



Chapter
15

Exporting and Logistics: Special Issues for Business

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Chapter Learning Objectives

- How the U.S. government helps exporters
- The steps necessary to move good across country borders
- How various import restrictions are used politically
- Means of reducing import taxes to remain competitive
- The mechanics of export documents and their importance
- The main instruments of foreign commercial payments
- The logistics and problems of the physical movement of goods
- The impact of antiterrorism regulations on the export-import process

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Global Perspective

An Export Sale: From Trade Show to Installation

- Specific export mechanics occur when goods are shipped from one country to another.
- The Internet has helped speed up this process
- Most countries control the movement of goods crossing their borders – imports and exports
- The international marketer must meet the legal requirements involved in moving goods from one country to another
 - Export regulations
 - Import regulations

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Export Restrictions

- Controlled by the Bureau of Industry and Security (BIS) of the Department of Commerce
- Export Administration Regulations
 - Serve the national security, foreign policy, and nonproliferation interests
 - Includes some export controls to protect the U.S. from the adverse impact of the unrestricted export of commodities in short supply
- NLR (no license required)

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Determining Export Requirements

- The exporter must determine the appropriate license for the product (general or validated):
 1. Select the proper classification number
 2. Decide if the items have end-use restrictions
 3. Determine the ultimate end customer and ultimate end uses of the product
- The details of exporting must be followed to the letter

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ELAIN, STELA, ERIC, and SNAP

- ELAIN (Export License Application and Information Network)
- STELA (System for Tracking Export License Applications)
- ERIC (Electronic Request for Item Classification)
- SNAP (Simplified Network Application Process)

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Import Restrictions

- Tariffs
- Exchange permits
- Quotas
- Import licenses
- Standards
- Boycotts
- Voluntary agreements
- Other restrictions

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Terms of Sale

- CIF (cost, insurance, freight)
- C&F (cost and freight)
- FAS (free alongside)
- FOB (free on board)
- EX (named port of origin)

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Getting Paid: Foreign Commercial Payments

- Letter of credit
 - Afford the greatest degree of protection for the seller
 - Can be revocable or irrevocable
 - Not a guarantee of payment to the seller
- Bills of exchange
 - Also known as dollar drafts
 - The seller assumes all risk until the actual dollars are received
 - Sight draft
 - Arrival draft
 - Date draft

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Getting Paid: Foreign Commercial Payments (continued)

- Cash in advance
 - Places unpopular burdens on the customer
- Open accounts
 - Not generally made in foreign trade
 - Leaves sellers at a disadvantage
- Forfaiting
 - The seller makes a one-time arrangement with a financial institution to take over responsibility for collecting the account receivable

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Export Documents

- Export documents
- Consular invoice of certificate of origin
- Bill of lading
- Commercial invoice
- Insurance policy or certificate
- Licenses
- Other documents

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Packing and Marking

- Export packaging must consider:
 - Protection against rough handling, climate, pilferage
 - Effect of gross weight on import fees
- All countries regulate the marking of imported goods and containers
 - All markings must conform exactly to the data on the export documents

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Customs-Privileged Facilities

- Foreign trade zones (FTZs)
 - Drawback
- Offshore assembly (Maquiladoras)
 - Originated in Mexico in the early 1970's
 - NAFTA

Customs-privileged facilities are areas where goods can be imported for storage and/or processing with tariffs and quota limits postponed until the products leave the designated areas.

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Logistics

- Logistics management is a total systems approach to management of the distribution process that includes all activities involved in:
 - Physically moving raw material
 - In-process inventory
 - Finished goods inventory from the point of origin to the point of use or consumption

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Interdependence of Physical Distribution Activities

- A physical distribution system involves:
 - Physical movement of goods
 - Location of plants and warehousing (storage)
 - Transportation mode
 - Inventory quantities
 - Packing
- Total cost of the system

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Benefits of a Physical Distribution System

- Cost advantages
- Optimal inventory levels
- Optimal production capacity
- More dependable delivery service to the market
- Can render the natural obstructions created by geography less economically critical for the multinational marketer

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Export Shipping and Warehousing

- Common shipping modes: ocean shipping, airfreight, air express, and parcel post
- Containerization
- Intermodal services
- Intermodal marketing companies (IMCs)
- Rail transportation
- Complete logistics management services
 - UPS
 - FedEx
- Merge-in-transit

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Foreign Freight Forwarder

- Licensed by the Federal Maritime Commission
- Arranges for the shipment of goods as the agent for an exporter
 - Arranges for complete shipping documentation
 - Provides information and advice on routing and scheduling, rates and related charges, consular and licensing requirements, labeling requirements, and export restrictions
 - Offers shipping insurance, warehouse storage, packing and containerization, and ocean cargo or airfreight space

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International Logistics and Supply Chain Management

- Information technology now allows communication with participants in real time via a single connection point
- NetLinx
- Descartes
- BLP providers or integrators
 - UPS Logistics Group

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Terrorism and Logistics

- Cargo and container security initiative (CSI)
 - 24-hour rule
- Customs-Trade Partnership against Terrorism (C-TPAT)
 - Augments the 24-hour rule by extending security procedures throughout the supply chain
 - Only applies to U.S. importers
- Electronic tracking (C-TPAT-Plus)
 - RFID
 - GPS
 - Cellular
 - Satellite
 - Ultra-wide-band
 - Bluetooth
 - Bar codes
 - Optical character recognition

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Summary

- The mechanics of exporting require little room for interpretation or improvisation.
- The very nature of the regulations and restrictions surrounding importing and exporting can lead to frequent and rapid change.
 - The manufacturer must keep abreast of all foreign and domestic changes in requirements and regulations.
- Foreign-freight-forwarders can handle many details for a nominal fee.
- Transportation mode affects total product cost.
- A physical distribution system determines everything from plant location to final customer delivery in terms of the most efficient use of capital investment, resources, production, inventory, packaging and transportation.
- The continuous innovations in information technology, the Internet, and software programs can minimize much of the burden associated with global marketing.

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