

MIND-VENTURES EDUCATIONAL SERVICES

TRADE

Extra Reading Notes

What are the documents used in International Trade?

Import / Export Licenses

This is the document authorizing the import or export of a certain item/s to a certain business organization issued by a regulatory authority of the country. In Sri Lanka it is issued by the department of import & export controls. At present licenses are mostly needed for imports since the government wants to discourage imports & encourage exports.

Indent

This is the document issued by the importer to the exporter to place an order for a consignment. It contains a description of the goods ordered, prices to be paid, delivery terms, packing & marking details & delivery instructions.

Invoice

An invoice is a list of goods sent or services provided, with a statement of the sum due for them. It is a document that lists goods that have been supplied or services that have been done, & says how much money you owe for them. (In simple terms, a "Bill")

Bill of Lading

A bill of lading is a document issued by a carrier (a ship, an airline, a trucking company etc) to acknowledge receipt of cargo for shipment, where the cargo will be delivered to the agreed destination & time. Although the term historically related only to carriage by sea, a bill of lading may today be used for any type of carriage of goods. It should be submitted by the receiver of goods when clearing them.

Import Entry form

This is a document prepared by the importer or his agent to prove the ownership of goods received on behalf of the importer & submit to the customs department. This is also known as customs declaration, customs entry form etc. It will contain all details of the shipment.

Export Entry form

This is the document prepared by the exporter or his agent by including all details regarding the goods to be exported & submit it to the customs department. This is needed for any customs related benefits.

Certificate of Origin

This is a certificate that is used to identify the country of manufacturing of any goods or commodity. The Certificate of Origin carries many other points of information such as what the product is, its destination & the countries of export. Also known as "declaration of origin", this is issued by a recognized trade institution such as board of investment, ministry of industries, export agriculture department, ministry of fisheries etc.

Wharf Receipt (Wharfing's Receipt)

This is an acknowledgement of the receipt of goods at the wharf / customs department. It is issued by the wharfinger (Personnel in charge of receiving & registering goods in a port on behalf of the carrier). It has a legal value similar to that of a warehouse receipt.

Health & Sanitary certificate

These certificates confirm that the goods are free from disease or pests (insects), & that products have been prepared in such a way that they reach prescribed standards. This is also known as Certificates of Free Sale, Sanitary Certificates, Certificates of Sanitation, & Certificates of Sanitation & Free Sale. In Sri Lanka, this is issued by department of agriculture & ministry of fisheries.

Insurance Certificate

This is the document confirming the insurance policy obtained by the importer or exporter to cover the goods that are shipped. The sales agreement will decide who gets the policy (normally the exporter. That is why the cost of insurance is included in the CIF value)

Letter of indemnity

A document that serves to protect the carrier/owner financially against possible repercussions (losses or damages) in connection with the release of goods without presentation of an original bill of lading. A letter of indemnity is used in cases in which the goods arrive at the port of destination before the original bill of lading. The issuance of the letter of indemnity allows the importer to take immediate delivery of the goods, thus saving himself time, additional demurrage, storage expenses, insurance costs, etc.

This is also a document exempting one party from liability to any claim that may arise from the other party. In shipping, when goods are being transported through a dangerous route, the carrier may issue a letter of indemnity against possible damage to the shipper's goods.

Warehouse warrant

This is a document issued by the warehouse at the ports stating that the goods have arrived & are lying at the warehouse of the ports & relevant taxes & duties are paid / unpaid for them. This is mostly issued for goods in bonded warehouses (The warehouse that has goods for which taxes & duties are unpaid).

What are the other documents used in foreign trade?

Fumigation Certificate

Fumigation certificate is an approval document issued by the licensing authority to indicate that shipment and shipping materials have been properly fumigated. All the countries that require the certificate will not clear any shipment without it.

Also known as pest control certificate, this certificate contains details about the fumigation of imported goods such as the purpose of treatment, the type of fumigants used, and the temperature range that was applied. All the information ensures that proper fumigation process has been followed.

Phytosanitary Certificate

An inspection certificate issued by a competent governmental authority to show that a particular shipment has been treated to be free from harmful pests & plant diseases. It states that the material is free from quarantine & other injurious pests & that the importation agrees to the plant import rules of the importing country.

Phytosanitary certificate issued by any country should conform to the model appended to international Plant Protection Convention (IPPC). It is issued only after thorough examination of the materials. Is necessary, treatments are given to the commodity depending on the conditions imposed by the importing country. Issuance must be done within 14 days prior to shipment of the material. Issue of phytosanitary certificate dispatch of the material considered to violate international standards.

Organic Certificate

This is a process certification for producers & exporters of organic food & other organic plant products to certify that the food exported are produced using organic ingredients & methods throughout without the use of chemical ingredients & methods. In Sri Lanka this is issued by the Control union inspection (pvt) Ltd.

Consular Invoice

This is a document specifying the contents & details of a shipment certified by the consul of the country (a mini embassy) the goods are being sent to. Customs officials use the invoice to confirm what's in the shipment, the number of goods, & the cost & thus determine the import duty.

Pro-forma Invoice

This is a sample / dummy invoice provided by an exporter prior to a sale or shipment, informing the buyer of the price, types & quantities of goods to be sent, & important specifications (weight, size, & similar characteristics). The proforma invoice no only acts as a contractual offer (which may be accepted by importer's transmission of a purchase order), it is intended to be exactly replicated in the final commercial invoice, so that the buyer receives no surprises as regards, either the goods or the price.

Bill of Sight

This is a declaration made to customs officer by an importer who is unsure about what is being shipped. The bill of sight allows an importer to inspect the goods before paying duties.

Letter of Hypothecation

This is written agreement, which authorizes a bank or lender to repossess & sell the pledged item in case of a default. In international trade, a letter of hypothecation enables an accepting bank to sell the shipment in case of the non-acceptance or non-payment of the associated letter of credit / bill of exchange by the buyer.

What are the methods used to make payments in international trade?

Letter of credit

A document issued by the importer's bank stating its commitment to honor a draft, or otherwise pay, on presentation of specific documents by the exporter within a stated period of time. The documents the importer requires in the credit usually include, at least, a commercial invoice & clean bill of lading, but may also include a certificate of origin, inspection certificate or other documents.

Bank draft

A bank draft is a cheque which you can buy from a bank in order to pay someone who is not willing to accept a personal cheque. He the importer will give the money to his bank & get a draft which he will give to the exporter. The exporter can get the money through his bank from the importer's bank.

Telegraphic transfer (TT)

This is a method of sending money quickly from one bank account to another, by phone or computer. It is very popular to send & receive money overseas.

Bills of exchange

This is a written order used primarily in international trade that binds one party (importer or his bank) to pay a fixed sum of money to another party (exporter or his bank) on demand or at a predetermined date.

Electronic payment methods

This the payment made in electronic forms such as credit cards, debit cards, paypal, mobile cash, crypto currency etc.

Direct credit transfer

This is the transfer of funds / money from one bank account to another account directly. This can be done through ATM's, mobile apps, standing orders & on a direct request to the bank.

Foreign mail transfer

A foreign remittance is a transfer of money from a foreign worker to their families or other individuals in their home countries.

International money order

A money order entitles the person named as payee on the order to receive the specific amount of cash shown on the order. It is a secure method of sending money via the mail service to other countries.

What are the international organizations assisting on global trade?

These are organizations that have been established to minimize barriers of tariff, exchange control regulations, customs rules and regulations that impose restrictions on foreign trade.

Some examples for such organizations are given below:

- ✓ World Trade Organization (WTO)
- ✓ South Asian Association for Regional Co-operation (SAARC)
- ✓ Asian Development Bank (ADB)
- ✓ International Bank of Reconstruction and development (IBRD)
- ✓ International Monetary Fund (IMF)

What is Association of South East Asian Nations (ASEAN)?

This is a society of 10 South East Asian countries which was established for Political & Economic co – operation. ASEAN was preceded by an organization formed in 1961 called the Association of South East Asia (ASA), a group of countries consisting of Philippines, Malaysia & Thailand. These three countries joined with Indonesia and Singapore & ASEAN was established in 1967. It's headquartered in Jakarta, Indonesia. The ASEAN member countries are

Philippines	Indonesia	Vietnam	
Cambodia	Malaysia	Singapore	
Laos	Thailand	Brunei	Myanmar

What is Group of 7 (G7)?

This is an International organization founded by 8 main stream countries in the world. The oil crisis in 1973 & the global economic recession were the reasons for the origin of this organization in 1974. Amalgamated with United States of America (USA), West Germany, Japan & France unofficially with three other countries was the origin of this organization. Once Russia joined the group in 1997 this was officially named as the Group of 8 (G8). Its headquarters is in New York, USA. Russia left the group in 2018 & now it's called G7.

The G7 nations are the largest IMF-advanced economies in the world. As of 2018, the seven countries involved represent 58% of the global net wealth (\$317 trillion) & more than 46% of the global gross domestic product (GDP) based on nominal values, & more than 32% of the global GDP based on purchasing power parity. The European Union is an invitee to G7. G8 member countries are:

United States of America	Germany	Canada	Japan
United Kingdom	Italy	Russia	France

What is European Union (EU)?

This consists of 27 European countries. The origin of this was the European Economic Community established on the treaty of Rome signed by 6 European countries in 1957. While its members maintain a common trade policy, agriculture and fisheries policy, zonal development policy, it also has introduced a common currency unit called Euro in 1999. Its headquarters is located in Brussels, Belgium. The EU member countries are

State	Capital	Accession	Population (2019) ^[81]	Area	Population density	MEPs
Austria	Vienna	1 January 1995	8,858,775	83,855 km ² (32,377 sq mi)	106/km ² (270/sq mi)	19
Belgium	Brussels	Founder	11,467,923	30,528 km ² (11,787 sq mi)	376/km ² (970/sq mi)	21
Bulgaria	Sofia	1 January 2007	7,000,039	110,994 km ² (42,855 sq mi)	63/km ² (160/sq mi)	17
Croatia	Zagreb	1 July 2013	4,076,246	56,594 km ² (21,851 sq mi)	72/km ² (190/sq mi)	12
Cyprus	Nicosia	1 May 2004	875,898	9,251 km ² (3,572 sq mi)	95/km ² (250/sq mi)	6
Czech Republic	Prague	1 May 2004	10,649,800	78,866 km ² (30,450 sq mi)	135/km ² (350/sq mi)	21
Denmark	Copenhagen	1 January 1973	5,806,081	43,075 km ² (16,631 sq mi)	135/km ² (350/sq mi)	14
Estonia	Tallinn	1 May 2004	1,324,820	45,227 km ² (17,462 sq mi)	29/km ² (75/sq mi)	7
Finland	Helsinki	1 January 1995	5,517,919	338,424 km ² (130,666 sq mi)	16/km ² (41/sq mi)	14
France	Paris	Founder	67,028,048	640,679 km ² (247,368 sq mi)	105/km ² (270/sq mi)	79
Germany	Berlin	Founder ^[n]	83,019,214	357,021 km ² (137,847 sq mi)	233/km ² (600/sq mi)	96
Greece	Athens	1 January 1981	10,722,287	131,990 km ² (50,960 sq mi)	81/km ² (210/sq mi)	21
Hungary	Budapest	1 May 2004	9,797,561	93,030 km ² (35,920 sq mi)	105/km ² (270/sq mi)	21
Ireland	Dublin	1 January 1973	4,904,226	70,273 km ² (27,133 sq mi)	70/km ² (180/sq mi)	13
Italy	Rome	Founder	60,359,546	301,338 km ² (116,347 sq mi)	200/km ² (520/sq mi)	76
Latvia	Riga	1 May 2004	1,919,968	64,589 km ² (24,938 sq mi)	30/km ² (78/sq mi)	8
Lithuania	Vilnius	1 May 2004	2,794,184	65,200 km ² (25,200 sq mi)	43/km ² (110/sq mi)	11
Luxembourg	Luxembourg City	Founder	613,894	2,586 km ² (998 sq mi)	237/km ² (610/sq mi)	6
Malta	Valletta	1 May 2004	493,559	316 km ² (122 sq mi)	1,562/km ² (4,050/sq mi)	6
Netherlands	Amsterdam	Founder	17,282,163	41,543 km ² (16,040 sq mi)	416/km ² (1,080/sq mi)	29
Poland	Warsaw	1 May 2004	37,972,812	312,685 km ² (120,728 sq mi)	121/km ² (310/sq mi)	52
Portugal	Lisbon	1 January 1986	10,276,617	92,390 km ² (35,670 sq mi)	111/km ² (290/sq mi)	21
Romania	Bucharest	1 January 2007	19,401,658	238,391 km ² (92,043 sq mi)	81/km ² (210/sq mi)	33
Slovakia	Bratislava	1 May 2004	5,450,421	49,035 km ² (18,933 sq mi)	111/km ² (290/sq mi)	14
Slovenia	Ljubljana	1 May 2004	2,080,908	20,273 km ² (7,827 sq mi)	103/km ² (270/sq mi)	8
Spain	Madrid	1 January 1986	46,934,632	504,030 km ² (194,610 sq mi)	93/km ² (240/sq mi)	59
Sweden	Stockholm	1 January 1995	10,230,185	449,964 km ² (173,732 sq mi)	23/km ² (60/sq mi)	21
27 total			446,834,579	4,233,262 km² (1,634,472 sq mi)	106/km² (270/sq mi)	705

What is North American Free Trade Agreement (NAFTA)?

This is an agreement in which of the USA, Canada & Mexico partnered and which was commenced on the 1st of January 1994. Conditions for the abolition of trade barriers among these three countries, removal of tariffs, Exchange of labour are included in this agreement.

A specific characteristics of this agreement is that it will be limited to the goods manufactured within these countries only. When the goods manufactured outside these three countries are exchanged among them & tariffs are applicable. Goods will be free of tariff only when the terms such as Made in USA, Made in Canada, & Made in Mexico are stated. The coordinating secretariat of NAFTA is in Mexico.

What is Asia - Pacific Trade Agreement (APTA)?

This agreement commenced as the Bangkok agreement in 1975 and was named as the Asia – Pacific Trade Agreement (APTA) on the 2nd November 2005. The member countries of this agreement are Bangladesh, China, India, Laos, Mongolia, Sri Lanka & South Korea.

This is the oldest & preferred trade agreement in the Asia Pacific region. The objective of this agreement is to expedite the economic development of the member countries through minimizing tariff and barriers as far as possible to import goods & services rather than importing goods & services from other countries.

What is World Trade Organization (WTO)?

This is an international organization established to ease & monitor the international trade. Having commenced on the 1st January 1995, this organization operates globally in connection with the trade rules and regulations among nations. The head office of the WTO is located at Geneva in Switzerland. The main purpose of the WTO is to facilitate discussions among member states for trade promotion, to look down on trade barriers, & to raise the welfare of the people in the member counties.

What is South Asian Association for Regional Co-operation (SAARC)?

This is an economic and political association of eight South Asian countries. It was established on December 8th 1985.

The co-operative activities within SAARC is performed across five areas.

- ✓ Agriculture and rural development.
- ✓ Tele communication, Science technology & climatology.
- ✓ Health and population affairs
- ✓ Transport
- ✓ Human resource development.

SAARC member countries

Sri Lanka	Bangladesh	Bhutan	India
Nepal	Afghanistan	Pakistan	Maldives

What is South Asian Free Trade Agreement (SAFTA)?

The agreement which was made with the intention of spreading trade co-operation within the SAARC zone, creating a free zone within South Asia & making economic policies of the SAARC zone countries on line with globalization. This agreement was signed at the 12th SAARC summit held in Islamabad in 2004. With the different states entering into this agreement, they made a collective agreement to benefit through the removal of tariffs on all imports among the countries, ports & transport facilities, provision of services with regard to trading etc.

What is Asian Development Bank (ADB)?

The Asian development Bank commenced its operations on 19th December 1966. The Head office is situated at Manila in Philippines. Out of 67 member countries at present, 48 are from the Asian region while the rest 19 from the Pacific region. Its main objective is to promote economic & social development of the member countries. This bank takes steps to provide loans & grants to its member countries for implementing poverty eliminating projects.

What is International Bank for Reconstruction and Development (IBRD/ World Bank)?

The IBRD was commenced on the 27th of December 1945 with the Bretton Woods agreement to rebuild the European economy that was destroyed in the 2nd world war. This bank is known as the bank which provides loan facilities for the development projects implemented in developing countries with the purpose of eliminating poverty. The establishment of sustainable development & elimination of poverty are the main objectives of the World Bank. It is headquartered in Washington D.C. USA.

It has been established with the objectives of improving global finance co-operation, ascertaining financial stability, facilitating for the international trade, widening employment opportunities, providing for sustainable economic development & reducing poverty.

What is International Monetary Fund (IMF)?

The IMF can be introduced as the international organization that provides financial & technical assistance as well as observes the balance of payment & exchange ratios. Its head office is situated at Washington in USA. It has been established with the objectives of improving global finance co-operation, ascertaining financial stability, facilitating for the international trade, widening employment opportunities, sustainable economic development and reducing poverty.

What is BIMST-EC?

The Bay of Bengal Initiative for Multi-Sectoral Technical & Economic Cooperation (BIMSTEC) is an international organization of seven nations of South Asia & Southeast Asia, housing 1.5 billion people & having a combined gross domestic product of \$3.5 trillion (2018). The BIMSTEC member states are among the countries dependent on the Bay of Bengal. Those nations are;

Bangladesh	Bhutan	India
Myanmar	Nepal	Sri Lanka
Thailand		

Fourteen priority sectors of cooperation have been identified & several BIMSTEC centers have been established to focus on those sectors, which are;

- ✓ Trade & Investment
- ✓ Transport & Communication
- ✓ Energy
- ✓ Tourism
- ✓ Technology
- ✓ Fisheries
- ✓ Agriculture
- ✓ Public Health
- ✓ Poverty Alleviation
- ✓ Counter-Terrorism & Transnational Crime

- ✓ Environment & Disaster Management
- ✓ People-to-People Contact
- ✓ Cultural Cooperation
- ✓ Climate Change

A BIMSTEC free trade agreement is under negotiation (c. 2018), also referred to as the mini SAARC. Leadership is rotated in alphabetical order of country names. The permanent secretariat is in Dhaka, Bangladesh.

What is the impact from trade blocs, agreements & related organizations?

- ✓ Removal of tariff and non-tariff barriers that affect free trade.
- ✓ Promotion of co-operation among countries.
- ✓ Gaining stable market for the country's own products through trade agreements.
- ✓ Minimize disadvantages of price changes since a stable price is gained.
- ✓ Ensuring all member countries gaining equal rights.
- ✓ Promotion of global financial co-operation and confirmation of financial stability.
- ✓ Expansion of employment opportunities, sustainable development & reduction of poverty etc

What are the new trends in foreign trade?

- ✓ Spread of foreign trade all over the world through E-commerce.
- ✓ Establishment of new trade zones & trade partnerships to accelerate the economic development & to face the economic challenges / crisis effectively.
- ✓ To channel a country's resources towards a diversification of production followed by an advanced technology instead of being restricted to traditional exports.
- ✓ Leaning towards foreign trade policies to encourage higher value added products.
- ✓ Attention being placed currently towards the Sri Lankan export products

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