USAID/PAKISTAN: TRADE TRAINEES' MANUAL - PROCESSES & BENEFITS OF FORMAL EXPORTS

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USAID/PAKISTAN: TRADE PROCESSES & BENEFITS OF FORMAL EXPORTS TRAINEES' MANUAL

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USAID Cognizant Technical Office**:**	Economic Growth Office
Authors(s):	Asima Mahmood Awan

© USAID/Pakistan: Trade Project
House 02 • Street 16
Sector F-6/3 • Islamabad
Phone +92 51 8438281 – 84 • Fax +92 51 8438280
Email www.pakistantrade.org

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ACRONYMS

ADBP	Agricultural Development Bank of Pakistan
BOI	Board of Investment
BSOs	Business Support Organizations
CBR	Central Board of Revenue (now called FBR)
CFR	Cost and Freight (named destination port)
CIF	Cost, Insurance and Freight (named destination port)
CIP	Carriage and & Insurance Paid to To (named place of destination)
CPT	Carriage paid Paid to To (named place of destination)
CRN	Customs Reference Number
CRO	Contract Research Organizations
CSS	Central Superior Service
CTO	Container Terminal Order
DAF	Delivered At Frontier (named place)
DDP	Delivered Duty Paid (named destination place)
DDU	Delivered Duty Unpaid (named destination place)
DEQ	Delivered Ex Quay (named port)
DES	Delivered Ex Ship (named port)
DFI	Development Financial Institution
DGTO	Director General Trade Organizations
DTRE	Duty & Tax Remission for Export
EDF	Export Development Fund
EMDF	Export Market Development Fund
EPB	Export Promotion Bureau (now called TDAP)
EPCs	Export Promotion Committees
EPZ	Export Processing Zone
EXW	Ex Works (named place)
FBR	Federal Board of Revenue
FCCI	Faisalabad Chambers of Commerce and Industry
FPCCI	Federation of Pakistan Chambers of Commerce and Industry
FWBL	First Women Bank Limited
GD	Goods Declaration
GRMD	Geographical Regional Management Division
GSP	it is Generalized System of Preferences
GTZ	The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)
HCCI	Hyderabad Chambers of Commerce and Industry
ICCI	Islamabad Chambers of Commerce and Industry
INCOTERMS	International Commercial Terms
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
KCCI	Karachi Chambers of Commerce and Industry
KICT	Karachi International Container Terminal
KPCCI	Khyber Pakhtunkhwa Chamber of Commerce and Industry
KPT	Karachi Port Trust
LCCI	Lahore Chamber of Commerce and Industry
LCL	Less than Container Load
LRO	Local Registration Office
MCC	Model Custom Collectorate
MCCI	Multan Chambers of Commerce and Industry

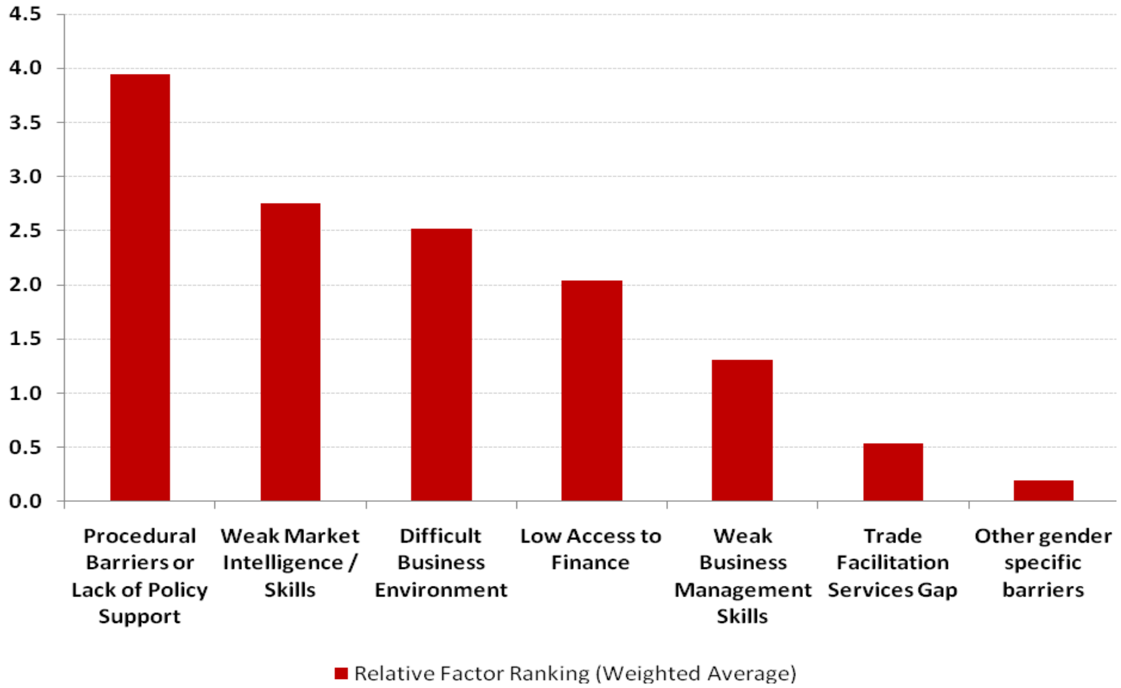
MOC	Ministry of Commerce
MOU	Memorandum of Understanding
MR	Mates Receipt Registration
NBP	National Bank of Pakistan
NOC	No Objection Certificate
OIC	Organization of the Islamic Conference
PACCS	Pakistan Customs Computerized System
PCSIR	Pakistan Council of Scientific and Industrial Research
PHDEB	Pakistan Horticulture Development Export Board
PPAF	Pakistan Poverty Alleviation Fund
PRAL	Pakistan Revenue Automation Limited
PSEB	Pakistan Software Export Board
PSIC	Punjab Small Industries Corporation Department
QCCI	Quetta Chamber of Commerce and Industry
QRC	Quality Review Committee
RDFC	Regional Development Finance Cooperation
RSP	Rural Support Program
SAARC	South Asian Association for Regional Cooperation
SBFC	Small Business Finance Corporation
SBP	State Bank of Pakistan
SCCI	Sarhad Chamber of Commerce and Industry
SITC	Standard International Trade Classification
SMEDA	Small & Medium Enterprise Development Authority
SSIC	Sind Small Industries Corporation Department
TDAP	Trade Development Authority of Pakistan (previously called EBP)
TP	Transit Port
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID PTP	USAID Pakistan Trade Project
VCI	Volatile Corrosion Inhibitor
VIR	Vessel Intimation Report
WBIC	Women Business Incubation Center
Wexnet	Women Exporters Network (it is a name of exhibition)
WTO	World Trade Organization

PREFACE

There is a very small base of women entrepreneurs in Pakistan, and an even smaller base of women entrepreneurs engaged in exports. Out of a total women population of 31 million above the age of 20 years, 8.9 million (28% of total women) are part of the country's labor force. Out of this estimate, only 0.012 million (0.13% of women labor force) are employers.

Our findings from a sample of women enterprises suggested seven (7) major barriers to women's participation in Pakistan's export sector illustrated though the graph below;

Figure 1: Relative Ranking of Barriers to Women's Participation in Pakistan's Export Sector (Weighted



According to our research findings conducted in all major cities of Pakistan, 'Procedural Barriers' or 'Lack of Policy Support' ranked top in the barriers to women's participation in Pakistan's export sector. Most women felt that the time and effort spent in complying with bureaucratic procedures was "just not worth it".

Many women failed to recognize the benefits foregone by deciding not to comply.

For this purpose, USAID Pakistan Trade Project (USAID PTP) developed a formal training course called "***PROCESSES & BENEFITS OF FORMAL EXPORTS***", and successfully trained 300 women entrepreneurs from across the country. These included potential exporters, entrepreneurs involved in informal exports, and exporters who wish to upscale their export business.

This course is designed to guide participants through each step of the export processes along with the type of documentation needed at every stage.

The content of this course is comprehensive and is not restricted to women entrepreneurs. Anyone who is planning to, or is already involved in formal exports can also benefit from it.

INTRODUCTION, EXPECTATIONS & TRAINING OBJECTIVES

OBJECTIVES:
By the end of this activity, participants will;

- Have introduced themselves to other participants
- Understand the aims of the training
- Have set expectations for the training

Aims of the course

The aims of the course are to:

1. Enable participants to analyze their current business scenario.
2. Improve understanding of the advantages and risks of formal exports.
3. Share personal business experiences with other participants and learn from information sharing.
4. Increase knowledge and improve understanding of the formal export procedures.
5. Understand the role of key stakeholders, important documents and regulations in the export process.
6. Learn about international standards and how to adopt them for exports.
7. Procedures and processes involved in exports e.g. bank, customs, shipping, trade facilitation institutes, etc.
8. Financial management of an export business.
9. Marketing concepts needed to tap into new markets e.g. pricing and packaging.
10. Gain knowledge about the tools to carry out Export planning through market research and international developments.

2. SELF ASSESSMENT EXERCISE FOR INDIVIDUAL BUSINESSES

OBJECTIVES
By the end of this activity, participants will be able to understand;

- What is the nature of their business, when and why did they start it
- What is their core product
- At what stage of business are they
- What difficulties & issues are they facing

CHECKLIST FOR GOING INTO EXPORT BUSINESS: A SUMMARY

Entrepreneurs first need to look at their resources, education, abilities, level of knowledge and cooperation from their families to start and continue their businesses, before proceeding to exports.
Thinking of owning and managing your own business? It's a good idea, provided you know and have what it takes. Starting an export business is risky, but your chances of success will be better off if you understand the problems before hand and come up with possible solutions to the problems.
Here are some questions and worksheets to help you understand what you need to know and do to start and manage your business. You can print off this form or answer them with numbers on a piece of paper. Write in 'YES' if the answer is YES. Where the answer is 'NO', leave it blank; meaning you have some work to do.

BEFORE YOU START

1. Are you the kind of person who can get a business started and manage it efficiently? __________
2. Think about why you want to own your own business. Do you want to work long hours without knowing how much money you'll end up with? __________
3. Have you worked for someone else as a foreman or a manager? __________
4. Have you had any business training at school? __________
5. Have you saved any money? __________

INVESTMENT & FINANCIAL MANAGEMENT

6. Do you know how much money you will need to get your export business started? __________
7. Have you determined how much money of your own can you put into the business to enter exports? __________
8. Do you know how much credit you can get from your suppliers - the people you will buy from to get into exports? __________
9. Do you know where you can borrow the rest of the money you need to start your export business? __________
10. Have you figured out what net/loss income per year you expect to get from the export business? __________
11. Are you willing to re-invest your salary/business profits to help your business grow to increase exports? __________
12. Have you talked to a banker about your plans? __________

NATURE OF BUSINESS

13. Do you know the advantages and disadvantages of running your own business as a sole proprietor, as a partnership, or of incorporating your business? ________
14. If you require a partner for additional financing, do you know someone who will fit and whom you can get along with? ________

YOUR CUSTOMERS?

15. Are most businesses similar to yours doing well in exports? ________
16. Have you tried to find out whether or not businesses like yours are successful in exports? ________
17. Do you know the kind of customers who will want to buy your product/s or services? ________
18. Have you thought about opening a different kind of business or marketing your products to a different set of people? ________
19. Have you decided whether you will have sales associates or self-service? ________
20. Do you know how to encourage customers to buy? ________
21. Have you thought about why you like to buy from some sales associates while others turn you off? ________

YOUR BUILDING

22. Do you have good/ adequate premises or space for your business? ________
23. Will you have sufficient room to expand when necessary? ________
24. Can you fix the building up the way you want without spending too much money? ________
25. Have you had a lawyer check the lease and zoning requirements? ________

EQUIPMENT AND SUPPLIES

26. Do you know what equipment and supplies you need, and how much they will cost? ________
27. Is it feasible to buy second–hand equipment? ________

EXPENSES

28. Do you know how your expenses will change e.g. rent, wages, insurance, utilities, advertising, interest, etc. if you get into export business? ________
29. Do you need to know which expenses are direct, indirect or fixed? ________
30. Do you know how much your overhead costs will be? ________

RISKS IN BUSINESS

31. Are you aware of the major risks associated with your product? ________
    Service? & ________
    Business? ________
32. Can you minimize any of these major risks? ________
33. Are there major risks beyond your control? ________

YOUR INPUTS AND SUPPLIES

34. Have you decided what products / services you will export? ________
35. Do you know how much of input / supplies you need to buy to be able to meet the export quantity? ________
36. Have you found suppliers who will sell you what you need at a competitive price? ________
37. Have you compared the prices and credit terms of different suppliers? ________

YOUR RECORDS

38. Have you planned a system of records that will keep track of your income and expenses, what you owe people, and what other people owe you? ________
39. Have you worked out a way to keep track of your inventory so that you will always have enough on hand for your customers but not more than you can sell? ________
40. Do you know what financial statements you should prepare? ________
41. Do you know an accountant who can help you with your records and financial statements? ________

YOUR BUSINESS AND THE LAW

42. Do you know what licenses and permits you need to export your products/services? ________
43. Do you know what business laws you have to obey in your country with respect to your export business? ________
44. Do you know what business laws, regulations and policies of the country you are selling to apply to your products? ________
45. Do you know a lawyer you can go to for advice and help with legal papers? ________

MARKETING

46. Have you decided how you will market or promote your products in the international market? (International trade exhibitions, trade facilitation delegations, posters, Internet, mail?) ________
47. Do you know where to get help with your marketing efforts? ________
48. Have you watched what other competitors do to get people to buy? ________

THE PRICES YOU CHARGE

49. Do you know how to determine what you should charge for each item you sell as exports? ________
50. Do you know what your competitors charge? ________

YOUR EMPLOYEES

51. If you need to hire someone to help you, do you know where to look? ________
52. Do you know what kind of employees you need? ________
53. Do you have a plan for training employees? ________

CREDIT FOR YOUR CUSTOMERS

54. Have you decided whether or not to let your customers buy on credit? ________
55. Do you know the good and bad points about supplying your products on credit? ________

FAMILY QUESTIONS

56. Does your family support your plan to enter the export business? ________
57. Are they willing to support you financially, morally and physically? (Consider yourself very lucky if yes!) ________

End the questionnaire and session by the following statement;
If you have answered all these questions carefully, you've done some serious thinking. Moreover, you have probably found some things you still need to gain more knowledge about. Do all you can for yourself, but don't hesitate to ask for help from people who can tell you what you need to know. Remember, running a business takes courage!

3. WHY FORMAL TRADE PROCESSES?

OBJECTIVES

By the end of this activity, participants will be able to understand the following:

- Making the decision to export.
- What are formal export procedures?
- Why not 'suit-case export'?
- Advantages & risks of export business?
- What are the common mistakes made by new exporters?
- What kinds of export processes are suitable for different types of businesses?
- What are the determining factors for formal exports?

OPTING FOR EXPORTS

Exporting goods and services provide a firm with many advantages such as:

- Exports generate revenue to pay for business expansion/ improvements.
- Possibility of selling to a much larger market resulting in economies of scale in production.
- A much larger growth rate as overseas markets usually expand much faster than the domestic ones.
- Allow firms to obtain international expertise and government support in developing new markets and acquiring new technology and skills that are very necessary for economic development.
- Exports enjoy special incentives and privileges not available in other trades.
- Exports pave way towards self-reliance, strength and prosperity.

WHAT IS EXPORTING?

In the briefest terms, exporting is the process of earning revenue by selling products (or services) in foreign markets. It is for SMEs (Small & Medium Enterprises) to find and serve customers in new markets better than their current suppliers. It is serving these customers so successfully that the SME grows and prospers, simultaneously increasing direct and indirect employment.

At this point, we distinguish between "selling" and "marketing". "Selling" applies to a product the market already owns. "Marketing" applies to a product that the market needs. We will leave the word "selling" behind and use "marketing" instead.

Who said exporting is easy? Perhaps not for the first time therefore preparation and hard work is needed. Subsequent efforts will benefit from experience. Furthermore, exporting can be very profitable and, if you like, a very exciting challenge.

ASSESSING YOUR EXPORT POTENTIAL

Before you start exporting, you have to do many things. The first and perhaps most crucial step is to assess the export potential of your SME. You may ask yourself why you need to examine your export potential when you are already familiar with your domestic market. Succeeding in your local market is a necessary but not sufficient condition for entering foreign markets. You may run the risk of unwisely committing too many resources to exports or start too early. You should therefore begin with an internal audit of your export potential.

What is export potential? It is the company's ability to take advantage of its business opportunities abroad. Export potential is derived from a set of enterprise characteristics such as domestic marketing performance, resources and products. It is therefore measurable at the enterprise level. We shall suggest what 'internal' characteristics make a successful exporter. There are also 'external' factors which we shall discuss first. A characteristic of the external factors is that you cannot influence them as an individual exporter. Some important external factors are as under:

1 COMPARATIVE ADVANTAGES OF YOUR COUNTRY
2 TRADE DEVELOPMENT POLICY OF YOUR GOVERNMENT
3 EXCHANGE RATE
4 OPPORTUNITIES IN SPECIFIC EXPORT MARKETS

The inherent strengths or ***comparative advantages*** of your country, e.g. its resources, location, climate, cost structure of the economy, will set the stage for your enterprise's export efforts. ***Government policy*** on taxes, financing schemes, information and incentive programmes, and other matters plays a significant role in aiding export efforts.

The relationship between your currency and that of your export customer (exchange rate) floats, i.e. changes continually. As your currency weakens, it gives you a competitive edge in export markets. As it strengthens, you may lose competitiveness.

Exporting succeeds when there is a good fit between your product and your market. A good fit exists when you can respond to an ***export opportunity*** with exactly the product benefits that the export customer wants. It is up to your company to capitalize on the opportunities that always develop in specific export markets.

INTERNAL ASSESSMENT OF READINESS TO EXPORT

Having developed an understanding of the environmental factors that contribute to export potential, let us concentrate on the SME's individual readiness to export. An individual enterprise's export potential can be summed up in two independent dimensions: its organizational readiness to export and product readiness.

1. ORGANIZATIONAL READINESS TO EXPORT (ORE)

A number of factors internal to the organization determine how well equipped it is to engage in export transactions. These factors are:

a. **Manufacturing/ Production Capacity:** There should be plant and equipment sufficient to supply the home market plus additional capacity to meet demand from abroad.
b. **Management and Organization:** Exporting requires additional management time, especially in the early stages of market development. If your existing management structure is already thinly stretched by the domestic business, it will be difficult to take on the new commitments resulting from exporting. Similarly, the existing organization may not be suitable for handling export sales.
c. **Financial Resources:** Marketing abroad requires additional working capital, and capital for market investigations, promotion, product adaption, and so on. It would be unwise to

begin exporting if your company's financial base is barely sufficient for your domestic business.

d. **Technical Knowledge:** An enterprise that has the technical workforce capable of product development and adaptation is likely to have greater potential than one without such capabilities.

e. **Marketing Know-How:** Although marketing expertise gained in the home market is not always directly applicable abroad, we find that enterprises with substantial home market experience are better able to adapt to the requirements of export business.

f. **Export Experience:** An enterprise's export performance to date and the lessons learned from successes or failures, have a bearing on its export potential.

g. **Management's Goals and Priorities:** Management's current plans for its domestic business, e.g. investments, product launches, expansion of sales force, have a direct relationship to its export potential. These require resources and management effort that may limit the enterprise's ability to develop its export business.

2. PRODUCT READINESS FOR EXPORT (PRE)

Product advantages carry over to the export market as well. If the SME's products are successful in the domestic market, competitively priced, up-to-date in design and engineering, and appealing to the selected customer segment, marketing opportunities abroad are likely.

To assess your product readiness for export, you must look at each of your products critically, and identify their inherent strengths and weaknesses. You must also do this analysis in the context of the target export markets.

To explore export marketing seriously and analytically a company has to:

- Select export markets;
- Build an export marketing mix;
- Develop an export marketing plan;
- Consult a professional trade promotion agency about its analysis and the assistance it can provide in implementing the plan;

MARKET SELECTION

Market research is necessary to identify the most promising markets, and to find out how to go about marketing in these markets and how to meet their requirements. The importance of conducting market research, or of having someone to do it, is overlooked by many potential exporters and even by companies that are actually exporting.

The whole process of market selection is rather like the prospectors' search for gold. They start by studying general geological data; they next pinpoint particular areas and survey these areas perhaps for the air. They then narrow their research to areas on the ground and, finally, after more investigations, they study the mineral-bearing ore to determine exactly where to start mining operations. At every stage, possibilities are eliminated, until the choice is narrowed down to one.

Similarly, exporters start with the whole world, and with overall statistical analysis. As they narrow down their search, they look more closely at the details until, if they are successful, they find the countries or the groups within parts of countries, to which they can sell their products, profitably.

At each stage the research costs more, so that it is essential to eliminate as quickly as possible the markets that will not repay the research effort.

1. IMPORT/ EXPORT STATISTICS

The first requirement is therefore to find the markets that will repay further research. The best initial indicator of a market's likelihood of buying a product is whether or not it currently imports the type of product you want to sell. Fortunately, this information is usually available, because nearly every country records the flows of goods across its boundaries, to levy import duties and to determine the value of its own exports.

Most countries publish their import/export figures. In addition, these figures are summarized, converted into dollars, and published by international agencies. It should therefore be easy for you to find out what countries are now importing your type of product and from what source. You may judge the amount of business and the rate of growth or decline. When volume and value figures are given, you should also be able to calculate average FOB (Free On Board) prices. To do this, you must know:

- Which data and information is essential;
- Where to find the data or the information
- How to use the data and information

Some possible sources of data are discussed as below:
National data are usually published and are available from government ministries or in libraries collected data for the whole world are published by the United Nations and by the Organization for Economic Co-operation and Development (OECD).

2. TRADE MAP

Trade Map (http://www.trademap.org/) is a tool available on the internet. This tool is free to the public from the developing countries including Pakistan. Trade Map is a product of the International Trade Center. It provides users with indicators on export performance, international demand, alternative markets and the role of competitors. Trade Map covers 220 countries and territories and more than 5,300 products of the Harmonized System. It is necessary to have figures for several years to obtain useful information on trends, as year-to-year changes can be misleading. The export/imports data of Pakistan can be obtained from the offices of TDAP as well as offices of Federal Bureau of Statistics.

3. BUILDING UP A MARKET PROFILE:

Once you have your short list of export markets, you should build up a short profile of each market. For this, more accurate information should be collected. The questions that have to be answered can be assigned to three areas: the market, competition and technology.

The Market: You must distinguish between the total market and the segment of it you hope to serve. For instance, if you were considering exporting instant Rice or Garment to Saudi Arabia, you would be well advised to find the total size of the Saudi Rice market and also the size of the instant Rice segment. The second would be much smaller than the first but quite probably growing while the other is declining.

Next, check the growth rate. You are unlikely to enter a declining market and in stable markets, competitors will react fiercely when you enter because the only way you will get business is by taking it from them. If the market is growing, entry may be easier; provided you have the product that customer wants.

The important questions you must answer are:

- Is the market or the market segment big enough?
- Does it have a future?

Then, study the channel of distribution for your product. If it is too long, it could squeeze out your profits.

Competition: Who will you have to outperform to be profitable in each of your short-listed markets? If the main suppliers to the market are large powerful firms, competing head-on will be a disaster. However, if such companies do not cover certain segments of the market, then you may have found a real market opportunity, but which is probably small in size.

If there are many relatively small competitors chasing the same customer, you may be able to compete with them. However, competition will tend to revolve around pricing tactics, so your expected profits will be low.

You should consider yourself lucky if you have identified a market segment or niche where there are few direct competitors. There you can have the opportunity to build up long-term customer loyalty to a specialized product or service.

Technology: You need to know where you stand in regard to prevailing technology levels for your kind of products. Also new ways of manufacturing might bring the cost lower and therefore give you a tough time in the market, by pricing low and gaining a bigger margin. Therefore it is very essential to look out for technological developments in your field, and also what the competitors have employed.

4. EXPORT MARKET INFORMATION:

To prepare the final answers to all the questions you have been asked, in "Market Selection" and "building up a market profile", you will need much more information. Do you know how to obtain the information? This matter is so important that we will devote more time to it in a subsequent section. Here we give only a few suggestions:

- **Contact Trade Development Authority office:** The TDAP office will give you information you need, advice regarding procedure and sources of relevant information.
- **Contact your Chamber of Commerce:** The Chamber will give you advice and access to the information you need.
- **Talk to other exporters** in the markets of interest to you. What do they know that may be valuable to you?
- **Talk to other companies** exporting products similar to, or compatible with, your product, but not directly competing with it. Can you perhaps find a way together to enter export markets? Professional marketing research can be commissioned as export project advance. As soon as you can, ***visit the international market*** and obtain a personal feel for the reality of customer needs.

5. BUILDING AN EXPORT MARKETING MIX:

Successful export marketing (or marketing at home for that matter) involves using a variety of techniques in a suitable way and making a series of appropriate decisions about the many options one has, always keeping in mind the requirements and characteristics of the market itself. It all adds up to what is called the marketing mix, the particular combination of techniques used and choice made in order to market products in a specified situation.

PRODUCT, PRESENTATION, PRICE, PLACE AND PROMOTION

Here are some variables in the marketing mix and are easy to remember as they all start with the letter "P".

a. **Product:** Its function; its basic design; its quality; what it is.

There are many basic product characteristics that are within your power to change at least to some degree to meet the needs and wants of the consumers in the market. These include the quality of the product, the material from which it is made, how well it works.

Even more basic than that is the concept of the product itself. Often, SMEs have the option to produce ***different products*** with the same equipment and even the same materials. For example, a producer of hand tools can decide to go into the toy market and produce miniature tools for children. Or he may move even further away from his original product line to produce, for example, castings for toy trains. The product itself is therefore one variable of the marketing mix.

b. **Presentation:** Its styling (colours, details **-** design elements that affect how a product looks rather than how it works); its packaging. The presentation of a product is closely related in a marketing sense to the product itself, and in many cases it is really part of the product in the mind of the buyer. Styling details of a product, such as its colour, the different sizes offered and its shape can greatly influence its success in the market. Another important aspect of presentation is packaging, especially for consumer products. Good packaging not only makes a product more attractive, but also renders it more convenient to use.

c. **Pricing:** This depends on the costs, where the product is sold, to whom it is sold, and the competitor's costs. A good product that is well designed and well presented can still fall if the pricing is wrong. What price to charge for a product is difficult to decide. The price to the customer has to take many costs into account. The cost of the materials that go into the product has to be taken into consideration. Then there are the costs of factory overheads, wages, distribution, etc. Costs arrived at under marginal pricing systems may be quite different from apparent costs. There is also the danger of a product being priced too high or too low in comparison with competitive goods. Exporters must consider the condition in distant markets, which can be unlike those they are familiar with at home.

d. **Promotion** (marketing communications): Stimulating demand through a variety of techniques, including personal selling, advertising, publicity and trade fairs.

e. **Place** (marketing channels): How the product is transported, stored and made available to the consumer.

THE RISKS IN EXPORT BUSINESS

Export business can be a great opportunity, but it is risky and challenging at the same time. These risks, totally different from those encountered domestically, are unavoidable, but you can minimize them taking proper precautions. Find here some useful information regarding different export business risks and how to manage them.

One might face different types of risks in the export business:

1. **Political Risk**: The country where your client is located may experience major political instability. Such instability could result in defaults on payments, confiscation of property, exchange transfer blockages, etc.
2. **Legal Risk**: At domestic level, businesses are subject to a myriad of laws, regulations and restrictions. But internationally, there are much more complexities. International transactions are governed by unilateral measures, bilateral relationships, multilateral and regional agreements. This difference in law may have impact in such areas as taxation, currency dealings, property rights, employment practices, etc.
3. **Credit Related Risk**: While doing business internationally, trading can seem complicated and risky. Besides political, legal and other risks, the most common problem businesses face is the risk in the transaction. To overcome payment related risks, an exporter needs good understanding

of different payment methods in international trade. Choose a payment method which provides you with some security. Try to avoid open account method, at least initially.

4. **Internet Frauds**: Like in any other place, the Internet is not free from scammers and frauds. These people are very cunning and being smart it is not enough to protect yourself from them. It is not only individuals who are targets for a variety of illegal schemes but also small as well as large business organizations.
5. **Quarantine Compliance**: Many countries (especially the European countries) have strict quarantine requirements to prevent the spread of contagious disease. Before sending a shipment, ensure that your products are allowed to be exported to the destination country.

Minimizing Export Business Risks

1. **How to minimize political risk and country risks:**
   - Always do extensive market research and try to about the politics, economy, culture and business environment of the country where your client is located. Besides language barriers and legal restrictions, your business may be get affected by suddenly introduced new regulations, political riots or natural disasters.
   - If you are dealing in a foreign language, taking assistance of a professional language support is a good idea.
   - In export business, a clear agreement is very important to get rid of confusion and to reduce risk.
   - If you find that doing business with a company in a foreign land is very risky, don't get involved in long term business deals.
2. **Minimizing Legal Risks:**
   Often, we find that most of the international business laws are based on treatises. So, it is always a good idea to locate the relevant treatise while researching for any specific international business law. The Internet is a great source and you would certainly get a lot of information in hundreds of websites. While studying the laws, make sure whether there is any possibility that a conflict would arise between the international and the domestic law.
3. **Minimizing Credit Related Risks:**
   - Always use a reliable payment method for transaction
   - Always try to know exactly what costs you and your client are each responsible for. Shipping or air freight, import duties, taxes, onward delivery to your premise- consider all these things before signing the contract
   - Foreign currency exchange rate could change, and therefore, it is important to keep yourself ready for some extra expenses
4. **Assessing the Creditworthiness of Your Customer:**
   - Don't get excited. Use your common sense to understand the offer; does he want to buy your product without asking about the price or quality? Has he accepted the deal without bargaining? Is he very quick to know your account number? Analysis all these things and only after that take the next step.
   - Do not provide financial account information of your company unless there is a good reason to do so.
   - Get all the terms and conditions, modes of payment, sales conditions, quality inspection, etc. in writing.
   - Always choose Letter of Credit (L/C) or Escrow as payment methods. Check the L/C number, opening date & place, name & address of the issuing bank, valid date, shipping date, etc.
   - Request for a nominal payment for samples.

Business at the international level involves different risks which are different from those encountered while doing business at the domestic market. The best way to manage and minimize those risks is to recognize them. Prepare a simple risk management plan for your SME and analysis where you are exposed to risks. If necessary, talk to experienced advisers to identify, assess and manage the risks.

PROBLEMS OF SMALL BUSINESSES

1. **Lack of information on business**: New entrepreneurs usually start their business at home and think they are adequately equipped. When however, they are guided towards the correct procedures, they go back into their shells, thinking they would not be able to cope with the formalities. They need to be guided properly and slowly so that they do not back off.
2. **Lack of resources:** They have little finances and they do not have enough resources to raise the finances from outside sources. Owners have to ask for investments from their families or sometimes the bank, which requires collateral that they can't arrange. If the entrepreneur does not have an office, she can open her business from home which is easier for her to start. But she must have either some woman helper or partner to bear her burdens of work. She must have a telephone, a computer with internet and a mobile. As for other facilities, she can invest when she has the money.
3. **Lack of cooperation from family:** in case of female entrepreneurs, they are not given support from their male members of the family like husbands, fathers, brothers or even sons to invest in business. However, when the business gets started, the men of the family jump in to take over and many a times, spoil the whole company since men have larger ideas and are spend thrift, where as women are more careful in investing money.
4. **Inadequate production facilities:** Normally, small businesses produce on limited scales, because of paucity of cash flows, facility for office and workers. Also, due to the products they generally sell like embroidered suits, bed linen etc, which take a lot of time to be embroidered, they cannot go into mass productions. This is one reason, women entrepreneurs have shied away from coming into export business, the buyers have hesitated to give them orders and the government has not taken them seriously up till now.
5. **Lack of knowledge of laws:** Due to lack of exposure to the outside world, small businesses normally have little knowledge of the prevalent laws which govern businesses. They would have no knowledge of company registration requirements and procedures, chamber memberships, banking procedures and custom and income tax laws. In fact, many small businesses do not formally make a company because they think income tax will send them a notice and they will be charged from here on every year. These hesitations have to be removed to bring them in main stream of businesses.
6. **Unrealistic prices:** Sometimes, the prices offered by small entrepreneurs are very unrealistic. Since they had not bought the raw materials from the bulk markets, generally their prices are on the higher side. Then they go on insisting to the buyer that this is their cost. They do not look at the prices being offered by their competitors, while the buyer has the knowledge and goes for the lowest priced product.
7. **Lack of mobility:** Entrepreneurs, especially women, find it difficult to move around for purchase of their products. If they have their own cars and can drive, it becomes easier, otherwise traveling on buses to the markets to buy little things makes it harder for them to continue their business.
8. **Lack of marketing ability:** Small business often ignore the importance of marketing techniques required to sell their products. They also end up giving their goods to a shopkeeper or somebody else to sell which results in issues such as producers not getting their due share from revenues and the middle man taking undue advantage of the vulnerable position of the producer.

Lack of Financial management: This is an area where many new entrepreneurs lack and lose their businesses. They will invest the whole fund they have in the making of the product, notwithstanding the fact that it has to be marketed and some investment in the promotion of the product either through advertisements or participation in some fair / exhibition has to be kept. They will also keep no money for the next lot of dresses or whatever product they are making, resulting in a lot of unsold products and no more money to make new products to make the cycle continue.

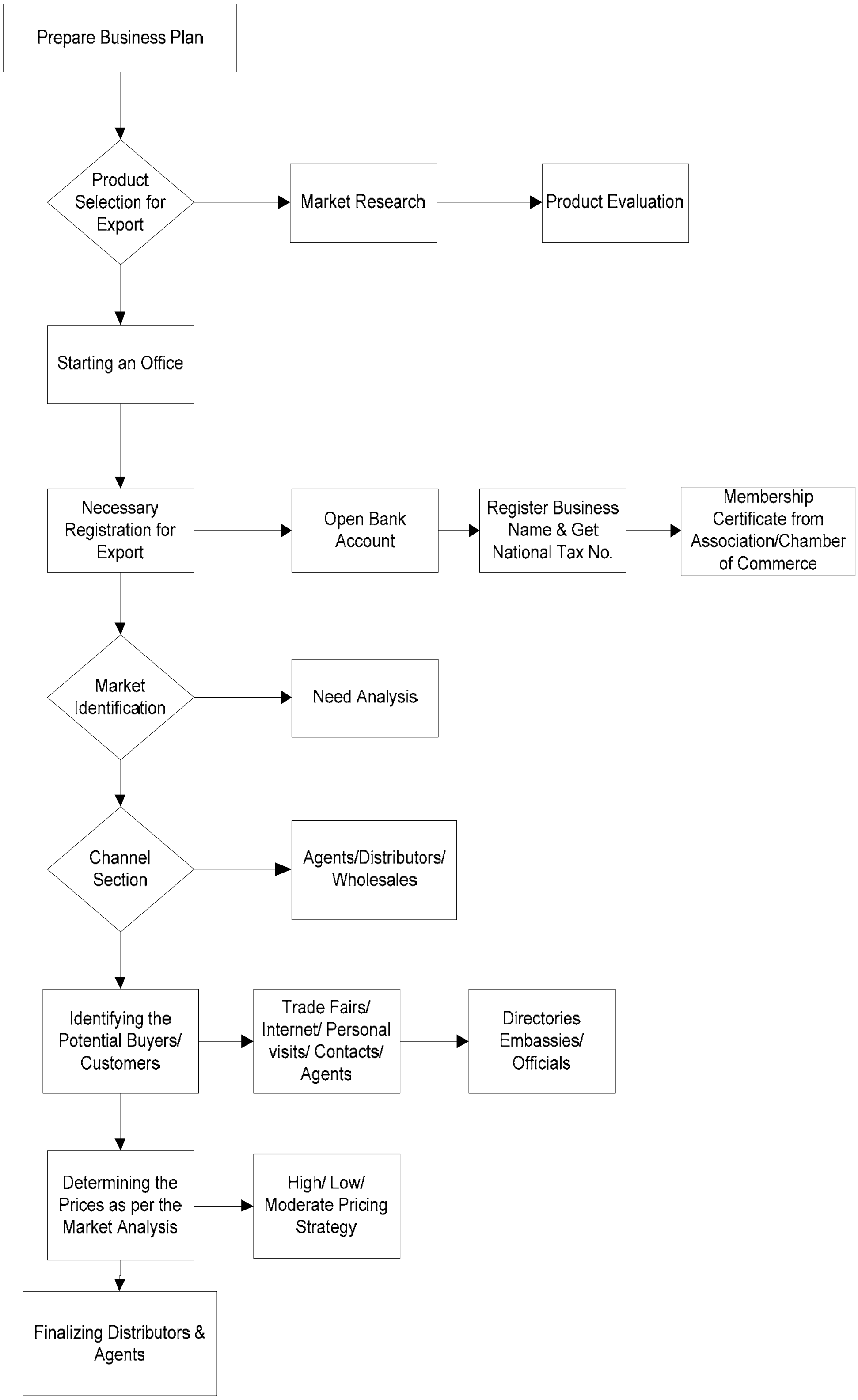
4. EXPORT PROCESSES & RELATED DOCUMENTS

OBJECTIVES

By the end of this activity, participants will be able to understand the following:

- Understand the export process flow
- Identify the various documents involved in the process
- Understand each step in the process along with their relevant documents

Figure 2: Export Process Flowchart



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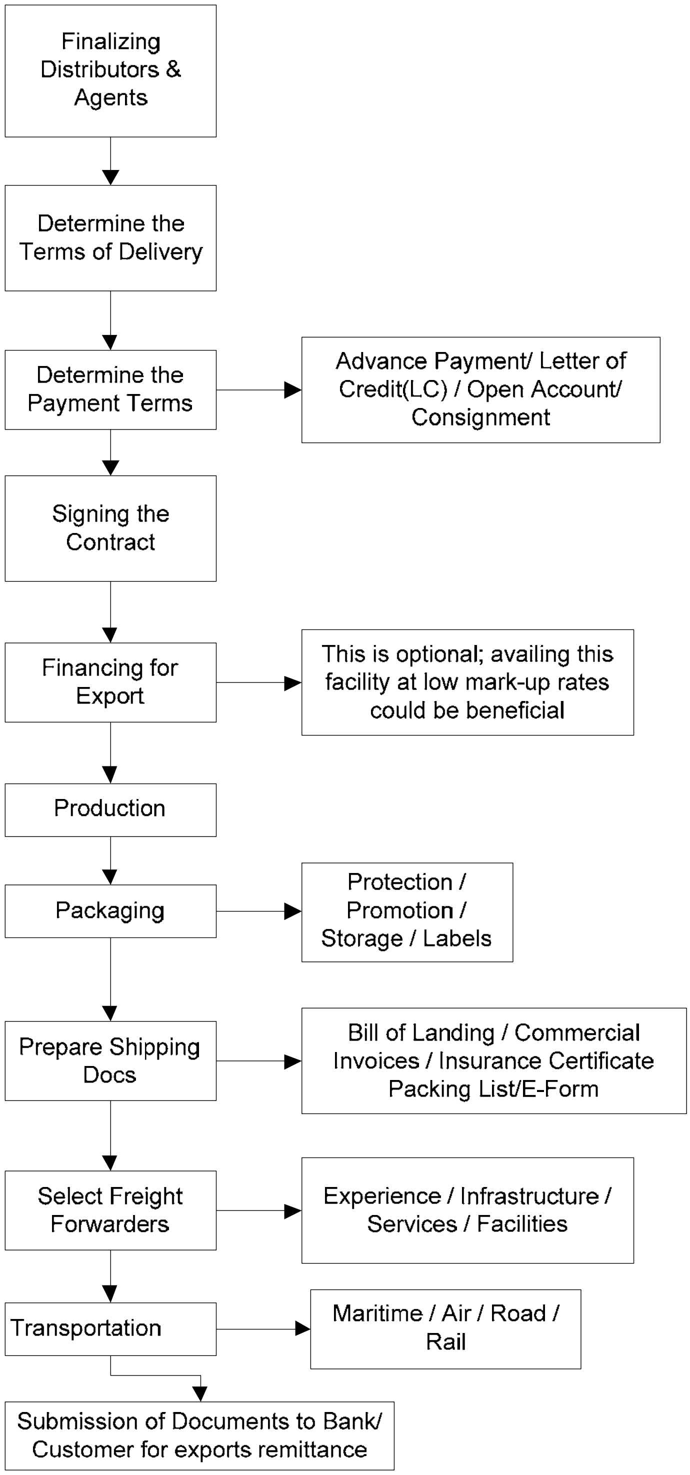


EXPORT PROCESSES

1. **Sales Tax Registration Procedure**
   The Federal Board of Revenue, Pakistan (FBR) has simplified sales tax registration and deregistration procedure considerably. A prospective taxpayer has the option to apply for registration directly to the Central Registration Office (CRO) at Central Board of Revenue. This will reduce registration process by eliminating the step of filing application in the Local Registration Office (LRO) or the Collectorate. Any prospective taxpayer may apply on a registration form to the local registration office. Supporting documents are not required anymore.

   Commercial exporter is not required to register with sales tax department. But if you pay the sales tax on purchasing the goods from local market it is important to get registered with sales tax department in order to claim refund of your input tax deducted on your purchases. Once you are registered in sales tax department you will be obliged to file monthly sales tax return irrespective of the fact that you have been involved in any sales tax activity or not.

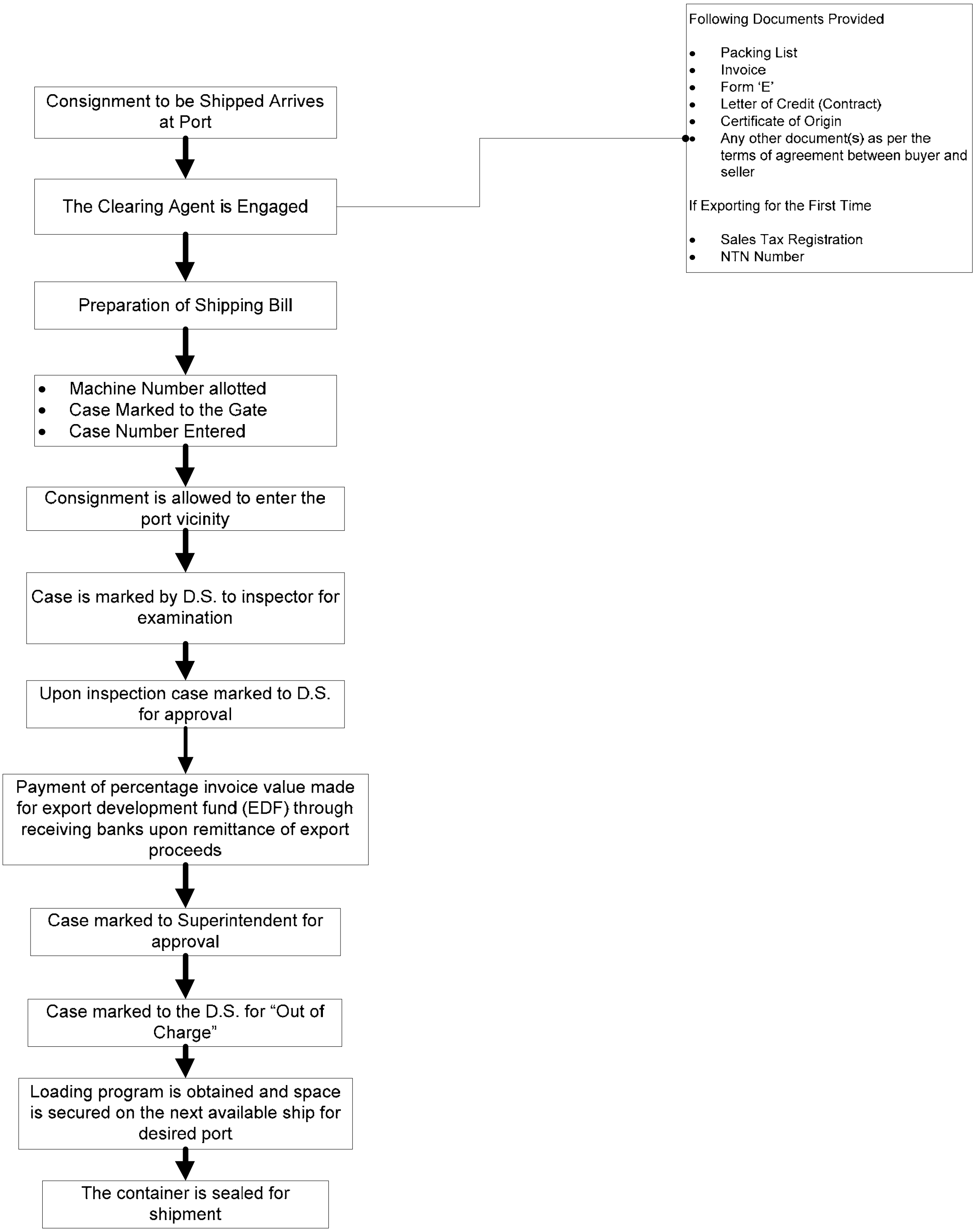
2. **National Tax Number**
   National Tax Number Certificate is issued by the Income Tax Department on filing of application form accompanied with one attested photocopy of NIC.

3. **Form E (State Bank form)**
   Four copies of Form E are issued by the bank, one copy is handed to the exporter and one copy is retained by the bank. The remaining two copies are required to be sent to the Customs department who will send the One copy to State Bank of Pakistan.

   All exports from Pakistan which are subject to Foreign Exchange Regulations are required to be declared on form 'E' which is in sets of four copies each. The exporter should submit the full set of Form 'E' to the bank after it has been completed and signed by the exporter himself or his authorized agent. While certifying Form 'E', bank should ensure that exporters give only one address in Form 'E'. After the form is certified by the bank, it should be submitted to the Customs authorities at the time of shipment along with the shipping bill. The Customs authorities will detach the original copy and after filling in the portion relating to them and affixing their seal and signature thereon forward it to the State Bank. The Customs authorities will return the duplicate, triplicate and quadruplicate copies to the exporter or his authorized agent who will retain the quadruplicate for his own record and submit the duplicate and triplicate copies to the Authorized Dealer along with the shipping documents within 14 days from the date of shipment.

4. Shipping Procedure

Figure 3: Customs Clearance Flowchart



The loading program is obtained from the shipping firm/cargo carrier for the country to which the consignment is being exported. Loading program lists the schedule of various ships leaving port for the export destination along with the availability and reservation of space for shipment. Exporters of goods in large quantities generally use the services of shipping companies of their own choice.

Once the consignment, to be exported arrives at the port, usually a clearing agent's services are sought. Clearing agents are licensed to conduct clearing activities on behalf of exporters from Customs.

The following documents are required to provide to clearing agent to clear the consignment:

- Packing list
- Commercial invoice
- Letter of Credit (LC)
- Certificate of origin which is issued by the Chamber of Commerce
- National Tax Number Certificate
- Any other document(s) as per the agreement between buyer and exporter

However if the exporter is exporting for the first time, then the following documents have to be provided in addition to those mentioned above:

a) Sales Tax Registration Certificate (copy)
b) NTN Number (certificate)

There are two software systems for the registration of the **Goods Declaration** form:

1. PACCS – Pakistan Customs Computerized System, or
2. PRAL – Pakistan Revenue Automation Limited

When the above mentioned documents are complete, the clearing agent prepares the shipping bill and files the documents with Custom department. A “machine number” is allotted to the Shipping Bill, and the case is forwarded to the Port Gate. The consignment is allowed to enter the port vicinity, and is registered at the gate according to the allotted number. The Deputy Superintendent (D.S.) marks the consignment for examination to the inspector of the examination hall. Once the inspector has examined the consignment, the case is marked to the D.S. for approval.

❖ **Export Development Surcharge (EDS)**

- EDS is charged by the Customs at the rate of 0.25 percent on every export consignment
- It is collected by the banks on realization of export proceeds
  - The basis of the collection of EDS is the FOB value of the goods
  - It is collected at the rate of 0.25 percent of the value of goods
- It is transferred to the Ministry of Commerce as Export Development Fund (EDF)
- Withholding Tax ranges from 0.75% to 1.25% based on product categories

When the D.S. approves the case, it is forwarded to the Superintendent with the examination report for final approval. The case if approved by the Superintendent is marked to D.S. for “Out of Charge”. The container is given a final physical check and is sealed by the bonded carriers or the port customs authority before loading on the ship.

5. **Submission of Export Documents to the bank**

ll shipping documents covering goods exported from Pakistan and declared on form 'E' must be passed through the medium of bank within 14 days from the date of shipment. The exporter must submit the duplicate (bearing Customs seal and signature of Customs Officials with Code number) and triplicate copies of form 'E' along with the shipping documents, invoices etc., to the bank who had certified the form 'E'. An extra copy of the shipper's invoice must be attached to the triplicate copy of the form 'E'.

Note: The following are required for export proceedings and documents;

1. Current bank account
2. Membership certificate of Chamber of Commerce and Industries or any relevant trade association

FAQS FOR NEW CUSTOMS PROCEDURES

FAQs placed below are those asked by clearing agents during PACCS info sessions.

Q. In case of exports the Bill of Lading number is issued later. How can we quote it to bank in case there is a payment involved?
A. At present no duty liabilities are involved against a GD for exports. If in the future payments are to be made on exports, adequate provisions will be made in the software.

Q. What will happen if shipping line issues same BL number under different indexes to more than one importer, in case of LCL cargo?
A. This is not possible since PaCCS validates that BL numbers are not repeated in a VIR.

Q. CARE propagates the 24/7 theme but when it comes to pass-in, it imposes 08 hours restriction. Customs should keep doing its work round the Clock and remove this restriction because loading on to the vessel is a matter between the Shipping line and the exporter and not Customs. Besides Customs only intends to check a small percentage of the cargo and for that it does not need 08 hours?
A. Passengers on international flights are required to report to the airport three hours prior to the departure of the aircraft. This is done to ensure that all legal formalities of Immigration, Customs and Airlines can be completed in time. Last minute passengers may and often do miss the flight. Examining risky containers is much more complex than examining an individual. The eight hour cut off time by Customs, which is four hours for perishable cargo is purely advisory and to ensure that all legal formalities of exports can be effectively completed. If your cargo arrives at the port later than the prescribed time your cargo may miss the boat.

Q. The rate of exchange should freeze as in the present Section 30 of the Customs Act, 1969. In the new system if there is a lapse of even one day between the preparation of GD and payment in bank and meanwhile if the exchange rate fluctuates, the payable amount will either be in excess or short.
A. PACCS is 24 hour facility. Kindly calculate your duties from our server just before proceeding to the bank. Alternatively you may consider using pre-pact. Lastly even if your payment is in excess the banks will still accept only the amount that is due and credit your pre-pact account with the excess amount.

Q. Most of the Containers will not be checked by the Customs in the new system. The clearing agents are also not allowed to be present during examination. If our cargo is found damaged at our premises, will there be no abatement? If so, it means that Sec 27 has become redundant.
A. Abatement request under section 27 is provided online. Further if you suspect that your cargo is susceptible to damage you are entitled to examine your cargo under section 79-A.

Q. There are departments which issue NOCs without number. How will we quote the number in such cases?
A. The scenario is a near impossibility as it does not provide any track of these NOCs to the issuing department if there are no reference numbers. Customs regrets its inability to accept NOCs that cannot be verified from the issuing authority if and when required.

Q. What records are required to be maintained by us under PACCS?
A. Same records as are already prescribed under law and the rules.

Q. Is it possible for clearing Agent to obtain more than one Pin Code?
A. Yes. There is no restriction on the number of ID's.

Q. If an importer has more than one authorized clearing agent and one such agent files a GD and gets CRN, will the other clearing agent be able to file GD for the same goods or will the system block the filing of such GD?
A. Yes. The system does not allow filing of multiple GD's against a BL.

Q. Can a Clearing agent use same CRN (Customs Release Notification) again for another GD?
A. No. CRN is a unique number and cannot be used again.

Q. Will the importer/exporter have User IDs?
A. Yes. The principals have their own User ID's because they authorize Clearing agents on-line to work on their behalf under PACCS.

Q. What if the Vessel. No and Voyage changes in case of imported cargo?
A. VIR numbers are unique and immune from changes in voyage numbers.

Q. The NBP branches are not online with the taxpayer? What is the point of electronic filing of GD when we have to go the bank for payment of duties and taxes?
A. This is an issue between the banks and its clients; one may like to take up the issue with the bank. PACCS has provided online interconnectivity to its clients.

Q. Will there be Mate Receipt Number under PACCS?
A. Yes. Against each CRN there is an MR number.

Q. Some Countries require Customs stamped Certificate for exported goods, how will we fulfill this requirement?
A. PACCS documents are system generated electronic documents and do not require signatures or stamps.

Q. What is the DTRE like in new system?
A. DTRE procedures for filing of GDs as well as getting approvals have been simplified. The import as well as export GD can be filed over web. There is no need for debiting the quotas in manual registers. Clearance can be done from any port in the country; system will automatically generate balances. Approval requests will also be made over the PACCS Portal.

Q. In some cases, we are required to submit prototype samples to Customs in exports, for instance, in case of tents. Will this practice continue in new system?
A. Yes. Where required samples will be taken against proper receipts.

Q. Are we supposed to arrange for the escort from Exports Collectorate as we do now?
A. No. Providing escort is the responsibility of Customs and Customs shall fulfill it.

Q. The B/L shows the quantity as 927 boxes and GD is prepared accordingly. However the manifested quantity due to typographical error shows 900 boxes. Will the System block the filing of GD? Is amendment possible now?
A. No, the system will not block the GD and Yes. Amendments by carriers are allowed.

Q. How will shut out Cargo be handled?
A. There are two options available to the exporter; Cargo may be loaded on the next vessel or the exporter may request for removal.
Q. Will the whole consignment stop even if one container is selected for examination?
A. Yes. Clearance of the consignment will depend on the results of examination of the sample container.

Q. Our people are illiterate. They do not know the use of Computer. The idea of giving

Consignment notes to Truck drivers is unimaginable, they are illiterate and will simply loose it and we will suffer.

A. How is losing pieces of paper connected with use of computers? In any case if you feel that your trucker will lose paper you are welcome to accompany the trucker and hand over the consignment note at the in-gate yourself.

Q. Why is CRN issued after filing of GD? Why is it not possible to have it in the beginning?

A. PACCS is based on self assessment; the idea is that Customs must not interfere in the assessment and payment process. Customs gives a Customs Reference Number (CRN) as soon as Customs receives a declaration.

Q. What is the applicable rate of duty and exchange rate in new system?

A. These will be rates as applicable on the date of payment of duties and taxes.

Q. Will the owner have to appear in person to get ID and Pin code?

A. Either the owner or his authorized employee of the business is required appear.

Q. It is not easy to comply with the condition of putting invoices and packing list inside containers in case there is no L/C. What are the penalties in case of non compliance?

A. These requirements are mandatory under PACCS. Penalties are as prescribed in section 156(1) (1). Risky consignments shall not be released without documents.

Q. Can an export shipment be stopped after pass-in and GD has also been filed?

A. Yes. The GD Cancel Menu is available in the System for cancellation. In any other case the shipper can use any other vessel without the cancellation of GD and without informing Customs because this information will be transmitted to Customs by the Terminal Operator

Q. Which rate of exchange will be applicable for payment of refund?

A. The rate of exchange will be the one on which the duty was paid.

Q. To which account the payment of refund will be made, i.e. account paying the duty (importer/clearing agent) or the consignee?

A. The liability to pay taxes is on the principal; similarly the principal has the right on refunds.

Q. Is there any change for filing of TP for upcountry dry ports?

A. There is no requirement for filing of TP under PACCS.

Q. How will documents/securities be submitted to Customs?

A. Our Front Office will collect them.

Q. At the time of Clearance what documents are required?

A. None.

Q. Does the system intimate receipt and send messages regarding inland transshipment cargo to and from Customs Dry ports?

A. Cargo information from first port of entry to the port of destination is electronic. Customs at port of destination are required to acknowledge receipt of goods electronically.

Q. At the time of ex bonding which document is to be shown to the Custom Staff posted there and Warehouse keeper for getting delivery of goods?

A. Kindly print the cleared ex-bond GD from your own system and present it the warehouse keeper. Alternatively, just quote the CRN to the warehouse keeper; he has access to PACCS and can verify the contents.

Q. Regarding export shipments originating from EPZ the issue pertaining to examination of

containers again at KICT needs clarification as presently the goods are examined at EPZ and sealed and not opened at KICT for examination? Is the PACCS system connected electronically with EPZ for communication?
A. For PACCS all EPZ consignments are TP consignments i.e. cleared by another Customs station as such PACCS will not interfere with EPZ consignments just like cargo originating from upcountry.

Q. Under PACCS what will be the change in clearance procedure for imported goods to be consumed /used at EPZ?
A. For PACCS all EPZ consignments are TP consignments i.e. to be cleared by another Customs station as such PACCS will not interfere with EPZ consignments and pass it on to Customs at EPZ just like cargo destined to upcountry ports.

Q. If the importer has a PD account in Lahore and want clearance of goods from Karachi (MCC), can he use that PD account for Payment?
A. Yes.

Q. What will be the valuation criteria under PACCS? Will there be provisional, assessments under Sec 81, quantity discounts and origin leverage?
A. PACCS functions purely under the GATT code and section 25 of the Customs Act 1969.

Q. What if the Bank system /other related systems malfunction?
A. There is no other system, everybody is using PACCS online.

Q. Some shipping lines give 2 digits BL No and some 13 Digits? How will the clearing agent or importer know that which BL No is quoted?
A. It is simple. You just quote the number that has been given to you by the shipping line on your BL.

Q. Who is the terminal operator? And who is responsible at the gate for checking of export goods?
A. The Terminal Operator is KICTL. There is no checking of goods at the gates.

Q. What will be the procedure of submission of photo certificate, QRC and others in the new system?
A. You do not need to submit certificates to Customs; just declare the number on your GD. We will call you if we need to verify the document.

Q. Can a clearing agent from Lahore file a GD for clearance in Karachi?
A. Yes. If he is authorized by the principal.

Q. Is there no requirement for the traders to obtain self Clearance License in the new system?
A. No. Any person who wishes to file a declaration himself without engaging a clearing agent can do so.

Q. If the importer imports 70 Containers against one B/L, L/C and files one GD, is he supposed to place invoice and packing list in side every container? The supplier issues one invoice in such cases, it will be a hassle to place the same invoice in every container. What if the supplier forgets to place invoice in one container?
A. Yes. The invoice and packing list has to be placed in every imported container since Customs cannot pre declare which container may be examined if at all.

Q. Will the consignments manifested and destined for Dry ports be examined at Karachi?
A. No. Risky cargo may be scanned but will not be examined at Karachi. The only exception is if explosives or weapons are found apparent during scanning.

5. PRICING, PACKAGING & EXPORT CONTRACTS

OBJECTIVES:

By the end of this activity, participants will be able to understand the export pricing factors and importance of packaging & Export Contracts in the export business. The various points which need to be considered for signing of export Contracts would also be explained.

Activity – Pricing & Packaging for Exports

Use the following Export Costing Sheet and Sample costing worksheet to estimate the total cost.

Export Costing Sheet

Quoted to: Date: ______________________________

Unit: Gross weight: Cubic measurement: __________________

a. A. cost of unit __________________

b. B. cost of 1 freight ton __________________

2. Profit: % and amount __________________
3. Agent's and/or exporter's commission

   ____
4. Special labels, labelling, containers __________________
5. Packing __________________
6. Marking __________________
7. Strapping or bundling __________________
8. Hauling to goods yard, wharf or other __________________
9. Freight to wharf, route and courier__________________

   Freight to wharf per freight ton
10. Unloading charge: ____________ per ______________

    Charge per freight ton
11. Demurrage, cold storage, _________________________

    Charge per freight ton
12. Terminal fees: Weight__________Measure __________

    Amount per freight ton ________
13. Long-load or heavy-load charge
14. Other charges (list)
15. Consular invoices
16. Ocean freight: Weight_________________Measure _____on deck____________

    Under deck _________Ventilated________Rate per freight ton________

    Currency ___________Amount ________
17. Shipping agent's fee
18. Total in local currency
19. Marine insurance: ____________

    a. Value/ton (item 18)_______

b. + 10% of value _________

c. Amount to be issued

Type ________ Rate________ Premium in local currency __________________

20. Financing charge (for credit sales) __________________
21. CIF in local currency (add up costs for items 18, 19, 20) __________________
22. Convert to $US or invoicing currency __________________

Sample Costing Worksheet to a Buyer

ITEM	SUB-TOTAL	TOTAL
Manufacturing Cost		
+Export packaging (depending on mode of transport)		
+Profit margin		
-Discounts/rebates/volume discounts/sales commission		
=**Selling price ex works (EXW)**		
+Transport costs from plant to place of loading(train/truck)		
=**Selling price free carrier (FCA)**		
+ Transport costs from place of loading to shipping port		
+ Unload at harbor		
+Transport insurance to shipping port		
= Selling price free alongside a ship (FAS)		
+Storage costs, terminal handling charge(THC),loading onto ship		
+Cost for export clearance		
+Commission of port agent		
=**Selling price free on board (FOB)**		
+Freight to port of destination		
=**Selling price cost and freight (CFR)**		
+Insurance		
=Selling price cost, insurance, freight (CIF)		
+Additional costs for full transport insurance		
=**Price ex ship (DES)**		
+Cost of import clearance		
+Unloading, THC		
+Costs for documents (i.e. delivery order)		
=**Selling price delivery ex-quay (DEQ)**		
+Land transport costs to nominated destination		
+Fill transport t destination		
=Selling price delivery duty unpaid(DDU)		
+Cost of customs duty		
=**Price delivery duty paid (DDP)**		

Important Notes and Considerations

1. What will the market bear and what is the marketing strategy for the product?
2. Bulk buying/increased buying due to increases sales.
3. Increased efficiency of labour due to high-volume production.
4. Possibility of reduction of export price if fixed overhead costs are already included and completely covered by domestic sales (marginal costing).
5. Export incentive rebate.
6. Agent’s commission, finance cost, export credit insurance premium and profit margin should be included in Ex-Works price.

Sample Cost-Plus Calculation of Product Cost

Factory price	$7.50	$7.50
Domestic freight	$0.70 $8.20	$0.70 $8.20
Export documentation		$0.50 $8.70
Ocean freight and insurance		$1.20 $9.90
Import duty (12% of landed cost)		$1.19 $11.09
Wholesaler mark-up (15%)	$1.23 $9.43	
Importer/ distributer mark-up (22%)		$2.44 $13.53
Retail mark-up (50%)	$4.72	$6.77
Final consumer price	$14.15	$20.30

COSTING & PRICING

Pricing Policy

Pricing is the main element of the marketing mix. Nevertheless, you should recognize that all elements of the marketing mix are ***interdependent.*** Thus product differentiation will change costs, hence the price. Channels depend on the product and choice of a specific channel means a particular cost, affecting the price, and so on.

In export marketing you often have to accept a price for your product that is lower than the price you can get in the home market. This is why business people are often reluctant to go into exporting. They overlook the fact that exporting can be profitable even if prices sometimes do have to be lower.

To understand why we can market at a lower price and make a profit, we must examine the whole question of costing and pricing.

Your decision on what price to set for your product(s) will have to consider:

- The costs
- *Definition***:** A cost is the amount of expenditure incurred on, or attributable to, a specified thing or activity. The cost of production and your marketing and delivery costs can be major cost items. There are also overhead costs.
- Overhead costs, also called indirect costs, are costs that cannot be directly attributed to a product.
- The market
- The intended profit margin

1. **How much will it cost to produce?**

   The cost of production varies with the quantity produced. For example, 5,000 pairs of shoes cost more to produce than 500 pairs. However, the cost per pair is less. In other words, the unit cost decreases as the quantity increases. There are fixed costs to be paid no matter what quantity is produced. Examples are the factory rent, the cost of machinery, and the wages of the factory manager. The more units produced the more these fixed costs can be spread, reducing the fixed cost per unit.

Besides fixed costs are the variable costs, which rise as the quantity produced rises. Examples are the cost of materials, direct labour, fuel and power, transport and agents commission.

2. **Marketing and delivery costs**

   Production cost is sometime regarded as the only important cost when costing and pricing a product. However, marketing and delivery costs can be just as significant, particularly in export marketing. For example, you have to take into account the costs of holding stocks (capital and physical storage costs), packing and transport, commissions, advertising, sales trips, etc.

3. **Break-even Price**

   When you have determined your total cost for producing and marketing any given quantity of product, you divide this total cost by the number of units. This unit cost is your break-even price. If you market above this price, you make a profit.

4. **Maximizing Your Profit**

   We have to pay fixed costs regardless of the quantity we produce. These costs include the factory rent, the cost of basic machinery, the wages of the factory manager, and the costs of the sales office.

   Getting the highest price for your maximum product or marketing the maximum number of units is not necessarily the way to earn the largest profit. The trouble with trying to increase your profit by raising your price is that higher prices usually mean fewer sales. On the other hand, marketing more units by lowering your price could simply mean lower revenue from sales. The successful marketer is one who sets the price at a level where revenue from sales exceeds total costs by the largest margin. Finding this point is what pricing policy is all about.

5. **Different Methods for Calculating Price**

   There are different methods that you can use to calculate the price of your product.

   a. **Marginal cost pricing**

      This method considers the direct, out-of-pocket expenses of producing and selling products for export as a floor beneath which prices cannot be set without incurring a loss. This would include any product modifications plus economy of scale savings as the incremental cost of producing additional products for export should be lower than the earlier average production costs for the domestic market.Marginal costs or incremented cost are the fixed costs considered separately e.g. a knitwear manufacturer produces 1000 T-shirts at a cost of Rs. 60/= per T-shirt covering all his fixed costs. Production of any additional quantity will cost much less as only variable costs would be incurred. So the manufactures figures that his fixed costs are covered by his home sales of T-shirts and he will calculate only the extra costs involved (marginal cost) while calculating prices for exports. As the marginal cost is lower for export products than the unit cost of products for home, the break-even price for exporting is lower.These strategies try to make your product more price competitive by using discount pricing and allowances, rebates, discriminatory pricing and promotional pricing (to attract customers).

   b. **Cost-plus method**

      In the cost-plus method the exporter starts with the domestic manufacturing cost and adds administration, research and development, overhead, freight forwarding, distributor margins, customs charges and profit. The net effect of this pricing approach may be that the export price escalates into an uncompetitive range. Cost-oriented pricing or "cost plus" pricing is the simplest and most widely used policy. A computed cost is determined for each unit of production and to this base cost a percentage or absolute mark-up is added to determine price. Break-even pricing and marginal cost pricing follow the cost-oriented pricing approach.

c. Demand-oriented pricing

This relates to the intensity of demand as expressed by consumers. This method considers the perceived value of the product for the end buyer. It is more psychological than based on economics. A high price is set when customer interest is high and a low price when customer interest is low. Actual costs may be the same in both cases.

d. Competition-oriented pricing

This is based on the actual or anticipated behaviour of competitors. This method benchmarks the price on the closest competitor's pricing level or the market average. Companies using this approach do not seek a relationship between prices and costs or market demand. Instead, they fix their prices in relation to what their competitors are doing, maintaining prices at current levels if this is what the competitor is up to.

e. Creative Pricing

Creative pricing means taking advantage of the flexibility you have, between the lower limit of your break-even price and the upper limit of your competitor’s price of the similar product.

f. Price adjustment strategies

Price adjustment strategies refer to strategies that enable you to fix your price for an export market for which you should consider the factors, cost, demand, and the competition. Pricing for export is pivotal to the success of your exporting business. You need to determine the costs involved in producing your product, selling and getting them to your foreign market. As you develop your pricing strategy, you need to be aware of and factor in all the additional costs that are involved in exporting your product. This includes, among others, production costs, advertising, customs duties, packaging and shipping. You also need to look at how competitive your pricing level is compared to your competition.

g. Evolving a Pricing Policy

Lower prices may be an effective marketing tool in the short or the long term. However, it is important to remember that this is only one way of using a cost advantage, and the advantage can easily be removed by a new entrant in the market with an even lower price. A market position secured by product quality and effective marketing is far harder to dislodge.

A decision on the right pricing policy depends on:

- Your overall analysis of the market-place
- The prices and marketing position of competitors
- Cost levels in your firm

6. Factors to consider when setting your price

- Make the buyer's decision process as easy as possible by preparing your export price list in the currency of the port or country of destination.
- Understand the way business is done in the export market and conduct your business similarly, offering the same value proposal as local suppliers.

Payment terms, delivery and after-sale servicing are important considerations.

- Consider currency fluctuations when preparing the price list. Include a proviso in your price list "prices subject to change" to cover you in the event of any price fluctuations.
- Do not include "suggested retail prices" on your wholesale price list, unless requested, as this is not well received, especially in North America.

Remember that the retailer adds a mark-up on your product as well. While this does not directly affect the preparation of your wholesale price list, it is critical to understand what the retail price of your product would be to the end user. It is also important to understand how your prices stack up against your competitors' and make a determination whether the export market can bear your price.

When preparing an export price list, in many cases, the following costs may apply. These costs should be added to each item in your product line to be exported:

- Fixed costs
- Shipping ex factory to port of departure
- Air or sea freight and insurance
- Import duty and taxes
- Customs clearance/broker fee
- Ground transportation from port of entry to warehouse or customer, as appropriate
- Warehousing fees, if applicable
- Agent's commission or importer's mark-up, as appropriate
- Break-bulk fees, if third party warehouse applies
- Packaging and labeling to local standards
- Product certification, if required
- Product liability insurance
- Advertising and promotional costs

7. **Making a quotation**

When manufacturers receive an inquiry about their products, they quote the customer a price. Quoting for orders in the home market is relatively simple. Manufacturers know what their production costs are and they can quickly calculate a selling price that will give them a profit. But when they are quoting a price for an export order, they must take into account a whole set of extra costs, and they must know which of these costs the buyer will take care of, and the ones they have to cover themselves.

WINNING STRATEGIES

1. **Win buyers through better service**

Remember that the key attributes of every service are

- Speed
- Cordiality
- Knowledge and
- Problem solving

2. **Be Prepared To Meet Growing Demand**

If you take into account all the above issues than most likely your products will be successful internationally and the demand for them will be increasing. If you can't meet the demand you risk losing the whole market. People are not interested in dealing with you if there is no future growth. Be ready to increase production or to outsource similar products elsewhere.

3. **Be Prepared To Spend Time and Money**
   Generally, investments in international markets are greater than domestic investments. Furthermore, exploring foreign markets can take longer and cost more than expected.
4. **Make Decisions on a Commercial Ground**
   Making decisions on a commercial ground does not necessarily mean that your profit has to be the only element to consider. However, you should clearly understand what benefits you get by reducing your profit margin or spending all profit on offshore marketing.

RATE OF EXCHANGE EXPLAINED FOR IMPORT & EXPORT BUSINESS

If your export business is performing well in domestic market for some time, you should be thinking of expanding it to the international market. Not only it can provide you with more profits but selling more units will also help in bringing down the cost per unit. Reaching out to global markets can be your way to prosperity which you have been dreaming for. But before you expand your business to outside markets, you must understand that domestic trade is quite simple when compared to international trade, which brings many new factors into play. Exchange rate is probably the most important one, you must understand what is it and how it can disturb your profits before you go through the pricing process. Let's start with a basic definition.

1. **Exchange rate**
   All major countries have their own currencies. When you are selling to these countries, your sellers will be willing to pay in their own currency, while you can demand for a payment in your own currency. The buyer must then go to his bank and have his currency converted. This conversion will be done at foreign exchange rate. Rate of exchange is the value or price of one currency in terms of another currency. Rate of exchange is also a very important factor of the economy, having an impact on country's overall imports & exports.

2. **Forms of exchange rate**
   Two methods are used to determine foreign exchange rate.
   - Floating Exchange rate
   - Fixed Exchange rate

   Floating (or flexible exchange rate), the one widely used in most parts of the world; let the markets decide by means of demand & supply, at which rate the local currency will be converted into other currencies. This type of exchange rate is often fluctuating, and the exporters need to be secure that some dramatic change will not shrink their profits to an undesirable level. Forward exchange rate (estimated exchange rates for some future supply) should be carefully calculated when pricing. Normally exporters come up with a cushion to secure their position in case of sudden change in exchange rate. Fixed exchange rates are decided by regulatory authorities to achieve their economic goals.

   Providing the lowest cost possible is vital in international trade, so you cannot shift the whole burden on buyers. Thus, it is necessary that you observe your target market carefully, past fluctuations in its exchange rate and economic stability before you finally decide on prices of your products and services.

PACKAGING

- Box/Cases: wooden in structure and of various sizes, and some are airtight, providing strong protection for cargoes like equipment and car accessories;
- Glass container: used for dangerous liquid cargoes such as acids.
- Barrel/Drum: made of wood, plastic or metal used for liquid or greasy cargoes;
- Bags: made of cotton, plastic, paper or jute, ideal for cement, fertilizer, flour, chemicals, etc.;
- Crates/Skeleton case: wooden structure between a bale and a case used for light weight goods of large cubic capacity like machinery.
- Can/Tin: It is a small metal container in which small quantities of paint oil or certain foodstuffs are packed.
- Container: It is a very large container facilitate loading and unloading by mechanical handling.
- Bale: a heap of material pressed together and tied with rope or metal wire, suitable for paper, wool, cotton, and carpets;

1. **Function of Packing**

- Protecting the goods and keeping them as good and intact as they are delivered in the transportation.
- Packing makes it convenient for storing, taking care of, transporting, loading, unloading and distributing the commodities.
- Strong packing can protect the commodities from being stolen and damaged during transportation.
- Reasonable and suitable packing can reduce shipping space and save freight paid.

a. **Inner Packaging:** By blocking, bracing and cushioning the products, the inner packaging together with the outer packaging is protecting the product from transport and storage damages. The inner packaging surrounds the product and can also be designed to protect against abrasion, corrosion or electro static discharge (ESD). Here follows a selection of inner packaging materials. We can divide inner packaging products into five categories:

b. **Blocking & Filling**: Products include; Honeycomb, Air Pad, Bubble Wrap, Loose Fill, and Paper Pad. The goal with **blocking materials** is to immobilize the product and assure the right protection. The goal with **void filling materials** is to totally fill the empty spaces around the packed products.

c. **Cushioning**: To protect against **shock and vibration**, you have several opportunities. But to decrease the opportunities there are some questions to make. How fragile is the product? What is the value of the product? How will the product be freight? What is the estimate volume of the product? This is some question to make before you choose the proper packaging material.

d. **Electro Static Discharge**: Electro Static Discharge, is a standalone product highly used in the electronics industry. Within industry, **ESD** (Electro Static Discharge) is discreet and invisible and causes problems of a different nature. Many electrical components, including computer chips, electronic assemblies and circuit boards, can be damaged beyond repair by electrical discharges. Manufacturers of electronic components and assemblers of electronic systems must control static discharges in their processes through the use of an effective ESD program. If they fail to take the necessary measures to control static electricity many of the components or systems they produce will fail to work or will suffer a reduced operating life.

e. **Corrosion Protection**: Products include, VCI Bags, Desiccants, Paper, PE-foam, Emitter Cups, and corrugated.

f. **Corrosion** is a natural process. When products are fabricated out of iron, or other metals, it is natural for them to return to their original state. The metal begins to release its stored up energy by reacting with oxygen. This process is called corrosion.

g. **Inner Fittings:** Can be made of materials such as foam, corrugated cardboard, steel, plastic, rubber, wood or plywood.

Inner Fittings are mainly used as separators or shelves. They are also used to ease the packing process or to optimize space within the box or container.

2. **Export Packaging | Expendable Packaging**

As businesses continue to develop sales to secure a profitable future, often times than not they must look outside their domestic marketplace. At this time expendable packaging plays an important role due to the climatic changes, handling methods and other factors involved in exporting to new markets. Export packaging is an ideal solution for many companies due to the minimal investment needed. Since the packaging is produced to be intended for one-time use, large capital investments are avoided. Due to the large quantities of purchased export packaging, companies can also make gains through bulk orders to receive quantity price discounts.

A rule of thumb when it comes to export packaging is that the cost of the packaging should be less than 2% of the total value of goods placed into the container.

Different export packaging materials;

a. **Plywood Boxes** offer superior protection than corrugated. Being made of wood allows the material to breathe limiting the concern of moisture during transport. Boxes are constructed of plywood and galvanized steel ensuring safety and security for your products to their final destination. These boxes are put through stringent testing from; drop tests, moisture absorption tests, compression tests and much more and are suitable for dangerous goods shipments.

b. **Corrugated Packaging** is the most used packaging material in the industry due to its low cost. In many scenarios corrugated board is the most suitable and offers excellent product protection. This packaging material is very easy to customize and is extremely lightweight when compared to alternative packaging products. A real concern when it comes to corrugated boxes is whether or not your product or method of shipment and destination point will come into contact with moisture or rough handling.

c. **Expendable Pallets** are usually combined with an outer packaging shell but are sometimes used on their own with plastic wrap to secure the goods. Many companies offer common industry pallets such as wood, steel and plastic but have also developed their wholly owned Lightweight Plywood Pallet. The lightweight pallet is made with a plywood top and galvanized steel cans that act as the blocks on the pallet. Since the cans are hollow and made of steel, this makes the solution extremely light and durable at the same time.

Reusable Packaging Products & Materials

In today's business and manufacturing environment, the words 'kaizen', 'lean manufacturing' and 'environmental impact' are dominating the agenda. Companies are continuously looking into possibilities to make their processes more efficient. How to improve packaging is an important part of this focus.

Implementing a reusable packaging system means that you replace a one way packaging with a returnable solution. Once arrived at final destination, these boxes must be collected and sent back to the distribution point. The use of collapsible packaging makes the return freight a minor cost factor. However to successfully implement this system it is important that you have a limited number of distribution points. This way you can keep track of your packaging and minimize the losses. It is also important to have a reasonable amount of cycles in your goods flow. Having more cycles a year means you need fewer boxes in the system, thus reducing your investment amount.

Reusable packaging can be divided among five different materials;

a. **Steel Racks & Containers** are built to last. If you have a project length of several years and you want to pack heavy and high value goods, steel racks will be a good solution. They can be fully customized for optimal protection and ergonomic handling at the production line. If the racks should be returned to your supplier, a foldable rack will save you freight costs. Due to its strength it can also be stacked high in the warehouse, which could make racks obsolete.

b. **Plywood containers** have proven to be an excellent solution for many years. These boxes collapse into a tiny package which makes a huge difference on your freight expenses. To ensure good ergonomics, a hinged gate is one of the possibilities. An endless range of customizations from inner fittings to locking mechanisms provide optimal product protection.

c. **Plastic packaging systems** are lightweight boxes for medium to heavy weight goods. In case wood is not allowed in the production area, this is a very good alternative. They take little effort to handle and they are easily cleaned. Choosing among a wide range of standard sizes can reduce costs, but fully customized designs are also possible. Locking systems are available for securing your goods

during transport.

d. **Pallet Collars** are a good option if you choose to have a standard solution for different products. They can be built up according to shipping volumes and broken down for easy access on the production line. It's low cost and high durability make it a popular product in many industries. This solution can also be customized with special lids, dividers and other accessories.

e. **Reusable Pallets** are frequently used all over the world with a wide range made from plastic, steel, plywood and wood. Steel pallets are the strongest for load carriers and can be custom designed. Plastic pallet solutions are environmentally friendly and very sturdy. Plywood pallets are excellent for light-medium weight goods; they have low weight and high strength. The wooden pallet is a low cost product with many design possibilities.

Steel Packaging, Racks & Containers

a. Steel Racks are a popular product in many industries. They have a long lifetime and their strength protects the products from impacts and rough handling. The design can be fully customized to provide optimal handling on the production line. For use in out- or inbound flows, steel racks can be made collapsible to minimize freight costs.

b. **Foldable steel containers** for reusable systems are an appreciated packaging that can be customized to fulfill the customers need. The automotive packaging segment is a good example where customized, foldable, steel containers, racks, boxes and pallets are used. Due to specific handling, transport and product protection conditions, this segment requires expert support through the whole process, from engineering to on time implementation.

c. **Dangerous Goods Steel Containers**

Advantages

- Up to 70% savings in volume on return shipments
- Reduction of required warehouse space
- Consolidation of the container pool
- Outstanding product protection
- For all stacking systems in the automotive industry
- Non-combustible (fire load)

This collapsible dangerous goods steel container was designed and patent pending for transport and storage of restraint systems such as airbags, belt pretensioners or gas generators. It consists of a standardized, collapsible outer container and inside modular trays that are stackable and nestable. The container is available in the size: 1,200 x 780 x 1,005 mm.

Due to its two-part construction the collapsible steel container may be equipped with different kinds of trays (usually trays made of deep drawing foil) and can therefore be used as a standard container for many goods, especially restraint systems. In case of design changes the outer container can be reused, so only the inner trays need to be adapted to the new design.

Watertight Boxes and Cases

The rotational and injection molded watertight boxes and cases are built to meet the toughest demands on the market, such as long-term outdoor use, water resistance, chemical resistance etc. Some offer a wide range of products from the world-leading brands. With different kinds of inner fittings we can customize the cases to fit almost any product.

Table 1: Types of Packaging

	ESD Protective Packaging
	Honeycomb Packaging Material
	Reusable Containers
	ESD Packaging Products
	Plastic Totes

	Plywood Cases

3. **Packing & Packaging for shipment**
   In international export, it may take several days, even weeks before the products reach to the customer, after being dispatched by exporters. Being an exporter, it's your responsibility to package all exporting items in a way that your customers will acquire them in excellent condition. Apart from protection; packaging is also used for marketing (labels & logos) or information (guidelines for consumers) purposes. Exporting products are vulnerable against physical shocks, crushing, climate change, mishandling, etc and the packaging should be able to safeguard them against all these hazards. Though the packaging standards differ with the countries and products, there are some minimum requirements that you need to take care of.

   a. **Packaging Boxand Tapes**
      Usually cardboard boxes are used when packaging for shipment. Always use firm boxes with proper flaps; extra padding (or cushioning) is compulsory for breakable items. Size of the box should be according to the product size, not too small (that you have to forcefully stuff all items inside) and not too large (that the goods can move around and clash with each other). Use separate wrapping for each item. If the products are of fragile nature, you can use wooden box for extra protection. Use standard tapes instead of normal household tapes, special tapes for packaging purpose are easily available. Extra safety measures are needed when you are exporting "food" items.

   b. **Addressing & Labeling**
      Recipient address should be clearly mentioned, also the sender address where the products will return in case they don't reach the addressee. Also, mention the recipient contact number to ensure the delivery. Your business or brand logos on the package can be used for marketing and promotional objectives. Sometimes attractive packaging is used as a competitor advantage. You can also use the packaging to communicate with the customers about the other products or services you are offering. If the products are fragile or breakable, you can state these characteristics outside the box and give instructions for careful handling.

      When exporting to developed countries, be sure to obtain knowledge about the acceptable packaging standards in that country. You can also refer to ISO standards in these cases. It's better to have a clear idea of all the possible hazards that the products can face before they will reach their destination. Remember the main motives of packaging that includes physical protection, quality preservation, storage convenience, marketing and product information. Adopting world-class standards is vital when doing international export, not only your product but your packaging should be of export quality in order to stand out.

EXPORT CONTRACTS

All international transactions are conducted according to the terms and conditions negotiated between you and your buyer. By negotiating terms you secure the deal, minimize risks and protect your company in case of possible trade disputes, claims and/or legal actions. Usually terms of trade are stipulated in the trade contract and clearly indicate your and the buyer's responsibilities.

There are no standards regulating trade contracts as such. You'll find that sometimes it may be just a one-page document and sometimes - a very complicated 10+ pages booklet including several appendices, additional conditions, etc. In some cases a contract can even be formed based on words alone. It really depends on the goods you are selling, your relationship with the buyer and your personal preferences. Also, in different jurisdictions, there may be different requirements that must be met for a contract to be effective according to its terms.

In order to be effective and to promote certainty in your business relationship with your buyer, it is a good idea to provide for the following details of your deal in any trade contract:

- Date of Contract
- Seller's and Buyer's Names
- Product Name
- Product Description
- Packing
- Quantity
- Unit Price
- Terms of Delivery (INCOTERMS)
- Terms of Payment
- Delivery Date
- Validity

The contract should be signed by all parties directly involved in the contract. For example, if some responsibilities under the contract fall to a middleman, agent or other third party, this party should sign the contract together with you and the buyer.

Buyers and sellers have to settle on issues like price, mode of payment, delivery of goods or the possession of goods in all types of sales and purchase. For example, when we go to the market and buy something, there is an understanding at work between both parties, because the payment and delivery of goods is made on the spot, we don't normally need a contract or agreement in this case.
Export and especially international export is not that simple. So many new factors come into play such as different currencies, mode of shipment or delivery time. Delivery takes time and somebody has to bear the risk and expenses of cargo, insurance, etc. Importers and exporters need to secure themselves and this sense of security comes from agreeing upon all the terms and conditions of trade. Both parties will sign on an agreement that states these provisions in detail. Normally export contracts have following sections.

Formal & Informal Export Contracts

- An offer to sell made over the telephone by the exporter, covering the type of good, quantity to be sold, per unit price and delivery and payment terms accepted by the foreign buyer or an offer to buy from the importer. Such a contract may be preceded by the series of offers and counter-offers before the final offer and acceptance. Such a contract may or may not be confirmed in writing. It usually occurs between branches of the same company or between long-standing trade partners or between reputable companies dealing in commodities subject to rapid price changes.
- An offer to sell made by airmail, courier, telex, cable, facsimile or E-mail by the exporter and accepted by the foreign buyer.

- A pro-forma invoice by facsimile, air mailed, E-mailed or courier by the exporter to the buyer and confirmed by the foreign buyer.
- A formal typewritten contract setting out all the conditions of the sale and signed by both buyer and seller.

When the export contract is made quickly and informally, some of the conditions are either assumed or clarified later which, of course, may lead to dispute and misunderstanding. One way to avoid misunderstanding is to agree to use what are called General Standard Conditions. These are standardized contract terms that permit the parties to refer to a pre-established set of rules that can be incorporated into their contract. Once such General Standard Conditions have been adopted, they are legally binding whether or not both parties are aware of and understand every provision. INCOTERMS is one particular kind of General Standard Conditions so if the exporter and buyer agree on an FOB price - it has a clear defined INCOTERMS meaning and is legally binding.

Other Terms: Additional terms and conditions depend on the agreements reached between you and the buyer. They may include, for example:

- The Import License, if required, is the Buyer's responsibility. If the Buyer fails to obtain the Import License within reasonable time, the Seller has the right to terminate the present contract. Under no circumstances will the Seller incur any losses caused by the Buyer's failure to obtain the Import License.
- All amendments and supplements to the present contract are integral parts of the present contract and become effective after signing by Parties.
- After signing of the present contract all previous negotiations between Parties are superseded.
- Neither Party shall assign its' rights and obligations under the present contract to a third party without written consent of the other Party.

Plain English

Always use clear, simple and straightforward language in your trade contracts. Avoid using poetic and artistic expressions, idioms, slang and too many abbreviations. These will confuse the buyer and can create misunderstandings.

Different Date Formats

The date 2/3/02 is February 3, 2002, in some countries and it is March 2, 2002, in others. This can create chaos for you and the buyer. Always write the month in words, instead of numbers.

Units of Measurement

A unit of measurement like the ton may refer to the metric ton (2204.6 lbs or 1000 kg), short ton (2000 lbs or 907 kg), or long ton (2240 lbs or 1016 kg). You must clearly differentiate units of measurement to avoid problems.

Currency

Most international transactions are conducted in U.S. currency. If $US is the currency of your contract, you will lose money in the event of rupee appreciation, and, on the contrary, will receive extra money in the case of rupee devaluation. 1-2% should be added to the sum of contract to cover the exchange rates risks.

Interpretation or Translation

Sometimes buyers may require signing a bi-lingual contract. In this case, the accuracy of business translation is crucial. Varied use of terminology in different countries can have an entirely different meaning and cause costly disputes.

Signing of the Contract

If the contract contains more than one page, I recommend you sign each page separately and require your buyer to do the same.

Negotiating is an Art

a. **Make allowances**

Your buyers will be pleased if they manage to negotiate considerable discounts. Don't disappoint them. Include at least 10% in your export price list for negotiations. By discounting the price you'll be able to gain better terms. However, you have to be careful with allowances. If the price is too high you may never get a buyer at all.

b. **Learn about cultural differences**

You may offend your potential buyers if you fail to learn about cultural differences especially in the Middle East and Asia.

For example, you wouldn't ask about your host's wife if you have been invited to visit your counterpart's home in the Middle East.

In Asia, if you are invited to a business lunch you should be prepared for a 1-2 hours conversation, which has nothing to do with your prospective deal. You'll be asked about your family, childhood, hobbies, favorite food, etc. and you should react accordingly. Asian people want to know whom they are dealing with before any business discussion.

c. **All oral agreements must be confirmed in writing**

This has to be one of the "golden rules" of your operations. You must have a written confirmation of agreed terms on hand before you act. A promise "to send you a written confirmation tomorrow" is not good enough.

d. **Exclusivity is possible but not before you know your buyer**

Lots of potential buyers will ask you for the exclusive rights to represent your products or company in a particular market before they start trading with you. Don't decline this possibility, declare that you are open for a discussion but also get to know each other, establish a relationship, and test the market and so on.

When you agree to provide exclusive rights to a foreign company, you should consider which conditions are to be included in the exclusivity agreement.

First of all, do not sign such agreements for longer than a year. If you are happy with your sales, you can always prolong it. You should require that a certain quantity of your goods would be sold in a certain period of time, say 4 to 6 months, with the possibility to terminate the agreement if the buyer is not able to meet this condition. The value of the first order is another issue to consider when negotiating exclusivity. 20% of the agreed yearly quantity prepaid is considered to be a fair deal.

e. **If you need a translator - get a good one**

Sometimes buyers may require signing a bi-lingual contract. In this case, the accuracy of business translation is crucial. Varied use of terminology in different countries can have an entirely different meaning and cause costly disputes.

f. **Be aware of frauds**

Some people in International Trade are making a living out of frauds. The most known schemes are non-payments, samples and complaints. You may very well secure the payment for your products if you do your homework and select the right terms of payments, but it's much harder to protect your business from the other two.

A good indication that something is not quite right is a request for samples in the very first inquiry. The quantity of samples is another issue to consider. If somebody asks you to send 2 cartons of wine as a sample, it just doesn't sound right, does it? False complaints are common and very hard to recognize as scams. The best way to protect your company against these problems is to include a very detailed "complaint clause" in the contract

DAY 2

6. SHIPPING DOCUMENTATION

OBJECTIVES:
By the end of this activity, participants will be able to understand the following:

- Insurance
- INCOTERMS
- Shipping
- Transportation
- Others

INSURANCE FOR EXPORTER'S CONSIGNMENTS

1. **What is cargo Insurance?**
   Cargo insurance is a contract of indemnity, that is, to compensate for the loss or damage in terms of the value of the insured goods. The amount insured as agreed between the insurer and the assured forms the basis of indemnity.
   Cargo insurance (popularly known as marine cargo insurance) covers physical damage to or loss of goods whilst in transit by land, sea and air and offers considerable opportunities and cost advantages if managed correctly.
   The term cargo insurance, applies to all modes of transportation. The need for export (or import) cargo insurance often differs from exporter to exporter (or importer to importer) and from consignment to consignment. Unless the insurance is mandatory in a trade term, the exporter or the importer may opt not to insure the goods at his/her own risks. However, it is to exporter's advantage to be responsible for insurance - *it cannot prevent* accidental losses but can prevent financial losses.
   When goods have to be shipped to a foreign country, there is always the risk that they may be damaged, destroyed, or stolen and may vary, according to the country of destination, the route and method of shipment. To be protected from financial loss as a result of this risk, either the firm that sells the goods or the firm that buys them, arrange for insurance. Such insurance cannot prevent accidental losses but can provide reimbursement for financial loss should the exporter's shipment somehow fail to arrive or arrive intact.
2. **Marine Insurance**
   For shipments to countries overseas, the type of insurance that is arranged is known variously as marine insurance. Basically, marine insurance is a contract between one party (usually the exporter) and another party (an insurance company). In return for the payment of a fee (the insurance premium) by the insured (exporter), the insurance company agrees to reimburse the insured in full or in part for any financial loss suffered from various specified risks.
3. **The Need for Marine Insurance**
   The cost of marine insurance is quite small compared with the cost of the goods shipped and the freight charges involved. Therefore, the benefit of the marine insurance, in terms of financial reimbursement if disaster strikes, is usually well worth the cost. Not much help can be expected from the shipping company for the exporter, if the goods are damaged or lost, even while in its care. However, In order to recover losses from the carrier, the exporter must

be able to prove want of due diligence, in other words, the shipping company was negligent. It is difficult for an exporter to prove at what point damage or loss occurred. However, a marine insurance policy is often arranged on a warehouse-to-warehouse basis. In other words, the risk of financial loss from damage or loss occurring during inland transit in the exporting country and abroad as well as during ocean shipment. Such a policy relieves the exporter of the burden of proving when or where any loss actually occurred.

If, someone else's goods are damaged or destroyed during the voyage and in order to save the ship, then the exporter may be called upon to pay part of the cost. This is known as *general average.* Here, the point being made is that the exporter's goods may be held in the foreign port until such a claim is settled. By having marine insurance, including general average coverage, the exporter avoids the risk of such a delay.

Insurance arranged by the foreign importer may only be for their own benefits if the goods are damaged or destroyed -- the importer will be the one to receive compensation.

4. **Responsibility for Insurance**

   Very often, the exporter will quote a CIF price to its foreign customer. This is an export price that includes the cost of the goods, the insurance and the freight, to a named point of destination. If the quotation is accepted, the exporter will automatically be responsible for arranging the marine insurance.

   Even though the export price may be FAS (free along side, named point of shipment), the exporter may still be responsible for arranging the marine insurance. This would be so if the exporter has made it one of the terms of the export sales contract. In this case, the cost of the insurance would be billed as a separate expense, additional to the FAS or FOB sales price. Such insurance might include war risk insurance as well as straight marine insurance.

   If it is stipulated that payment to be by letter of credit, the issuing bank in the foreign importer's country will insist on having *marine insurance* - even though the export price quoted is FAS or FOB because the bank will wish to protect its own financial interest should the goods be damaged or destroyed in transit.

5. **Advantages of Arranging Insurance**

   It is highly desirable, whenever possible, to arrange the insurance from the exporter's point of view, because:

   a. The export firm, with its specialized knowledge of the product, is able to ensure that the coverage meets its exact requirements, and that the coverage is with an insurance company of its choice.

   b. Any claim is payable in the exporter's own currency, thereby eliminating the risk of an exchange loss.

   c. If the goods are being sold on credit, the exporter is financially at risk while the goods are in transit to their foreign destination. It is reassuring to know, in this case, that reimbursement can be sought from a local insurance company if something happens to the goods.

   d. If the exporter's bank is involved in providing credit, it will usually insist that the exporter take out insurance on the shipment. The certificate of insurance protection will then form part of the commercial set of documents that is required for each export shipment.

   e. Claims are usually settled faster if the exporter has arranged the insurance with its own marine underwriter.

   f. If the exporter relies on the foreign importer to arrange for the insurance, as he may have to when selling F.A.S. or F.O.B., he faces various risks, such as:

- **g.** The foreign importer may have neglected to insure the goods. Then, if the importer refuses to accept them on the grounds that they are damaged, the exporter will have his goods sitting in a foreign port with no insurance protection.
- **h.** The insurance arranged by the foreign importer may only be for their own benefit. Even if the goods that are damaged or destroyed are sold by the exporter on credit. The importer will be the one to receive compensation.

6. **How does this coverage work?**

   This coverage is available in two types: an open cargo policy and a voyage policy. The open cargo policy applies to the nature of the goods you are shipping, such as its value, and the applied shipping rates. A voyage policy protects a specific shipment of goods.

   Both policies offer protection for your goods from the moment it leaves your hands until it reaches its destination. You can also add war risk coverage if you are shipping in volatile areas of the world.

7. **Is this coverage really necessary?**

   This coverage is not required by law. Your export insurance coverage, if done well, will help you clear any local laws you encounter in shipping. However, you must ask yourself if your business could survive the loss of just one shipment.

   Accidents do happen, particularly when you trust your goods to a third-party shipper. A thorough plan of coverage will protect your business if anything unforeseen should happen to your goods during transit.

8. **What other options are open to you?**

   There are several other ways to approach the risk involved in the physical movement of the goods you trade across international borders:

   1. Do nothing and carry the risk yourself. If an incident occurs resulting in damage or loss to the goods you could take action against the carrier. But you should remember that carrier liability is strictly limited by internationally agreed conventions. Also you will need the expertise and perseverance to sustain a successful claim. This could have an impact on your business;
   2. As an exporter you can let your customer insure the goods;
   3. As an importer you can let your supplier insure the goods.

   Like all insurance cover (premises, employer's liability, credit) you will have to pay for your cargo Insurance services. Premium is usually calculated according to the value of the consignment (plus a percentage mark up for profit margin), the type of goods (danger or hazard) and other specific risks (mode of transport, route, destination, etc.) from the insurer's perspective. As with all insurance cover, you should spend time researching the market and getting quotes from a range of cargo insurance providers.

INCOTERMS

INCOTERMS or **international commercial terms** are a series of international sales terms widely used throughout the world. They are used to divide transaction costs and responsibilities between buyer and seller and reflect state-of-the-art transportation practices. They closely correspond to the U.N. Convention on Contracts for the International Sale of Goods.

INCOTERMS deal with questions related to the delivery of the products from the seller to the buyer. This includes the carriage of products, export and import clearance responsibilities, who pays for what, and who has risk for the condition of the products at different locations within the transport process. INCOTERMS are always used with a geographical location and do not deal with transfer of title.

They are devised and published by the International Chamber of Commerce (ICC). The English text is the original and official version of INCOTERMS 2000, which have been endorsed by the United Nations Commission on International Trade Law (UNCITRAL). Authorized translations into 31 languages are available from ICC national committees.

1. **Group E - Departure**:

   EXW - Ex Works (named place): the seller makes the goods available at his premises.

2. **Group F - Main Carriage Unpaid**:

   FCA - Free Carrier (named place): the seller hands over the goods, cleared for export, into the custody of the first carrier (named by the buyer) at the named place. This term is suitable for all modes of transport, including carriage by air, rail, road, and containerized/ multi-modal transport.

   FAS - free alongside Ship (named loading port): the seller must place the goods alongside the ship at the named port. The seller must clear the goods for export; this changed in the 2000 version of the INCOTERMS. Suitable for maritime transport only.

   FOB - Free On Board (named loading port): the classic maritime trade term, Free On Board: seller must load the goods on board the ship nominated by the buyer, cost and risk being divided at ship's rail. The seller must clear the goods for export. Maritime transport only.

3. **Group C - Main Carriage Paid**:

CFR - Cost and Freight (named destination port): seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods have crossed the ship's rail. Maritime transport only.

Figure 4: INCOTERMS 2000 - Transfer of risk from seller to the buyer

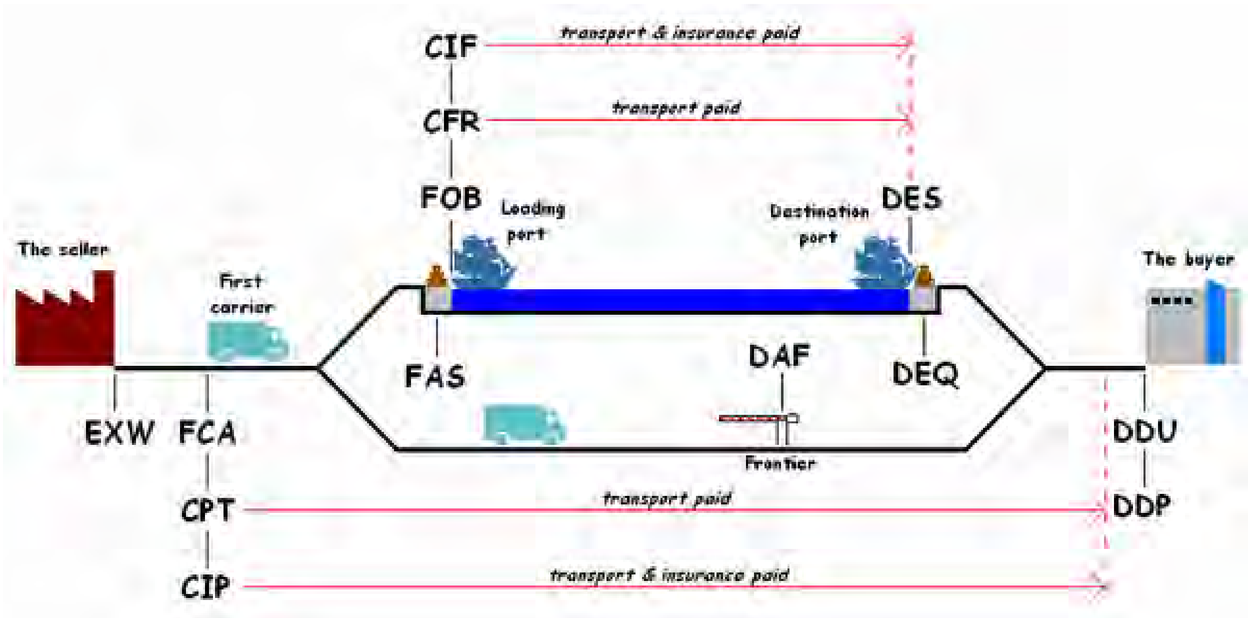


Figure 4: INCOTERMS 2000 - Transfer of risk from seller to the buyerCIF - Cost, Insurance and Freight (named destination port): exactly the same as CFR except that the seller must in addition procure and pay for insurance for the buyer. Maritime transport only.

CPT - Carriage paid to (named place of destination) the general/containerized/multimodal equivalent of CFR. The seller pays for carriage to the named point of destination, but risk passes when the goods are handed over to the first carrier.

CIP - Carriage and Insurance Paid to (named place of destination): the containerized transport/multimodal equivalent of CIF. Seller pays for carriage and insurance to the named destination point, but risk passes when the goods are handed over to the first carrier.
CTO - Container Terminal Order.

4. **Group D - Arrival**:
   DAF - Delivered At Frontier (named place)
   DES - Delivered Ex Ship (named port)
   DEQ - Delivered Ex Quay (named port)
   DDU - Delivered Duty Unpaid (named destination place)
   DDP - Delivered Duty Paid (named destination place)

For a given term, “Yes” indicates that the seller has the responsibility to provide the service included in the price. “No” indicates it is the buyer’s responsibility. If insurance is not included in the term (for example, CFR) then insurance for transport is the responsibility of the buyer.

Table 2: Division of responsibilities for the importer & exporter under INCOTERMS

	Load to truck	Export duty payment	Transport to exporter's port	Unload from truck at the origin's port	Landing charges at origin's port	Transport to import's port	Landing charges at importer's port	Unload on to trucks from the importer's port	Transport to destination	Insurance	Entry customs clearance	Entry taxation
EXW	No	No	No	No	No	No	No	No	No	No	No	No
FCA	Yes	Yes	Yes	No	No	No	No	No	No	No	No	No
FAS	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No	No
FOB	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No
CFR	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
CIF	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
CPT	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
CIP	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
DAF	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
DES	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
DEQ	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	No
DDU	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
DDP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

INTERNATIONAL TERMS OF PAYMENTS

There are several basic methods of receiving payment for products sold abroad. As with domestic sales, a major factor that determines the method of payment is the amount of trust in the buyer's ability and willingness to pay. For sales within our country, if the buyer has good credit, sales are usually made on open account; if not, cash in advance is required. For export sales, these same methods may be used; however, other methods are also often used in international trade. Ranked in order from most secure for the exporter to least secure, the basic methods of payment are:

- cash in advance,

- letter of credit,
- documentary collection or draft,
- open account, and
- other payment mechanisms, such as consignment sales

Since getting paid in full and on time is of utmost concern to exporters, risk is a major consideration. Many factors make exporting riskier than domestic sales. However, there are also several methods of reducing risks. One of the most important factors in reducing risks is to know what risks exist. For that reason, exporters are advised to consult an international banker to determine an acceptable method of payment for each specific transaction.

Table 3: Terms Ranked from least Risk to most Risk for seller

Method	Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
CASH IN ADVANCE	Before shipment	After payment	None	Complete. Relies on seller to ship exactly the goods expected, as quoted and ordered	Seller's goods must be special in one way or another, or special circumstances prevail over normal trade practices (e.g., goods manufactured to buyer-only specification).
LETTER OF CREDIT (L/C) (See next two items)			Commercial Invoice must match the L/C exactly. Dates must be carefully headed. "Stale" documents are unacceptable for collection.		Letters of Credit require total accuracy in conforming to terms, conditions, and documentation. Consult your United Shipping Associate member for determining feasibility of terms and conditions.
CONFIRED IRREVOCABLE CREDIT	After shipment is made, documents presented to the bank.	After payment	Gives the seller a double assurance of payments. Depends on the terms of the letter of credit.	Assures shipment is made but relies on exporter to ship goods as described in documents. Terms may be negotiated	The inclusion of a second assurance of payment prevents surprises, and adds assurance that issuing bank has been deemed acceptable by confirming bank. Adds cost and an

Method	Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
				prior to L/C agreement, alleviating buyer's degree of risk.	additional requirement to seller.
UNCONFIRMED IRREVOCABLE CREDIT	Same as above	Same as above	Seller has single bank assurance of payment and seller remains dependent on foreign bank. Seller should contact his banker to determine whether the issuing bank has sufficient assets to cover the amount.	Same as above	Credit can be changed only by mutual agreement, as stipulated in a sales agreement. Becomes open account with buyer's bank as collection agent. Foreign bank may have problems making payment in sum or timeliness.
DRAFTS (See next two items.)	Remittance time from buyer's bank to seller's bank may still take one week to one month.		Drafts, by design, should contain terms and conditions mutually agreed upon.		A draft may be written with virtually any term or condition agreeable to both parties. When determining draft tenor (terms and conditions), consult with your banker and freight forwarder to determine the most desirable means of doing business in a given country.
SIGHT DRAFT (with documents against acceptance)	On presentation of draft to buyer.	After payment to buyer's bank.	If draft not honored, goods must be returned or resold. Storage,	Assures shipment but not content, unless inspection or check-in is	A draft can be a collection instrument used to exchange possession and title to goods for payment. Seller is

Method	Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
			handling, and return freight expenses may be incurred.	allowed before payment.	essentially drawing a check against the bank account of the buyer. Buyer's bank must have pre-approval, or seek approval of the buyer prior to honoring the check. Payable upon presentation of documents.
TIME DRAFTS (with documents against acceptance)	On maturity of the draft	Before payment, after acceptance	Relies on buyer to honor draft upon presentation.	Assures shipment but not content. Time of maturity allows for adjustments, if agreed to by seller.	Payable based upon the acceptance of an obligation to pay the seller at a specified time. Although a time draft has more collection leverage than an invoice, it remains only a promissory note, with conditions.
DA Basis	After sale of goods	Before payment	It is the will of the buyer to make payment as he desires – big risk	No risk	This kind of agreement should only be done with persons of confidence otherwise the payments are not ensured.
OPEN ACCOUNT	As agreed, usually by invoice	Before payment	Relies completely on buyer to pay account as agreed	None	All terms of payment, including extra charges and terms should be mutually understood and agreed upon prior to open account initiation. Companies conducting ongoing business are candidates for open

Method	Usual Time of Payment	Goods Available To Buyer	Risk to Seller	Risk to Buyer	Comments
					account terms of payment. Seller must measure not only buyer's credit reliability but the country's as well.

When establishing international terms of payment, please consult your banker and your shipper to determine the method most beneficial to you. Here are some details of what may happen in a particular payment procedure:

1. **Cash in advance:** Cash in advance before shipment may seem to be the most desirable method of all, since the shipper is relieved of collection problems and has immediate use of the money if a wire transfer is used. Payment by check, even before shipment, may result in a collection delay of four to six weeks and therefore frustrate the original intention of payment before shipment. On the other hand, advance payment creates cash flow problems and increases risks for the buyer. Thus, cash in advance lacks competitiveness; the buyer may refuse to pay until the merchandise is received.
2. **Documentary letter of credit and drafts:** The buyer may be concerned that the goods may not be sent if the payment is made in advance. To protect the interests of both buyer and seller, documentary letters of credit or drafts are often used. Under these two methods, documents are required to be presented before payment is made. Both letters of credit and drafts may be paid immediately, at sight, or at a later date. Drafts that are to be paid when presented for payment are called sight drafts. Drafts that are to be paid at a later date, which is often after the buyer receives the goods, are called time drafts or date drafts.
   Since payment under these two methods is made on the basis of documents, all terms of sale should be clearly specified. For example, "net 30 days" should be specified as "net 30 days from acceptance" or "net 30 days from date of bill of lading" to avoid confusion and delay of payment. Likewise, the currency of payment should be specified as "US$XXX" if payment is to be made in U.S. dollars. International bankers can offer other suggestions to help.
   Banks charge fees - usually a small percentage of the amount of payment - for handling letters of credit and less for handling drafts. If fees charged by both the foreign and local banks for their collection services are to be charged to the account of the buyer, this point should be explicitly stated in all quotations and on all drafts.
   The exporter usually expects the buyer to pay the charges for the letter of credit, but some buyers may not accept terms that require this added cost. In such cases the exporter must either absorb the letter of credit costs or lose that potential sale.
3. **Letters of credit:** A letter of credit adds a bank's promise of paying the exporter to that of the foreign buyer when the exporter has complied with all the terms and conditions of the letter of credit. The foreign buyer applies for issuance of a letter of credit to the exporter and therefore is called the applicant; the exporter is called the beneficiary.
   Payment under a documentary letter of credit is based on documents, not on the terms of sale or the condition of the goods sold. Before payment, the bank responsible for making payment verifies that all documents are exactly as required by the letter of credit. When they are not as

required, a discrepancy exists, which must be cured before payment can be made. Thus, the full compliance of documents with those specified in the letter of credit is mandatory.

Often a letter of credit issued by a foreign bank is confirmed by a local bank. This means that the local bank, which is the confirming bank, adds its promise to pay to that of the foreign, or issuing, bank. Letters of credit that are not confirmed are advised through a local bank and are called advised letters of credit. Exporters may wish to confirm letters of credit issued by foreign banks not only because they are unfamiliar with the credit risk of the foreign bank but also because there may be concern about the political or economic risk associated with the country in which the bank is located. An international banker can help exporters evaluate these risks to determine what might be appropriate for each specific export transaction.

A letter of credit may be either irrevocable (that is, it cannot be changed unless both the buyer and the seller agree to make the change) or revocable (that is, either party may unilaterally make changes). A revocable letter of credit is inadvisable. A letter of credit may be at sight, which means immediate payment upon presentation of documents, or it may be a time or date letter of credit with payment to be made in the future. See the "Drafts" section of this chapter.

Any change made to a letter of credit after it has been issued is called an amendment. The fees charged by the banks involved in amending the letter of credit may be paid by either the exporter or the foreign buyer, but who is to pay which charges should be specified in the letter of credit. Since changes can be time-consuming and expensive, every effort should be made to get the letter of credit right the first time.

An exporter is usually not paid until the advising or confirming bank receives the funds from the issuing bank. To expedite the receipt of funds, wire transfers may be used. Bank practices vary, however, and the exporter may be able to receive funds by discounting the letter of credit at the bank, which involves paying a fee to the bank for this service. Exporters should consult with their international bankers about bank policy.

4. **A Typical Letter of Credit Transaction:** Here is what typically happens when payment is made by an irrevocable letter of credit confirmed by a local bank:
    - After the exporter and customer agree on the terms of a sale, the customer arranges for its bank to open a letter of credit. (Delays may be encountered if, for example, the buyer has insufficient funds.)
    - The buyer's bank prepares an irrevocable letter of credit, including all instructions to the seller concerning the shipment.
    - The buyer's bank sends the irrevocable letter of credit to a local bank, requesting confirmation. The exporter may request that a particular bank be the confirming bank, or the foreign bank selects one of its local correspondent banks.
    - The local bank prepares a letter of confirmation to forward to the exporter along with the irrevocable letter of credit.
    - The exporter reviews carefully all conditions in the letter of credit. The exporter's freight forwarder should be contacted to make sure that the shipping date can be met. If the exporter cannot comply with one or more of the conditions, the customer should be alerted at once.
    - The exporter arranges with the freight forwarder to deliver the goods to the appropriate port or airport.

- When the goods are loaded, the forwarder completes the necessary documents.
- The exporter (or the forwarder) presents to the local bank documents indicating full compliance.
- The bank reviews the documents. If they are in order, the documents are airmailed to the buyer's bank for review and transmitted to the buyer.
- The buyer (or agent) gets the documents that may be needed to claim the goods.
- A draft, which may accompany the letter of credit, is paid by the exporter's bank at the time specified or may be discounted at an earlier date.

5. **Tips on Using a Letter of Credit:** When preparing quotations for prospective customers, exporters should keep in mind that banks pay only the amount specified in the letter of credit - even if higher charges for shipping, insurance, or other factors are documented.

   Upon receiving a letter of credit, the exporter should carefully compare the letter's terms with the terms of the exporter's pro forma quotation. This point is extremely important, since the terms must be precisely met or the letter of credit may be invalid and the exporter may not be paid. If meeting the terms of the letter of credit is impossible or any of the information is incorrect or misspelled, the exporter should get in touch with the customer immediately and ask for an amendment to the letter of credit to correct the problem.

   The exporter must provide documentation showing that the goods were shipped by the date specified in the letter of credit or the exporter may not be paid. Exporters should check with their freight forwarders to make sure that no unusual conditions may arise that would delay shipment. Similarly, documents must be presented by the date specified for the letter of credit to be paid. Exporters should verify with their international bankers that sufficient time will be available for timely presentation.

   Exporters should always request that the letter of credit specify that partial shipments and transshipment will be allowed. Doing so prevents unforeseen problems at the last minute.

6. **Drafts:** A draft, sometimes also called a bill of exchange, is analogous to a foreign buyer's check. Like checks used in domestic commerce, drafts sometimes carry the risk that they will be dishonored.

7. **Sight Drafts:** A sight draft is used when the seller wishes to retain title to the shipment until it reaches its destination and is paid for. Before the cargo can be released, the original ocean bill of lading must be properly endorsed by the buyer and surrendered to the carrier, since it is a document that evidences title.

   Air waybills of lading, on the other hand, do not need to be presented in order for the buyer to claim the goods. Hence, there is a greater risk when a sight draft is being used with an air shipment.

   In actual practice, the bill of lading or air waybill is endorsed by the shipper and sent via the shipper's bank to the buyer's bank or to another intermediary along with a sight draft, invoices, and other supporting documents specified by either the buyer or the buyer's country (e.g., packing lists, consular invoices, insurance certificates). The bank notifies the buyer when it has received these documents; as soon as the amount of the draft is paid, the bank releases the bill of lading, enabling the buyer to obtain the shipment.

When a sight draft is being used to control the transfer of title of a shipment, some risk remains because the buyer's ability or willingness to pay may change between the times the goods are shipped and the time the drafts are presented for payment. Also, the policies of the importing country may change. If the buyer cannot or will not pay for and claim the goods, then returning or disposing of them becomes the problem of the exporter.

Exporters should also consider which foreign bank should negotiate the sight draft for payment. If the negotiating bank is also the buyer's bank, the bank may favor its customer's position, thereby putting the exporter at a disadvantage. Exporters should consult their international bankers to determine an appropriate strategy for negotiating drafts.

8. **Time Drafts and Date Drafts:** If the exporter wants to extend credit to the buyer, a time draft can be used to state that payment is due within a certain time after the buyer accepts the draft and receives the goods, for example, 30 days after acceptance. By signing and writing "accepted" on the draft, the buyer is formally obligated to pay within the stated time. When this is done the draft is called a trade acceptance and can be either kept by the exporter until maturity or sold to a bank at a discount for immediate payment.

   A date draft differs slightly from a time draft in that it specifies a date on which payment is due, for example, December 1, XXXX, rather than a time period after the draft is accepted. When a sight draft or time draft is used, a buyer can delay payment by delaying acceptance of the draft. A date draft can prevent this delay in payment but still must be accepted.

   When a bank accepts a draft, it becomes an obligation of the bank and a negotiable investment known as a banker's acceptance is created. A banker's acceptance can also be sold to a bank at a discount for immediate payment.

9. **Credit cards:** Many exporters of consumer and other products (generally of low value) that are sold directly to the end user accept Visa and MasterCard in payment for export sales.
   International credit card transactions are typically placed by telephone or fax, methods that facilitate fraudulent transactions. Merchants should determine the validity of transactions and obtain proper authorizations.
10. **Open account:** In a foreign transaction, an open account is a convenient method of payment and may be satisfactory if the buyer is well established, has demonstrated a long and favorable payment record, or has been thoroughly checked for creditworthiness. Under open account, the exporter simply bills the customer, who is expected to pay under agreed terms at a future date. Some of the largest firms abroad make purchases only on open account.
    Open account sales do pose risks, however. The absence of documents and banking channels may make legal enforcement of claims difficult to pursue. The exporter may have to pursue collection abroad, which can be difficult and costly. Also, receivables may be harder to finance, since drafts or other evidence of indebtedness are unavailable.

    Before issuing a pro forma invoice to a buyer, exporters contemplating a sale on open account terms should thoroughly examine the political, economic, and commercial risks and consult with their bankers if financing will be needed for the transaction.

Export Transportation & Shipment

Mode of transport (or means of transport or transport mode or transport modality or form of transport) is a general term for the different kinds of transport facilities that are often used to transport cargo.

1. **Factors considered for transport of goods are as follows:**
   a. **Quick**! Because foreign buyers, in making decision to purchase, will be taking into account the exporter's delivery time.
   b. **Fast delivery:** It is obviously an important *competitive edge* for an exporter. Of course, the actual delivery date will depend on stocks, production as well as shipping time.
   c. **Carefully:** Because the foreign buyer wants to receive the goods intact. In this way, the exporter gains customer satisfaction and avoids trouble and expenses of filling insurance claims and reshipping all or part of the order.
   d. **Economically:** Because the freight cost can be a substantial part of the final export price. The lower the freight cost, the more competitive the export price quotation.
   e. **Flag Preference:** In some cases, the foreign buyer arranges the transportation of the goods himself. Many countries now insist that their importers use the country's own merchant fleet or flag line for importing goods so as to conserve foreign exchange. Usually, as an incentive, a lower rate of import duty as well as lower consulate fee is offered. When the foreign buyer arranges their own transportation, the exporter's only responsibility is to get the goods to the port of shipment.
   f. **Freight Forwarder:** Many exporters make their own transportation arrangements. Others, delegate this task, on a fee basis, to specialized firms known as Freight Forwarders. These can be either ocean freight forwarders or air forwarders.
   g. **Freight Forwarders usually offers a variety of services:**
      - Advising on the best routes and relative shipping costs
      - Booking the necessary space with the shipping or airline
      - Consolidating shipments from different exporters
      - Handling Customs clearance abroad
      - Arranging marine insurance for the shipment
      - Preparing the export documentation
      - Translating foreign language correspondence
      - Scrutinizing and advising on ability to comply with letters of credit
      - Arranging with the exporter for packing and marking of the goods

   According to the size of their firm, number of branches overseas, most freight forwarders will offer all or some of the above services. However, all freight forwarders will advise on the booking of shipping space. Many freight forwarders handle both exports and imports and may also act as Customs brokers.
2. **Basic Modes of Shipment Used in Export Business**

   In order to supply their products to the customers, wholesalers and trade suppliers have to choose among various shipment methods. They normally consider some factors before settling on the shipping mode. These factors are;
   - Business Size
   - Cost
   - Safety
   - Delivery Time
   - Goods to be delivered

   A shipment method will be evaluated by following characteristics.
   - Speed
   - Cost

- Safety
- Convenience

Different methods have different positives and negatives. Some are safer, some really fast and others have a plus point of being inexpensive. You can choose any of the methods discussed below which suits your requirements.

a. Air Transport

This method is by far the fastest and much safer, unless you are offering some electronic product or service online which can be downloaded in real time. Despite of being safe and fast, suppliers (specially the small ones) are often reluctant to use this mode, mainly because of high cost associated with it. This should be helpful when delivering some valuable goods or when a quick delivery is needed.

b. Water Transport:

Most probably the oldest method used in trade for overseas supplies. In ancient times traders traveled by means of water, carrying several goods and products to sell in foreign countries. Inexpensive but relatively slow, certainly not a good choice when quick delivery is needed. However, when the time is not an issue and shipment is quite large, maritime transportation becomes an automatic choice.

c. Road Transport:

This is the most widely used method, especially in domestic trade. Even when air or water transport is the prime source of shipment, road transportation is still needed to carry the goods from ports to buyer. Although limited to domestic trade, this method is both time saving and cost effective.

d. Additional Methods:

There are some other rarely used methods like rail cars, or a combination of two or more of these. Another form of shipment rising out of the internet growth is electronic shipment which takes place on internet in no time after the customer has made payment. It is not always easy to choose a method over the others. You can start by considering the questions like these. What do you want to deliver? Do you need to fulfill an urgent order? Can you afford some expensive medium without sacrificing a big part of your profit? If you are delivering some food items, can they be preserved for longer period? The best selection entirely depends on careful evaluation.

e. Alternative Shipping Methods

In shipping goods abroad, the exporter has various alternative methods. These include ship, truck, rail, air and parcel post. The choice will depend on the nature of the product (light or heavy, fragile or sturdy, perishable or durable, high or low in value per cubic meter, etc); the distance to be shipped; available means of transportation; and relative freight costs.

Goods having high weight or cubic capacity or value ratio, the usual method of shipping overseas is by ocean cargo vessel. However, when speed is essential, air cargo may be preferred, although more expensive. For example, men's/ women's are shipped from Pakistan to USA by sea but towards the end of the season or near Christmas, air cargo is used.

3. Factors that influence the rate charged for any particular type of cargo.

- The weight of the goods being shipped 1. The weight of the goods being shipped
- The dimensions of the goods being shipped
- The shape of the goods
- Ease of damage
- Ease of pilferage

- Need for refrigeration or other special conditions
- Direction of traffic

Freight costs are computed by the shipping company based on both weight and cubic size the freight charges are usually quoted at so many "$" per ton, by weight or measure, whichever is greater. A short ton is 2,000 pounds; a long ton, 2,240 pounds; a metric ton, 2,204.68 pounds. Space measurement is usually 40 cubic feet or one cubic meter.

4. Shipping Hazards

The journey that the exporter's product must make to its overseas destination is usually far more hazardous than the same product shipped to a local customer. The exporter should be aware of the hazards involved in shipping goods abroad i.e. rough handling, transshipment, pilferage, excessive humidity or dryness and extremes of temperature. Goods sent by air, are usually handled more carefully. Airplane is very expensive and the owners are usually more concern about their "Airplane" than the goods. Although occasional mishaps, such as goods arriving at the wrong destination or fresh vegetables arriving frozen, are not totally unusual.

a. **Port of shipment**: At the port of shipment, the box, crate or other package in which the export goods are traveling may not be properly unloaded from the truck and may be dropped. Also, while being placed in the designated cargo assembly area, the crate may suffer damage from the prongs of a fork-lift truck, it may be placed the wrong way up, or it may have several other export crates stacked on top of it.

If the crate is damaged, at this stage, the contents may be damaged and it will be vulnerable throughout the rest of its journey to dirt, moisture and attention of would-be pilferers. The next step is the loading of the crates aboard ship. For this purpose, slings, grabs, nets or platforms may be used.

Each method presents certain hazards to the export shipment. The sling may not be properly located, causing crushing from without and pressures from within. A crate may not be properly placed in the net or secured on the platform, causing it to drop onto the dockside, ship's hold, or into the sea. A hook may tear a hole in the crate/sack.

b. **In the ship hold**: The crate may be subjected to further dropping, tumbling, dragging, levering, or hooking. It may be stowed the wrong way up. And additional cargo will most likely be placed on top of it. The danger from these hazards can be greatly reduced by the use of containers. These are large metal boxes into which the goods of one or more exporters are placed.

At the port, specially designed cranes unload the containers and place them either in the hold or on the deck of specially designed container ships. Because of their strength and their specialized handling, the containers offer great safety from damage and theft.

c. **On Board Ship**: During the voyage, the movement of the ship may cause the fastenings of boxes or crates to become loose, the interior blocking and bracing to be dislocated, the walls of the boxes or crates to become punctured, and even some of the marking to become obliterated. The friction caused within the hold by the ship's constant movement causes the temperature of the air to rise. Consequently, once the hold is opened at the port of destination, the difference in temperature between the outside air and that in the hold may causes moisture to form on plates, pipes, bulkheads and deckheads which subsequently drips onto the cargo.

d. **Port of Destination**: When the box or crate is unloaded at the port of destination, it may also be subjected to rough handling. The stevedores may be unable or unwilling to read cautionary signs such as, “This side up”, “Use no hooks”, “Keep dry”, or “Handle with care”, even if printed in their own language.

There may not be adequate covered storage available for the goods or even proper unloading equipment such as dockside cranes. At some ports, the ship remains out at sea in deep water and the cargo is transferred to lighters which then bring it ashore where it is eventually unloaded. Often, during the transfer of cargo from ship to lighter, a crate may bump against the side of the ship or the deck of the lighter.

Also during the transfer, or while on the way to shore, the crate or package may be drenched with salt spray. At worst, a crate may even disappear into the sea.

e. **Shipping Losses:** it has been estimated that 30 percent of all shipping losses are caused by theft, pilferage, and non-delivery, 40 percent by crate breakage, leakage contamination, and contact with oil and 10 percent by water damage.

f. **Warehousing & Storage:** It is another important factor in logistics. It is very essential that the goods while in transition should be properly kept before reaching its required destination. Proper warehousing facilities are available with the company. Safety and security are well kept in mind. The warehousing location should be well selected so that it complements the subsequent required procedures like loading and unloading. Warehouses in various parts of the world should be well guarded and spacious ensuring complete safety of your goods.

7. EXPORT FINANCING

OBJECTIVES:
By the end of this activity, participants will:

- Have knowledge about the Export Financing Schemes
- Know the eligibility criteria for the different export financing schemes
- Understand the objectives of each scheme and the documentation required
- Understand the salient features of export schemes

ACTIVITY - ANALYSIS OF DIFFERENT BUSINESSES AND SUITABLE FINANCING OPTIONS

The participants are divided into four groups. Each group has been given one of the following business scenarios;

BUSINESS SCENARIOS:

1. Large-scale exporter: You're a big industrialist and run textile mills. You need to buy 10 power looms for one of your mills where each loom costs PKR 100,000. You don't want to tie up your own cash so you're looking for a big loan.
2. Large-scale exporter: You're a regular, commercial exporter who exports mangoes in large quantity to various grocery store chains in the US and UK. You received a bigger order this season from a new client and you need a loan of around PKR 50,000,000 for this purpose.
3. Small-scale exporter: you're entrepreneur designing home textile/bed linen at home, participating in international exhibitions occasionally. So far you sell in the local market only. This time, you got an order for 500 bed-sheet sets from a client in South Africa where each set costs you around PKR 1000. It's your first international order; you don't have this amount at hand and need some loan.
4. Small-scale exporter: You supply cotton shirts to a garments store in Germany on a regular basis. You have a contract to send them 100 shirts every 6 months. Each shirt costs you PKR 2500. You cannot invest this amount in your business every 6 months so you need financing in order to produce as per the contract.

Discuss various financing options within your group and answer the following questions with respect to the business scenario assigned to you;

- Which finance scheme will you choose and why?
- Why would you not choose the other schemes?

STATE BANK OF PAKISTAN CREDIT INCENTIVE SCHEMES1

- Short Term Financing
    - Export Finance Scheme
- Long Term Financing
    - Long Term Financing – Export Oriented Projects
    - Locally Manufactured Machinery

1. **EXPORT FINANCE SCHEME (EFS)**

   This is short-term working capital facility for 180 days to increase the exports. The scheme operates in two parts. Part-1 is the Transaction Based, while Part-11 is Performance Based.

[1] Complete detail on the EFS can be retrieved from the official State Bank of Pakistan website; http://www.sbp.org.pk/incentives/index.asp

Table 4: Characteristics of EFS Part-1 & Part-2

Part-1	Part-11

1. Transaction based facility
2. Coverage to the extent of 100% of export order/LC/contract.
3. Facility is available at both Pre-shipment stage only
4. Facility available to IE at Pre-shipment stage only
5. Facility available to
  a. Direct exporters: 180 days
  b. Indirect exporters: 120 days
6. Performance required against every transaction
	1. Performance based facility
	2. Facility is available to Direct Exporters only but not to Indirect Exporters.
	3. Exporters are allowed a revolving cash credit limit equivalent to 50% of their total value of goods exported in the previous year.
	4. Performance is determined on the basis of EE-1 statement that includes export of eligible items made in previous year under both parts of EFS
	5. The exporter can avail facility for the maximum period of 180 days.

a. **Objectives of EFS**
   - To increase exports.
   - To change composition of exports.

b. **Eligibility Criteria for EFS:**

   Facilities under EFS are available for;
   - Value added commodities except those mentioned in the Negative List
   - Direct Exports (those who export directly)
   - Indirect Exporters (who are input supplier to Direct Exporters)
   - Small, Medium and Emerging Exporters
   - Commercial Exporters & Trading Companies

c. **Coverage of EFS**

Table 5: Coverage under EFS

Medical & Pharmaceuticals	Transportation, Communication, Storage & Tele-communication services
Engineering	Educational Services
Accountancy & Management	Hotel & Tourism related Services
Financial Services	Marketing & Promotional Activities
Wholesale, Distribution & Retail Trade Services.	Software & IT related Services
Gold jewellery (self consignment) All eligible goods exported to EPZs.	Goods for display in International fair & Exhibition on Post shipment basis

d. **Mark-up Rate under EFS**
   - Mark up rate under EFS is fixed on monthly basis.
   - Current Mark up rate is 9%[2] (as of April 2010).

e. **Pre-requisite Documents**
   - Application
   - Duplicate Copy of EE-1 Statement
   - Demand Promissory Note from exporters (DP Note)
   - Undertaking
   - Direct Exporters are liable to submit the documents within 30 days from the date of shipment, while Indirect Exporters within 15 days of supply of goods to the

[2] State Bank of Pakistan review the rate after every three months.

Direct Exporters.

f. Repayment by the Exporter & Bank

180 days from the date of Shipment

Earlier, if export proceeds are realized before the expiry of the 180 days period.

Banks have to repay refinance within three working days of the realization/expiry of loan, failing which their account will be debited by the concerned SBP, BSC Offices.

2. LTF-EOP SCHEME

"Scheme for Long Term Financing for Export Oriented Projects (LTF-EOP)" would allow eligible financial institutions to provide funding facilities to the export oriented units, who meet the financing criteria, on attractive terms and conditions for import machinery, plant, equipments and accessories (not manufactured locally).

a. Objectives of the Scheme

- Preparation under the trade liberalized era
- To help sustained growth of exports
- To help SME's to meet the challenges of WTO regime
- To help SMEs to enhance their production potential for exports
- Enhancement of existing manufacturing facilities
- Synchronization of trade policy incentives

b. Salient features of the Scheme

- Exporters for import of machinery, plant, equipments, etc for setting up new units
- Up-grade the existing units-BMR
- Meet the needs of the borrowers from the SME Sector
- All types of machinery is eligible, however, in case of spinning only those sub sectors are eligible that add value
- Maximum period of financing is 7 ½ years

c. The Scheme does not facilitate;

- For financing machinery already imported for ongoing projects
- For equipments/accessories which are not integral part of the machinery required by the borrower
- To commercial importers or trading houses

d. Interest Rate Incentive

Interest rate is determined annually, however, the borrower is required to repay the loan at markup that was applicable at the time of disbursement of loan i.e. borrower will repay the loan at a fixed rate for the whole period of loan.

Table 6: Mark up Rates under LTF-EOP

Tenure (inclusive of grace period)	Linked with	*Rates for PFIs	*Rates for Borrowers
Up to 2 Years	Weighted Avg. Yields on 12 month T-bills	4% p.a.	6% p.a.
Over 2 but upto 3 Years	on 3 Years PIBs	4% p.a.	6% p.a.
Over 3 and up to 7-1/2 Years	on 5 Years PIBs	5% p.a.	7% p.a.

e. Eligibility Criteria

- Projects / units eligible for financing under the Scheme must have;

- at least 50% exports of their annual production direct or indirect
- Debt/Equity Ratio is 80:20 (maximum debt will be 80% of total borrowings)8
- Borrower have no export overdue bills of more than 365 days

f. Scope of the Scheme

- Facilities under the Scheme are available all over the country.
- Facilities under the Scheme are also available to those exporters who are eligible to avail incentives of export development schemes announced by the Ministry of Commerce & EPB

g. Banks/DFIs Eligible to Grant Finances

All banks/DFIs are eligible to grant finance under the Scheme subject to their approval as Participating Financial Institutions (PFIs) by SBP.

h. Repayment of Finance/Refinance

- Loan is repayable in half-yearly or quarterly installments. Scheme provides multiple options of repayments:
- Upto 2 years (without any graces period)
- Over 2-3 years (including grace period of 6 months)
- Over 3-5 years (including a grace period of 1 year)
- Over 5-7½ years (including a grace period of 1½ years)
- Upto 5 Years for acquisition of brands & franchises (without any graces period)

3. Locally Manufactured Machinery (LMM)

The scheme was introduced to induce the industrialists desirous to set up projects/industries in Pakistan based on locally manufactured machinery (LMM) creating effective demand for the machinery items manufactured/assembled in Pakistan. The scheme can play a pivotal role in the development of Engineering Sector in Pakistan.

a. Objectives of the Scheme

- To expand domestic market of the locally manufactured machinery items
- To meet the credit needs of the industrial concerns preferably in the SME sector.

b. Eligibility Criteria

- Scheme for Locally Manufactured Machinery (LMM**)** includes
- Only those plants, machinery, equipment, transport equipment, cargo vessels ships, fixtures, fittings and accessories, which are to be used for industrial applications for processing in Pakistan.
- Machine having 20% cost of imported components-eligible for 100% financing
- Machine having more than 80% imported components-not qualify for financing
- Presently, 24 industries are eligible for financing under the scheme.

c. Financing

Financing is available to both manufacturers & purchasers. The repayment period, under the scheme has been kept flexible ranging:

6 months to 2 years for manufacturers and 7 ½ years for purchasers of the locally manufactured machinery.

d. Mark-up Rate under LMM

Participating Financial Institutions (PFI) (Banks, DFIs, Investment Banks, Leasing Companies & Modaraba) are eligible to grant the finance, while the SBP will perform as a regulatory body.

Rate of Finance: 7.5% p.a
Rate of Refinance: 6.5% p.a

State Bank of Pakistan under SMED Circular No.15 dated 14th July, 2006 announced that the existing scheme for financing Locally Manufactured Machinery (LMM) is being merged with scheme for Long Term Financing for the Export-Oriented Projects (LTF-EOP) to provide a level playing field to exporters for setting up and Balancing, Modernization and Replacement (BMR) of Export Oriented Projects/Units. The new proposed scheme titled as **"Long Term Financing Scheme for Imported & Locally Manufactured Machinery"** is being finalized and would replace the existing LTF-EOP and LMM Schemes.

DIFFERENT TRADE TERMS EXPORTERS USE

a. Bill Negotiation: Bill / document negotiation is for export letters of credit and / or firm contracts. Negotiation means to give value to the beneficiary for drafts (drawn at sight) and / or documents, as distinct from merely examining & forwarding them to the issuing bank.

A bank, which has not confirmed the credit, negotiates with recourse to the beneficiary in the event of non-acceptance / payment by the issuing bank, a confirming bank negotiates without such recourse.

b. Bill Discounting: Discounting is for usance bills called under LC's. It must contain a Bill of Exchange (Demand for payment, amount must be same as the commercial invoice amount) and the bill must be accepted by the drawee i.e. the issuing bank. The bill is normally re-discountable locally to a discount house or another bank.

c. Post Shipment Finance: Post shipment finance is a variation of a demand loan with a loan repayment linked to the maturity of the bills drawn against LC' or contract. Post shipment finance is offered against sight as well as usance bills.

d. Export Refinance: Export Refinance is a scheme under State Bank of Pakistan (SBP) to promote Pakistani Exports. Under this scheme, an exporter may avail finance from any scheduled bank at a concessional rate. Export Refinance is available to the exporter under two schemes Part I or Part II.

In Part I an exporter may avail finance against individual usance L/Cs or contracts after satisfying the terms and conditions of the scheme, this scheme is available either on a pre-shipment or post-shipment basis for the exporter. Under Part II an exporter can avail finance upto a percentage (determined by SBP) of exports performed in the previous financial year.

8. TRADE FACILITATION INSTITUTIONS

OBJECTIVES: By the end of this activity, participants will be able to understand the following:

- Role of commerce and trade officers in export facilitation
- Role of commercial attaches abroad & foreign missions in Pakistan in export facilitation & product promotion of export business.
- Government policies for promoting Women Entrepreneurs.
- What are trading houses and how can they help in export?
- Role of a Cargo Agent.

- Public Sector Trade facilitation institutions:
  - Ministry of Commerce
  - TDAP – Trade Development Authority of Pakistan
  - DGTO – Director General Trade Organizations
  - Trade Councilors abroad
  - SMEDA - Small And Medium Enterprise Development Authority
  - FWBL – First Women Bank
- Private Sector Trade facilitation institutions:
  - Trading House
  - Cargo Agents
  - Chambers of Commerce

COMMERCE & TRADE GROUP

Commerce and Trade Group is a specialized occupational service of the Government of Pakistan. The officers of this occupational group are inducted through CSS exams and after undergoing a Common Training Programme at the Civil Services Academy, are imparted specialized training in subjects related with trade and Commerce. After completion of their training, these officers serve in the Ministry of Commerce and its attached departments. There are more than 150 Commerce & trade Officers posted in all Ministry of Commerce departments who perform various jobs of trade facilitation.

1. **Role of Commerce & Trade Officer in Ministry of Commerce**
   As officers of Ministry of Commerce, the Trade & Commerce officers have the roles to play like Administrative controls, financial and budgetary affairs of main Ministry and affiliated organizations, trade offices abroad and administration of Commerce and Trade Group and inputs for PAC/DAC meetings on Insurance & related matters for all the organizations of the Ministry.

2. **Functions of the Ministry of Commerce**
   - Trade diplomacy and market access initiatives

- Multilateral trade negotiations and compatibility of domestic laws with WTO laws
- Imports and exports across custom frontiers
- Export promotion
- Commercial intelligence and statistics
- Tariff policy and its implementation
- Anti-dumping duties, countervailing duties and safeguard laws
- Inter-Provincial trade
- Domestic Commerce
- Organization and control of Chambers and trade associations
- Law of Insurance and regulation and control of Insurance companies
- Administrative Control of Attached Departments/Organizations
- Selection of Trade Officers for posting in Pakistan's Missions abroad
- Formulating, processing and monitoring of development projects of Ministry and affiliated organizations. Tabulations of Trade Statistics and Analysis based thereon
- Registration, Monitoring and Supervision of all Trade Bodies in the country under the Trade Organization Law of 2007.
- Administration and funding of Local & International trade fairs and exhibitions.

3. **Important wings of MOC and their functions:**
   Following are some important wings of MOC and their functions:
   a. **Trade Policy Wing**: MOC main function is Formulation and Implementation of annual Trade Policy and Implementation of Export policy initiatives.
   b. **Foreign trade Wing:** deals in Trade diplomacy and market access initiatives.
   c. **WTO:** works on Multilateral trade negotiations and compatibility of domestic laws with WTO laws.
   d. **Imports wing:** Formulation of Trade Policy in conjunction with other wings & Implementation of import policy initiatives.
   e. **Exports wing:** Formulation and Implementation of annual Trade Policy, jointly with the Imports Wing. Implementation of Export policy initiatives. TCP Affairs.
   f. **ITO wing:** Formulating, processing and monitoring of development projects of Ministry and affiliated organizations. Tabulations of Trade Statistics and Analysis based thereon.
   g. **Trade Organizations Wing:** Registration, Monitoring and Supervision of all Trade Bodies in the country under the Trade Organization Law of 2007. Local trade fairs and exhibitions.
   h. **Insurance:** Administration of three Governments owned insurance companies i.e. State Life Insurance Corporation of Pakistan, National Insurance Company Limited, Pakistan Reinsurance Company Limited and dispensation of policy as well as legislative/ legal direction.

ROLE OF COMMERCE & TRADE OFFICERS IN TRADE FACILITATION

Trade Development Authority of Pakistan (TDAP), is the successor organization to the Export Promotion Bureau (EPB) which was the primary agency of the Government of Pakistan engaged in the promotion and boosting of country's exports. Since EPB's inception in 1963, as an attached department of the Ministry of Commerce, it has continued to facilitate exporters in overcoming difficulties faced by them on the supply and demand side of exports.

On the demand side, TDAP helps exporters to participate in exhibitions abroad and sends delegations to export markets with a view to explore new markets and develop the traditional markets. On supply side, TDAP has established over 32 training institutes and projects in various export sectors to train necessary manpower that can manage the export trade and industry, professionally, meeting the requirements of the export markets. Export promotional activities are carried out in co-ordination with trade bodies at home and Pakistan's trade missions abroad. TDAP has its head office in Karachi, which is also the main industrial and commercial center and the major export outlet of the country.

Role of Commerce & Trade officer of TDAP is that of promotional nature. He / she has to be proactive and reach out to the stake holders (in this case exporters, manufacturers and foreign buyers) and perform the duties as assigned. Their duties include organizing seminars/ workshops on various policy issues; handling local and foreign Exhibitions, One to one consultation of exporters/ stake holders, Dissemination of information to stakeholders including export inquires, Managing a big of library, Collection of exporters profiles, Liaison with the stake holders like trade bodies, associations, chambers, trade missions abroad, TPOs (Trade Promotion Organizations) of other countries, other public sector organizations.

1. **Export Strategy of TDAP**
   - Enhance World Market
   - Value addition
   - Export Diversification
   - Geographic Expansion
   - Women Entrepreneurship
   - Traditional partner Countries
   - Leverage International Trade
   - Blocks / Agreements

2. **Export and Supply Management (Both Textile and Non-Textile)**
   Primarily responsible for implementing programmes such as Export Vision, etc. This Division chases the unrestrained demand through keeping the existing products afloat by constantly adapting and upgrading them and launching new products. Campaigns for marketing and product up-gradation will be developed and Export Promotion Committees (EPCs) would be their forums of intervention. The proactive interaction with trade and supply chain is managed through deliverables such as market updates and product reports developed in close collaboration with Geographic Division, Technical Skills Development division, SMEDA, BOI and Trade Associations. The Supply Chain Management Division of TDAP is adoption of the concept of world class Supply Chain management / facilitation for comprehensive dealing with the production efficiencies and on time delivering capabilities (as opposed to just "manufacturing capacity" or "warehousing" or "coordination with PCSIR".

   To develop the on-shore capacity to produce the right quality at internationally competitive prices, based on customer needs, the supply chain needs to be closely examined by our entrepreneurs, in close collaboration with the government; bottlenecks need to be removed and infrastructure strengthened. This includes the use of state-of-art technology and manufacturing process development. In value addition & supply chain management**,** TDAP job is to pursue enhancement of manufacturing and marketing capabilities and efficiencies with a view to achieve value addition and increased competitive strength for our Core & developmental Product Categories.

3. **Marketing support by TDAP**

   An extremely vital enabler, where majority of our exporters are presently weak in the marketing management abilities and the financial/human resources required for aggressive market share enhancement and product and geographical diversification. Due need of up front investment of funds, SME exporters are shy to invest. It is essential that professional and financial help be provided by the government in partnership with the exporters, for aggressive international promotions, distribution and gaining access to new customers and markets.

4. **International Marketing Division**

   TDAP has a marketing Division, GRMD, which performs the following functions:
   - Analysis of existing and potential markets for developing export promotional activities
   - Planning and management of trade exhibitions abroad
   - Selection of participants through a competitive and transparent process
   - Preparation of briefs on various countries & regional geographies in line with the export strategy
   - Analysis of economic activity reports
   - Proposals formulation and implementation of decision.
   - Development and implementation of MOUs
   - Facilitation/hosting of incoming delegations
   - Coordination with Missions regarding trade disputes, promotional events, displays, EMDF expenditures, etc.
   - Monitoring/maintaining EMDF balances with Missions.
   - Support for designing services (advertisements, leaflets, stall construction / lay outs)
   - Visa facilitation for exhibitors, delegates and TDAP officers.

5. **Geographic Expansion**

   TDAP is to pursue in the less explored Geography, exports of Pakistan’s Core Products Categories and Services and any other, but significant opportunities. The geographic areas identified are Africa, Eastern Europe, Oceania (Australia/New Zealand), South America, Central Asian Republics. Bilateral Trade Enhancement is also being achieved with countries where Pakistan traditionally/potentially enjoys close relationships. Enhancing market access based on proactive and innovative management of current or emerging world economic / trading blocks. These are initially being pursued with EU, D-8, ECO, OIC, and SAARC.

6. **Policies, Procedures and International Liaison Division**

   Primarily responsible for trade policy formulation, its review and evaluation with specific emphasis on simplification and harmonization of procedures with the objective of achieving competitive edge in the context of emerging business realities such as W.T.O and Trade Blocks. The division ensures the provision of the facilitation services to manufacturers and exporters through liaison with agencies like CBR, SBP, KPT, Civil Aviation, etc. Resolution of trade disputes is also the responsibility of this division. In addition to that, the division will forge and actively pursue linkages with international agencies such as CBI, GTZ, JICA, etc. for training and export development.

7. **Communications Division**

The prime responsibility of this division is to manage the image of TDAP as well as export regime through periodical reports about activities of TDAP. Moreover, advertising, publication of bulletins and promotional literature will be handled by this Division. Export display Centre at Karachi is also being managed by this Division.

8. Small & Medium Enterprise Development

On a medium term basis, the success of Pakistan's exports must heavily rely on the strength of our Small and Medium size exporters. TDAP in alignment with the supply chain management efforts of SMEDA helps enhance the exporting and marketing capacity of the SMEs inclusive of adequate finance through the relevant financial institution i.e. State Bank, SBFC, RDFC and other DFI's.

9. Women Entrepreneurship

A special desk which started in 1994 was Women Entrepreneur Directorate. The main objective was to energize the Women Entrepreneurship in support of developing and realizing Pakistan's export capabilities and potential, and enhance overall economic value addition. This directorate works for Women Entrepreneurship development and policy formation, registers the women in businesses, provides them guidance on how to start and do business, organizes training workshops on various important trade topics, analyses their products through the annual exhibition Wexnet (Women Exporters Network), and recommends them for foreign trade Delegations and Trade Fairs.

10. WTO Cell

TDAP also has a WTO Cell the Cell assists in providing importers and exporters in Pakistan with data on market conditions related to WTO obligations (import and export barriers) and trade flows (import and export volumes, value and shares) in a form and context that is useful to traders. The Cell also provides specific analytical support to entrepreneurs for identifying market access opportunities in existing as well as new markets and has the mandate to respond promptly to general enquiries and requests for advice about the WTO trading system, the status of multilateral and bilateral negotiations, availability of trade information from multilateral agencies (WTO, UNCTAD and ITC) and access to selected publications that provide more background on these issues.

11. Regulatory Functions

There are also some Regulatory Jobs which officers of TDAP perform like Issuance of Certificates under Generalized System of Preferences (GSP Schemes), Gems & Jewellery contracts registration for export of consignments, Cotton & yarn export contracts, Rice Export contracts etc.

12. Expo Center

TDAP also manages the Expo Center Karachi which is located in the commercial Capital of Pakistan. It has a distinction of being in the back yard of CAR countries, accessible to Middle East and a gate way to other Asian Countries. Karachi being cosmopolitan, adds flavor for international marketing geopolitically. Karachi Expo Centre is equipped with modern facilities based on international standards creating a market and a world of its own.

13. Interaction with Business Support Organizations (BSOs)

TDAP Officers have also to interact with BSOs like SMEDA (Small & Medium Enterprise Development of Authority), EDB (Engineering Development Board), PHDEB (Pakistan

Horticulture Development Export Board), PSEB (Pakistan Software Export Board) , EPZA (Export Processing Zone Authority) , BOI (Board of Investment), SBP (State Bank of Pakistan) & SME Bank etc.

ROLE OF TRADE COUNCILORS

Much of the information about trends and actual trade leads in foreign countries is gathered on site by the commercial officers or Trade Councilors, a specific posting all over the world in 56 countries. The Trade officers have personal understanding of the local market conditions and business practices. The Trade Officers overseas provide a range of services to help companies sell abroad; like background information on foreign companies, agency-finding services, market research, business counseling, and assistance in making appointments with key buyers and government officials, and representations on behalf of companies adversely affected by trade barriers.

The Commerce and Trade Division of the Embassies of Pakistan are responsible for promotion/ facilitation of exports of Pakistan including investment in Pakistan. The Trade Divisions are representative offices of Ministry of Commerce and work in close coordination with the Trade Development Authority, Board of Investment - Chambers and Associations in Pakistan. This Commerce and Trade Offices also offer the following services:

- Promotion of trade between the two countries.
- Matchmaking services for intending importers/ investors.
- Providing up-to-date trade, investment and tariff policies of Pakistan.
- Collecting trade data and market intelligence and send it to Pakistan whenever required.
- Facilitating Pakistan pavilion to participate in exhibitions and Pakistan delegation to extend their business pursuits in the host country.
- Providing the required assistance to businessmen in host country to invest in/ trade with Pakistan and visit the desired exhibitions.
- Answering trade enquiries from host country and Pakistan businessmen.
- Liaison with importers/exporters of host country as well as from Pakistan.
- Liaison with Government Departments and trade bodies of host country representing Pakistan on Trade issues at various forums.
- Carrying out market survey and preparation of product reports.
- Organizing exhibitions including solo exhibitions for Pakistani exporters.
- Organizing seminars, workshops on various topics of mutual interest.
- Facilitating trade delegations.
- Special efforts are made to develop a liaison between Pakistan & host country for women entrepreneurs & SME promotion.
- Circulation of trade enquiries and market requirements in Pakistan and host country.
- Assisting Pakistani businessmen in promotion of their products in the host country.
- Providing the required assistance to businessmen in host country to invest in/ trade with Pakistan and visit the desired exhibitions.
- Assisting host country businessmen to get visas for Pakistan,
- Answering trade enquiries from host country and Pakistan businessmen,
- Any other activity to be supported or undertaken which directly or indirectly have bearings on trade/ business promotion of Pakistan.

ROLE OF CHAMBERS IN TRADE FACILITATION

Reorganization of trade bodies in 1959-60 was the most important landmark in the history of Commercial and Industrial Bodies in Pakistan. The main idea underlying reorganization was to eliminate the multiplicity of trade bodies - some cities had as many as five Chambers of Commerce each and certain commodities/trades or industries were represented each by more than one Association and to make them fully representative of trade and industry so that they carried more weight with the Government and international organizations. The government of Pakistan in the Ministry of Commerce launched the scheme for the reorganization of the trade and Industrial bodies in Pakistan, which was announced through a Government Resolution on 18th November, 1958.

1. Roles of Chambers of Commerce and Trade Associations

Many local chambers of commerce and major trade associations in Pakistan provide sophisticated and extensive services for members interested in exporting. Among these services are the following:

- Conducting export seminars, workshops, and roundtables.
- Providing certificates of origin.
- Developing trade promotion programs, including overseas missions, mailings, and event planning.
- Organizing Pakistani pavilions in foreign trade shows.
- Providing contacts with foreign companies and distributors.
- Relaying export sales leads and other opportunities to members.
- Organizing transportation routings and shipment consolidations.
- Hosting visiting trade missions from other countries.
- Conducting international activities at domestic trade shows.

In addition, some industry associations can supply detailed information on market demand for products in selected countries or refer members to export management companies. Industry trade associations typically collect and maintain files on international trade news and trends affecting manufacturers. They often publish articles and newsletters that include government research.

2. FPCCI: Specific Features

Federation of Pakistan Chambers of Commerce & Industry, FPCCI, is the apex body of Trade & Industry which has under its wings all the organization & trade bodies in Pakistan. Only Chambers and Associations can be members of the Federation. However, there is provision for individual firms and companies to become Life Members and Patron Members without voting rights. Being Federal in its constitution the Federation takes up only such issues and matters as concern the country's trade and industry as a whole; in other words, the interests of all Chambers and Associations put together, e.g. economic planning, investment schedules, tax policy, money and credit transport and communication, export promotion, organization of general trade missions to foreign countries, receiving general trade missions form abroad etc. Matters concerning (i) specific trades and/or industries (e.g., cotton or steel) or (iii) individual firms and companies are left to Associations and local and regional Chambers. Indeed, it is laid down in the constitution of the Federation that it shall not duplicate its activities with those of its member bodies, who perform residuary functions.

3. **Functions and Activities**

Trade bodies in Pakistan have rapidly expanded their activities in various directions. In pre-Independence conditions the main function of chambers and associations of commerce and industry was negative and oppositional in character. After independence, particularly after their re-organization in 1959-60, there has been a significant shift in the functions and activities of our trade bodies towards positive work to help industrialization and export promotion. The Government has given representation to trade organizations on a large number of consultative and advisory councils and committees, and these bodies are, therefore, closely associated with the framing as well as implementation of the Government's policies on trade, commerce and industries.

Trade bodies are technical and professional organizations with positive tasks in their programs. FPCCI, in consultation with its member bodies has made extensive and intensive studies of economic planning, finance and credit, taxation, economic controls, foreign trade, industrial investment, transport and communication, laws affecting economy such as customs law, income tax law etc., and furnished comprehensive proposals and suggestions to the Government. It organizes national exhibitions and single-commodity fairs, Pakistan's participation in international and foreign exhibitions, and organizes and handles numerous trade delegations.

It effectively represents and projects the point of view of Pakistan in international moots and conferences. It has set up bilateral trade and industry committees with more than 52 countries. It has set up specialized standing bodies to study and advise on problems of shippers, tax-payers, importers, exporters, investors etc. It has conducted field investigations and enquiries on many references received from the Government.

FPCCI represents the legitimate interests of the private sector to the Government and has thus acts as an effective liaison between trade and industry on the one hand and the Government on the other

ROLE OF OTHER IMPORTANT REGIONAL CHAMBERS

1. **Karachi Chamber of Commerce & Industry**

   The Chamber's basic function is to protect and promote the interest of trade commerce and industry in Karachi and elsewhere. It strives hard to espouse the cause of private enterprise and to redouble its contribution in the socio-economic development to the country.

2. **The Chamber is authorized;**
   - To issue Measurement Certificates as well as Certificates of Origin for the export cargoes and attestation of commercial documents.
   - It also issues recommendation letters for Visa and Passport.
   - The Foreign Exchange is issued on Chamber's recommendations.
   - It organizes Pakistan's Pavilions in the international fairs abroad to promote export.
   - It also organizes Seminars, Training courses, Conferences on various subjects to promote the cause of private enterprises.
   - It invites Minister's and Government functionaries to the Chamber to identify the problems being faced by trade and industry and to help to resolve them.
   - A number of foreign trade delegations, dignitaries and diplomats visit the Chamber and exchange views on matters of mutual interest.

- It publishes Trade Directories, Statistical Data and other publications for the benefit of the business community. It brings out fortnightly Trade Journal about Chamber's activities, containing business, legislative and civic news.

3. Lahore Chamber of Commerce Industry

The Lahore Chamber of Commerce and Industry was established by the businessmen and industrialists of Northern India in 1923 under the name of "Northern India Chamber of Commerce and Industry". In 1960, the present name, "The Lahore chamber of commerce and Industry" was adopted. Today, the chamber stands out as the First ISO-certified Chamber of Pakistan.

a. Services of LCCI

LCCI acts as a bridge between the government and the business community. It plays an important role in policy formulation by maintaining a constant interaction with the relevant authorities.

The Business Centre of ‘’The Lahore Chamber of Commerce & Industry’’ offers for traveling businessmen & Local organizations, facilities and services to hold Seminars, Workshops & Business Meetings at our premises.

b. The LCCI Business Centre Offers:

- E-Mail, Fax, Telephone & Internet facility.
- Secretarial services including letter writing, composing, photocopy & typing etc.
- Library for consultation of import, export directories and Govt. policies.
- Recommendation letters for Accommodation in hotel at discounted rates.
- Meeting room for holding Business/Board meetings
- Auditorium for Seminars, Workshops & Courses

The Research and Development Department of LCCI provides latest and useful information, effective guidance, and futuristic vision to the business community and the government .The Department undertakes comprehensive research on subjects related to industry, trade and commerce with a view to supporting and strengthening the Chamber's viewpoints on various policy issues.

c. Federal Budget Proposals

The preparation of Budgetary Proposals for the Federal Government Budget is a major exercise that is undertaken by the R&D department with the collaboration of standing committees recommendations. The Department collects the relevant facts and figures, analyses the data, prepares the proposals and forwards these recommendations to the concerned government agencies

d. Trade Policy Proposals: Another major research undertaking of the Department is the formulation of proposals for the Trade Policy of the government. These are formulated in consultation with the LCCI standing committees, business community and reflect the prevailing business sentiment in the country.

e. Services to Disabled Persons:

- Free vocational training and skills-enhancement Programmes.
- Guidance and counseling.
- Arranging employment or self-employment.
- Advocacy and Liaison with members of the LCCI and Other Entrepreneurs.

f. WTO Reference Centre

The WTO reference Center at LCCI is the second of its kind in Pakistan. Similar Center is already functioning in TDAP, Karachi and another in Ministry of Commerce: Islamabad. The basic purpose of this joint initiative by the ITC Geneva and LCCI **i**s to create the ground for awareness among the businesses, intelligentsia, students and the policy *makers, as the rationalization of the WTO laws is primitive to perpetual trade growth in the post* - 2005 international economy. The section has all the documents published by the World Trade Organization including Rules and Regulations, video films and CDs for ready reference.

g. **Standing Committee on Women Entrepreneurs:**

Women are increasingly making their presence felt in business activities. The Lahore Chamber has established a separate Standing Committee where women entrepreneurs get an opportunity to meet and discuss matters of relevance. The Department functions as the secretariat for these activities and coordinates with the relevant governmental agencies and departments to facilitate their business activities.

- The main objective of this Standing Committee is to develop and encourage the women entrepreneurs in the country. The Standing Committee performs the following functions; Resolve the problems women face while operating their business such as getting loans from the banks, developing contacts with various government departments. It educates the women entrepreneurs about the techniques and strategies of national and international marketing. Moreover the committee formulates proposal for the national budget, aimed at increasing involvement of women entrepreneurs in national economic activities.
- Organizes business orientation programs, workshops and lectures for the guidance of old and new women entrepreneurs and enhancing quality consciousness. It also holds business awareness seminars like how to start new business and how to export their products in other countries.
- Organizes local exhibitions of the products manufactured by women entrepreneurs. These exhibitions act as a source of great encouragement for women entrepreneurs and also provide a platform for the introduction and promotion of their products.
- Co-ordinates and facilitates trade delegations of women entrepreneurs (LCCI members) visiting abroad.

GOVERNMENT POLICIES FOR WOMEN ENTREPRENEURS

It is quiet apparent that besides working towards creating a conducive business environment in general, women specific policy measures to induce Women Entrepreneurship Development is a priority of the government and various incentives towards the attainment of this objective have already been initiated and other programs are in the pipeline. Following are some of the initiatives undertaken by various organizations for development of Women Entrepreneurs:

1. **Initiatives of Ministry of Commerce in Trade Policy 2009-12**
    1. Special importance to Skill up gradation of women workers
    2. Special incentives to encourage women in export-oriented services sector such as designing, cultural industries,
    3. Skill development programmes in women intensive export sectors,
    4. Access to credit for women-managed SMEs in export sectors,
    5. Protection and promotion of women intensive GI products,
    6. Increasing the participation of women in international exhibition and delegations;
    7. Steps to encourage independent and good quality gender-oriented research and analysis on how to enhance women’s trade capabilities
    8. Study the impact of gender-based barriers to market access and economic costs of gender inequality and the consequent trade-offs.
    9. Women Business Incubation Center (WBIC), Lahore

2. **Trade Development Authority of Pakistan (TDAP) MOC**
    - Directorate of Women Entrepreneur at TDAP Lahore;
    - WE Desks in all 11 offices;
    - Organization of annual event Wexnet;
    - Subsidized participation of WE in all local foreign trade exhibitions;
    - 15% WE quota in all trade delegations abroad;
    - Special workshops and seminars for development of WE

3. **Director General Trade Organizations (DGTO) MOC**
    Registration of Women Chambers all over Pakistan as follows:
    - Islamabad Women Chamber of C&I;
    - South Punjab Women Chamber of C&I - Multan
    - Women Chamber of C& I- Lahore;
    - Women Chamber of C&I Sind;
    - Sind Women Chamber of C&I

4. **SMEDA (Small & Medium Development Authority)**
    Women Business Incubation Center to provide ‘hands-on support’ to Women Entrepreneurs.
    Functions of WE
    1. Pre-feasibility Studies business studies ;
    2. Comprehensive Database of WE’s
    3. Business Plan Development
    4. Space for offices, Exhibition/Display facility and Business Development Services (including training programs).
    5. Access to professional services of experts and consultants in areas of legal, marketing, finance, accounting, product development and others ;
    6. Business to Business linkup and business match-making desk;
    7. Establishing/ Strengthening Women Business Forums & more effective Information Dissemination Channels
    8. Seminars and workshops/ Training courses given their need assessment;

5. **Initiatives of Ministry of Women Development**
    - Establishment of project called Jafakash Aurat which includes Patti Development Project (Chitral) by AKRSP & Economic Empowerment of Rural Women - (Gujranwala & Sheikhupura) by FWBL. Supporting Skill & Micro Enterprise Development Project – Gawadar by Khushhali Bank. Economic Empowerment of Rural Women in Tharparkar by Thardeep;
    - Under the Prime Minister’s Directive, 10% quota reserved for women in CSS & across the board to reduce gender gap,
    - Established of 4 Career Development Centers in Punjab (University of Punjab, Lahore, Islamia University Bahawalpur, Bahauddin Zakaria University, Multan, Agriculture University Faisalabad),
    - Establishment & Strengthening of the Women Development Department of AJ&K

    a. **First Women Bank Limited (FWBL)**
        - Micro-credit to Women Entrepreneurs on easy terms;
        - Developing new Women Entrepreneurs

- Linking the center with branch network countrywide.
- Providing Women Entrepreneurs information and business advice relating to business planning and management
- Sales & Marketing of products;
- Export Quality Standards.
- Exhibitions of products at Chamber of Commerce and Export Promotion Bureau and other places at concessionary rates.
- Lecture / Seminars on business, Management and Export.

b. Access to Credit

Providing women easy access to micro-credit especially through available windows such as Pakistan Poverty Alleviation Fund (PPAF); Rural Support Programs (RSPs); First Women Bank Limited (FWBL); Zarai Taraqeate Bank, Khushali Bank. Ensuring that women in general and female headed households, women bread earners, and women with disability in particular, have priority in accessing credit on soft term from FWBL and Khushali Banks and other financial institutions for setting up their business, for buying properties and for housing building.

The Agricultural Development Bank of Pakistan (ADBP) which is the largest development finance institution in the country has also started a small-scale credit scheme for women. The micro-credit programs focus on the survival skills of the beneficiaries and their major thrust is on poverty alleviation.

6. Business Development Services

Besides the above financial assistance, the government has also established institutions to support businesses. These include Small & Medium Enterprise Development Authority (SMEDA), Trade Development Authority (TDAP), Punjab Small Industries Department (PSIC), Sind Small Industries Department (SSIC) etc. Each of these institution offers a number of incentives for business promotion to both women and men.

TRADING HOUSE

1. What is a trading house?

A definition that covers most cases is:

International trading houses are commercial intermediaries specialized in the long term development of trade in goods and services supplied mainly by other parties. They focus on exporting, importing and third country trading as their core activity and use overseas marketing organization and infrastructure as well as procurement networks to service suppliers and customers.

They procure locally and sell internationally, they procure internationally and sell locally and they also procure internationally and sell internationally. They have the flexibility and the ability to work in many markets with many products simultaneously as international marketing is their core business.

Trading houses serve as commercial intermediaries between suppliers and buyers located in different countries. To this end they adopt the role of merchants, consortia managers and trade facilitators of various sorts. As merchants they buy and sell on their own account and earn a margin. They may also act as agents on behalf of manufacturers or on behalf of the buyers, earning a commission for their various services.

Some are supply-driven in the sense that they receive their impetus from manufacturers who wish to sell while others are demand-driven in that they receive their impetus from customers who wish to buy.

2. **SMEs & Trading Houses:**

They have demonstrated the ability to promote the export of goods and services from SMEs because of their strong capabilities in international marketing, procurement, vendor development and trade support services including international communication networks and access to databases and on-line procurement systems.

To provide these value adding services trading houses create appropriate infrastructure. Their overseas presence often comprises of showrooms, warehouses and after-sale service facilities apart from the marketing staff. The overseas organization serves as antennae for the trading house and also as a spring board for launching into new activities.

The export of goods and services supplied by SMEs enhances economic welfare in many ways. These include creating employment with less investment per job, dispersal of economic activity into rural areas, more employment for women who cannot work far from home, promoting local crafts, inducting better management practices into SMEs, improving their product quality, competitiveness, etc.

Moreover additional foreign currency is earned not only because more goods are exported but also because a wider range of goods is exported. In fact SMEs produce mainly value added finished products – when shoes are exported instead of leather or dresses instead of fabric or furniture instead of timber, more foreign currency is earned apart from more employment being created.

Because promoting export of products made by SMEs is beneficial various countries have tried in different ways to help SMEs to export. Their governments subsidize marketing visits, participation in trade fairs, subsidize finance, provide advice on things like quality, packaging, designs, markets, etc. A lot of money is spent on such governmental support and it is probable that the results do not justify the expense. What the SME needs is hands-on help for actually selling the products and getting paid.

Now various developing economies, economies in transition as well as developed economies are turning their attention to encouraging the creation and growth of trading houses to promote SME exports.

Table 7: Benefits of Trading Houses

MANUFACTURERS	BUYERS
Goods collected and payments made at doorstep. .	Proven record of reliability for quality, prices and delivery
Better price realizations because of overseas marketing organization. .	Lower costs because of bulk buying of products and services as well as procurement network
All risks and hassles of exporting avoided.	One stop shopping facility.
Global network for techno-commercial information.	Assured after-sale services.
Market entry at lower cost.	Lower transportation and handling costs.
Long term business perspective.	Long term business perspective.

Suppliers benefit from getting at their disposal the facility of the vast international marketing infrastructure of the Trading House, its data bases and information networks, its expertise in specialized functions such as finance, procurement, technology, commercial and legal affairs. Also the Trading house looks after all matters relating to the interface with the buyer, from presenting the merchandise to realizing the payment. The Trading house because of its size can obtain the benefit of economies of scale in purchasing, transporting, shipping, insuring and borrowing funds. A part of this benefit is passed on to the manufacturer for improving competitiveness.

Customers benefit from dealing with a company which has a proven record of reliability in international trading as well as a commitment to long term relationships. Buyers thus get confidence regarding the supply of their goods in accordance with commitments of quality and delivery. Also since Trading Houses often deal in a range of products they provide a "one-stop" shopping facility. The Trading house’s organization overseas assures the foreign buyer of continued service in his home country.

3. **Who creates trading houses?**

Trading houses have grown in different countries in various ways depending on the economic, political and social compulsions of their situations. They have been established by various entities such as:

a) Private entrepreneurial effort
b) Governmental initiative
c) A co-operative of suppliers

4. **The services that trading houses provide**

A manufacturer going through a trading house gets many services which enable its products to be sold in foreign countries. The trading house will deal with the foreign customer, negotiate the commercial terms, secure the order, arrange delivery of the goods, obtain payment from the customer and pay the manufacturer.

Trading houses vary considerably in their activities and functions. However typical trading houses would provide many of the following services:

- Market selection and market research
- Customer identification and evaluation
- Commercial and technical negotiations
- Vendor development
- Product/packaging adaptation and technology upgrading
- Imports, particularly of items required for export production
- Financial arrangements including securing credits
- Counter-Trading
- Protection against export risks including insurance
- Ensuring payments
- Export documentation and shipping
- Managing crises and disasters
- Dealing with claims
- After-sale service and spare-parts availability
- Project exports, consortia and tender business
- Special relations with the government
- Creates distribution networks abroad

5. **Choosing the right trading house**

How does a manufacturer go about choosing a trading house? Names and addresses of Trading Houses, together with a brief description of their activities are available from trading house associations, chambers of commerce, trade promotion offices of the government, etc.

The manufacturer should also digs out further information about the Trading House, information of the kind that is not normally available in directories. The manufacturer would need to tap both formal and informal sources to find out about the reputation of the company, its track-record, its strengths and its limitations.

The manufacturer should be in a position to specify his needs and define his objectives and then match these with the attributes of the Trading House. The attributes that it may look at are, for example, size, product/market expertise, types of services offered, quality of management and reputation.

- Is the trading house large or small?
- In which products is it strong?
- What is its market orientation?
- Which services does it provide best?
- The management's experience, quality and reputation chambers of commerce.
- Has it interest in my product?

a. **Is the trading house large or small?** A large Trading House may be suitable for a manufacturer involved in agro-products where the sheer bulk of the Trading House gives it an enormous clout in negotiating favorable terms. However a smaller Trading House would be more beneficial to a manufacturer involved in the production of fashion articles such as ladies handbags, where quick response and personalized service are important.

b. **In which products is it strong?** Often a Trading House is oriented strongly towards a single product group, say engineering goods, while another is strongly oriented towards another product group, say textiles. The manufacturer should obviously choose the Trading House whose focus is on products similar to his own.
Product expertise is an important qualification of the Trading House particularly if the product of the manufacturer is technically sophisticated. Trading Houses themselves have specialists in various product groups and they should be capable of selling such products. In any case most enlightened Trading Houses associate the supporting manufacturer very closely in sales presentations, in respect of products with high-tech specifications.

c. **What is its market orientation?** Trading Houses do not have equal strengths in all markets. They generally concentrate on a few types of markets depending on their main product orientation. For example a Trading House mainly exporting small-scale projects may have developed a deep knowledge only of emerging countries and may not be appropriate for a manufacturer who would like to export knitwear to Europe. Sometimes manufacturers who are already exporting also use the services of a Trading House to enter another market. They would obviously consider the Trading Houses strengths in specific markets.

d. **Which services does it provide best?** A Trading Houses bias toward particular types of product groups would create an ability to provide certain services better than others. For example a Trading House which specializes in exporting vehicles and has therefore created an after-sale service organization in foreign countries would be attractive for a manufacturer of a product which also requires after-sale service. However the same Trading House may not interest an exporter of flowers.

e. **The management's experience, quality and reputation:** With respect to quality of management there is not only the matter of competence and efficiency but also of the Trading Houses philosophy, vision and approach. It would make for a smoother working relationship if these were to match those of the manufacturer since the two would be working closely together and it is important that they should get on well.

The reputation of the Trading House is not only important from the point of view of safeguarding the manufacturer but also for success in marketing its product. In the marketplace often a person is judged by the company he keeps, and so is the case with products. Since a manufacturer may be unknown in the foreign market, foreign customers would buy on the strength of the Trading House's reputation. The reputation of the organization presenting the product goes a long way in ensuring that it at least gets to be considered by the foreign customer.

f. **Has it interest in my product?** Even if all the above attributes are present in the Trading House these will not add up too much if there is not an interest in the Trading House for the product. The manufacturer should particularly check whether the management of the Trading House is motivated by his product. If the manufacturer finds a lack of interest and commitment then it would be better to search out another Trading House.

6. **Beware of irritants:** Here are a few examples of irritants that can damage the relationship:
   a. Trading houses may get samples developed by one unit and then give the Purchase Order to another unit from whom they get a better price or in which they have some other interest.
   b. Manufacturers may get sample specifications or prototypes from a trading house and then approach another trading house with the counter sample and offer.
   c. Manufacturers may divert finance or materials supplied to them for executing an export order by a trading house, to other uses.
   d. If the manufacturer is selling a large proportion of its production through the trading house then the latter may be tempted to dictate payment terms that are advantageous mainly to itself.
   e. Trading houses may use a manufacturer's weakness to delay payments beyond contracted dates, to improve their own cash flows.
   f. Trading houses may even register a brand name for the product and get the manufacturer at their mercy.

   Transparency, frankness, trust and fair play on both sides as well as a commitment to achieving the set goals through the partnership will create the appropriate atmosphere. The trading house and the manufacturer would do well to discuss all the issues involved in the relationship beforehand and make a written Memorandum of Understanding (MOU). This serves to clarify matters and avoid misunderstandings later.

ROLE OF DISTRIBUTORS & AGENTS IN EXPORTING BUSINESS

As a manufacturer or exporter who is willing to step into some foreign market, you should better be starting in a safe and calculated manner. One relatively safe and secure method is to start with indirect exports and see the response. There are many ways to start indirect exports, but the most widely used method is to hire the services of commission agents or get into a contract with some distributor. Although, their roles may sound a bit similar, both of them differ at some points. Let's look into the role of these two in detail.

1. **Agents**

   Also known as commission agents, they are responsible for selling your products in foreign market. They are experienced campaigners and quite familiar with the market you are going to target. They know the customers and their needs. However, the thing to remember is that they are solely responsible for selling your products. They do not buy from you directly; neither do they involve themselves in delivery or after sale services in most cases. Their source of earning is the fixed commission on every sale (or gross sales, they will make for you). Commission agents must be able to meet following requirements before you hire their services.

- Should be having loads of experience
- Check to see if the agent also deals in some of your competitive products
- Past record of sales and the stats for business they have provided to other exporters in the past
  How much of the market that agent can cover on his/her own and to what extent
- Do they sell to end users or businesses?

2. **Distributors**

   Unlike commission agents, distributors normally purchase the product from you (at low rates) and then sell it in the market, all the time maintaining some inventory with them. Given, they also provide after sale services, they are more suited if your product needs some installation work or requires after sale services.

   - Distributors should be financially stable;
   - They must be good in inventory stocking and warehouse management;
   - Should be having technical information about the product (train them if needed);
   - Should be ready to work at price margins you are willing to offer;
   - Be careful when going into a contract and think over the clauses many times before signing;
   - Distributor should be capable of running or managing the advertising campaign if needed;

Now, whether you should go for agents or distributors? The answer to this question will depend on your product and preferences

CARGO AGENTS

1. **Role of a Cargo Agent**

   A cargo agent has three primary responsibilities: provide quotations to potential clients, complete shipping and customs documentation, and arrange for parcel transportation. Cargo agents are also known as logistics professionals. They assist businesses and individuals who need to ship materials from one country to another. He or she is required to have detailed knowledge of shipping rules, customs clearance documentation requirements, amount of insurance required, methods of transport, and any other logistics-related issues.

   Their job is simple, but not easy. Cargo agents arrange and track cargo and freight for trains, airlines or trucking companies. They decide freight routes and prepare all shipping documents. The agents take orders from customers and arrange for the delivery of the cargo. A cargo agent also keeps records of the amount of cargo, type, weight and dimensions. They run a virtual lost and found for inventory, and keep track of the condition that the cargo is in.
   Cargo agent typically works for a large courier company, import/export business, or a customs clearing brokerage firm. For example, a cargo agent with a client looking to ship a large amount of metal from China to Argentina needs to have business contacts with insurance companies, freight carriers, customs agents, and other service providers.

   Regardless of the type of firm, the cargo agent is responsible for finding and winning new jobs or business. Cargo shipping is divided into two areas: large, industry-related shipments and small, regular courier shipments. Cargo agents typically focus on the large, industry-related shipments. The implementation of computerized systems into courier and transportation companies has streamlined this process dramatically and reduced the need for special skills and knowledge in this area.

For large shipments, clients typically require a quotation for services. This may include packaging, any inspections of the goods before leaving the country of origin, arranging insurance, payment of tariffs and duties, and brokerage services. Some firms also arrange for the cargo carrier, and this would be included in the quotation. Once the quote is accepted, the agent begins to make the necessary arrangements to move the goods. Only when the shipment has been delivered to the final destination is the client invoiced.

The customs and clearance documentation required at the different ports around the world varies widely. It is the responsibility of the cargo agent to be aware of what the current requirements are, complete the paperwork correctly, and follow up with the customs officer in the receiving country if there are any issues or concerns. This is a very important task, as any port can refuse to accept a shipment based solely on errors in the paper.

Cargo agent is also responsible for arranging the appropriate method of transportation for the package. This may include shipment by rail, boat, plane, or truck. Although the client may be familiar with transportation companies in his own country, it is the responsibility of the cargo agent to select the correct transportation company to deliver the materials to their final destination.

2. Services provided by Cargo Agents

The Cargo agents and companies in the Network offer many services to Exporters, Manufacturers and Traders for Export cargo of all types.

If you are an Exporters, manufacturers, Trader, Freight Forwarder or other non-member Cargo Agent you may contact any of the 'agents' in this Network directly as they are all ready to assist you in their specific field. Some of the services offered are as follows:

a. Consulting: Cargo Consulting Services
b. Forwarding: Ocean and Air Freight Forwarding
c. Trucking: Trucking from the supplier to the port or airport and delivery to the final destination in the destination country.
d. Logistics: Third Party Logistics
e. Warehouse: Warehouse and Consolidation Services
f. Courier: Mailing and Courier Services
g. Mailing: Mailing and Re-Mailing Services
h. Custom: Customs Clearance and Customs Brokerage Services
i. Shipping : Cargo reservation , Shipping & Documentation

9. Q&A WITH A PANEL OF EXPERTS

OBJECTIVES:

- To give participants a chance to interact with the representatives of trade facilitation institutions.
- To understand the role of trade facilitation institutions and clear all misunderstandings.
- To give participants an opportunity to share their experiences with these institutions.

Although the role of Trade Facilitation Institutions has been discussed in detail during the previous session, it always helps to get first hand information from the representatives of the institutions. This session will have a panel of experts representing all or some of the following trade facilitation institutions.

- TDAP – Trade Development Authority of Pakistan
- Freight Forwarding Company
- Clearing Agent
- Customs
- Local Chamber of Commerce

The representatives will give a brief introduction of the institution they are representing, and explain their role in exports. Participants are advised to speak openly and come prepared with questions that may help them and others in understanding the role of these organizations and how their support can help individual businesses.

10. EXPORT PLANNING

OBJECTIVES: By the end of this activity, participants will be able to understand the following:

- How can an exporter keep track of latest export developments in international markets?
- Sources of country-specific information
- Need analysis for my product and country of export
- Concept of Clusters

SELECT AND EVALUATE YOUR MARKET

Given the number of high potential markets worldwide, the question is how to select this market smartly.

Information is what you need to select an appropriate export market. And again, using internet, TDAP, commercial officers and chambers of commerce, your industry association, and your colleagues might be of great assistance. Although nobody will give you direct advice, you can get much better knowledge of where to go global.

Statistical data analysis is essential when selecting the market. You can obtain lots of useful details from the UNCTAD, ITC, TDAP, CBI or from commercial companies, which specialize in collecting international trade data. Some companies will also be able to provide you with very specific export/import data about products similar to yours and about most popular markets.

The Internet is a great source of information. Go online and browse the Internet. You will not find the exact answer, but I'm sure you'll get some good ideas.

A good indication of the export opportunity is the number of inquiries from a particular market. If you receive significantly more inquiries from Korea than from any other market it may be a good sign that there is a significant demand for your products in Korea. However, the first would be the ranking of the country as an importer of the type of good the business wants to export.

Pakistan's geographical location plays a certain role in exports. For products produced by women, South Asian or oriental markets are much more attractive in terms of transportation costs, demand &

time. Asian customers are familiar with each other's products and quite often it is easier to negotiate better deals with Asian buyers residing in either South Asia (India, Bangladesh, and Sri-Lanka) or residing in some western & Middle Eastern countries like UK, USA, Canada, UAE etc.

Rapidly growing markets, such as China and India, are usually better targets for commencing export than developed countries.
When selecting the market you should:

- Know the market's requirements
- Assess your target customers
- Examine your competitors
- Be prepared to compete against lower-cost, lower-priced local companies

Talk to TDAP's local office

TDAP may assist you greatly in evaluating and entering the market. Do not ignore this option. When contacting TDAP local office, do it in writing preferably by fax. Introduce your company, indicate your interest and be specific in your inquiry.

Catch a plane

If you can afford it or have a contact in a foreign potential market, go to a target market personally and get a feel for local conditions. Do your homework before the trip:

- Have a list of tasks you want to complete;
- Arrange a meeting with the Trade Officer and several meetings with prospective buyers;
- Visit a few stores selling products similar to yours;
- Review competitor's prices and analyze their pricing policy , the product quality, the packaging and location of business etc;
- Know current affairs and a little history and geography;
- Learn a little language;

Understand that every market has different demands and changes every few years

To disregard it is one of the most common failures in International Trade. Your products may be highly demanded in one market and be absolutely un-saleable in another. The packaging you've introduced in US, most likely would be unattractive for Indonesians. Without an understanding of market trends and demands, its uniqueness, business traditions and people's mentality it is "mission impossible" to successfully develop the market.

ANALYZE, "POSITION" AND MODIFY YOUR PRODUCTS AS PER MARKET DEMAND

Be prepared to customize your products to meet customers' needs Domestic success of your products doesn't ultimately mean global success.

Develop a marketing plan for each market

Marketing plans don't have to be a hundred plus pages document with numerous tables and diagrams. Try to keep it brief and simple. At a minimum, every marketing plan should contain:

- Market analysis
- Marketing objectives and goals
- Marketing strategy
- Marketing action plan

- Marketing controls

In other words, before entering a market you must clearly understand what has happened, what's going on, what do you want to achieve, what do you need to do to achieve it, how are you going to do that, and what might happen. It is essential to set up realistic market goals, distribute them to everyone within the company and constantly control the progress towards these goals.

Most SMEs enter exporting in a somewhat casual and haphazard way, perhaps answering an unsolicited inquiry for their product, responding to the opportunity created by an overseas relative or as the result of a holiday trip to some country. This can be called, “fly-by-the-seat-of-the-pants” approach to exporting. A prudent course of action is to undertake export research to acquire information and make intelligent decisions. As well as the directions to go and avoid costly mistakes further down the road.

Initially**,** export research can be conducted locally **-** information can be collected from government agencies, banks, newspapers, journals or through the Internet. For more detailed information on competition, pricing, distribution, product use, etc. A more specific study has to be carried out in the foreign country.

It makes good sense to focus the bulk of one's research efforts on specific foreign markets **-** the ones that the company will try to enter first. Most exporters in the world usually focus their attention on the United States **-** because of its size and wealth. The exporter's products may find easier acceptance in neighboring countries, particularly those that use the same language and enjoy a similar culture or history.

One technique that some exporters use to identify potential target countries is to analyze the most recent import statistics of various countries. The objective is to identify those countries that import your type of product.

Trade statistics for commodities and countries are published in the U.N. and U.S. publications under the Standard International Trade Classification (S.I.T.C**).** A great deal of statistical and other information is available about each country in the world. Acquiring general information by the exporter about the foreign country is quite easy- for example, population, GNP, income etc.
It becomes progressively more difficult to assess the potential demand in that foreign market for the exporter's product and will require a special market study on How to develop your Export Market. A personal visit and by participation in an industry trade show to assess the culture differences, local business practices, competition from local suppliers and other foreign countries

ANALYSIS OF PRODUCTS FOR EXPORT

"Only if the answers to these questions are satisfactory, should the would-be exporter proceed"
The exporter should ask himself a number of questions about the nature of his product and determine how exportable it is.

1. **The types of questions that should be asked are**
    a. What are the features of our product that make it compare favorably with competitive products? Or
    why do our local customers like them?
    b. How is the product used?
    Would it have the same use abroad?

c. What size, colors, design, etc. are preferred by the users?
   Would foreign buyers have the same attitude?
d. What modifications, if any, would be necessary?
   To make the product more acceptable to foreign buyers?
e. Has the product been thoroughly tested and tried in the home market?
   Can we be sure of consistence high product quality?
f. What are the branding, packaging, and labeling requirements to sell the product abroad?
   How would the present branding, packaging and labeling be changed for exporting?
g. What are the technical specifications of the product?
   Would they be acceptable in the target country?
h. What after-sales service, if any, would be required?
   How should it be provided?
i. Would the product meet foreign health and safety standard requirements?
   How do we meet foreign required standard?
j. What if the technology is changing fast?
   How can we maintain product superiority?
k. How do we keep ahead of the competition?
l. Can we produce the quantities of product that may be required?
   Will we be able to maintain continuity of supply?

ANALYSIS OF EXPORT PRICING

Another research that would-be exporter should undertake is the export price for the product. Most foreign buyers prefer to be quoted an all-inclusive price, in their local currency or in US dollars, delivered to their warehouse, nearest port, airport, or city. In other words**,** it is not enough for the would-be exporter to calculate an export FOB or FOR to his own local port of shipment. He / she must calculate the price right through to the foreign country, an export price that is CIF, FOB or FOR called INCOTERMS known as Special International Trade Terms.

The guiding principle in calculating an export price is to make sure that all possible costs are included using a Costing Sheet to ensure that no items have been overlooked. The first item is the production cost. Here a decision must be made whether it includes both variable or direct and fixed costs- (overhead costs).

Some exporters, to help keep their export prices competitive, include little or no overhead cost, only the variable or direct cost of production. The cost of administrative overhead is absorbed in the price set for local sales. The risk exists with this practice for your goods being sold abroad at less than the home country price is **-** there may be the imposition of an anti-dumping duty on your product.
In addition to all the various production, transportation, customs, marketing, insurance, exporter's profit margin and other costs that must be included in the final landed price.

Different foreign markets, if the exporter is considering different foreign markets, he would have to prepare different price quotations.

If the foreign market is very large, as with The EEC, he may need to have different prices for each region, taking into account varying transportation costs.

Some flexibility is important, the exporter may need to offer some discount to the foreign buyer for large orders or if the buyer is willing to pay cash. Once the exporter has calculated the final selling price for his product, he must compare this with the price charged for competitive products.
Decision ahead of time by the exporter on the amount of credit, if any, to be given to the foreign buyers and how payment is to be made for example; sight draft drawn against an irrevocable letter of credit.

START YOUR OWN BUSINESS

You can start a business any time you want, while you still have a job or are cash poor, or even if you do not have a lot of time. Businesses begin with an idea and desire and are then developed in steps. Many of the initial steps in starting a business are free or inexpensive and can be done in your spare time. Since a large part of forming a business involves research and analysis, the sooner you start it, the better it will be. Here are the first steps to take to become an entrepreneur.

BUSINESS PLAN - TITLE PAGE

ABC COMPANY

1234 Anywhere Street
Somewhere, (City)
S4S 2X8
Phone: 123-4567
Fax: 234-5678
Contact: Principal Name(s)
Plan Date: Month 2005

ABC Company Business Plan Commercially Confidential
7/6/2006

Wherever possible, you should indicate the source of your information and provide the appropriate references. If the information is based upon your own knowledge and experience, state this and provide any supporting evidence that may be available. The following is a guide to the type of information required. You should include any information that will help someone understand your business and how you intend to run it.

Executive Summary

The executive summary is a clear, concise, one to three page summary of the key points in your business plan.

- It describes the current status of your business.
- It identifies your products and market/customer characteristics.
- It provides information on your marketing strategy in terms of where the business is at and where the business wants to be.
- It identifies any projects for which financing is being sought, the total cost of these projects and how you propose to fund them.

Business Overview

This section provides an overview of your business and does not include a lot of detail;
Additional information will be provided in other areas of the business plan. The overview may include information about the following:

- The organization's goals and objectives;
- The business start date;
- The form of organization, e.g. sole proprietorship, corporation, partnership;
- Name of owners, managers and key personnel;
- The geographic location of the operations;
- Products;
- Customers;
- The geographic location of its customers;
- Major assets, e.g. land, building, machinery and equipment;
- Major liabilities;
- Sources of financing;
- Number of employees;
- Sales and net income levels;
- Any closely related company (provide relevant information in appendices); and
- Any significant changes to any of the above being proposed.

Market Analysis

The market analysis section describes the industry, or business environment in which your business operates; for example:

- It presents a profile of your customers;
- It measures the size of your market;
- It provides information on the pricing of your product;
- It identifies your competitors; and
- It can highlight other factors pertinent to your business, such as special government regulatory product requirements.
- Where appropriate, this information should be presented in segmented form, e.g. by geographic area or product line. The market analysis section should address the following points:

Industry (Business Environment) Overview

This overview can be used as an introduction to your market analysis. The introduction can include:

- A description of the industry and its size;
- Comments about the current and future industry outlook; and
- Identification of key customers, such as retail consumers, businesses, or government.

Customer Profile

A profile of the customer that uses or will use your product or service should be developed.
The customer profile would include identification of the following: Who is the customer;

- What are their product needs/wants;
- How often do they buy and when do they buy;
- If applicable, what is the age, sex, education, income level of your customer; and
- Who influences the customer's decision to buy?

Target Market Profile

The target market section measures the total size of the market in which your product or service competes, or will compete. In some cases, it may be difficult to obtain specific information, therefore, use your best judgment given available information and what you know about the market. In general, the target market profile should identify the following:

- Number of prospective customers;
- Total annual sales, including dollar value; and
- Market growth rates/trends.

Market Penetration

Market Penetration measures how much of the total targeted market you are forecasting to attain. In general, market penetration should:

- Identify your existing and projected market share, including the dollar value; and
- Provide rationale for the market share you believe can be achieved by your business. For example. Are sales targets supported by research information?

Product Pricing

This section provides information on the price of your product. Generally speaking the price of the product may be based on the cost of the product, or the price may be driven by what the market will bear, or price may be negotiated. Also, you may have to consider various pricing structures (e.g. a wholesale price as well as a retail price) depending upon how you get your product to the end-user (e.g. do you sell direct to the end-users, wholesalers, retailers, or brokers). Product pricing information requires answers to the following questions:

- What is or what will be your product price;
- How does your price relate to your competitor's price;
- What price and sales volume do you need to be profitable;
- What control do you have over your product prices;
- Can the same product be sold at different prices in different markets (e.g. different geographic locations);
- Can the same price level be maintained over time;
- Will you have to offer discounts and if so how much; and Summarize your pricing policy.

Competition

The more you know about your competitors, the more you know about your market. This section represents a profile of your competitors and should identify the following:

- Who are your competitors;
- The product(s)/service(s) they compete with;
- Their strengths and weaknesses (e.g. financial condition, market share, reputation, price, product features, services etc.);
- Their possible reaction to you as a competitor; and
- How you compare with your competitors.

Regulations

This section is used to comment on any government regulatory requirements or restrictions that could be related to your business or product/service. If government regulations or restriction apply to your business, you should: Identify the regulation or restriction; and Comment on how you will overcome any barrier related to the regulation or restriction.

Other

This section may be used to provide any additional information pertinent to your market analysis.

Product Profile
This section provides a description of your product/service which meets the need of the end-user. The profile may include the following:

Existing Products and Services

- Provide a description of the product/service;
- Identify specific benefits, including how the product/service meets the needs of the end-user;
- Identify key features of your product/service versus that of your competitors;
- Comment on the useful life of your product/service; and Identify special patents, copyrights, or
- Royalty arrangements associated with your product.

New (proposed) Products/Services
Comment on activities in progress and anticipated results.

MARKETING PLAN
This section identifies marketing activities (e.g. strategies, actions, policies) that will enable you to attract and keep customers and meet financial forecasts. The marketing plan should include the following:

Marketing Strategy Overview
This area can represent an introduction to your marketing plan; for example, it may describe your growth strategy and where you want to position your business relative to your competition.

Promotion
Promotion involves undertaking activities that will create demand for your product/service. The promotion program that you implement will depend upon factors such as the type of product or service being sold, the type of customer, the method of distribution, the type of sales force, and the available finances. Product promotion may include the following:

- Advertising in newspapers, magazines, trade journals, product brochures, catalogues, videos, and multimedia presentations;
- Attending trade shows, personal selling by company employed staff, or a nonemployee sales agent;
- In-store product sampling and demonstrations; and Other as required.
- For product promotion you should:
- Identify the promotional activities to be carried out;
- Provide a budget for promotional strategies; and
- Provide a rationale for your promotional activities.

Distribution System
The distribution system, or channel of distribution, represents the route taken by your product in order to reach the end-user. The route taken by your product will often involve the use of a middleman such as a distributor, retailer, original equipment manufacturer, or broker. However, in some cases the route may not involve a middleman as you may sell your product directly to the end-user. For your distribution system:

Identify your distribution system(s); and provide the rationale for your distribution system. Ask yourself:

- Is it a good match for my company and product? Why?
- Is it the most cost effective channel?
- Is it the best way to reach my target market?

Product Packaging and Labeling
This area involves having the right package and label for the product and its market. For your Packaging and labeling, you should:
Identify any special requirements, which may be requires to protect or enhance its appeal to the Customer; and
Identify governmental or industry regulations which must be met.

Transportation
Depending on your product, transporting the product to a middleman or end-user may or may not be a major issue. For transportation you should identify your transportation system and related costs.

Other Considerations
In some cases, depending upon the product, you may have to consider other customer related factors; for example, your product warranty or product servicing.

Operating Plan
The operating plan is basically a description of the inputs required to manufacture or process your product, along with the information on how to manufacture or process your product, as well as information on any environmental considerations. In your operating plan you should include the following:

- If you are an existing business, identify existing facilities and production capacity or capacity level;
- Describe existing or proposed method of manufacturing or processing
- provide flow charts if available;
- Identify proprietary technologies;
- Identify if operation is seasonal and comment on the seasonal nature of the operation;
- Describe raw materials, supplies, labour etc. required for your manufacturing or processing operations;
  Comment on sources of supply of raw materials and the availability of those raw materials;
- Comment on special employee training programs including the nature of the training, identification of who will be trained and who will do the training, and the length of training required;
- Comment on any environmental issues related to the operation (e.g. air, water, noise pollution) and indicate whether your business currently meets all applicable environmental regulations. Identify what steps will be taken to reduce/eliminate environmental impacts.

Management
This section is required in order to provide information on your management expertise as it is this expertise which will attract a willing lender or investor. In this section you should include the following:

Current Management Team

- Identify the key managers and their main duties.
- Identify any special or unique skills which enhance the business's competitive advantage.
- Include a resume for each key manager in the appendices section.

Additions to Management Team

- Identify new managers which may be recruited within the near future.

Ownership

In this section, identify the current or planned owners of the business. If it is a corporation, identify who owns the shares and percentage of ownership.

Future Plans and Requirements

This section includes a detailed description of your plans, in particular any new projects that are to be undertaken. In general, it should include a summary of the costs and funding requirements and your assessment of the risks. The following information should be provided.

Details of Any New Capital Projects

- Identify and itemize land, building, machinery/equipment, pre-production or working capital requirements;
  Identify production and processing capacity needed;
- Indicate anticipated start date, completion date, possible start of commercial production, and any other critical deadlines;
- Identify number and type of jobs that will be created by the project;
- If a third party assessment was undertaken on your project, include this assessment in the appendices section.

Details of New Market Development and Research

Summarize the opportunity (detailed information regarding the marketing or R&D opportunity should be provided elsewhere);

- Identify what activities (steps and tasks) will be carried out;
- Identify who will carry out the activities;
- Identify the project time frame and appropriate milestones;
- Identify what special resources will be required (e.g. special equipment, consultation, etc.)
- If a third party assessment was undertaken on your project, include this assessment in the appendices.

Costs

This area summarizes all costs to be incurred, details will be given elsewhere. A summary table is usually all that is required.

Funding

In this section, identify the sources of funds (e.g. new equity, internally generated funds, financing from a bank, or any other sources) for the costs summarized in the section above. For borrowing funds, check with the potential lender regarding interest rates, available funding, and repayment schedule, before you complete this section as this information should be incorporated into this section and it can be used in the development of your financial statements.

Proposed Project Risk Factors

Describe your assessment of the main risks (e.g. technical, financial, management, market, etc.) associated with the project.

Financial Statement Data

All potential lenders or investors will require financial information on your business. As a minimum requirement for start-up operations and major expansions, you will likely have to provide the following information:

For a new business:

- Provide an opening balance sheet;
- Provide a three to five year financial projection including balance sheet, income statement, and cash flow. The first year cash flow should be on a monthly or quarterly basis;
- Ensure that the projections are consistent with the rest of the business plan; and identify all significant assumptions used to develop the financial forecast.

For an existing business, provide the above as well as:

- Where possible at least three years of historical annual financial statements; and
- Interim financial statements for the current year to date with a projection to year end.

APPENDICES

The appendices of a business plan can include any supporting information to claims made in your business plan. The following is some of the information that may be included:

- Resume(s) of the owner(s) and key personnel;
- Personal financial statement of each owner (and their spouse, if applicable);
- Letters of support from vendors/suppliers/customers copy of major contract(s);
- Copy of lease or purchase agreement(s);
- Quotation on any major planned purchases;
- Photos/maps of business area, store layout, competitors' locations, etc.
- Promotional items (sample ads, brochures, menus etc)

THE CONCEPT OF EXPORT CLUSTERS

“A cluster is a sectoral and geographical concentration of small/medium enterprises facing common opportunities and threats”

Clusters as an Economic Development Model

1. **Introduction**

   History indicates that clusters have existed in one form or other since man invented trade (indeed historians point to the clustering of wool industries in medieval England and the cotton industry in the industrial revolution). As economies have become more complex and competitive, evolving business practices have also recognized the advantages of locating firms, sectors or industries near each other or near supply sources. Clustering as a policy tool however is a more modern concept and is largely attributed to Michael Porter from the Harvard Business School.

   A cluster can be defined as:

   'A geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complem entarities' where, the 'value of the system ... as a whole is greater than the sum of its parts. The nature of competition and competitiveness now emphasizes 'think global, act local' as a way of doing business and succeeding in the international marketplace.

The two seemingly competing tendencies, of the globalization of economic activity and the localization of industries have created policy challenges for national and local governments around the world. As a result in the last decade we have seen a proliferation of development policies based on clusters of firms and industries .Such policies have focused on various aspects of growth such as regional development, SME development, overall economic development, domestic capability building, national innovation systems, and growth of 'knowledge' industries

Many European countries have adopted clusters policies. The European experience has found that the differences in patterns of agglomeration can be related to differences in local environment. The characteristics of clusters are highly dependent on the social, political, and economic environment of the region.

2. Types of Clusters

- The geographical cluster - as stated above
- Sectoral clusters (a cluster of businesses operating together from within the same commercial sector
- Horizontal cluster (interconnections between businesses at a sharing of resources level e.g. knowledge management)
- Vertical cluster (i.e. a supply chain cluster)

Networks are alliances of firms that work together towards an economic goal. They can be established between firms within clusters but also exist outside clusters. Networks can be horizontal and vertical.

- Horizontal networks are built between firms that compete for the same market, such as a group of producers establishing a joint retail shop.
- Vertical networks, particularly supplier development schemes, are alliances between firms belonging to different levels of the same value chain, such as a buyer assisting its suppliers for upgrading.

3. Benefits of Clusters

- **The availability of specific natural resources -** many clusters have traditionally formed around natural resources.
- **Proximity to markets -** despite the reduced cost of international transport today there are still benefits associated with being close to markets. Close interaction with customers is one advantage, enabling firms to have a better understanding of changing tastes and needs. Pakistan is well placed to take advantage of the growing Asian market.
- **The presence of input and equipment suppliers -** close interaction and a high frequency of exchanges between same product producers and users not only underpins competition but also stimulates innovation. It also enables specialization to take place. Clusters may also provide a lower risk environment for new firms entering the cluster, as there is access to pre-existing customer bases and supplier chains. Savings can also be found through lower inventory costs, fewer delays, and predictable pricing arrangement.

- **Supplies of specialized labour -** specialized labor pools develop around clusters, often stemming from the proximity of universities. A shared labour pool provides flexibility and efficiencies for firms seeking specialist skills in the market and facilitates technology transfer.
- **The availability of infrastructure -** industries may benefit from the supply of both specific and generic infrastructure such as roads, ports, airports, R &D laboratories, education and training facilities et.
- **The economies of scale in production -** there are some industries that can only support a small number of efficient-scale plants in a given market e.g. embroidered products by women entrepreneurs.
- **Low transaction costs -** Localization can reduce the costs of transactions, including the costs of negotiating and monitoring of contracts and the costs associated with the potential for opportunistic behavior. When firms operate near to each other and the frequency of interaction is high, familiarity, trust and social norms may reduce the costs of contract negotiation and enforcement. Some industry clusters may develop standardized contracts and transaction mechanisms as well as a common language that lower the cost of negotiation.
- **Superior access to information -** the literature on innovation suggests that informal, unplanned, face-to-face, oral communication is critical to the innovation process. Clusters facilitate this type of communication. The geographic concentration of firms, suppliers, and buyers in the cluster provides short feedback loops for ideas and innovations. Clusters provide the opportunity to access the specialized information embedded in personal, community and business relationships, about markets, technology and competitive strategies.
- **Institutional support -** clusters often have mutually supportive relationships with local universities, standards agencies, think tanks, research laboratories, training providers, trade association, and venture capital institutions.
- **Obtaining critical mass -** the clustering of firms can reduce the unit costs of technical services provided to members of the cluster. By operating in close proximity firms can also more easily subcontract to competitors those orders that exceed their own capacities, as proximity allows greater knowledge of the capabilities of contractors. Firms in a cluster are able to form a consortium to tender for large projects or access export markets.
- **Attracting foreign direct investment -** regional clusters often provide a focal point for investments as they have the concentration of labour, skills and infrastructure that attract foreign investors. Clusters can also create a favorable environment for innovative spin-offs.

4. How to form a cluster:

That said, an 'idealized' clusters process may include the following steps:

- **Determine the overall goals** and the scope of the policy initiative.
- **Initiate discussion** on the cluster development process (this may involve national forums or workshops with leaders from the public and private sectors to explain the benefits of clustering and to get key players on board).
- **Identify and map** existing clusters and location-specific attributes in the economy.
- **Strategic prioritization** of efforts by clusters of more importance with more firms involved in the same products.
- **Clarify the roles** of the relevant public, private, and support entities with respect to the individual clusters (in the majority of cases the appropriate level for active government will be at the local or regional level, the national government however may play a supportive and supervisory role).
- **Collect detailed information** on each cluster (their markets, competitors, suppliers, customers, vertical and horizontal linkages, technologies, the local economy in terms

of its capabilities, governance structures and institutional infrastructure, what stage of the life cycle the cluster is in i.e. latent, embryonic, expanding, and mature).

- **Engage key groups** and individuals to lead and drive the process
- **Assess and plan direction** and targets (what are the issues, problems, challenges, market failures that need to be addressed? What can be achieved quickly what will require a longer-term strategy? Who will action it and how?).
- **Co-ordinate the public and private activities** including investment/co-investment in public goods (such as specialized infrastructure, training, research and development activity, communications and transport).
- **Establish an appropriate cluster organization** to oversee the process.
- **Market and disseminate information** about the cluster and the location advantages it offers.
- **Continuous evaluation** of both the individual cluster and the national policy. (initial progress, the outputs, the outcomes, effectiveness has it met its goals, cost-benefit analysis, benchmarking)

The origins of clusters differ. The initial stimuli for a cluster may have been the availability of raw material; suitable climate conditions; proximity to markets; chance events; R&D facilities; an educated workforce; a culture of entrepreneurship; or a culture that values higher education. It may take decades for a cluster to reach maturity. The evolution of the world's largest clusters has occurred over a long period of time. These were not planned and went unnoticed until they reached a level of activity that warranted attention. Examples include Hollywood's movie production, Dutch flowers and Silicon Valley North's electronics industries.

A cluster may progress through different stages including birth, potential, emerging, sustainable, mature and declining. This is not to imply that all clusters experience all of these phases. Clusters also vary in size from as large as Hollywood to as small as the highly-specialized clusters that pursue global markets and, "generate wealth well beyond many other localities in their country."

What makes a cluster successful? A number of important factors include: the availability of venture capital; critical mass; technical infrastructure; presence of higher education and research institutions; entrepreneurial drive; influence of champions; presence of an anchor firm(s); networks; quality of linkages; social capital; synergy; and, diversity. An intriguing aspect is that the factors that distinguish 'over achieving' from 'under achieving' clusters are so-called intangible assets, such as social capital.

While these intangible assets promote and cultivate collaboration, a high degree of competition plays a pivotal role in successful clusters. A major study on clusters notes that clusters that rely on competition and rivalry are significantly more competitive than clusters that rely on factor conditions, such as climate, stock of natural resources and geography.

5. Key lessons from clustering experience

One of the greatest difficulties in implementing a cluster development process is getting business owners to see beyond their own personal interests. Experience shows that where input suppliers, sub-contractors, export agents, transport carriers and other business services are located close to groups of clustered manufacturing firms, such proximity can be maximized to create market demand - especially where the cluster is producing for export.

While firms participating in a cluster process may have competed aggressively in the past, this does not preclude them from co-operating within the cluster. Any attempt to reduce competition will slow the pace of improvement and technological development, reducing the overall efficiency of the cluster.

A number of key lessons from international and local clustering experience are important:

- A cluster process should be strongly influenced by the needs of its market and demand side considerations.
- The process should focus on present ability to compete globally and potential future competitive advantage.
- Being based on local communities and players, clusters are all different.
- Strategies and programmes should be based on local and cluster circumstances and informed by stakeholder participation.
- Senior industry leaders should head up the process and it should be afforded adequate status and prestige.
- Governments should provide committed and coordinated support.

6. Clusters and SMEs

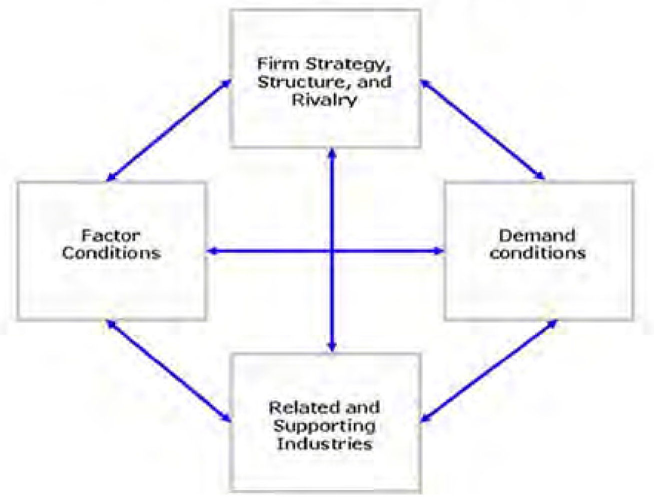
Clustering offers many benefits to SMEs. Clustering activities, such as sharing assets, collaborating by means of group purchasing or marketing, co-operating in areas such as administration and research and development, building alliances to tackle projects beyond the capacity of the individual participating firms, and networking for purposes of sharing information and carrying out various collective activities, can be of major benefit.

According to the Small Business Project, clustering allows participating firms to refocus the bulk of their energies on their core business, it allows them to take advantage of opportunities which might otherwise have to be passed up due to inadequate resources, reduces in-cluster transaction costs and improves the price competitiveness of the cluster and its participating firms and allows them to adapt more readily to industry or market trends. SME firms in the cluster can enjoy economies of scale equal to larger firms, can integrate vertically at much lower additional capital and operating costs, can reduce unit costs due to improved efficiencies, can gain access to services such as R&D and quality control which might otherwise be unaffordable, and are usually able to innovate on a grander scale.

7. Economical Interest

The main objective of the cluster is to increase the sales turnover and the economical effectiveness of the company and then find out the factors supporting its growth in its environment. The cluster is an interesting strategy when a group of companies is more effective than a consolidated activity in a single company.

Figure 5: Porter's Diamond Model



The structure of the relational system: Michael Porter’s Diamond
The cluster’s functioning fits in with "Michael Porter’s Diamond" which principal elements are as follows:
"Firms" are companies involved in the realization of products and services defining the cluster,
"Related" are companies supplying other similar customers with other products and services and being thus able to interact with customers as well as with the « firms » of the cluster,
"Factors" are the elements of the structural environment (institutions, infrastructures, universities, supports,),
"Demand" is the specific demands which activities make specialization and external growth possible at the same time.
These companies also must have skills that cannot be found elsewhere, be able to export them and attract investments interested by the concentration of these specialized skills.

8. Clusters in Pakistan

UNIDO initiated the SME Cluster and Network Development Programme (CND) in Pakistan in 2001 as a component of the Integrated Programme for Pakistan, in collaboration with TDAP, SMEDA, Ministry of Commerce, Ministry of Industries and Trade Bodies. A small pilot project was launched to create awareness within Pakistan of the relevance and benefits of the UNIDO SME CND methodology for the development of the country’s industrial SMEs.

We know that Small and medium-sized enterprises (SMEs) play a crucial role in the social and economic development of Pakistan, where they produce a wide range of goods, provide employment for a large number of skilled and semi-skilled workers in both urban and rural areas, account for a substantial proportion of manufacturing output, and make a major contribution to the country’s balance of payments. In overall terms, SMEs account for about 30% of Pakistan’s GDP, 15% of investment, and 80% of employment. They also play a prominent role as existing or potential producers of export goods.

Following are the clusters presently operative in Pakistan:

- Electric fans in Gujrat;

- Cutlery in Wazirabad;
- Ready-made garments in Lahore;
- Leather and leather products in Korangi, Karachi; and
- Gems and jewellery in Saddar, Karachi.
- The sports goods cluster in Sialkot;
- The surgical instruments cluster in Sialkot;
- The automotive components cluster in Karachi;
- The knitwear cluster in Karachi;
- The knitwear cluster in Lahore;
- The electrical appliances cluster in Karachi;
- The electrical appliances cluster in Lahore.
- The ceramics and pottery cluster in Gujrat;
- The domestic electrical appliances cluster in Gujrat/Gujranwala;
- The leather and leather products cluster in Sialkot;
- The woodworking cluster in Chiniot;
- The cotton ginning cluster in Rahim Yar Khan;
- The handloom weaving cluster in Multan; and
- The textile machinery spare parts and components cluster in Faisalabad.
- The handloom weaving cluster in Multan (also supported under the PSIC/SMEDA project mentioned above);
- The home furnishings cluster in Multan;
- The polyester cluster in Gujranwala;
- The handloom weaving cluster in Hyderabad;
- The weaving cluster in Hyderabad; and
- The textile cluster in Dadu

Another training programme initiated for 20 CDAs representing six national and private sector bodies including SMEDA Sindh and ANAN (Aik Hunar Aik Nagar) under this programme in the first quarter of 2007. Training on UNIDO CND methodology to the national programme of “One Village, One Product” called AHAN was imparted to help AHAN team in effective implementation of their programme. Review meeting of the CDAs is expected in the mid-May 2008.

As an outcome of UNIDO Cluster and Network Development Activities in Pakistan, the following agencies have initiated cluster development activities in 50 clusters in Pakistan keeping in view of their mandates and mission statements:

Table 8: Clusters in Pakistan

UNIDO, TDAP & SMEDA	5 Clusters
TDAP	7 Clusters
SMEDA Punjab	5 Clusters
SMEDA Sindh	5 Clusters
AHAN	4 Clusters
PSIC	8 Clusters
Min of Textile	9 Clusters
TRTA	4 Clusters
SSIC	1 Cluster
NGO Tharparkar (TRDP)	1 Cluster
CSR Sialkot	1 Cluster

9. **Cluster Advantages Pakistan Experience**
Pakistan has witnessed various opportunities through formation of cluster. Some of them are as below:
   - Clusters Registered as private limited companies;
   - Common website & catalogue development;
   - Initiation of activities related to adoption of CE Mark & ISO 9000 certificates;
   - Order-sharing activities;
   - Quality analysis of products through PCSIR according to Int'l standards& awareness on international safety standards and initiation of projects;
   - Conducting customized programmes in FDI, PCSIR etc
   - Cost reduction through joint bulk purchases of raw material;
   - Introduction and adoption of matching code-of-conduct in production processes;
   - Inclusion of quality & production improvement measures through joint trainings;
   - Direct and indirect exports increase through network sharing initiatives;
   - Development of promotional material like interactive CD & network based marketing material;
   - Up-gradation of machining facilities & Inclusion modern machinery in the factories;
   - Expansion of current production set-up as-the-result of visioning exercise;
   - Quality of end-product has increased manifold with considerable reduction in waste, cycle time and costs;
   - Technical assistance and sharing of knowledge through joint meetings;
   - Joint participation in Int'l trade exhibitions & delegations;
   - Adoption of 'Export Consortium' approach by the cluster;
   - Export growth to multiple international destinations;
   - Domestic & international brand development;
   - Network-based joint marketing distribution channel (Domestic & international), 'Qualified supplier' of Chain-stores (Makro & Metro);
   - Matchmaking activities with cluster stakeholders;
   - Explore more international markets & participate in trade fairs;
   - Joint Production & Quality improvement steps;
   - Software development to automate & systemize working practices;
   - Sharing of resources thus leading to joint savings, new product designing, quality improvement, decreased risk profiles;
   - New designs development;
   - Expansion of production capacity;
   - Product diversification;
   - Change in marketing culture through independent international marketing consultant;
   - Strengthening of linkages between entrepreneurs of other Clusters and national/international agencies;
   - Standardization of product;
   - Joint processing facilities.

10. **Prospects of clusters of women owned businesses:** Women need to come closer to each other and form clusters. They need a lot of exposure to enter into the main stream of businesses. Some points are given below:
    a. Improving women business owners' understanding of markets;
    b. Improving competitiveness of goods and services offered by women business owners;

c. Linking buyers and sellers and preparing women entrepreneurs to participate in trade fairs;
d. Clustering of similar products like ladies garments, jewellery, handicrafts & bed linen etc.

11. SELF REASSESSMENT

OBJECTIVES:

By the end of this activity, participants will be able to understand the following:

- Whether they are ready for exports now.
- Do they have the required resources to export?
- Can they handle big orders?
- Are they willing to proceed for international exposure?
- What have they gained over the past two days?

PARTICIPANT EVALUATION FORM

Training Program/Event Details	
Program Name:	Processes & Benefits of Formal Export
Trainers:	Ms Roubina Shah, Mr Salman Farooq, Ms Asima Awan
Location:	PC Hotel, Karachi
Date:	April 5th & 6th, 2010

Training Program/Event Qualitative Evaluation (DAY 2)
Instructions: Circle the number per row that reflects the training/event value. Comments remain confidential and will be used to improve future trainings.

	Weak	**Satisfactory**	**Good**	**Excellent**
1. What is your overall evaluation of today's training?	1	2	3	4
2. Did this course meet your expectations?	1	2	3	4
3. How would you rate the presenters in terms of knowledge and presentation style?	1	2	3	4
4. How is the opportunity to interact and participate with the trainer and the other participants?	1	2	3	4
5. How would you rate the course materials?	1	2	3	4
6. Will you be able to apply the concepts presented in your current role?	1	2	3	4
9. How would you rate the training/event facilities (meeting room, meals, accommodation, ect…)?	1	2	3	4
10. How would you rate the overall program logistics?	1	2	3	4

11. please rate the trainers on a scale of 1-4 (where 1=poor, 2=average, 3=above average, 4=excellent)	**Presentation skills**	**Knowledge**	**Clarity of delivery**	**Generation of interest/participation**
Trainer's name				
Trainer's name				
Trainer's name				

What did you like best about this training program/event?

1. ____________________
2. ____________________
3. ____________________

Do you have any suggestions on how to improve the training program/event?

1. ____________________
2. ____________________
3. ____________________

Your suggestions for future training topics:

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How can we help you in ways other than trainings (e.g. facilitation in cluster formation etc.)?

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Other comments:

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USAID Pakistan Trade Project
Deloitte Consulting, LLP
Tel: (051) 843 8280 - 83
Fax: (051) 835 0150
http://www.pakistantrade.org