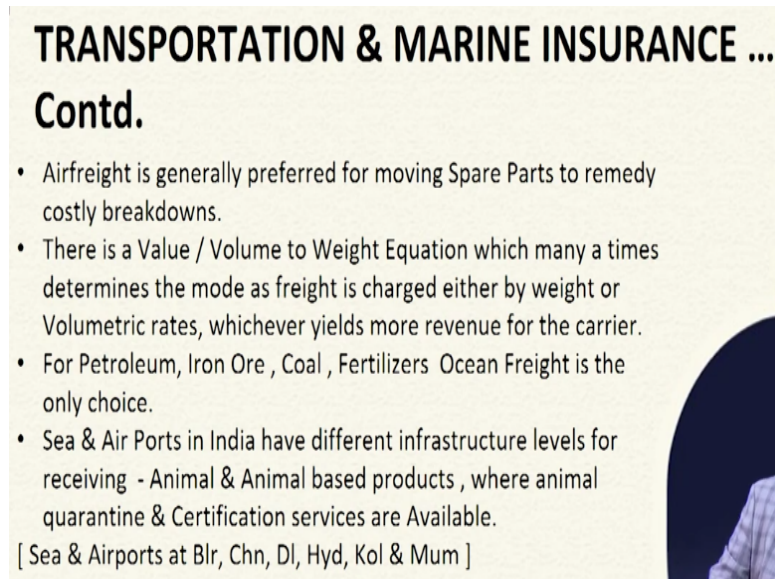


International Marketing
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Lecture – 16
Import Export Procedures

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TRANSPORTATION & MARINE INSURANCE ...
Contd.

- Airfreight is generally preferred for moving Spare Parts to remedy costly breakdowns.
- There is a Value / Volume to Weight Equation which many a times determines the mode as freight is charged either by weight or Volumetric rates, whichever yields more revenue for the carrier.
- For Petroleum, Iron Ore , Coal , Fertilizers Ocean Freight is the only choice.
- Sea & Air Ports in India have different infrastructure levels for receiving - Animal & Animal based products , where animal quarantine & Certification services are Available.

[Sea & Airports at Blr, Chn, DI, Hyd, Kol & Mum]

Hello, good evening. Welcome back. So, we will now go through module 4, lecture 16. We will continue with import and export procedures. So, the insurance is very crucial and we have discussed about the air freight and sea freight. So, air freight is generally preferred for moving the spare parts to remedy which is a cost for the costly breakdowns. So, that is typically the spares normally moved through the electronic spares or maybe all any critical mechanical spares, these are typically moved through the airway mode.

Which typically saves time and the equipment can be brought back to the functional by using the spares which received through the international consignment. There is a value per volume to weight equation which many a times determines the mode as freight is charged either by weight or by volumetric rates whichever yields more revenue for the carrier. So, for petroleum, iron ore, coal, fertilizer ocean freight is only choice.

Because you know the huge amount of petroleum like the crude oils or the iron ore, coal, fertilizers never transported through air because it is a very high volume and weight. Sea and airports in India have different infrastructure levels of receiving animal and animal based

products where animal quarantine and certification services are available. So, there are various types of seaports available like Bangalore, Chennai, Delhi, Hyderabad, Kolkata, Mumbai all those.

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TRANSPORTATION & MARINE INSURANCE ...
Contd. 2

AIR FREIGHT	OCEAN / SEA FREIGHT
Cargo Mode / Courier Mode	FCL (Full Container)/ LCL (Less Container)
Fast Transit	Voyage is long/Time consuming
Fewer Trans-shipments	Multiple Trans-shipments
Less risks & transit damages	Higher transit risks
Freight cost high	Low freight costs (< 25% of Air freight)
Carrying Capacity is Low	High Carrying Capacity
Perishable Cargo- Only Mode	Not suitable for Perishables
Airport Congestion negligible	Port Congestion is common
Unsuitable for low value goods (Cotton)	Economical when value is low.
Concept of Dry Ports (Tughlakabad / Patparganj)	

Now, there are two different modes. One mode of transportation is air freight and other is the ocean or sea freight. So, what is the difference? Air freight is typically the cargo mode or the courier mode. In the ocean or sea freight it is full container load or a less container load. So, what is FCL? FCL is a full container load. You must have seen what is a container, is a 40 feet container or a 20 feet container.

So, you can either book the whole 40 feet container with your products or you can book half of that container. So, if you move the whole container of 40 feet or 20 feet it will be known as FCL or if you book the 40 feet or 20 feet some portion of that, not totally with your goods, some other company's product or some other seller's product will also come into that same container it will be less container. So that is known as FCL and LCL.

So these are the containers which where you stuff your goods there and then it is moved to the ship. In air freight is a very fast transit and here in ocean freight as you know the voyage is long and a very time consuming. Fewer trans-shipments because in air maybe the consignment is coming from New York may get trans-shipped somewhere in Europe from maybe in Frankfurt in Germany or maybe in Heathrow in London and then trans-shipped another flight from London or from Frankfurt to India so that is the fewer trans-shipments.

In case of an ocean freight, multiple trans-shipments, maybe the ship might come from Germany say up to the port in **US**, say NEC port in US. From there may be in another ship, it goes to another seaport or maybe it goes to another country. So, there are a couple of trans-shipments from a large ship to a smaller ship, all these trans-shipments are possible. So, why these trans-shipments are risky? Because you know every trans-shipments you have to unload and again load in another ship.

So if more of loading and unloading, there is a risk of damage so that is the reason. Remember in ocean, sea freight you may not get a direct ship, sometimes maybe two or three ships will be changed, the trans-ship will be there at two different places, at two or different three ports it is changed. So through the trans-shipments are risky proposition from the point of view of the damage and also the time consuming. But in the air it is less trans-shipments.

Less risk and transit damage as simple because if trans-shipments are less. Here the high transit risk, risk of damages are very high. In air freight, freight cost is very high whereas in sea freight low freight cost, almost 25% rough guideline, 25% of the air freight, it is just **thumb rule** 25%. In aircraft the capacity of carrying is low, in ship it is a high capacity of load. Perishable cargo can only come by air because it cannot come by sea mode because it is not suitable.

Sea mode is not suitable for the perishable cargoes like food items and others. The congestion at the airport is negligible. An airport may be congested maybe for 1 hour, but it is negligible. But the seaports congestion is very common, the ship might reach to one of the ports a Yokohama or the port in Japan may not get the land berthing, may wait for 15-20 days. So seaport congestion is very common and it is very common.

So, more the port is congested, so it is difficult for the ship to offload the product so that it takes lot of time. Unsuitable for low value goods like cotton and other things should normally not suit by air because it does not make sense. And economical when the value is low, the sea mode is economical when the value is low. And concept of dry ports is there in case of air freight. So, what is dry port? So, let me explain to you what is dry port.

See we have the seaports like Chennai, we have seaports in Mumbai, and we have also seaport in Kolkata in Haldia we have a sea port, but Delhi there is no sea port. So, the goods

might come by sea and then under customs control, say Maruti Suzuki their headquarters is in Gurugram. So, they want to import a huge consignment by sea mode. So, what will happen? The consignment is; I am just assuming just for our classroom example, maybe the consignment is coming from Suzuki Japan.

The consignment will come by sea mode because it is a huge equipment, the cars or maybe the parts, machinery or whatever its items which is not suitable coming by air mode, it is coming by sea mode and from Japan it comes to Mumbai port which is known as Nhava Sheva port, it comes to Mumbai port and it is unloaded from the ship. But ultimately the goods have to move to Gurugram where is Maruti factory is there and there is no sea port there. So, what will happen?

The goods will now travel under customs control in a train and that will travel by train that will be unloaded from the ship, then loaded again in the train wagons and then it will move, the train under customs control will move from Nhava Sheva port to Tughlakabad to Patparganj port near Delhi. So, the whole goods are coming without cleared at the customs port in Mumbai that will be cleared at Patparganj. There is no sea port, so there is a dry port.

So as if the consignment has come from Japan to Nhava Sheva in Mumbai, from Nhava Sheva Mumbai the consignment is put on a train and the train moves under custom control and comes because you cannot unload anything from that, it is totally under customs control and that train comes to the customs port at Tughlakabad or Patparganj and then you can unload the consignment and then file Bill of Entry at dry port in Tughlakabad or Patparganj.

You can submit a Bill of Entry and pay the customs duty and clear it and take it to your Gurugram factory. So that way how the dry port concept works. I hope you understand what is dry port, where there is no sea port and there is an arrangement made for faster movement and custom clearance. You do not have to clear the consignment at Nhava Sheva in Mumbai, instead of that you can clear it at a dry port which is at Patparganj or Tughlakabad.

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MARINE CARGO INSURANCE

- *“In this World 1/3rd is covered by Land, 2/3rd by Water & All of it by INSURANCE ”*
- -is an insurance that covers loss or damage in transit by Ocean Freight ...and also by Air.
- -Chief purpose is to cover loss or transit damage .
- -Insurance can be arranged by Seller or Buyer.
- Two Forms of Insurance: 1- Special Cover (One time) and
- 2- Open Policy (Blanket Coverage).
- One time policies are expensive since risk cannot be spread over multiple shipments.
- Insurance for shipment is a must as per Customs rule. [110%]

Marine cargo insurance, in this world one-third is covered by land and two-thirds by water and all it is by insurance. So, it is a nice line that you know one-third is covered by the land and two-thirds by water but everything in the world is covered by the insurance. So, insurance that covers loss or damage in transit, ocean freight or also by air. So, anything you send, any consignment you send either by ocean or by air it has to be insured.

The chief or main purpose is to cover loss or transit damage. So, if any damage happens to recover that cost. Insurance can be enhanced by the seller or buyer as per the Incoterms, we will teach what is Incoterm seller or buyer. Two forms of insurance, one is a special cover that is one time, another is an open policy that is a blanket coverage. So what is special time, one time? That means I am importing one consignment, say this consignment I am importing once, so I will have one time insurance.

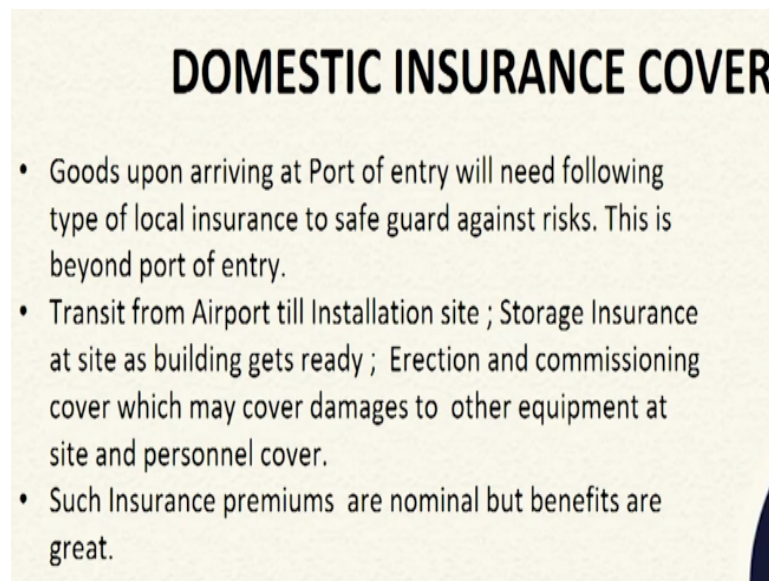
So, I will not import regularly so that will be one time insurance. I may import this every month two times next 5 years or next 2 years, I may have a blanket coverage for insurance, I may not have to do every time an insurance for import of this item so that is known as a blanket coverage. So, I can have an open one time that is known as a special cover or a blanket coverage.

If I am importing regularly, same item like crude oils and others I am regular, coal, I am regularly importing I will happen blanket coverage for that. I may have a special cover if I am bringing one machinery once only and not regularly, I am bringing that machinery only once. One time policies are very expensive because you know since risk cannot be spread over

multiple shipments. Why it is there? Because you are just importing once, if any damages their insurance company has to pay that.

So, they charge very high charge premiums. But if it is an open policy blanket, the whole risk is covered on multiple shipments, so they charge lower insurance premiums. Insurance for shipment is must as per the customs rules, so that is must, you cannot send any goods without insured to the country.

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DOMESTIC INSURANCE COVER

- Goods upon arriving at Port of entry will need following type of local insurance to safe guard against risks. This is beyond port of entry.
- Transit from Airport till Installation site ; Storage Insurance at site as building gets ready ; Erection and commissioning cover which may cover damages to other equipment at site and personnel cover.
- Such Insurance premiums are nominal but benefits are great.

Domestic insurance cover; goods upon arriving the port of entry will need following type of local insurance to safeguard the risk. This is beyond the port of entry. So, transit from airport till the installation site, storage insurance at site building gets ready, erection and commissioning cover which may cover the damage of equipment at site and personnel cover. What is this? The equipment suppose has landed in Kolkata, say a machine which is landed in Kolkata. Now this is custom cleared at Kolkata.

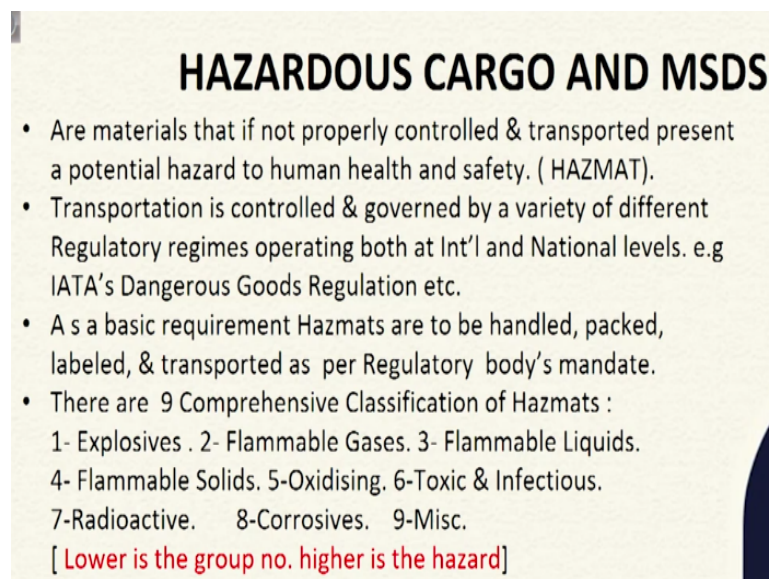
Now from Kolkata, this consignment will move all the way to Raipur and move all the way to Guwahati. So, there domestic insurance is required to move these goods from Kolkata port after clearance to Raipur or to Guwahati so that if any transit damage between traveling from Kolkata to Guwahati or Raipur, if there is any damage you can claim that. So, that is known as a domestic insurance coverage. There is also coverage, erection and commissioning coverage is there.

You may be site you are importing a machinery, say an equipment maybe for the hospital or maybe for a plant you have imported, plant is not ready but the time your equipment has reached there. So, you can have some sort of erection and commissioning coverage also for any damage there and also while the equipment is stored at the site if there is any damage happens because you have already received the product or the equipment at your site say in Guwahati or in Raipur.

But your main installation site is not ready, it is still in the warehouse or somewhere there. If any damage occurs, you can keep also an insurance coverage there. Such insurance premiums are nominal, benefits are great. So, remember when you build a large plant, you might not get all the equipment as per your plan, some equipment might receive late, some equipment you have received a little early.

Your site may not be ready, in that condition you have to store those goods in a warehouse and you can keep it under insurance. These insurance premiums are not high, but if any unfortunate situation happens, so you can get a claim.

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HAZARDOUS CARGO AND MSDS

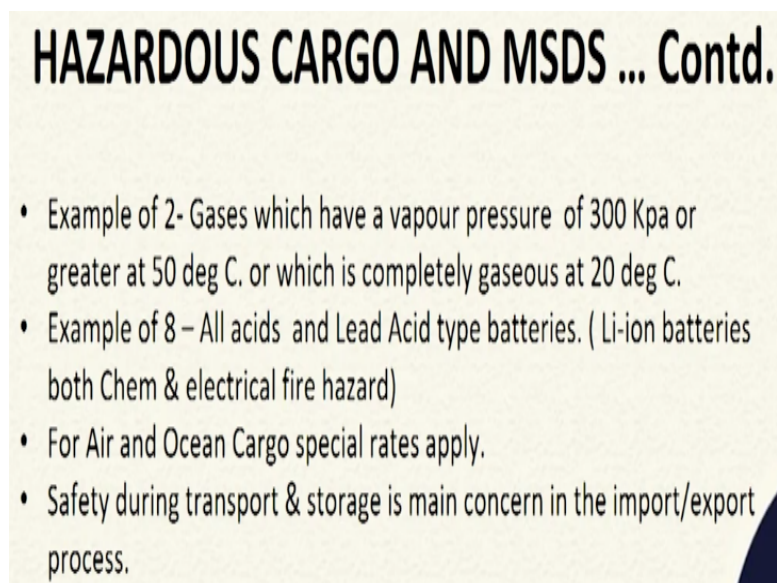
- Are materials that if not properly controlled & transported present a potential hazard to human health and safety. (HAZMAT).
- Transportation is controlled & governed by a variety of different Regulatory regimes operating both at Int'l and National levels. e.g IATA's Dangerous Goods Regulation etc.
- As a basic requirement Hazmats are to be handled, packed, labeled, & transported as per Regulatory body's mandate.
- There are 9 Comprehensive Classification of Hazmats :
1- Explosives . 2- Flammable Gases. 3- Flammable Liquids.
4- Flammable Solids. 5-Oxidising. 6-Toxic & Infectious.
7-Radioactive. 8-Corrosives. 9-Misc.
[Lower is the group no. higher is the hazard]

Then comes hazardous goods. So what is hazardous good? All materials that if not properly controlled and transported present a potential hazard to human health and safety. This is what is known as Hazmat. In our terminology, it is known as hazmat products. So, what are the hazards let me explain to you. Transportation is controlled and governed by a variety of different regulatory regimes operating both international and national levels.

IATA's Dangerous Goods Regulation Act. As a basic requirement Hazmats are handled and packed, labelled and transported as per regulatory guidelines, some goods which are hazardous in movement. So, I will give you some examples. There are 9 comprehensive classifications of Hazmats. The one is the explosives, number 2 the flammable gas, number 3 flammable liquids, number 4 flammable solids, number 5 oxidizing, number 6 toxic and infectious, number 7 radioactive, number 8 corrosive, number 9 miscellaneous.

So, these are the nine hazardous goods are hazmat classification. Depending on the product which you are bringing it is the classification will be like this. If the classification of hazmat is one, lower the classification it is higher the hazards. So, hazard of sending the explosives or hazard of sending the flammable gases will be much more compared to the corrosive material or radioactive material. So, lower the hazmat group number higher the hazards, remember this. And which are the 9 groups? I have explained to you which are the 9 groups.

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HAZARDOUS CARGO AND MSDS ... Contd.

- Example of 2- Gases which have a vapour pressure of 300 Kpa or greater at 50 deg C. or which is completely gaseous at 20 deg C.
- Example of 8 – All acids and Lead Acid type batteries. (Li-ion batteries both Chem & electrical fire hazard)
- For Air and Ocean Cargo special rates apply.
- Safety during transport & storage is main concern in the import/export process.

Example of 2, gases which have a vapour pressure of 300 K pa or greater than 50 degrees centigrade or which is completely gaseous at 20 degrees centigrade. Example of 8, all acid and lead acid type batteries, lithium ion batteries both chemical and electrical fire hazard are the examples of 8. So, 8 what we have learned, 8 is the corrosive. So, if you know we use the lithium ion batteries and this lithium ion battery is in a hazardous good, so its classification is under 8.

For air and ocean cargo special rates of these will be available. Safely during transport and storage is maintained during the import because it is very important when you transport these

hazardous goods either by sea or by air mode, so these various safety parameters are there which has to be maintained.

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HAZARDOUS CARGO AND MSDS ... Contd....2

- MSDS – Material Data Safety Sheet.
- A document that contains info on potential hazards (health, fire, reactivity & environmental) and how to work safely with the product.
- MSDS also provides info on the use , storage, handling & emergency procedures related to the hazards of the material.
- MSDS is prepared by Manufacturer / Supplier.
- Also covers Preventive and First Aid procedures.
- Basic purpose is for the Seller to be familiar with safe storage, safe handling & potential risks in case of spillages & what to do in an emergency.

Then comes the most important part all hazardous goods whenever you are shipping any hazardous goods either you are importing or you are exporting or you are involved in this whole process, there is a mandatory document which is known as MSDS data, Material Data Safety Sheet. So, what is this? A document that contains on potential hazards health, fire, reactivity, environmental how safely you can work with that.

MSDS also provides information on the use, storage, handling and emergency procedures related to the hazards of the material. MSDS is prepared by the manufacturer and suppliers. Also covers the preventive and first aid procedures. Basic purpose of the seller to familiar with safe storage and safe handling on potential risks in case the spillage or what to do in case of emergency. So, all these hazmat goods should have an MSDS data along with the consignment.

So that should be always there along with the consignment when it comes by sea mode or if that material is coming; most of the hazardous goods come by the sea mode, so all chemicals what you are importing or exporting should have if it comes under any of these hazardous group which I have said 1 to 9 then you have to give the declaration like lithium ion battery and all those we discussed it will have a sheet which is MSDS sheet.

And it should tell in case of any emergency how to handle the situation and how you have to store it. In case there is a spillage and what the first aid should be there, all information should be available in the MSDS data. So, you cannot ship any consignment which is in a hazmat consignment without this MSDS data.

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FORCE MAJEURE

- Relates to the law of insurance.
- Used to protect the parties in the event that a particular contract cannot be fulfilled partly or wholly due to causes that are outside the control of the parties, e.g. Natural disasters, Spread of Corona Virus etc.
- It is applicable because no human foresight could anticipate or which if anticipated is too strong to be controlled by either party.
- Such Clause is usually attached to overseas contracts, which safeguards against delays in delivery & consequences arising thereof.
- Usually time for performance of the contract is suspended & resumes after such an event ends.

Then comes Force Majeure, I have made it red, Force Majeure, so that force majeure relates to law of insurance. Used to protect the parties in the event that a particular contract cannot be fulfilled partly or wholly due to the cause causes that are outside the control of the parties. Natural disasters, spread of Coronavirus, etc. You know you have committed some shipment date in a contract, say you have committed that the goods will be shipped say by 30th of April. But due to Corona or due to some natural disaster you could not ship it.

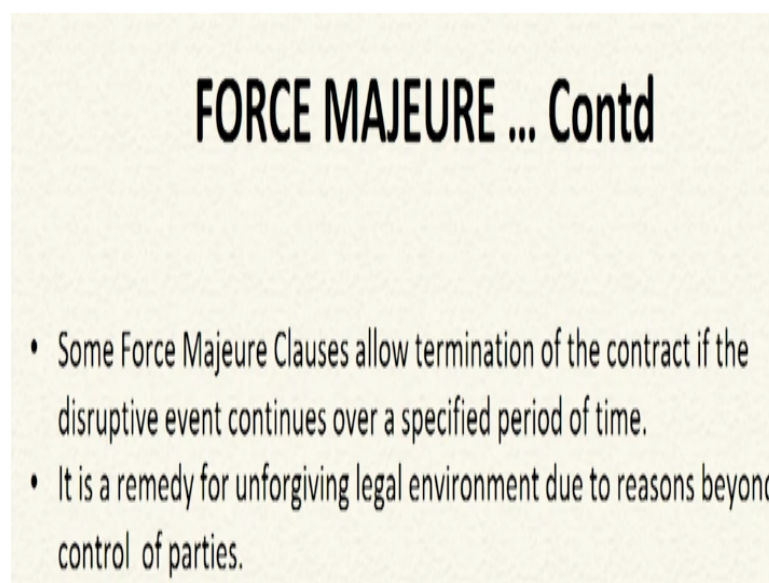
There was no flights available or no route services were available, so you could not ship it. So these are typically then you can request your customer the clauses are which is beyond your control, beyond the seller's control. In this situation, in the contract that if the force majeure condition is mentioned in the contract you can approach the seller to ensure that they do not give you any short of an liquidated damage clause, which is the delayed delivery penalty.

So, if your delivery is on 30th of April, if you cannot deliver, under normal circumstances if you cannot deliver, they will charge some LD clause which is known as liquidated damage clause that is a penalty clause, delay in delivery. In case of this force majeure condition, you can request that LD clause not to be implemented. This is applicable because no human

foresight can anticipate or which if anticipated is too strong to be controlled by other party, even if I know that Coronavirus there, I cannot ship.

I know from first of April I cannot ship by 30th of April, but I do not know whether really by 30th April or on 27th April situation will improve or 5th of May it will improve I do not know, so it is not controlled by me, so this situation is applicable there. Such clause is usually attached to the overseas contracts which safeguards against delay in delivery and consequences arising thereof. Usually, time for performance of the contract is suspended and resumes after such event. So, force majeure clause is very important clause in any contract.

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Some force majeure clauses allow termination of the contract if the disruptive event continues over a specific period of time. So, you know that you have collected an international order, an export order and the order delivery say was 30th of April, but you tried till 31st of May, but situation of Corona had not improved and there are no cargo flights, you are not able to ship it, then you can cancel your contract based on this force majeure clause and there will be no penalty for that. So, it is a remedy for unforgiving legal environment due to reasons beyond one control. So, force majeure is some situation which is beyond anybody's control.

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BUSINESS ENVIRONMENT & TRADE BARRIERS

- Following WW I, US Govt enacted Smoot-Hawley Law (1930) that raised average US tariffs to excess of 60 %.
- In retaliation, other countries erected high tariff walls.
- International Trade was stalled.
- GATT provided a forum for member countries to negotiate a reduction of tariffs and other barriers to trade.

On 1 January 1995, the WTO replaced GATT, which had been in existence since 1947, as the organization overseeing the multilateral trading system.

The governments that had signed GATT were officially known as "GATT contracting parties". Upon signing the new WTO agreements (which include the updated GATT, known as GATT 1994), they officially became known as "WTO members".

The list below is historical. It contains the 128 GATT signatories as at the end of 1994, together with the dates they signed the agreement

Business Environment and trade barriers, so after the following this World War 1, US government enacted Smoot-Hawley law in 1930, that raises average US tariff to exceed 60%. So, what US government has done increased the average tariff 60%. So, what is happening there? In retaliation, other countries also increase their high tariffs. So, US increased the tariff for all the goods which are imported to US.

US increased the tariff just following the World War 1 in 1930, which is known as Smoot and Howley's law. In that, they have increased 60%. So, what was happening? The companies from the other countries who are exporting to US, they could not because the duty is so high, after importing and paying the duty, it was not really marketable in the US. So, what has happened? In fact, it is difficult for them because the price becomes so high.

In retaliation, the other countries also increased the tariff walls. So, they said we will also increase the tariff. So, international trade was stalled. So, it was very difficult. So there was no movement of goods from one country to the other country. You have seen during Corona time, I have given an example in one of my sessions that the goods, the vaccines are produced in 5 different countries but 195 countries or 200 countries in the world the vaccines are used.

See, if this situation is there, then only the 6 countries can use their product because where the vaccines are produced. But international marketing helped to reach the vaccines produced in India or in any of the 6 countries where it was produced to move 150 or 200 countries

worldwide. So, GATT came and provided a forum when it was stalled. The international trade was stalled, GATT came into the picture.

A forum for member countries to negotiate a reduction of tariffs and other barriers to trade. So, they came into the picture. When it was stalled they came into the picture and then there was a discussion and there was a rationalization of the duty structure. So, on January 1995, WTO, World Trade Organization, replaced GATT which had been in existence from 1947. So GATT was in existence from 1947 as the organization overseeing the multilateral trading system.

The government that had signed GATT were officially known as GATT contracting parties. Upon signing the new WTO agreements which include the new updated GATT known as GATT 1994, they officially became known as WTO members or World Trade Organization members. The list below is historical. It contains 128 GATT signatories at the end of 1994, together with the dates they signed and the agreement. So there is a list, you can go to this website and see that, WTO website, see the list of countries when they have signed it.

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The **General Agreement on Tariffs and Trade (GATT)** is a legal agreement between many countries, whose overall purpose was to promote international trade by reducing or eliminating trade barriers such as tariffs or quotas. According to its preamble, its purpose was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis."

So general trade on agreement is a legal agreement between many countries. So, a lot of countries have signed this agreement whose overall purpose was to promote international trade by reducing or eliminating the trade barriers such as tariffs and quotas. According to its preamble, its purpose was substantial reduction of tariffs and other trade barriers and elimination of preference on a reciprocal and mutually advantageous basis.

So that is there, I had given the reference here, the Wikipedia reference of the typical the definition of the GATT, the General Agreement on Tariffs and Trade which is known as GATT. So, this is a legal agreement between many countries. So, the objective is very clear that reducing and eliminating the trade barriers that means like you have the trade barriers like European Union, you have NAFTA, you have trade barrier like APEC trade barriers or trade barriers like SAARC.

So the remove of GATT agreement is typically overall purpose to promote international trade by reducing and eliminating these trade barriers such as quotas or tariffs, and accordingly its preamble to purpose that substantial reduction of tariffs and other trade barriers, elimination of preference on a reciprocal or mutually advantageous basis. That is all from my side in this slide. Thank you very much.