

Lesson-23

EXTERNAL TRADE

Introduction

Today, we can buy goods of our need from other countries and also sell our surplus goods abroad without facing much difficulty. When the business firms of two different countries participate in the process of buying and selling of goods it is termed as External Trade. So we will learn the difference in the nature and procedure of this type of trade.

Important points from the text:

1. Meaning of External trade: When buying and selling of goods take place across the national boundaries of different countries it is called External trade. It is also known as Foreign trade or International trade.

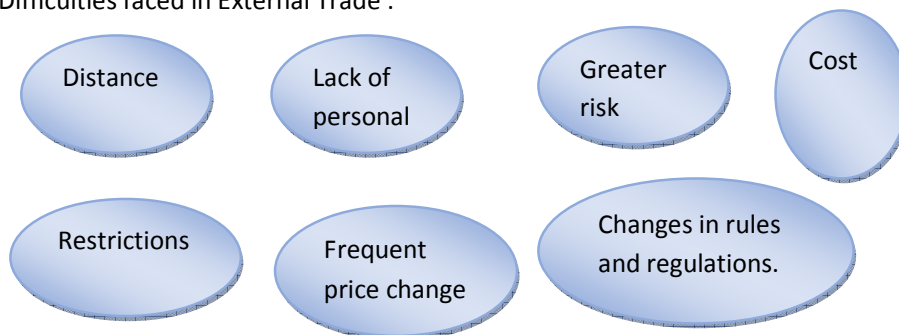
2. Kinds of External Trade :



3. Importance of External trade :



4. Difficulties faced in External Trade :



5. Essential requirement for Exporters/Importers:

IEC number

RCMC.

6. Procedure for Export Trade:

Procedure for Export Trade

- Receipt of enquiry and sending quotations
- Receipt of an indent or export order
- Credit Enquiry
- Obtaining export licence
- Production or Procurement of goods
- Pre-shipment Inspection
- Excise Clearance
- Packing and marking of the goods
- Appointment of forwarding agent
- Despatch of goods by rail/road
- Formalities to be completed by Forwarding agent
- Preparation of export invoice and consular invoice
- Securing Payment

7. Procedure for Import Trade :

- Procurement of licence
- Preliminary negotiations
- Procurement of quota
- Obtaining foreign exchange
- Placing incident
- Despatching letter of credit
- Appointment of c & f agent

8. Documents Used in External Trade :

Indent

Letter of credit

Bill of Lading

Advice letter

Documentary Bill

Insurance Policy

Shipping order

Mate's receipt

Dock Challan, Dock Warrant and Dock Receipt

Consular Invoice

Certificate of origin

Airway bill

Export Invoice/Foreign Invoice

Bill of Entry

Learn new points:

- ❖ Credit Enquiry: The exporter must ensure that there is no risk of default in payment.
- ❖ Excise Clearance: In India, manufactured products are subject to excise duty under the Central Excise Act.
- ❖ Mate's receipt: The captain or mate will issue a receipt known as "mate's receipt" after the goods has been loaded.

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- ❖ Bill of lading: The forwarding agent has to present the mate's receipt at the office of the shipping company and in exchange will get a document known as Bill of Lading.
- ❖ Letter of credit: The exporter can get immediate payment on the strength of the letter of credit which is issued by the importer's bank in favour of the exporter.
- ❖ Bill of Entry: The agent has to fill in and submit three copies of the bill of entry to the custom authority.
- ❖ Insurance Policy: The insurance policy is issued by the insurance company to cover the risks of loss or damage to goods due to specified causes.
- ❖ WTO has been playing an important role in facilitating and promoting international trade.

Evaluate yourself

1. Mrs Anisha wants to export leather shoes. You are required to explain to her the procedure for the same.
2. Share your point of view in terms of goods, which needs to be imported and are not available here and demanded by many customers.

Maximize your marks

- Read the chapter carefully
- Go through the learning points
- Get into the little details of the above mentioned important points.