

How to Import

Before we get started

The world of international trade is challenging and exciting. Doing business with foreign companies, understanding their economies, developing partnerships, learning about products and even travelling abroad, are some of the processes involved in importing. There are many reasons for importing, aside from the obvious financial benefits.

- Importing as a new business to distribute locally,
- Importing by existing businesses to expand their product base,
- Importing products as inputs to reduce costs, and improve quality,
- Importing of skill or technology to benefit production,
- Importing of governments to meet infrastructure growth

The process of importing is mostly regulated by government organisations. Other key players involve the manufacturer, banks (both local and abroad) and other facilitating organisations (third-parties) that provide services such as shipping and transportation, clearing, storage etc. Due to the regulations and people involved, it's crucial that we follow a well defined process, this will help ensure your success. And like all processes, documentation is the driver. We'll go through these documents with every step of the import process.

So what does this process entail? This is generally what it looks like:

- Identify and research opportunities (including other administrative tasks such as acquiring import permits, understanding regulations, etc)
- Initial contact with suppliers
- Preparing and agreeing on the terms of the contract
- Finalising the contract of Sale
- Arranging payment and complying with exchange controls
- Third-party costing
- Finalising Third-party services (Transport, insurance, clearing, storage and finance)
- Receiving goods

In the next section we will start detailing each of these processes, and also highlight how IntaStella can help you at each of these stages. Should you have any queries, or suggestions, we welcome them. Please feel free to mail Support@IntaStella.net

There's a world of opportunity out there, just waiting to be applied.

Identify and research opportunities

Associated Documents: Research documents, statistics, etc

Depending on your reason for importing, your method of exploring import opportunities will differ. If you have an existing business, and are looking for better and more cost effective inputs or products, then you'll already have a clear understanding of what you need. However, if you're interested in starting up your own import business, you should search for a product that you have some knowledge about and/or that you are passionate about. Either which way product knowledge is vital, especially after the product or service is in your possession.

Identifying the ideal product or service is often highlighted as the single major difficulty in the import process. This is largely due to the vast universe of manufacturing and service concerns available. IntaStella provides a platform for manufacturers and service providers to present their products to the international community, namely importers like you. IntaStella presents importers with a holistic solution to the international trade process. A wide variety of data is collected from around the world to help you make a more informed decision of whom and where to import from.

In order to import products, you would require an import permit. Import permits are required only for specific categories of goods and are obtainable from the Director of Import and Export Control at the Department of Trade and Industry. Failure to produce a required permit could result in the imposition of penalties. The purpose behind this is for governments to make certain that importers adhere to the local import regulations. Other regulations may include anti-dumping duties, surcharges, taxes and licenses. During your research you may consider contacting customs to enquire about any tariffs regarding the product/s you wish to import. This will be valuable when drawing up a costing and financially justifying the import.

Understanding basic market research can provide you with some key indications of what to import. More often than not, medium sized businesses are more likely to experience export growth than large businesses that may already have international ties. Therefore, indicators such as your number of employers or output might be valuable to consider, depending on the nature of the product. The GDP indicates the value of goods and services produced for a country within a year, and can give you an idea of how well a country operates. Together with the population of a country, and the wealth distribution you may be able to calculate the potential success of a particular product. IntaStella will endeavour to provide you with as much of this information as possible.

The reality isn't a shortage of import opportunities, but rather the way we translate data into usable information that allows us to utilize those opportunities.

Initial contact with suppliers

Associated Documents: Transcripts of communication between the buyer and seller

Technology has revolutionised the way we do business, and international trade is no exception. IntaStella applies the latest internet technology to bring the key players of international trade together. Along with all the product information you will have access to detailed information (including pictures) of products and/or services, preferred terms of the contract, availability, company's goals and even major exports for that country along with a host of other information. What's even more valuable is that IntaStella validates these businesses credit ratings so that you know that you're dealing with a reputable business even though you're thousands of miles away.

By simply forwarding your required information along to the manufacturers, they can communicate with you directly via e-mail or telephone. Saving you time and money associated with research and the traditional tedious correspondence.

Preparing and agreeing on the terms of the contract

Associated Documents: Contracts describing terms, conditions, relationships, etc

Once you've identified your product or service of choice, you can initiate a discussion of the terms of the contract. The terms of the contract (we refer to the Incoterms 2000 which is entirely separate from the contract of sale or transfer of ownership) assigns the risks and obligations of the buyer and the seller regarding the delivery/handling of goods. These terms appear in the format of Incoterms 2000 which are standards governing these risks and obligations.

Incoterms 2000 are internationally understood standards that cover the following aspects:

- Which party bears the **costs**,
- Which party bears the **risk** (loss or damage to the goods) of delivery,
- Which party is **responsible** for delivery of the goods.

There are 13 Incoterms which describe different scenarios, listed below:

- **EXW (EX WORKS - Identified by a named place)**
- **FCA (FREE CARRIER - Identified by a named place)**
- **FOB (FREE ON BOARD - Identified by a named port of shipment)**
- **CFR (COST & FREIGHT - Identified by a named port of destination)**
- FAS (FREE ALONGSIDE SHIP - Identified by a named port of shipment)
- CIF (COST, INSURANCE & FREIGHT - Identified by a named port of destination)
- CPT (CARRIAGE PAID TO - Identified by a named destination)
- CIP (CARRIAGE & INSURANCE PAID TO - Identified by a named destination)
- DAF (DELIVERED AT FRONTIER - Identified by a named place)
- DES (DELIVERED EX SHIP - Identified by a named port of destination)
- DEQ (DELIVERED EX QUAY - Identified by a named port of destination)
- DDU (DELIVERED DUTY UNPAID - Identified by a named destination)
- DDP (DELIVERED DUTY PAID - Identified by a named destination)

The more commonly used Incoterms (in bold above) are discussed in more detail in the Incoterms 2000 document. An example of a quotation using the Incoterms 2000 would be:

\$10,000.00 / ton F.O.B Durban Incoterms 2000

It is imperative that you mention "Incoterms 2000" in its completeness as the parties will only then have contractually incorporated the standard Incoterms definitions. Without stating it completely, it would be difficult to determine the respective rights of the parties in the event of a dispute, due to multiple laws applicable to the various Incoterms.

Third-party services & costing

Associated Documents: Quotation, Costing Sheet, Pro-forma Invoice

The next step after agreeing on the Incoterms 2000 to be used is to review quotes on the various services required. These would be separated between:

- Transporting
 - Depending on the circumstances of the deal, the importer or exporter needs to decide on the best mode of transport and to book space with a chosen carrier.
- Insurance
 - Depending on the agreed terms of delivery, the importer or exporter will take out cargo insurance against the risk of damage during transit
- Finance
- Clearing
- Storage

Upon selecting your interest in the goods, you have the option of requesting a quote from any of these third –party service providers, or even contacting them directly. Having received all your required quotes, you are now in a position to undergo a costing exercise which will determine the viability in importing the products you've selected.

Finalising the contract of Sale

Associated Documents: Agency Agreement, Distribution Agreement

The legalities surrounding international sale are more complex owing to foreign legislation (Common Market codes of the European Union (EU), or the other statutes). Furthermore, statutory laws may override, or even ignore your local regulations. This calls for extra care when preparing agency or distributorship agreements.

Agency agreements must at least specify the following:

- Contractual relationship of both parties for the duration of the contract
- Precise name and legal status, & description of the parties.
- Prohibition of cession or assignment; capacity to appoint sub-agents.
- Agency product & territory.
- Limits, if any, of permissible contracts/contacts - for example, are government departments excluded.
- Extent of exclusivity
- Conditions of authorised sales - prices (state applicable Incoterms, and that it shall be defined according to ICC Incoterms), delivery, warranties and terms of payment.
- Form of sale contract - use of principal's name. Contracting in agent's name.
- Acceptance or confirmation of orders by principal. Specific acceptance required. Accepted if not notified of rejection by principal. Ratification by principal. Use of confirming houses.
- Calculation of commission and time, method and place of payment. Fixed rate. Sliding scale. Payable on confirmation, on delivery, on payment by purchaser. Prohibition on secret profit.
- Performance clauses - guaranteed minimum performance by agent, loss of commission if shortfall. Termination of agency.
- Expenses payable by parties respectively.
- Sales aids, literature, samples, advertising.
- After sales service - spare parts.
- Commercial and financial reports by agent. Inspection of records by principal (Generally on customers).
- Protection of principal's trade marks, patents and know-how. Protection of principal's commercial/trade secrets.
- Prohibition of competing interests by agent.
- Del creder agency - agent undertakes to collect debts on principal's behalf (for definition, see [dictionary](#) of common shipping and export phrases, terms and abbreviations).
- Breach of contract, insolvency, death, curator ship (Including remuneration by agent, revocation by principal, contingent damages).
- Authentic text.
- System of law governing the contract.
- Jurisdiction of court.
- Arbitration clauses - where neutral third part attempts to resolve dispute on the contract.
- Reservations of rights by principal - agent's capacity to form, vary or terminate contracts.

Distributorship agreements must at least specify the following

- Precise name and legal status, and description of the parties.
- Prohibition of cession or assignment; capacity to appoint sub-agents.
- Date of commencement and termination.
- Agency products.
- Agency territory.
- Limits, if any, of permissible contracts/contacts - for example, are government departments excluded.
- Extent of exclusivity - other agents excluded. (As well as seller exclusion)
- Conditions of authorised sales - prices, delivery, warranties and terms of payment (Warranties, price & deliveries)
- Use of the principal's name must be specified
- Provision for the exporter's acceptance of orders
- There is no commission. The distributor's reward is his profit on re-sale.
- Performance - minimum sales should apply.
- Distributor usually bears all costs.
- Sales aids, literature, samples, advertising.
- After sales service - spare parts.
- Commercial and financial reports by agent. Inspection of records by principal (Generally on customers).
- Protection of principal's trade marks, patents and know-how. Protection of principal's commercial/trade secrets.
- Prohibition of competing interests by agent.
- After sales service - spare parts.
- Commercial and financial reports by agent. Inspection of records by principal. (Generally on customers).
- Protection of principal's trade marks, patents and know-how. Protection of principal's commercial/trade secrets.
- Prohibition of competing interests by agent.
- Del creder agency - agent undertakes to collect debts on principal's behalf.
- Breach of contract, insolvency, death, curatorship. Renunciation by agent, revocation by principal, contingent damages.
- Payment by Incoterms
- Consignment sales; sale or return.

Aside from what we've mentioned here, there are a variety of other contractual agreements, which need to be researched individually.

Arranging payment and complying with exchange controls

Associated Documents: Bill of Lading, Title Documents, Banks instructions

There are various methods of payment listed below, with a short description for reference:

- Advance Payment (Cash payment for goods)
- Letter of Credit (Documents which specifies when payment is made)
 - Irrevocable (More secure for the exporter as it cannot be amended or cancelled unless all parties agree)
 - Revocable (Less secure for the exporter as it can be cancelled or amended)
- Bills of Exchange (Written order from the seller indicating details of payment)
 - Promissory Note (Essentially a promise to pay)
- Open account (Goods released before payment)
 - Cheque
 - Bankers Draft
 - Mail Transfer (MT)
 - Telegraphic transfer (TT)

Advance payment is the most risky method for the importer (buyer) as he has no guarantee that he will receive the goods or services. The importer pays the full amount prior to receiving the goods, which may not even exist.

Letters of Credit are international contracts that specify the conditional undertaking of payment by the bank. Basically the bank assumes conditional responsibility for payment. The conditions set out in the contract stipulate that payment and contractual fulfilment occur at the same time, as well as when payment will be made (usually within 180 days of receipt of the documents by the paying bank). Transactions between the buyer and seller are managed by the corresponding banks (ie, the issuing bank and the paying bank). The Irrevocable Letter of Credit cannot be amended or cancelled without agreement from all parties, while the Revocable Letter of Credit can be cancelled or amended by the importer (even if the exporter is unaware of it). An importer can request that the Irrevocable Letter be confirmed, the bank then assumes full liability if and only if the conditions of the bill are met

The “Bill of Exchange” is a written order from the exporter (seller) indicating when, where, by who and how the payment is to be made. Bills of Exchange can be either “at sight” (cash required upon presentation of the bill) or at usance (over the duration of a credit period).

Open account is the most preferred method for the importer (buyer) as he assumes no risk regarding payment. The title documents are transferred to the buyer without any confirmation of payment.

Finalising Third-party services

Associated Documents: Shipping Instruction, Invoice, Insurance Documents, Insurance Certificates

Having gone through an intense costing exercise, you should have a clear understanding of which services you have identified (transport, insuring, financing, storage, clearing and other ad hoc such as loading and unloading various modes of transport.).

Receiving goods

Associated Documents: Inventory List

Once the goods or services have been received, they need to be checked, and stored appropriately.