



TDAP National Exporters Training Program (NETP)



Export Processes and Practices

LEVEL II

Instructor's Name





Instructor's Introduction

- Profile section 1
- Profile section 2
- Profile section 3



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Module Objectives

After reading this module, participants should be able to answer the following questions:

- Who is an exporter and what are the benefits of exporting?
- What are the stages of exporting and what skills are required?
- What roles do banks play in exports?
- What are HS codes and how to find them online?
- What have been the export patterns of Pakistan?
- How does an exporter know his or her export readiness?
- What is an export plan?



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SLIDE NAVIGATOR



Exporter

Exporter and benefits of exporting?



Stages involved in exporting



Export Planning

Finding HS codes online?



Export Readiness Survey?





Activity

Handout # NETP-HO-M1L2-01

In your Activity Books
take out handout #
NETP-HO-M1L2-01



In your handout, list
some of the largest
exporters of Pakistan



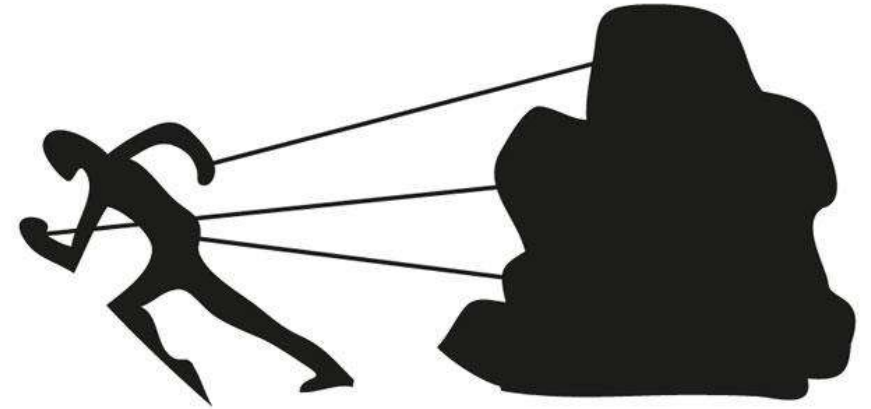
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Challenges faced by exporters

- Finding it difficult to understand foreign languages and culture
- Red tap and bureaucratic hassle involved in exporting
- Credit risk involved when dealing with a foreign buyer
- Exchange-rate risk.
- Low cost competitiveness of Pakistani firms
- Lack of knowledge on specific incentives provided by the government.
- Poor knowledge on custom rules and regulations as well as malpractice.





Apprehensions of an exporter



Product failure

Lack of knowledge on product attributes. For example, non-Halal certified products in Muslim majority countries.



Poor marketing strategies

Advertising campaigns ignore sensitivities of the local population and fail to translate into the local culture



Poor product mix

For instance, bundling bedsheets with pillowcases.



Poor pricing strategies

Such as charging a price that is too low (poor quality, threat of antidumping duties).



Difficulty in Communication

Lack of understanding of payment methods, laws, and cultural norms





Activity

Handout # NETP-HO-M1L2-02

In your Activity Books
take out handout #
NETP-HO-M1L2-02



Fill the columns in the
table provided in the
handout



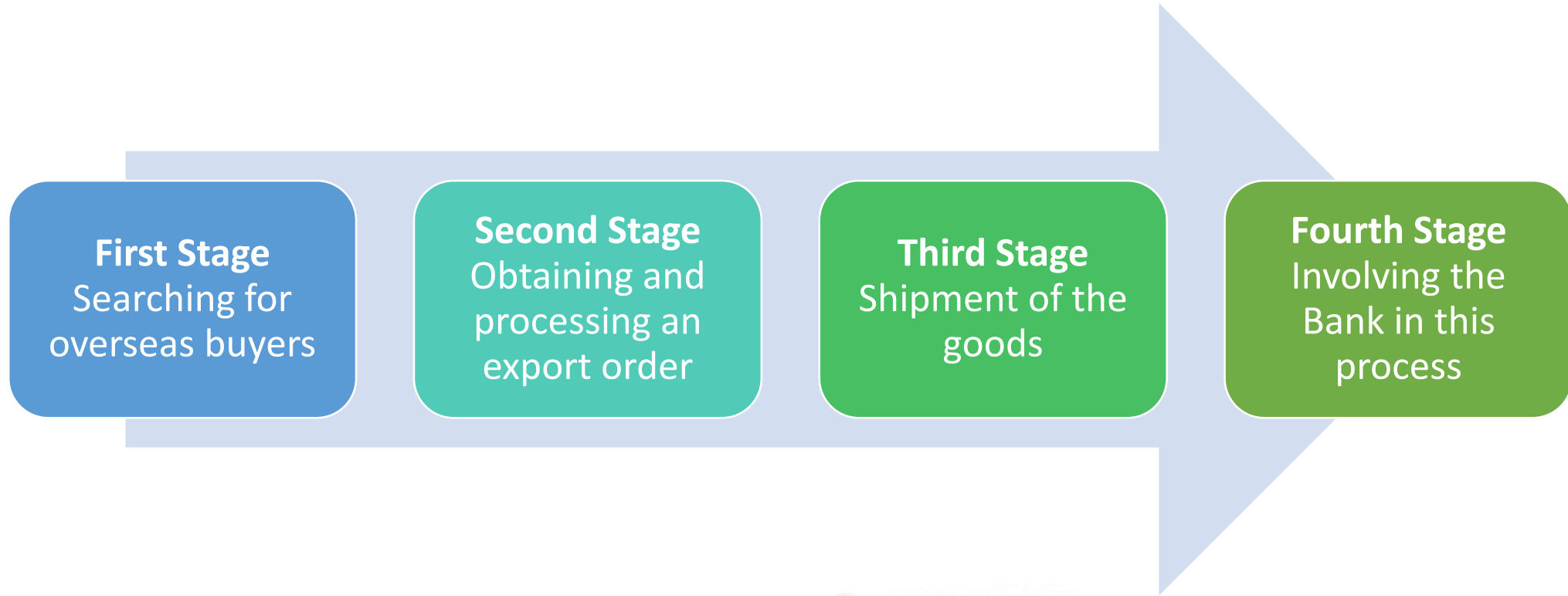
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Stages of Exporting

Process of exports involves numerous complications and several stages. However, the entire process can broadly be divided into four stages as shown below



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First Stage: Searching for overseas buyers

- Find suitable buyers in foreign markets.
- Search for buyers using primary and secondary sources
- Primary sources include visiting foreign markets and meeting customers
- Secondary sources include trade directories, government agencies and trade missions.
- Prepare an introductory letter for your product



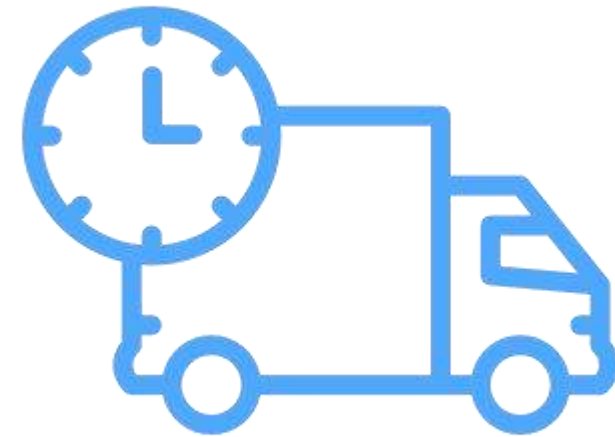
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Second Stage: Obtaining and processing an export order

- An exporter may receive a purchase inquiry from interested buyers
- Purchase inquiry defines the responsibilities of the buyer and the seller as well as the terms and conditions.
- A purchase order may be generated once the buyers and sellers agree to the terms and conditions.
- Purchase order must comply with currency restrictions as trade in only certain currencies are allowed. Due diligence in order to ensure buyer and transaction is legitimate.





Third Stage: Shipment of goods

- Once the goods are manufactured, the exporter will have to consider the method of shipment.
- This will involve the nature of the good (bulky, perishable vs durable), duration of shipment, cost of shipment and whether the good is to be put in a container etc.
- Exporters should also inquire about insurance policies as well as understand issues related to demurrage and default payments abroad.
- Objective is to find the least cost method and prevent unnecessary cost burden due to damages.



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Stage 4: Involving the bank

- Exporter and importer may involve the bank in order to finance the transaction.
- Exports often involve time lags and uncertainty in payments that can make the transaction very costly for the exporter
- Banks can guarantee payments based on documents. The importer submits documents to a bank in their own country, which advises banks dealing with the exporter that they can pay the exporter.





Activity

Handout # NETP-HO-M1L2-03

In your Activity Books
take out handout #
NETP-HO-M1L2-03



Fill the table columns
as instructed in the
handout



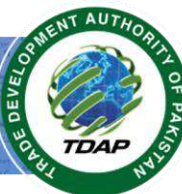


Finding exportable products and identifying potential markets to enter.

- Trade data available online can be used to analyze trade patterns
- HS codes can be used to determine bilateral trading patterns as well as analyze the level of world exports of each product.
- By using trademap.org, one can analyze the trading patterns of Pakistan by determining the top products exported and the competing markets for each product.
- Data is also available from local resources such as Pakistan Bureau of Statistics (PBS) will also be presented.



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What are HS Codes?

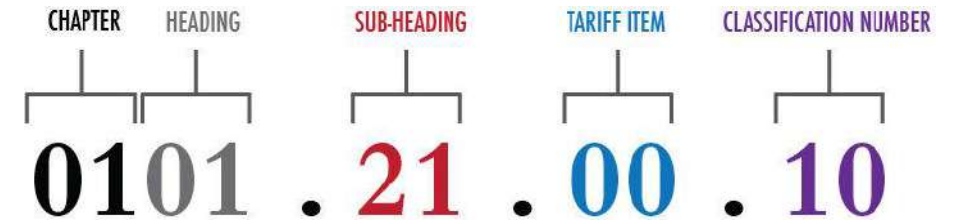
- The HS codes is an international nomenclature used to classify products traded by countries around the world.
- Pakistani exporters assign a universal code to their products, which helps describe their products in the importing countries.
- It facilitates customs to process the products according to a standard list of products.
- Although other coding systems exist, in this seminar we will use HS codes to classify products and analyze data.
- Data sources: www.asycuda.org to obtain product description for each code.



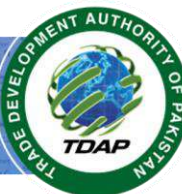


What are HS Codes? (contd)

- HS codes comprise of 5300 products arranged in 99 chapters across 21 sections.
- For instance, a six digit HS code assigned to a particular product can be arranged into one of 99 chapters and one of 21 sections.
- The chapters are grouped into headings at four-digit level and subheadings at six-digit level.
- Detail can be obtained from <https://unstats.un.org/unsd/tradekb/Knowledgebase/50043/HS-2002-Classification-by-Section>



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What are HS Codes? (contd)

- Let us consider Bed linen; knitted or crocheted, HS 630210.
- There are 21 sections. HS 63 belongs to Section XI
- First two digits (63) are HS chapters
- Add third and fourth digit (63.02) to get HS headings
- Add fifth and sixth digit to (6302.10) to get HS subheadings.
- The subheadings are at the product-level and the most disaggregated universal representation of global trade.





What are HS Codes? (contd)

- Although the most disaggregated universal representation of HS codes is at six-digit level, **national tariff lines** for countries do exist at eight, ten and twelve digit level.
- National tariff lines are more specific but unique to each country.
- For instance, HS 520100 (Cotton, neither carded nor combed) is the most disaggregated standardized description.
- Trademap.org does allow analyses at national tariff lines.

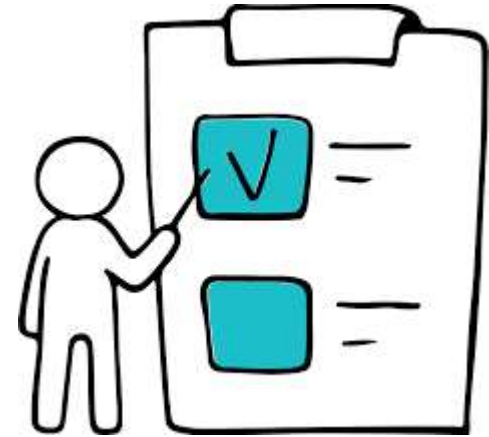




Export Plan

Ask the following as you develop an export plan

- Which products and markets are to be targeted?
- Are there any specific requirements such as standards and licenses required before setting out to export?
- What are the biggest challenges you are likely to face when exporting?
- Have you determined the export price of your product?
- What will be the cost for exporting? How many personnel will be dedicated towards exporting activities? How do you motivate employees to export more?



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Exploring secondary data

- Euler Hermes Country Reports: <http://www.eulerhermes.com/economic-research/country-risks/Pages/country-reports-risk-map.aspx>
- Economic Intelligence Units: <http://country.eiu.com/AllCountries.aspx>
- Keep up-to-date on global market information: <https://www.bloomberg.com/markets>
- Know your own industry trends by visiting websites of relevant trade offices
- Global Trade Alerts <https://www.globaltradealert.org/>





Exploring secondary data

Further exploration of data can also be done through World Development Indicators available at:

<http://databank.worldbank.org/data/reports.aspx?source=World-Development-Indicators>





Activity

Handout # NETP-HO-M1L2-04

In your Activity Books
take out handout #
NETP-HO-M1L2-04



Complete the exercise on
a computer or cellphone





Avenues available for exporters' assistance

TDAP's website: Please visit: <https://tdap.gov.pk/>

- Add your contact to the Pakistan Exporters Directory.
- Learn about international and domestic trade exhibitions.
- The website also updates visitors on SROs.
- As an exporter to the EU, you must enroll yourself in the REX system for EU-GSP Plus





Avenues available for exporters' assistance

- SMEDA's (Small and Medium Enterprise Development Authority) website: Please visit: <https://smeda.org/>
- SMEDA has guidelines for SMEs on Compliance and ISO certifications. You may find this under 'Publications'.
- SMEDA provides several resources useful to your business 'Under Facilitation for Doing Business'.
- Under 'Projects' you may find relevant information on programs and schemes offered by the national and provincial governments.





Avenues available for exporters' assistance

- SBP provides information on the day to day exchange rate valuations. Please visit: www.sbp.org.pk
- Under the 'Financial Markets' tab, you will find information on Foreign Exchange Market. You will consequently find information on daily exchange rate.
- SBP has several incentive schemes such as Export Finance Scheme, Islamic Export Refinance Scheme, Long-Term Finance Schemes and Islamic Long-Term Finance Schemes. Please visit: <http://www.sbp.org.pk/Incen/index.asp>



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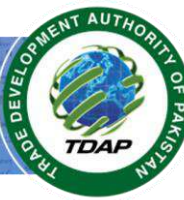
Avenues available for exporters' assistance

Pakistan Business Council advocates policies that promote business and corporate activities within Pakistan. It works with government agencies, ministries, regulators and other institutions in order to improve the business environment within Pakistan.

- 1. Visit <https://www.pbc.org.pk/>
- 2. Under 'Research & Initiatives', data and reports on FTAs as well as country profiles of major trading partners are available.
- 3. You may click on 'Trade Research' to learn more about the trade agreements and their effectiveness of Pakistani businesses.



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Activity

Handout # NETP-HO-M1L2-05

In your Activity Books
take out handout #
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Choose the right answer
in the questions given in
handout





Export Readiness Survey

Complete and return the survey provided
by the instructor



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