

INTERNATIONAL TRADE

The Ins and Outs of Import and Export

By

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INTERNATIONAL TRADE - THE INS AND OUTS OF IMPORT AND EXPORT

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INTERNATIONAL TRADE - THE INS AND OUTS OF IMPORT AND EXPORT

Contents

DISCLAIMER

FOREWORD

CHAPTER ONE – THE NATURE OF DOING BUSINESS ACROSS BORDERS

CHAPTER TWO - CHEAP FREIGHT - THE HIDDEN COSTS

CHAPTER THREE - THE INTERNATIONAL TRADING HOUSE

CHAPTER FOUR – IMPORTERS - PRODUCT QUALITY

CHAPTER FIVE - SELLER OR INVESTOR?

CHAPTER SIX – PROTECTING YOUR INTELLECTUAL PROPERTY

CHAPTER SEVEN – MARKET RESEARCH

CHAPTER EIGHT – AIR & OCEAN – GET A GOOD FREIGHT FORWARDER

CHAPTER NINE – INSURANCE

CHAPTER TEN – TRADE FINANCE

CHAPTER ELEVEN - SHIPPING AND TRANSPORT

CHAPTER TWELVE - DEFINITIONS, TERMS & ABBREVIATIONS USED IN INTERNATIONAL TRADE

CHAPTER THIRTEEN – IMPORTING

CHAPTER FOURTEEN – PACKAGING

CHAPTER FIFTEEN - CUSTOMS AND TARIFFS – GETTING YOUR PRODUCTS THROUGH

CHAPTER SIXTEEN - TRAVEL TIPS

CHAPTER SEVENTEEN - SHIPPING CONTAINER SPECIFICATIONS

Appendices:

APPENDIX ONE - DRAFTING INTERNATIONAL CONTRACTS – TIPS

APPENDIX TWO - INTERNATIONAL ETIQUETTE RULES YOU HAVE TO KNOW

APPENDIX THREE - CHINA CONTRACTS: MAKE THEM ENFORCEABLE OR DON'T BOTHER

APPENDIX FOUR - INTERNATIONAL TRADE CONTRACTS

PROLOGUE

INTERNATIONAL TRADE - THE INS AND OUTS OF IMPORT AND EXPORT

DISCLAIMER

This book is intended to be general advice for people who are new to the world of International trade – Import and Export.

It is a series of chapters written from hard experience or the experience of others and is intended to be a series of “checklists” for you to explore and do further homework on.

It is not legal or accounting or any other sort of specialist advice, even though I worked for many years as an International Trade Lawyer.

Much of my learning was done in lecture theatres, and from reading textbooks, but the vast majority of my learning comes from experience and, as we all know, experience comes from doing it, rightly or wrongly and learning a lesson from every experience.

International traders are entrepreneurs and by its very definition, the term “entrepreneur” means someone who puts themselves out there, has a go, succeeds, learns, fails, learns again, fails again, gets up off the ground and jumps back into the fight and who, instinctively knows that many people fail to succeed, because they give up just when victory was just around the corner.

Our mantra is that ...” ... you don’t know what you don’t know ...”

So, get out there with our help and all the other experts, jump into the unknown unknown and have a great journey.

INTERNATIONAL TRADE - THE INS AND OUTS OF IMPORT AND EXPORT

FOREWORD

What is Trade?

Trade involves the transfer of goods or services from one person or entity to another, often in exchange for money. A network that allows trade is called a market.

The original form of trade, barter, saw the direct exchange of goods and services for other goods and services.

Barter is trading things without the use of money.

Later one side of the barter started to involve precious metals, which gained symbolic as well as practical importance. Modern traders generally negotiate through a medium of exchange, such as money. As a result, **buying** can be separated from **selling**, or earning. The invention of money (and later credit, paper money and non-physical money) greatly simplified and promoted trade. Trade between two traders is called **bilateral trade**, while trade between more than two traders is called **multilateral trade**.

Trade exists due to the specialisation and division of labour, in which most people concentrate on a small aspect of production but use that output in trades for other products and needs.

Trade exists between regions because different regions may have a comparative advantage (perceived or real) in the production of some trade-able commodity—including production of natural resources scarce or limited elsewhere, or because different regions' size may encourage mass production. As such, trade at market prices between locations can benefit both locations.

Retail Trade

Retail trade consists of the sale of goods or merchandise from a very fixed location, such as a department store, boutique or kiosk, online or by mail, in small or individual lots for direct consumption or use by the purchaser.

Wholesale Trade

Wholesale trade is defined as the sale of goods that are sold as merchandise to retailers, or industrial, commercial, institutional, or other professional business users, or to other wholesalers and related subordinated services.^[4]

The New Kids on the Block

These days, with the advent of the internet trade has evolved into many more forms. You can sell online in many ways – auctions and markets, such as Amazon and eBay, as an affiliate, or drop shipper and there are many new forms of payment mechanisms – there are even new currencies such as the Cryptocurrencies like Bitcoin, Litecoin or Ethereum.

You can now do many things online at the press of a button and you can even arrange all of your physical goods sales using smartphone apps, but that is not what this book is about.

The Traditional Ways

We are here for you, the early stage international traders selling physical goods across international borders, who need the help of all the traditional international trading agencies to get your precious cargo from seller to buyer safely, expeditiously and most of all, with certainty that you will be paid.

INTERNATIONAL TRADE - THE INS AND OUTS OF IMPORT AND EXPORT

We are here to help you understand the “supply chain” and how yours will work.

It's a big world out there and you don't want to limit yourself.

Let Us Begin

So, you are all set to make your mark on the world of International Trade, ship your first consignment of goods to the world, and get paid handsomely.

Before you do, I would like to give you one great **FREE** piece of advice:

“... You don't know what you don't know.”

That simple sage piece of advice will stand you in good stead. Use it as your Mantra for international trading. It is the theme that runs right through this book, the author's “tag-line”.

Why?

Because business is largely about managing risk. But to manage risk, you need to understand what the risks are. Some things you can insure for, some things you have to deal with by process and some things you set up structures for. But the dangers can be many, and it is the risks you don't know about (the unknown unknowns) that you have to try to understand.

Because, in international trade, every country has different laws and customs and ways of doing business, many of which we simply cannot imagine or plan for, in advance. Believe it or not, none of us has “seen it all” and we are all a little naïve about cultural experiences we haven't had yet.

Corruption and illegality are rife in some of the places in the world where you will do business. Keep this in the back (or front) of mind and you will develop the right mindset.

Even in the ethical markets, there are people who are very good at taking your hard-earned money and giving little or nothing in return, often in places, where you suddenly realise that you are a long way from home with nobody to help you.

In Australia, and most civilised countries, we generally take it for granted that our governments and agencies all work on strictly legal lines, with ethics that we all understand, even if the bureaucracy sometimes frustrates us, or over regulates us, and over-taxes us, where fees and charges are often too high.

But we know that if we obey the laws, pay our taxes, sell ethically and honestly, we should prosper and get ahead in life.

In many parts of the world, this is just not the case. Besides the usual frustration of dealing with people who do not speak our language, there are hundreds of ways that you can unwittingly lose your money, your profits and in some cases, even your personal freedom or your life.

Anyone who is experienced in international trading will usually tell you that they are learning new ways NOT to do it, all the time, and they have succeeded because they have learned the lesson of: -

“.... You don't know what you don't know.”

So how do we manage this risk?

INTERNATIONAL TRADE - THE INS AND OUTS OF IMPORT AND EXPORT

- Read everything in this book,
- read as much other material as you can,
- study your intended market in depth,
- get your intellectual property protected,
- do exploratory visits to those markets,
- go to seminars and trade fairs,
- attend webinars,
- listen to podcasts,
- link up with good people,
- Find a trading house that suits your product and needs
- have a mentor or join groups of like-minded people
- have a good lawyer and a good accountant, (maybe one at each end),
- use Aussie services like Austrade in foreign markets,
- work through your own bank's international trading department,
- obtain your trade contacts through reputable sources, such as your bank, Austrade, local consular offices, chambers of commerce,
- utilise the services of the large international inspection agencies and above, all,
- do your homework and
- travel safely

Finally, don't skimp – be prepared to pay for good advice.

If you can afford it, use the services of an international trading house, as your door to door expert who will do research, use its extensive network, use its extensive knowledge of trade and the supply chain process and fill in all the other gaps for you, because at the end of the day, you are an expert in what you do best and you want to get back to doing that as quickly as possible, and let the “unknown unknowns” be taken care of by people who know them.

However, we realise that not everyone has the budget for that, and when starting out will want to do a lot of it themselves. Time is money and only you can do that equation.

This book is not intended to teach you everything you need to know. It is a distillation of knowledge, gained by numerous people over many years of travel, including me, study, having a go, and often failing and getting back into it.

In this fast-paced day and age the internet has made it possible for many more people to have a go, and good on them. The world needs entrepreneurs, and, by definition, an entrepreneur is someone who is prepared to make mistakes, learn from them, get up and dust himself off and jump back into the fight.

As I recently read on someone's social media post.

“... An entrepreneur is someone who is prepared to work 100 hours a week for himself so that he doesn't have to work forty hours for someone else ...”

INTERNATIONAL TRADE - THE INS AND OUTS OF IMPORT AND EXPORT

These days Amazon is the 'elephant in the room', and many people are jumping into China and importing container loads of goods and taking a lot of risk. A lot of new manufacturers are testing out foreign markets. Good for you, but if you just quickly pick up one theme – ride on the coattails of those who are succeeding and never give up.

This book is for all of you and we hope that, whether you are 'bootstrapping' a new business or taking an established one to a new level, it helps you to avoid some of the mistakes.

Depending where you are and your level of knowledge about trading, you may need to read the whole book, or just parts of it. We hope it gives you value.

We hope that what is contained in this book, is a great start to a successful trading career.