9. Import and export

9.1 Import

An import is a good brought into a jurisdiction, especially across a national border, from an external source. The purchaser of the exotic good is called an importer. An import in the receiving country is an export from the sending country. Importation and exportation are the defining financial transactions of international trade.

In international trade, the importation and exportation of goods are limited by import quotas and mandates from the customs authority. The importing and exporting jurisdictions may impose a tariff (tax) on the goods. In addition, the importation and exportation of goods are subject to trade agreements between the importing and exporting jurisdictions.

9.1.1 Definition

"Imports" consist of transactions in goods and services (sales, barter, gifts or grants) from non-residents to residents. The exact definition of imports in national accounts includes and excludes specific "borderline" cases. A general delimitation of imports in national accounts is given below:

An import of a good occurs when there is a change of ownership from a non-resident to a resident; this does not necessarily imply that the good in question physically crosses the frontier. However, in specific cases national accounts impute changes of ownership even though in legal terms no change of ownership takes place (e.g. cross border financial leasing, cross border deliveries between affiliates of the same enterprise, goods crossing the border for significant processing to order or repair). Also smuggled goods must be included in the import measurement.

Imports of services consist of all services rendered by non-residents to residents. In national accounts any direct purchases by residents outside the economic territory of a country are recorded as imports of services; therefore all expenditure by tourists in the economic territory of another country are considered as part of the imports of services. Also international flows of illegal services must be included.

Basic trade statistics often differ in terms of definition and coverage from the requirements in the national accounts:

Data on international trade in goods are mostly obtained through declarations to custom services. If a country applies the general trade system, all goods entering the country are recorded as imports. If the special trade system (e.g. extra-EU trade statistics) is applied goods which are received into customs warehouses are not recorded in external trade statistics unless they subsequently go into free circulation of the importing country.

A special case is the intra-EU trade statistics. Since goods move freely between the member states of the EU without customs controls, statistics on trade in goods between the member states must be obtained through surveys. To reduce the statistical burden on the respondents small scale traders are excluded from the reporting obligation.

Statistical recording of trade in services is based on declarations by banks to their central banks or by surveys of the main operators. In a globalized economy where services can be rendered via electronic means (e.g. internet) the related international flows of services are difficult to identify.

Basic statistics on international trade normally do not record smuggled goods or international flows of illegal services. A small fraction of the smuggled goods and illegal services may nevertheless be included in official trade statistics through dummy shipments or dummy declarations that serve to conceal the illegal nature of the activities.

9.1.2 Balance of trade

Balance of trade represents a difference in value for import and export for a country. A country has demand for an import when domestic quantity demanded exceeds domestic quantity supplied, or when the price of the good (or service) on the world market is less than the price on the domestic market.

The balance of trade, usually denoted NX, is the difference between the value of the goods (and services) a country exports and the value of the goods the country imports:

$NX = X - I$, or equivalently $I = X - NX$

A trade deficit occurs when imports are large relative to exports. Imports are impacted principally by a country's income and its productive resources. For example, the US imports oil from Canada even though the US has oil and Canada uses oil. However, consumers in the US are willing to pay more for the marginal barrel of oil than Canadian consumers are, because there is more oil demanded in the US than there is oil produced.

In macroeconomic theory, the value of imports I can be modeled as a function of the domestic absorption A and the real exchange rate \sigma. These are the two largest factors of imports and they both affect imports positively:

I = I(A, \sigma)

9.1.3 Types of import

There are two basic types of import:

1.Industrial and consumer goods

2.Intermediate goods and services

Companies import goods and services to supply to the domestic market at a cheaper price and better quality than competing goods manufactured in the domestic market. Companies import products that are not available in the local market.

There are three broad types of importers:

1.Looking for any product around the world to import and sell.

2.Looking for foreign sourcing to get their products at the cheapest price.

3.Using foreign sourcing as part of their global supply chain.

Direct-import refers to a type of business importation involving a major retailer (e.g. Wal-Mart) and an overseas manufacturer. A retailer typically purchases products designed by local companies that can be manufactured overseas. In a direct-import program, the retailer bypasses the local supplier (colloquial middle-man) and buys the final product directly from the manufacturer, possibly saving in added cost data on the value of imports and their quantities often broken down by detailed lists of products are available in statistical collections on international trade published by the statistical services of intergovernmental organisations (e.g. UNSTAT, FAOSTAT, OECD), supranational statistical institutes (e.g. Eurostat) and national statistical institutes. Industrial and consumer goods.

9.2 Export

The term export means shipping the goods and services out of the port of a country. The seller of such goods and services is referred to as an "exporter" who is based in the country of export whereas the overseas based buyer is referred to as an "importer". In International Trade, "exports" refers to selling goods and services produced in the home country to other markets.

Export of commercial quantities of goods normally requires involvement of the customs authorities in both the country of export and the country of import. The advent of small trades over the internet such as through Amazon and eBay have largely bypassed the involvement of Customs in many countries because of the low individual values of these trades. Nonetheless, these small exports are still subject to legal restrictions applied by the country of export. An export's counterpart is an import.

9.2.1 Definition

"Foreign demand for goods produced by home country" In national accounts "exports" consist of transactions in goods and services (sales, barter, gifts or grants) from residents to non-residents. The exact definition of exports includes and excludes specific "borderline" cases. A general delimitation of exports in national accounts is given below:

An export of a good occurs when there is a change of ownership from a resident to a non-resident; this does not necessarily imply that the good in question physically crosses the frontier. However, in specific cases national accounts impute changes of ownership even though in legal terms no change of ownership takes place (e.g. cross border financial leasing, cross border deliveries between affiliates of the same enterprise, goods crossing the border for significant processing to order or repair). Also smuggled goods must be included in the export measurement.

Export of services consist of all services rendered by residents to non-residents. In national accounts any direct purchases by non-residents in the economic territory of a country are recorded as exports of services; therefore all expenditure by foreign tourists in the economic territory of a country is considered as part of the exports of services of that country. Also international flows of illegal services must be included.

National accountants often need to make adjustments to the basic trade data in order to comply with national accounts concepts; the concepts for basic trade statistics often differ in terms of definition and coverage from the requirements in the national accounts:

Data on international trade in goods are mostly obtained through declarations to custom services. If a country applies the general trade system, all goods entering or leaving the country are recorded. If the special trade system (e.g. extra-EU trade statistics) is applied goods which are received into customs warehouses are not recorded in external trade statistics unless they subsequently go into free circulation in the country of receipt.

A special case is the intra-EU trade statistics. Since goods move freely between the member states of the EU without customs controls, statistics on trade in goods between the member states must be obtained through surveys. To reduce the statistical burden on the respondents small scale traders are excluded from the reporting obligation.

Statistical recording of trade in services is based on declarations by banks to their central banks or by surveys of the main operators. In a globalized economy where services can be rendered via electronic means (e.g. internet) the related international flows of services are difficult to identify.

Basic statistics on international trade normally do not record smuggled goods or international flows of illegal services. A small fraction of the smuggled goods and illegal services may nevertheless be included in official trade statistics through dummy shipments or dummy declarations that serve to conceal the illegal nature of the activities.

9.2.2 History

The theory of international trade and commercial policy is one of the oldest branches of economic thought. Exporting is a major component of international trade, and the macroeconomic risks and benefits of exporting are regularly discussed and disputed by economists and others. Two views concerning international trade present different perspectives. The first recognizes the benefits of international trade. The second concerns itself with the possibly that certain domestic industries (or laborers, or culture) could be harmed by foreign competition.

9.2.3 Process

Methods of export include a product or good or information being mailed, hand-delivered, shipped by air, shipped by vessel, uploaded to an internet site, or downloaded from an internet site. Exports also include the distribution of information that can be sent in the form of an email, an email attachment, a fax or can be shared during a telephone conversation.

9.2.4 National regulations

United States

The export of defense-related articles and services on the United States Munitions List (USML) is governed by the Department of State under the International Traffic in Arms Regulations (ITAR). The Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Code of Federal Regulations Title 15 chapter VII, subchapter C, also known as Export Administration Regulations (EAR), in the United States. The BIS regulates the export and reexport of most commercial items. Some commodities require a license in order to export. There are different requirements to export lawfully depending on the product or service being exported. Depending on the category[4] the 'item' falls under, the company may need to obtain a license prior to exporting. EAR restrictions can vary from country to country. The most restricted destinations are countries under economic embargoes or designated as supporting terrorist activities, including Cuba, North Korea, Sudan, Syria and Iran (see: Sanctions against Iran). Some products have received worldwide restrictions prohibiting exports. An item is considered an export whether or not it is leaving the United States temporarily, if it is leaving the United State but is not for sale (a gift), or if it is going to a wholly owned U.S. subsidiary in a foreign country. A foreign-origin item exported from the United States, transmitted or transhipped through the United States, or being returned from the United States to its foreign country of origin is considered an export..[5] How an item is transported outside of the United States does not matter in determining export license requirements. Refer to U.S. Census Data for data on exports by industry for 2006.

Canada

Canadian Export and Import Controls Bureau (EICB)

Bangladesh

Export Promotion Bureau, Bangladesh

Australia

Australian Defence Export Control Office (DECO)

9.2.5 Barriers

Trade barriers are generally defined as government laws, regulations, policy, or practices that either protect domestic products from foreign competition or artificially stimulate exports of particular domestic products. While restrictive business practices sometimes have a similar effect, they are not usually regarded as trade barriers. The most common foreign trade barriers are government-imposed measures and policies that restrict, prevent, or impede the international exchange of goods and services.

9.2.6 Strategic

International agreements limit trade in, and the transfer of, certain types of goods and information e.g. goods associated with weapons of mass destruction, advanced telecommunications, arms and torture, and also some art and archaeological artefacts. Examples include Nuclear Suppliers Group - limiting trade in nuclear weapons and associated goods (currently only 45 countries participate), The Australia Group - limiting trade in chemical & biological weapons and associated goods (currently only 39 countries), Missile Technology Control Regime - limiting trade in the means of delivering weapons of mass destruction (currently only 34 countries) and The Wassenaar Arrangement - limiting trade in conventional arms and technological developments (currently only 40 countries).

9.2.7 Tariffs

A tariff is a tax placed on a specific good or set of goods exported from or imported to a country, creating an economic barrier to trade.

Usually the tactic is used when a country's domestic output of the good is falling and imports from foreign competitors are rising, particularly if there exist strategic reasons for retaining a domestic production capability.

Some failing industries receive a protection with an effect similar to a subsidies in that by placing the tariff on the industry, the industry is less enticed to produce goods in a quicker, cheaper, and more productive fashion. The third reason for a tariff involves addressing the issue of dumping. Dumping involves a country producing highly excessive amounts of goods and dumping the goods on another foreign country, producing the effect of prices that are "too low". Too low can refer to either pricing the good from the foreign market at a price lower than charged in the domestic market of the country of origin. The other reference to dumping relates or refers to the producer selling the product at a price in which there is no profit or a loss. The purpose (and expected outcome) of the tariff is to encourage spending on domestic goods and services. Protective tariffs sometimes protect what are known as infant industries that are in the phase of expansive growth. A tariff is used temporarily to allow the industry to succeed in spite of strong competition. Protective tariffs are considered valid if the resources are more productive in their new use than they would be if the industry had not been started. The infant industry eventually must incorporate itself into a market without the protection of government subsidies. Tariffs can create tension between countries. Examples include the United States steel tariff of 2002 and when China placed a 14% tariff on imported auto parts. Such tariffs usually lead to filing a complaint with the World Trade Organization (WTO) [9] and, if that fails, could eventually head toward the country placing a tariff against the other nation in spite, to impress pressure to remove the tariff.

9.2.8 Subsidies

To subsidize an industry or company refers to, in this instance, a governmental providing supplemental financial support to manipulate the price below market value. Subsidies are generally used for failing industries that need a boost in domestic spending. Subsidizing encourages greater demand for a good or service because of the slashed price. The effect of subsidies deters other countries that are able to produce a specific product or service at a faster, cheaper, and more productive rate. With the lowered price, these efficient producers cannot compete. The life of a subsidy is generally short-lived, but sometimes can be implemented on a more permanent basis. The agricultural industry is commonly subsidized, both in the United States, and in other countries including Japan and nations located in the European Union (EU). Critics argue such subsidies cost developing nations $24 billion annually in lost income according to a study by the International Food Policy Research Institute, a D.C. group funded partly by the World Bank. However, other nations are not the only economic 'losers'. Subsidies in the U.S. heavily depend upon taxpayer dollars. In 2000, the U.S. spent an all-time record $32.3 billion for the agricultural industry. The EU spends about $50 billion annually, nearly half its annual budget on its common agricultural policy and rural development.

9.2.9 Exports and free trade

The theory of comparative advantage materialized during the first quarter of the 19th century in the writings of 'classical economists'. While David Ricardo is most credited with the development of the theory (in Chapter 7 of his Principles of Political Economy, 1817), James Mill and Robert Torrens produced similar ideas. The theory states that all parties maximize benefit in an environment of unrestricted trade, even if absolute advantages in production exist between the parties. In contrast to Mercantilism, the first systematic body of thought devoted to international trade, emerged during the 17th and 18th centuries in Europe. While most views surfacing from this school of thought differed, a commonly argued key objective of trade was to promote a "favorable" balance of trade, referring to a time when the value of domestic goods exported exceeds the value of foreign goods imported. The "favorable" balance in turn created a balance of trade surplus. Mercantilists advocated that government policy directly arrange the flow of commerce to conform to their beliefs. They sought a highly interventionist agenda, using taxes on trade to manipulate the balance of trade or commodity composition of trade in favor of the home country.

9.2.10 Export strategy

Export strategy is to ship commodities to other places or countries for sale or exchange. In economics, an export is any good or commodity, transported from one country to another country in a legitimate fashion, typically for use in trade.

Overview

Advantages of exporting

Ownership advantages are the firm's specific assets, international experience, and the ability to develop either low-cost or differentiated products within the contacts of its value chain. The locational advantages of a particular market are a combination of market potential and investment risk. Internationalization advantages are the benefits of retaining a core competence within the company and threading it though the value chain rather than obtain to license, outsource, or sell it. In relation to the Eclectic paradigm, companies that have low levels of ownership advantages either do not enter foreign markets. If the company and its products are equipped with ownership advantage and internalization advantage, they enter through low-risk modes such as exporting. Exporting requires significantly lower level of investment than other modes of international expansion, such as FDI. As you might expect, the lower risk of export typically results in a lower rate of return on sales than possible though other modes of international business. In other words, the usual return on export sales may not be tremendous, but neither is the risk. Exporting allows managers to exercise operation control but does not provide them the option to exercise as much marketing control. An exporter usually resides far from the end consumer and often enlists various intermediaries to manage marketing activities. After two straight months of contraction, exports from India rose a whopping 11.64% at $25.83 billion in July 2013 against $23.14 billion in the same month of the previous year.

Disadvantages of exporting

For Small-and-Medium Enterprises (SME) with less than 250 employees, selling goods and services to foreign markets seems to be more difficult than serving the domestic market. The lack of knowledge for trade regulations, cultural differences, different languages and foreign-exchange situations as well as the strain of resources and staff interact like a block for exporting. Indeed there are some SME's which are exporting, but nearly two-third of them sell in only to one foreign market.[16] The following assumption shows the main disadvantages:

Financial management effort: To minimize the risk of exchange-rate fluctuation and transactions processes of export activity the financial management needs more capacity to cope the major effort

Customer demand: International customers demand more services from their vendor like installation and startup of equipment, maintenance or more delivery services.

Communication technologies improvement: The improvement of communication technologies in recent years enable the customer to interact with more suppliers while receiving more information and cheaper communications cost at the same time like 20 years ago. This leads to more transparency. The vendor is in duty to follow the real-time demand and to submit all transaction details.

Management mistakes: The management might tap in some of the organizational pitfalls, like poor selection of oversea agents or distributors or chaotic global organization.

Ways of exporting

The company can decide to export directly or indirectly to a foreign country.

Direct selling in export strategy

Direct selling involves sales representatives, distributors, or retailers who are located outside the exporter's home country. Direct exports are goods and services that are sold to an independent party outside of the exporter’s home country. Mainly the companies are pushed by core competencies and improving their performance of value chain.

Direct selling through distributors

It is considered to be the most popular option to companies, to develop their own international marketing capability. This is achieved by charging personnel from the company to give them greater control over their operations. Direct selling also give the company greater control over the marketing function and the opportunity to earn more profits. In other cases where network of sales representative, the company can transfer them exclusive rights to sell in a particular geographic region.

A distributor in a foreign country is a merchant who purchases the product from the manufacturer and sells them at profit. Distributors usually carry stock inventory and service the product, and in most cases distributes deals with retailers rather than end users. Evaluating Distributors

The size and capabilities of its sales force.

Its an analysis of its territory.

Its current product mix.

Its facilities and equipment.

Its marketing polices.

Its customer profit.

Its promotional strategy.

Direct selling through foreign retailers and end users

Exporters can also sell directly to foreign retailers. Usually, products are limited to consumer lines; it can also sell to direct end users. A good way to generate such sales is by printing catalogs or attending trade shows.

Direct selling over the Internet

Electronic commerce is an important mean to small and big companies all over the world, to trade internationally. We already can see how important E-commerce is for marketing growth among exporters companies in emerging economies, in order to overcome capital and infrastructure barriers.

E-commerce eased engagements, provided faster and cheaper delivery of information, generates quick feedback on new products, improves customer service, accesses a global audience, levels the field of companies, and support electronics data interchange with suppliers and customers.

Indirect selling

Indirect exports, is simply selling goods to or through an independent domestic intermediary in their own home county. Then intermediaries export the products to customers foreign markets.

Making the export decision

Once a company determines it has exportable products, it must still consider other factors, such as the following:

What does the company want to gain from exporting?

Is exporting consistent with other company goals?

What demands will exporting place on the company's key resources - management and personnel, production capacity, and finance - and how will these demands be met?

Are the expected benefits worth the costs, or would company resources be better used for developing new domestic business?

Export promotion

In the U.S.

The U.S. Department of Commerce provides U.S. companies the opportunity to promote their products and services free of charge. To do so, the Export Yellow Pages is published online and in print and is delivered to embassies, trade centers, consulates, and associations worldwide.

The California Centers for International Trade Development (CITD's) have 13 offices throughout California, each CITD is hosted by a local community college and provides a variety of free or low-cost programs & services to assist local companies in doing business abroad. These include one-on-one technical assistance and consulting, market research, training and educational programs, trade leads and special events.

In the U.K.

The UK Trade & Investment (UKTI), formed in 1999, is a government body that assists British companies with their exporting needs.

Internationally

There are several global B2B directories and also country-specific directories, such as Kelly's Directory in the U.S., Tradeget in India, and Alibaba in China.

Challenges

Exporting to foreign countries poses challenges not found in domestic sales. With domestic sales, manufacturers typically sell to wholesalers or direct to retailer or even direct to consumers. When exporting, manufacturers may have to sell to importers who then in turn sell to wholesalers. Extra layer(s) in the chain of distribution squeezes margins and manufacturers may need to offer lower prices to importers than to domestic wholesalers.