

How to Start Your Own Import Export Business

The following article aims to assist would-be businessmen and beginners who intend to promote and sell their products or procure their stock in trade, capital assets, to or from the international market, respectively.

IMPORTATION:

1. Register your business and ensure that all licenses and other legal requirements have been complied with.
2. Obtain a list of suppliers dealing in the products you wish to import and select the most dependable. Do a comprehensive research on the industry. This can be done with the assistance of your bankers through their correspondents overseas.
3. Obtain a pro-forma invoice or firm offer from your selected supplier. Make sure that their quotation includes, among others, the terms of shipment such as FOB, C&F, or CIF. Payment for imports can be done in the following manner:
 - a.) By Letter of Credit (L/C) - Once you have agreed with your supplier on the pricing and other terms and conditions of your purchase, open a letter of credit with your bank. Depending on the agreement with your supplier, the L/C can either be sight or usance, revocable or irrevocable, confirmed or unconfirmed. Under a sight L/C, payment for the goods are made upon presentation of the documents from the supplier through your bankers (which is commonly the L/C opening bank) regardless whether or not you have received the goods imported. Under usance L/C, payment is made at a later day, after 30, 60, 90 or 120 days. A revocable L/C is one which you can revoke even without the consent of your supplier. A confirmed L/C is one by which the L/C advising bank, by virtue of their confirmation of the L/C, is liable to pay your supplier the value of the imported goods should the L/C opening bank be unable to pay your supplier for some reason.
 - b.) By Open Account (O/A) - Payment is made at a later date depending on your agreement with the supplier.
 - c.) By Documents Against Payment (D/P) - Under this mode of payment, you have to effect the payment of the imported goods upon presentation of the import documents by the bank.
 - d.) By Documents Against Acceptance (D/A) - Under this mode, the documents are forwarded to you through an appointed bank in your locality and upon your acceptance, (i.e. signing the relative document signifying your acceptance of the liability) the bank then surrenders the documents to you, and payment will be made later, after 15, 30, 45 or 60 days depending on your agreement with the supplier.
 - e.) By Prepayment - Advance payment must be made before supplier ships the goods

Note that the basic import documents consist mainly, but are not limited to, original Bills of Lading (B/L) or Airway Bill; original Commercial Invoice; original Packing List; or any such other original documents which you may require. These documents are necessary so the importer can secure the release of the imported goods from the shipping/airline companies and customs authorities.

EXPORTATION:

1. Register your business ensuring that all requirements have been complied with.
2. Choose the products that you are going to export and ascertain from the difference governmental agencies that these are not banned items. Where necessary, obtain a list of all the documents that are required especially for regulated products. If you produce or manufacture your own products for export, know your production capacity. If you subcontract the production of your goods, know the production capacity of all your subcontractors.
3. Open an account with a bank with international connections or one with correspondents in the locality of your customers.
4. Where necessary, obtain a background check of all your would-be customers through the aid of your bankers.
5. From new buyers, always insist on prepayment before you ship your goods.
6. If you agree on payment by Letter of Credit (L/C), ensure that the L/C is irrevocable and at sight.

7. Try to understand the different modes of payment for international trade, as discussed above, under Importation.

This is a simple step-by-step guide on import and export procedures. While requirements may vary from country to country, the general and basic procedures are essentially the same.

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