

BAM NETWORKING BREAKFAST

PRESENTATION ON INTERNATIONAL TRADE

Nick Nyaga

Introduction to Export- Import Practice

- The Basics
- Why export and import?
- The need for a professional approach
- The risks of Export-Import trade
- The role of std documents and systems
- Cultural & language differences
- Solutions to Ex-Im trade risks
- Export-Import Legal Framework
- The export symphony
- International commercial terms - Incoterms

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The Basics

- Professional exporters and importers increase profits and reduce risks by relying on time-tested practices and techniques. In particular, the export trade requires a mastery of the relevant contracts and documents.

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Why Export and Import?

- Exporting:
 - Unsolicited orders from abroad
 - Response to trade shows & exhibitions
 - Better margins abroad/arbitrage
 - Saturation of domestic market
 - Competitive strategy – “export or die”
 - Diversification risks
 - Deceleration in domestic sales

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Why Export and Import?

- Importing:
 - Foreigner seeking domestic agent
 - Response to trade shows & exhibitions
 - Better margins from imported items
 - Unmet domestic demand
 - Complement domestic production
 - Diversification of risks
 - Deceleration in domestic sales

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Need for Professional Approach

- A professional approach to exporting and importing provides the surest way for companies to manage the risks inherent in international transactions. No one can be an expert in everything, but some familiarity with the basics of the entire transaction will help alert traders to those areas where they need to consult specialist colleagues.

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Risks of Exporting & Importing

- Intelligent risk management is at the heart of international trade. While risk is an element of all commercial transactions, international trade multiplies and adds risks to those encountered in domestic trade.

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Risks of Exporting & Importing

- Examples:
 - Transport-related risks
 - Credit or non-payment risk
 - Quality of goods risk
 - Exchange rate risk
 - Legal risks
 - Investment risks
 - Unforeseen events

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Cultural and Language Differences

- Cultural and business practices differ across national borders and so do tax systems, regulations, accounting methods, currency controls, customs systems, vocabulary and terminologies.

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Standard Documents and Systems

- Export-import risk management is based on documentary systems and customs which translate the rights, costs and responsibilities of the export process into documentary equivalents. Thus the export process is two-fold:
 - Real shipment of physical goods, and
 - Complementary documentary exchanges

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Examples of Risk Management Solutions for Export-Import

Well-established professional practices enable traders to manage the above-described risks:

- Risk of misunderstanding:
 - Well-drafted contracts and terms and conditions, Incoterms
 - Credit checking of counterparties
- Exporter's risk of non-payment:
 - Suitable payment securities such as L/Cs & Standby credit
- Importer's risk of poor quality goods:
 - Inspection certificates by recognized authorities
- Risk of non-performance:
 - Partial advance payment, bank guarantees, standby credits and performance bonds
- Risk of goods getting damaged or lost in transit:
 - Sufficient insurance cover, contract of carriage, proper packaging and shipment instructions

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Export-Import Legal Framework

- International trade transactions are composed of an interlocking series of contracts involving exporters, importers, agents/distributors, banks, insurers, transporters and brokers, and inspection agencies. When terms in one contract are allowed to conflict with terms in another consequences can be disastrous.

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The Export "Symphony"

- Contract of sale:
 - The Contract of Sale is the "conductor" of the export symphony – all related documents should accord with it
- Letter of credit:
 - Do the terms of the L/C match exactly the terms of the contract of sale?
- Contract of carriage:
 - Is the Bill of Lading the usual transport doc required by Incoterms? Is it the same transport doc specified in the L/C advice?
- Insurance contract:
 - Does the insurance provide the minimum cover required by Incoterms?

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Incoterms

There are 4 basic *International Commercial Terms* Groups: E, F, C & D

- "E" terms: Seller makes goods available at his premises (Ex Works).
- "F" terms: Buyer is responsible for the cost and risk of the main international carriage – FCA, FAS, FOB
- "C" terms: Seller pays for the main international carriage, but does not bear the risks during that carriage – CFR, CIF, CPT, CIP
- "D" terms: Seller bears all costs and risks up to delivery point at the agreed destination, which may be in buyer's country or even premises – DAF, DES, DEQ, DDU, DDP.

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Finally

- Don't think there are no crocodiles because the water is calm.
- There are a lot of ways to become a failure; but never taking a chance is the most successful.
- Refuse good advice and watch your plans fail; take good counsel and watch them succeed.

Malayan Proverb

Unknown

Proverbs 15:22 (The Message)

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Thank You