

TECHNIQUES OF INTERNATIONAL TRADE

Revision of

TECHNICAL PROCEDURE IN EXPORTING AND

IMPORTING

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Revision of
TECHNICAL PROCEDURE IN EXPORTING
AND IMPORTING

BY

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TECHNIQUES OF INTERNATIONAL TRADE

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To Helen

PREFACE

When "Technical Procedure in Exporting and Importing" was first published in 1922, the preface emphasized the economic interdependence of all nations. I stressed then the economic geographic fact that no nation had within its own borders all of the natural resources and productive facilities to care adequately for its needs. I also emphasized the widely recognized view that the United States must import abundantly if it would export abundantly. Unfortunately, these economic truths were ignored by the United States and other countries during the period between the two great world wars. There was a growth of economic and political nationalism throughout this time which resulted in steadily increasing tariffs and decreasing trade. The trend toward economic isolationism by us and others was one of the contributing factors to the collapse of the early thirties.

Only then was an attempt made to reverse this disastrous trend. The Trade Agreements Act of 1934 made it possible for the United States to lead in urging agreements with other countries toward a slow and gradual reduction of tariffs. Some progress was being made when the Second World War engulfed us. Assuredly, if we are to have any chance of living at peace with each other, it must be the hope of all men and women of good will that the nations of the world have finally learned the dire necessity for economic cooperation toward universal economic progress. In the sphere of world economics the wealthy agricultural and industrial nations must assume the role of leadership in the cooperative attempt to lower tariffs and eliminate other trade barriers so that goods may flow more freely for the benefit of all. The need for participation by the United States in these efforts and for leadership by the United States is now recognized and accepted by nearly all of our business, farm, and labor groups.

An understanding of the economic principles underlying international trade and of the considerations determining the operations of an individual company is vital to the success of an enterprise. But beyond such knowledge it is important to know the techniques used in the movement of goods through our mechanism of selling and buying. These techniques are complex as are all techniques of modern

business but they are not difficult to learn and they are not difficult to practice. They are to some extent processes that are not used in domestic trade and which too few manufacturers and merchants take the trouble to learn. Hence, I have always urged upon students and businessmen in international trade a thorough knowledge of all international trade techniques. I hope that this text will be useful to them as well as to manufacturers whose raw materials and supplies come from abroad, and to service organizations such as banks, steamship agencies, railroads, airlines, insurance underwriters, freight forwarders, and customs brokers.

No business deal ends when a contract is made. The way in which an order is fulfilled is vital to both seller and buyer. If a seller does not know what he must do after he has accepted an order or if a buyer does not understand what he has a right to expect of the seller, mistakes will be made, misunderstandings will arise, friction will be generated, and both buyer and seller may lose the expected benefits of their transaction as well as important business connections. All exporters should bear in mind that the proper execution of an order is as important as the salesmanship that first obtains the order.

In this book I have tried to describe in adequate detail each of the techniques of which the international trader must have full knowledge. They are many. Both seller and buyer must understand their contracts thoroughly and must also know of their rights and obligations under the foreign trade terms that are used. They must understand the physical movement of the goods by land and sea or by air from point of inland origin to overseas destination as well as comparative costs of shipping. They must know the contractual obligations assumed by transportation agencies in order to know the risks which sellers or buyers must bear and the way in which they can protect themselves through adequate insurance. They must know financing methods and monetary and credit conditions in the countries to which they sell or from which they buy. They must know customs and other government regulations, how to pack goods properly, and efficient and economical methods of communication. Throughout I have given examples of individual transactions and have attempted to describe what should be done and can be done, as well as many of the pitfalls that are to be avoided. But at best this book can only lay a foundation for a basic knowledge of the techniques. After they have been learned, all the members of an organization who have to do with its overseas operations should keep constantly abreast of the many changes that come about in all these practices. There are sources of information available

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here and abroad for such inquiry. Only through thorough knowledge of all international trade procedures and through intelligent application of such knowledge can the businessman assure himself of continued good relations with companies in other countries on which he can build a prosperous and satisfactory international business.

MORRIS S. ROSENTHAL

NEW YORK, N.Y.

March, 1950

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Roger Sammon, now assistant to the president of Stein-Hall, Ltd., Toronto, Canada, worked closely with me from beginning to end. His was the difficult task of research, of compiling most of the material, and of reading the manuscript carefully to verify its accuracy. Helene Kutscher and Rita M. Vance typed the manuscript, read proof, and did cheerfully and pleasantly the countless chores that are necessary in putting together a book of this kind. Helen Rosenthal helped greatly by her thorough editing, chapter by chapter. To each of them, my deep gratitude.

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Chubb and Son

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National Association of Credit Men

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Trans-World Airline, Inc.

Frank W. Sinclair, assistant treasurer
Funch, Eyde & Company, Inc.

Robert M. Stein, vice-president
Stein, Hall & Company, Inc.

M. S. R.

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With that end in view, requests National Committees to approach the banking Associations of their respective countries;

Requests International Headquarters to use its influence to extend the application of the "Uniform Customs and Practice" not only to countries where there are National Committees, but to all other countries as well; and

Expresses the hope that the above-mentioned agreement may form a basis for subsequent agreements which will take into account the views and interests of clients.

APPENDIX G

DETAILED COST ANALYSES OF EXPORT AND IMPORT SHIPMENTS

Date *September 14, 1949.*

**THE COTTON YARN MANUFACTURING AND EXPORT COMPANY,
NEW YORK CITY**

ANALYSIS OF EXPORT QUOTATION

Name	<i>Textile Import Company</i>
Address	<i>49 Bunder Road, Karachi, Pakistan</i>
Material	<i>Cotton Yarn, 30/1, Carded, Natural, Warp Twist, in 1/8-ounce skeins</i>
Packing	<i>Waterproof Paper-lined Burlap Bales, each containing approximately 400 pounds net, 404 pounds gross—18 cubic feet</i>
Terms of Sale	<i>Letter of Credit, 30 days sight draft</i>

Selling price f.o.b. mill per 100 pounds including all packing charges	\$65.00
Motor freight to New York Motor Terminal @ \$1.57 per 100 pounds:	
1 bale 404 pounds @ \$1.57 equals	\$6.35
100 pounds equals $\frac{101}{404} \times 6.35$ equals	1.59
Cartage to vessel @ \$0.13 per 100 pounds:	
1 bale 404 pounds @ \$0.13 equals	\$0.53
100 pounds equals $\frac{101}{404} \times 0.53$ equals	0.14
F.a.s. vessel per 100 pounds	\$66.73
Ocean freight @ \$34.50 per 2,240 pounds or 40 cubic feet, ship's option:	
1 bale 404 pounds @ \$34.50 per 2,240 pounds equals	\$ 6.23
1 bale 18 cubic feet @ \$34.50 per 40 cubic feet equals	\$15.53
100 pounds equals $\frac{4\frac{1}{2}}{18} \times 15.53$ equals	3.89
Marine insurance:	
Selling price plus 10% equals approximately \$83 @ \$1.50 per \$100	1.25
Interest on approximately \$75 @ 3% per annum 30 days	0.19
Agent's commission on selling price approximately \$75 @ 3%	2.25
Selling price c.i.f. Karachi per 100 pounds	\$74.31

**HARVEST HAT TRADING COMPANY
NEW YORK**

ANALYSIS OF IMPORT COSTS

**SELLER: THE HALL TRADING CORPORATION
DJAKARTA, INDONESIA**

MATERIAL: 10 bales Whole-straw Pandan Hats—containing 100 dozen each

F.o.b. OCEAN VESSEL COST:

1,000 dozen @ fl 217½ per 100 dozen..... fl 2,175.00

Converted @ 26.31 cents per fl..... \$572.24

COMMISSION ON LETTER OF CREDIT:

@ 120 days sight ½%..... 2.86

OCEAN FREIGHT:

\$37 per cubic meter on 4.77 cubic meters..... 176.49

INSURANCE PREMIUMS:

Marine \$1.00 per \$100 valuation (based on f.o.b. cost, freight and charges plus 10%) on approximate value of \$850..... 8.50

War \$0.15 per \$100 valuation (based on f.o.b. cost, freight and charges plus 10%) on approximate value of \$850..... 1.28

Duty \$0.33⅓ per \$100 valuation on \$36..... 0.12

IMPORT DUTY: 6¼% on \$572.00..... 35.75

MISCELLANEOUS EXPENSES:

(Cables, entry, etc.) ¼% on \$755..... 1.89

LANDED COST DUTY PAID EX DOCK NEW YORK..... \$799.13

COST PER 100 DOZEN..... \$79.91

NOTE: Consular invoice fee of \$2.50 customarily absorbed by shipper.

APPENDIX H

UNITED STATES NATIONAL TRADE ORGANIZATIONS WHICH MAINTAIN FOREIGN TRADE DEPARTMENTS

American Arbitration Association, Inc., 9 Rockefeller Plaza, New York 20, N.Y.

Chamber of Commerce of the United States of America, 1615 H Street, Washington, D.C.

Export Advertising Association, Inc., 20 Vesey Street, New York 7, N.Y.

Export Managers Club of New York, Inc., 2 Lafayette Street, New York 7, N.Y.

Foreign Policy Association, Inc., 22 E. 38th Street, New York 16, N.Y.

National Association of Credit Men, Inc.—Foreign Credit Interchange Bureau, 1 Park Avenue, New York 16, N.Y. (membership in 28 states).

National Association of Manufacturers of the U.S.A., International Trade Department, 14 W. 49th Street, New York 20, N.Y.

National Council of American Importers, Inc., 45 East 17th Street, New York 3, N.Y.

National Foreign Trade Council, Inc., 111 Broadway, New York, N.Y.

United States Council of the International Chamber of Commerce, 18 East 41st Street, New York 17, N.Y.

United States Inter-American Council of the Inter-American Council of Commerce and Production, 1615 H Street, Washington 6, D.C.

Throughout most of the large cities of the United States, there are local organizations which take an interest in foreign trade matters. Exporters and importers located at inland points may contact these local organizations for advice and consultation on foreign trade activities.

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