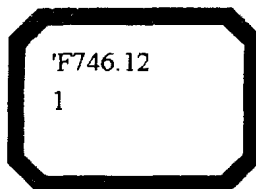


4th edition

Export Practice and Management

Alan Branch





Export Practice and Management

Fourth Edition

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Export Practice and Management

Export

To my son

DAVID

Books by the same author:

Elements of Shipping

Maritime Economics Management and Marketing

Shipping and Air Freight Documentation for Importers and Exporters

International Purchasing

Elements of Port Operation and Management

Dictionary of Shipping International Business Trade Terms and Abbreviations

Dictionary of Commercial Terms and Abbreviations

Dictionary of English-Arabic Shipping/International Trade/Commercial Terms and Abbreviations

*Dictionary of Multi lingual Commercial/International Trade/Shipping Terms in English French
German Spanish*



Preface to the fourth edition

It is appropriate that the fourth edition of this book, which today is firmly established as the standard work on the subject and market leader in its field, should be published on its 21st anniversary. The title is read in over 200 countries by both the student and undergraduates studying the subject and international entrepreneurs, who use it as an aide memoire. Many readers across the world have been introduced to the techniques of professional exporting by and owe their continuing livelihood to, this publication.

The fourth edition has been completely up-dated and reflects the many changes that have emerged in the past six years in this fast changing global market. Moreover, it takes full account of the likely future trends in the conduct of international trade, its environment and its undoubtedly increasing complexity. Some 60 per cent of the material is new for the fourth edition. Overall, it places more emphasis on management techniques and strategy in the computer literate, logistically focused globalization of today's international trade.

The opportunity has been taken to introduce a new chapter on logistics and globalization. Many existing chapters have been expanded including Export finance, Export documentation, Processing the export consignment including Incoterms 2000, Electronic data interchange, Dangerous cargo, Containerization, advantages of exporting, freight rates, and the European Union. Additional material is featured on major trading areas of the world, particularly economic blocs, the World Trade Organisation, the range of market entry options and the criteria of market selection. Particular emphasis is placed on the international environment in which the exporter, and ultimately the global entrepreneur, strives to operate on a profitable basis. Many additional case studies feature in the fourth edition together with diagrams and specimen documents.

Such enrichment to the fourth edition will further its popularity in colleges of higher education and universities throughout the world. This includes degree level undergraduates studying International Business and International Marketing, International Physical Distribution, Maritime Transport and International Logistics and students taking professional examinations sponsored by one of the numerous institutes such as the Chartered Institute of Marketing, the Chartered Institute of Purchasing and Supply, the Institute of Export, the Institute of Chartered Shipbrokers,

the Chartered Institute of Logistics and Transport, the British Institute of Management and the British International Freight Association and Chartered Institute of Bankers. It is also a popular title for Chambers of Commerce, Trade Associations and Training Agencies conducting short courses and seminars on International Trade. This book is currently used at over 210 higher education colleges and universities in 45 countries.

The latest edition continues to focus strongly on management techniques and strategy, albeit on a pragmatic but thoroughly professional basis. It will also prove increasingly popular among universities which continue to expand their International Trade degree portfolios and require publications written in a lucid style and providing a pragmatic yet professional approach to the subject. This includes Diploma in Management Studies and BTEC Higher National Certificate and Diploma courses.

The fourth edition contains a much enlarged input from organizations and practices around the world. This not only enriches the book but also enables the reader to have a better understanding of world cultures and strategies as emphasized in the numerous examples and case studies found in this publication. The extent and breadth of such input is exemplified in the increasing number of organizations who have helped me so enthusiastically with each new edition, as recorded in the Acknowledgements, and for whose assistance I am most grateful. Also the interest shown by many colleges and universities including the University of Leicester International Management Studies faculty, with whom I work closely in the International Trade and Maritime areas.

Finally, I would particularly like to acknowledge with grateful thanks the generous secretarial help from Mr and Mrs Splam and as always my dear wife Kathleen in proofreading. This trio has provided encouragement, forbearance and above all complete professionalism in enabling this much enriched fourth edition to be completed, for which I am greatly indebted.

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International Air Transport Association
International Chamber of Commerce

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P&O Nedlloyd
Pira International
Port Klang
Port of Rotterdam
Port of Singapore Authority
Price Waterhouse
Royal Mail International
Sea Containers Ltd
Sea-Land
Simpler Trade Procedures Board
Staple Inn Actuarial Society
Syn quest
Thai Cargo
Trade Indemnity
World Customs Organisation
World Trade Organisation



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International trade

1.1 Scope of book

Since this book was first published some 21 years ago the pattern and complexity of world trade has changed enormously. Today, it is a very high profile international business which is driven by many elements including technology, logistics, marketing politics, finance, innovative strategies, social/economic well-being, wealth creation and the economic development of markets/regions. Overall, trade means wealth and political power and influence worldwide.

Moreover, it is becoming increasingly complex and is likely to continue to do so as we progress through the first decade of the twenty-first century. This is best exemplified by citing the exporter who hitherto designed, manufactured and assembled the product in the exporter's country. Today more and more exporters are out-sourcing some of their components to take advantage of high tech and lower cost, and assembling the product in the importer's or third country.

Hence, there is a paramount need for all involved in the conduct of international trade to be completely professional. This book aims to realize this objective and is written primarily for the student or business person (export/import/shipping executive) who has limited knowledge of export practice involving the processing of the export sales contract. With this in mind it deals with the salient aspects of the subject including transportation, documentation, rates, customs, export/shipping office, computerization/electronic data interchange, international trade organizations, contracts of sale/affreightment/insurance, export planning, logistics, export packing, credit insurance, international distribution management and strategy and shipping/international trade terms and abbreviations. The fourth edition also features an in depth overview of major trading areas of the world and information technology, numerous case studies and additional chapters on logistics/globalization and market entry options, and enlarged chapters on export finance, cargo insurance and containerization.

Overall, the book is written in a simple but lucid style and reflects the author's experience in the export industry spanning 40 years embracing not only work and consultancy on a worldwide scale in the industry itself, but also as a lecturer/chief

examiner at home and overseas. This has involved overseas governments and multinational industries. This book treats the subject on the basis that international trade must be developed on a profitable basis and this is only realized through complete professionalism at all levels.

Basically, there are three major trading areas of the world: Europe, incorporating the expanding European Union and single market (p. 428); North America, incorporating long-term NAFTA (p. 10) and the Far East which incorporates ASEAN, China and Japan (p. 10).

An analysis of the growth in world merchandise trade by selected region in 1990–98 (Table 1.1) and growth in the value of world merchandise trade by region 1990–98 (Table 1.2) is given below and merits close study. The main driving force in the world economy remains trade and investment. Service trade will continue to grow faster than goods trade, and goods trade and investment will continue to grow faster than trade.

Exporters worldwide are now focusing their attention on developing a global strategy in their search for new markets and lower production cost. This embraces in particular the physical distribution strategy and is one which requires constant review in a changing market and infrastructure situation. Overall, it requires complete professionalism at all levels – a feature extolled in this book.

1.2 Function of international trade

International trade is the process of exchanging goods or services between two or more countries, involving the use of two or more currencies. Overall, it produces a

TABLE 1.1 Growth in volume of world merchandise trade by selected region 1990–98. (Annual percentage change)

<i>Exports</i>					<i>Imports</i>			
<i>Ave. 1990–95</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>		<i>Ave. 1990–95</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
6.0	5.5	10.5	3.5	World	6.5	6.0	9.5	4.0
7.0	6.0	11.0	3.0	North America (a)	7.0	5.5	13.0	10.5
8.0	11.0	11.0	6.5	Latin America	12.0	8.5	22.0	9.5
5.5	5.5	9.5	4.5	Western Europe	4.5	5.5	7.5	7.5
5.5	5.5	9.5	5.0	Europ. Union (15)	4.5	5.0	7.0	7.5
5.0	6.5	12.5	10.0	Transition econom.	2.5	16.0	17.0	10.0
7.5	5.0	13.0	1.0	Asia	10.5	6.0	6.0	–8.5
1.5	1.0	12.0	–1.5	Japan	6.5	5.5	1.5	–5.5
11.5	7.5	11.5	2.0	(b) E. Asian traders	12.0	4.5	6.5	–16.0

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(a) Canada and the United States. (b) Chinese Taipei, Hong Kong, China, Malaysia; Korea; Singapore and Thailand. Note: Separate volume data are not available for Africa and the Middle East, although estimates for these regions have been made in order to calculate the world total.