are three different types of Bill of Entry, BOE or Bill of Entry. One is Bill of Entry for home consumption. So, that means, you this product what you are importing is totally used for the home consumption.

That means it will be used in India either for manufacturing some equipment a part, which will be used for manufacturing a product or maybe you will be reselling the product. So, that means the consumption will be in Indian market. So, the Bill of Entry for home consumption you need to file and typically the form is Bill of Entry is white. So, once you file the Bill of Entry, it says that import consignment is required to be custom cleared and the importer wants to take the delivery and use the cargo for internal consumption.

Remember it is for internal consumption, you cannot, it is not for ACJ, I will explain to you what is ACJ and all those, it is not for that, it is for home consumption and Bill of Entry for home consumption is filed. And the Bill of Entry home consumption is in white colour form. So, you need to fill that form. Once you complete that form, you fill that form along with the copy of the invoice, airway bill, packing list to the customs authority.

Customs authority will look at HS code of the product, I will teach you what is HS code and then they will appraise the product. They will check whatever was mentioned in the invoice exactly the same product has come or not or something different has come it is their responsibility to appraise the product. So, customs will appraise the product. Once they appraise the product, then they will levy a duty on that and then you have to pay the duty and then you clear from customs.

Remember, once the duty Bill of Entry you file and they give you the time, the customs authority appraises that and tells you the duty amount is x, you have to pay within 48 hours, remember you have to pay within 48 hours. If you do not pay, there will be huge penalty for that. So that is the period you have to remember. So, this is Bill of Entry filing is very important and this is for home consumption. You can also advance file Bill of Entry.

Before this consignment has actually landed in India, you can file advance Bill of Entry also that is also possible. In Indian customs, you can file advance Bill of Entry for home consumption which is the white form, fill it up. And then once the good lands, then immediately customs official can appraise that product and tell you the duty amount, you pay the duty and clear the consignment and take it to your warehouse.

The second Bill of Entry is for bonding. That means the consignment has come but you do not want to clear it, you want to clear it after one month or maybe after 15 days or after 20 days you want to clear. So, you need to keep it under customs bonded warehouse. You do not want to clear the whole consignment, you want to keep the whole consignment at customs bonded warehouse. So, this is a different Bill of Entry you have to file which is a yellow colour Bill of Entry.

So, the importer does not wish to clear the customs of imported consignment right away and wishes to be warehouse at the customs bonded warehouse. Then the Bill of Entry for bonding is submitted so that the customs can permit the transfer of import of shipment to the warehouse at the customs bonded warehouse without payment of duty, but on the execution of a bond by the importer and postpone that clearance for a future point of time.

So, the meaning is that you may not have the customs duty amount ready with you or you may not have the basic purpose of importing the equipment, maybe the infrastructure is still not ready, you do not want to really make the customs duty upfront payment, you want to keep it under bonded at the customs warehouse. So, what customs will do? Customs will put it in a customs bonded warehouse and they will be kept there itself.

So once that time you clear and the form is typically yellow coloured Bill of Entry bond and is able to defer the payment of duty. The very objective is that you do not, you can hold this whole consignment, remember this is whole consignment, so the whole consignment will be under bonded warehouse and defer the payment of duty till such time that requires clearing the consignment. So you can at least delay the clearing process if you may not need.

The consignment might have reached, you may not need the consignment immediately, you may need the consignment after one month, you do not have the money cash flow to pay the customs duty, you may decide or maybe you may have money but you do not have the facility ready for the equipment. So, you might keep it at the bonding. So, customs will charge some bonded warehouse charges and then you clear it, once your site is ready you can clear it. So, this is known as Bill of Entry for bonding.

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Bill of Entry

- **Ex-Bond Bill of Entry**

  Import consignments are not custom cleared immediately on arrival and are warehoused at the customs bonded warehouse, the importer can choose to custom clear the entire consignment or in parts whenever he requires by filing **Ex-Bond Bill of Entry** to clear the consignment from the warehouse on payment of duty.

  The valuation under the Ex-Bond Bill of Entry will take into account the prevailing rates of duty at the time of actual removal of imported consignment from the warehouse and not the duty assessed through Bonding BOE. In case there has been a revision in the tariff, the prevalent tariff at the time of removal from the bonded warehouse will prevail.

  Ex-Bond Bill of Entry is green in color and is also called 'Green Bill'.

There is a third one which is Ex-Bill of Entry. This is very interesting. Here, you do not clear, in the first case you clear the whole consignment, in the second case you kept the whole consignment there and then you clear the whole consignment after certain time, maybe after 1 month, after 15 days, after 2 months you have cleared it from the customs. The third one is something partial.

That means import consignments are not customs cleared immediately on arrival and are warehoused at the customs bonded warehouse and the importer can choose to custom clear the entire consignment, I can choose the entire consignment the first one or parts of that. That means say I have imported this type of 5 equipment or 10 equipment, I decide to clear 4 right now and 6 I will clear later. I may not need right now all the 6, I may need 4 at my site.

So, this type of Bill of Entry will help you to clear the consignment from the warehouse and the payment of duty. The valuation, remember the valuation under the Ex-Bond Bill of Entry will take into account the prevailing rates of duty at the time of actual removal of imported consignment from the warehouse, not the duty assessed through the bonding BOE. So, remember, to make it very simple if you have imported this consignment on say 30th of January.

Then you are clearing some items of that or some portion of this consignment say on 15th of February. So, the duty rate what is applicable on 15th of February will be applicable for that part consignment. Now, the next consignment say after budget after 31st of March the new financial year starts and maybe the customs duty changes after that in the new budget, then you are clearing maybe the part of the consignment in the next financial year.

And in the next financial year whatever the duty, any clearing sometimes say mid of April or last week of April you are clearing the consignment which has come on 30th of January to the port. Then the duty prevailing at the time of clearance will be applicable, it is not the time when it has landed. So, if the duty has increased on 30th of April when you are clearing you have to pay the higher import duty, if it is lowered you need to pay the lower customs duty.

So, remember in case there is a revision, so remember this line, in case there has been a revision in the tariff, so if customs duties increase or decrease the prevalent tariff at the time of removal from the bonded warehouse will prevail. When you clear it at the time of removal from the bonded warehouse, whatever that duty on 30th of April when you are taking out the consignment will be applicable. So, this Ex-Bond Bill of Entry is green colour and also known as a Green Bill.

So just to recap there is a white and this is yellow, yellow is that whole consignment you are keeping under bond, the white the entire consignment you are clearing that is a white Bill of Entry. Yellow, the whole consignment you are keeping at warehouse, not clearing the whole consignment and the third one is the green where you are clearing part of the consignment and part of the consignment you are keeping at the customs bonded warehouse.

These are the three different Bill of Entry and never forget these are the very crucial thing for an importer or exporter to understand what is Bill of Entry and what are the various types of Bill of Entry.

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So then comes what is a business transaction, first you have to understand what is a business transaction. A communicative process, action or activity involving two parties that reciprocally affect or influence each other. So international trade between two countries often means overcoming or managing two databases to produce an effective transaction. Should legally be valid. So as to dealt under the international codes commonly known as deal or contract.

In trade or commerce, it is a process of exchange of goods and services and monetary value between a buyer and seller. So, I will come to more details into the next slide. I will come more details into that. Has three components, the first component is transfer of goods of services and money, this is a component number one. Number two is the title of the goods, which is very important for you to understand and the third is a transfer of exchange rights. So, all these things I will explain to you.

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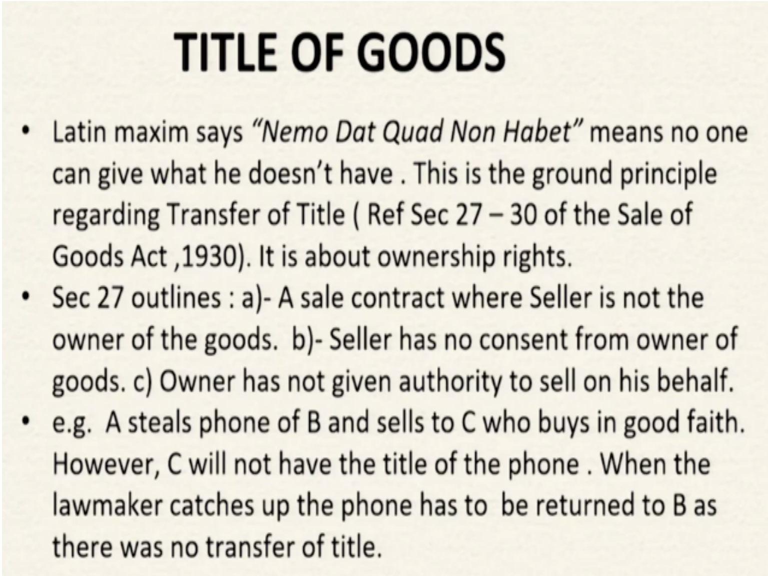

Title of goods, so what is title of goods? So, Latin maxim says Nemo Dat Quad Non Habet means no one can give what he does not have. This is the ground principle regarding the transfer of title and the act is mentioned there. It is about the ownership right, who owns the product, who owns the rights of the product. Section 27 which I have mentioned there, section 27-30 of the Sale of Goods Act 1930, which says that a sale contract where seller is not the owner of the goods.

Seller has no consent from owner of goods, the owner has not given any authority to sale on his behalf, so that is section 27 outlines. So, give you a simple example. I have taken a very simple example. If A, a person just named as A steals a phone from B and sells the phone to C, he steals a phone, so that means there is no invoice, he has stolen the phone, who buys in good faith. However, C will not have the title of the phone because there was no invoice made.

And the title of the goods was not transferred from A to C because B had stolen the goods from A. When the lawmaker catches up the phone has to be returned to B as there was no transfer of title because A was holding the original invoice when he has bought the phone. So that is a very simple example of title of goods.

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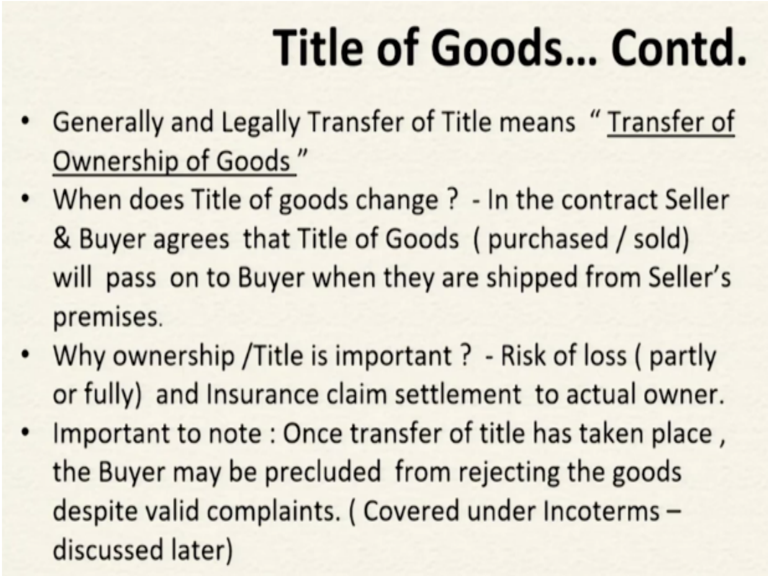

Generally, legally transfer of title means transfer of ownership. So, title of the goods means when I transfer the ownership from my company, from the seller if I am the seller, when I transfer the title of my goods legally to the buyer so that is known as ownership of the goods. So, when the title of goods change? In the contract seller and buyer agrees that the title of goods purchased or sold will pass on to the buyer when they are shipped from the seller premises.

That means when I have shipped from the seller premises, partly it is already the good has been, ownership has been changed. Why ownership or title is important, why it is important? Risk of loss. Suppose some accident happens, some problem part or fully the insurance claim settlement will be given only to the owner. So, remember, this is very crucial and in international marketing where you are dealing with crores of worth of equipment, who owns the product at which point is very crucial for you to understand.

That is why I said this session is very important session. Even I have seen during my long tenure in international market, lot of managers have made mistakes in understanding the title of goods and the Incoterms, which I will come what is Incoterms and all those, these are very important for you to understand. So, remember, when and at which point of time who was the owner, suppose an accident has happened or some damage has happened to the goods and the claim of the insurance.

Who will get the claim from the insurance will be the very crucial depending on the title of the goods. Important note; once transfer of title has taken place the buyer may be precluded from rejecting the goods despite the valid complaints. So covered Incoterms, we will discuss that later.

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Then, another important document is the country of origin certificate. So, when you import some goods or when you export some goods, a country of origin certificate is very important as a very important document. So, what is that? It is an integral part of import and export documents for customs clearance. This is not in India, the country of origin certificate will be required in Japan, Japan is importing something from India, the Japanese company.

When you export to Japan you have to send the country of origin from India to your Japanese customer. So, country of origin certificate is valid for import or export. Issued by exporting countries' Chamber of Commerce. So typically, the Chamber of Commerce issues the country of origin certificate. Country of origin establishes the evidence that the origin of goods into the other countries. So, it shows that the goods are coming from certain country.

Helps in realizing export import benefits. Under unilateral and bilateral trade agreement between countries customs duty may be exempted or reduced under the specific goods agreement. So if the country is in one trade block, say under European Union, so the all countries in European Union, within European Union they will not pay any duty for movement of the goods from one country to another country within that European Union.

Say in our SAARC countries, the duty structure is different. So, if we are selling a product to Bangladesh or we are selling a product to Sri Lanka their duty rate will be as per the SAARC agreement. But if some countries sales from outside the SAARC countries, within this SAARC countries, let me say Singapore is selling something the duty structure will be different. So, this line is very important here like in European Union, Germany to France or to Italy the goods will go without any customs duty.

There is no customs duty within that European Union. But from India if you sell a product to Germany or if you sell a product to France, the buyer has to pay the customs duty at Germany or France wherever he is clearing the consignments so that is very important. So, when you clear that this country of origin certificate is very much essential to see that block. And country of origin certifies a specific format and a copy of commercial invoice is endorsed to maintain a link, so this link with your commercial invoice.

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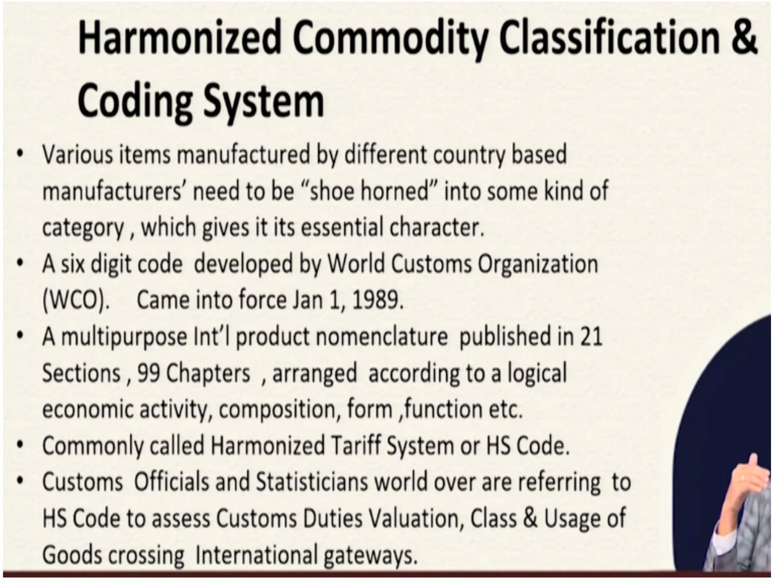

Then comes the harmonized code classification and commodity classification and coding system. This is typically known as HS code. So, what is HS code? Various items manufactured by different country based manufacturers need to be shoe horned into some kind of category which gives the essential character. So, HS code is typically 6 digit code developed by World Customs Organization and came into force in January 1989.

Say multipurpose international product nomenclature published in 21 sections, 99 chapters, arranged according to the logical economic activity, composition, form, and function. Commodity called Harmonized Tariff System or in short it is known as HS code. Customs official and statistician world over are referring to HS code access to customs duty valuation and class and usage of the goods crossing the international gateway. Say this is the pen.

This is a pen, this pen will have a unique HS code based on its functional things. It has label HS code. This HS code will be unique for this pen. When this pen reaches to Japan, Japan customs will look at the HS code and they will find it out from their customs that this is a pen and the purpose of this pen are this and the duty structure is this in Japan. Same this pen now goes to US, the HS code will be the same in US like in Japan.

The US government will look at this HS code, US Customs will look at the HS code and put the duty based on the HS code. So a product; so remember this one according to the logical economic activity, composition, form and function they have a one particular number into that. And this customs official and statistician world over are referring HS code to assess the customs duty for the class.

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So, to give you a little more information in that, so frequent revision, addition, amendments to accommodate newer products will be of course regular phenomena. Example hierarchical structure, let us say the HS code of a product is 10 dot 06 dot 30, so what does it mean? 10 means it is from the chapter 10, you remember you go to the previous slide there are 99 chapters. So, the first two digits will say it is the product is mentioned in which chapter.

Number 6 what is the heading, so say it is the heading and heading is rice and then there is a subheading 30, which is basically semi or wholly milled rice. So, if you are sending semi or wholly milled rice from India to Japan, the HS code of the product will be 10 point 06 point

30. Same rice if you are sending to US, HS code will be 10 dot 06 dot 30. So US customs, the moment they see this wholly milled or semi milled rice, they will look at this HS code.

They will immediately know that this is a rice and wholly or semi milled rice. So, they will put a duty structure accordingly and the same 10 point 06 30 now goes to Japan, Japan customs will also put that 10 dot 06 30 in the customs duty, they will also find it is the wholly milled rice and it is cereal. So, the whole world the moment any customs in the world, any customs department in the world gives the code of HS code immediately they know what is the product.

And they can find out what is the duty structure for that product in that particular country. So, that is the importance of the HS code. So, HS code as I said has very frequent revisions and additions of HS code is there.

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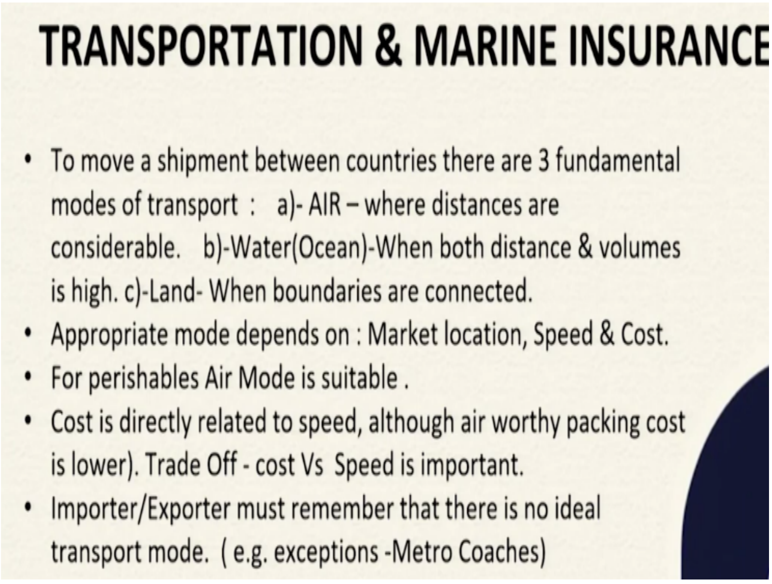

And transportation and marine insurance. So, to move a shipment between the countries 3 fundamental modes of transport is there. One is the air where the distances are very important, very long distance and you do not want to really spend a lot of time then you might send it by air also, but it depends again the size of the cargo and all those things will come later. Another is the ocean when both distance and volume is high.

Distance is also high and the volume of the product is also very high, very huge consignment like oil or machinery, huge machinery coming. So, these are typically made by sea mode. And land mode when the boundaries are connected, say Nepal and India boundary; Nepal, India and Bangladesh boundary, you can travel, you can send by truck also the goods to Nepal or to by truck goods to Bangladesh so that is the boundaries are connected you can send it by the land mode.

So, appropriate mode depends on the market location, speed and cost. So which one I should use? Should I send the consignment by air or should I send the consignment by sea, you have to look at the market location, where is your customer and locate based on that what is the size of the consignment, volume, all those you have to consider and speed and the cost also. Remember, normally perishable goods are always sent by air mode, you cannot send the perishable goods by sea mode.

Cost is directly related to speed, although air worthy packing cost is lower. Trade off cost versus speed is very important. Importer exporter must remember there is no ideal transport mode. So, there is no ideal transport mode. So, some goods, some mode, you cannot have an ideal that I will send every time all the consignments by air only or all the consignment by sea, there is no such ideal modes. So, we will discuss the next transportation and all the things and various other details import terms and others in my next session. Thank you very much.