

# CONTENTS

*About the authors* xvi

*Foreword* xvii

*Tania Baumann, Acting Director, ICC United Kingdom*

## **PART ONE** The global economy 1

---

- 01 The rationale for foreign trade and its organization 3**
- Why countries trade 3
  - Comparative advantage 4
  - The evolution of world trade 4
  - Protectionism 5
  - Methods of protection 5
  - Regions in world trade 7
  - The UK's changed status in world trade 8
  - Organizations in world trade 11
- 02 Balance of payments: measurement and management 13**
- Measuring trade 13
  - International balance of payments ratios 13
  - Imbalances in trading accounts 14
  - Managing disequilibrium 15
  - Managing exchange rates 17
- 03 Patterns of world trade 19**
- International trade in the 20th century 19
  - Trends in merchandise trade and commercial services by region (1990–2001) 21
  - International trade in the 21st century 23
  - The impact of the 2008–10 recession 23
  - Leading exporters and importers in world trade 26
  - Conclusion 31

# **PART TWO** International marketing: principles and practice 33

---

## **04 Principles 35**

- The marketing concept 35
- The exchange process 37
- The marketing process 38
- The internationalization process 42
- Marketing research 43
- Market selection 44
- Market selection criteria 46
- Managing the mess 48

## **05 Methods of market research 50**

- Sources of information 50
- Sampling 54
- Conducting fieldwork 55
- Statistics 60

## **06 The marketing plan 68**

- Product 68
- Price 74
- Promotion 77
- Publicity 82
- Personal selling 83
- Literature 87
- Sales promotion 88

## **07 Distribution 90**

- Agent 90
- Distributor 92
- Local company 92
- Licence/franchise 92
- Selection of intermediaries 92
- Motivation 97
- Setting up a local company 99
- Setting up licensing 100
- Conclusion 100

**08 An overview of UK law 105**

- The making of law 105
- The incidence of European Union law 105
- Hierarchy of precedents 106
- Sources of law 107
- Types of law 108

**09 The law of contract 111**

- Contract essentials 111
- Offer and acceptance 114
- Tenders 115
- Standard form contract 115
- Consideration 116
- Terms of a contract 117
- Duress 119
- Mistake 120
- Misrepresentation 121
- Remedies for misrepresentation 123
- Criminal misrepresentations 123
- Discharge of contract 125
- Remedies for breach of contract 128

**10 Sale of goods in international trade 131**

- The law relating to the sale of goods 132
- Quality and suitability 132
- Delivery of wrong quantity 133
- Delivery by instalments 133
- Acceptance of goods 134
- Rejection of goods 134
- Other consumer protection aspects 135
- Exclusion of liability 137
- Exclusion clauses in sale of goods 138
- Effect of guarantee periods 138
- Unfair Contract Terms Act (1977) 139
- Non-application of the Unfair Terms Act 1977 to international sales 139
- Supply of Goods to Consumer Regulations 2002 140

## **11 EU competition law 141**

Article 81 of the Treaty of Rome 144

What is the field of application of Article 81(1)? 145

What are the elements of an infringement of Article 81(1)? 146

The 'de minimis' rule 147

Article 81(1) (a) to (e) 147

Article 81(3): exemption 150

Block exemptions 151

Comfort letters 152

Article 82 of the Treaty of Rome 152

An abuse must affect trade between member states 155

Mergers under EU law 156

## **12 The law of agency 157**

Definitions 157

The Commercial Agents Regulations 1993 157

Authority of the agent 159

Breach of warranty of authority 160

Effect of contracts made by agents 160

Rights and duties of principal and agent 161

## **PART FOUR The export order process 163**

---

### **13 The export office 165**

The export order process 166

The enquiry 169

### **14 The export quotation 170**

Goods 171

Price 171

Delivery 171

Terms and method of payment 171

Order acknowledgment (acceptance) 172

Forms of export quotation 172

Risk assessment 176

### **15 Incoterms 179**

Incoterms 2000 180

Incoterms 2010 187

Conclusion 191

**16 Modes of international transport 195**

- Freight forwarders 195
- The services of the forwarder 196
- Advantages of using freight forwarders 197
- Disadvantages of using freight forwarders 198
- Alternative modes of international transport 199
- Container security 202
- Other transport modes 204
- Choosing a mode of transport 206
- Freight calculation 208
- Total distribution cost 213

**17 Packing and marking for export 216**

- Distance and handling 216
- Environmental conditions 216
- Packing methods 217
- Factors affecting choice of packing 218
- Marking for export 219

**18 Transport documentation 223**

- An overview of export documentation 224
- The transport conventions 225
- The bill of lading 226
- Waybills 232
- Carrier's liability 234
- Dangerous goods 235

**PART SIX** Customs controls 241

---

**19 Export procedures and documents 243**

- An overview of customs controls 243
- The European Union (EU) 245
- Export procedures 248
- Export licensing control 252
- Exports from bonded warehouses 253
- Processing relief 254
- Transit systems 256
- Security issues 259

## **20 Import procedures and documents 262**

- EU imports 262
- Import controls 263
- The export invoice 265
- Customs management 275

## **PART SEVEN Risk management 279**

---

### **21 Cargo (marine) insurance 281**

- Physical risk 281
- Credit risk 282
- Exchange risk 282
- Cargo (marine) insurance 282
- Principles of insurance 290
- Claims documents 295

### **22 Credit insurance 296**

- Insurance and the exporter 299

### **23 Exchange risk management 300**

- Do nothing 301
- Currency accounts 301
- Forward exchange contract 302
- Summary 304

## **PART EIGHT Finance of international trade 305**

---

### **24 Business finance 307**

- Legal entities 307
- Sources of funding 311
- Exports and working capital 314
- Financial reporting 315
- Business costs 318
- Budgets 319
- Absorption costing and marginal costing 320

### **25 International payment methods 322**

- The market 323
- The buyer 323

The competition 324  
Cash in advance or with order 324  
Open account 324  
International transfer 326  
Factors 326  
Documentary collections 327  
Avalised bills of exchange 332

**26 Documentary letters of credit 333**

Documentary requirements 334  
Types of letters of credit 342  
Countertrade 344

**27 Money laundering 346**

Introduction 346  
Placement 346  
Layering 347  
Integration 348  
Legislation 348  
Outside the EU 349  
Money laundering offences and penalties 350

**PART NINE New horizons 353**

---

**28 ICT and export documentation 355**

SITPRO 355  
The background 356  
UN EDIFACT 357  
Trends and developments 357  
Conclusion 360

**29 EU governance 361**

Outcomes of the 2009–10 recession 362  
GDP 362  
Purchasing power parity (PPP) 362  
Big Mac index 363  
GDP per capita 363  
Member state contributions to EU GDP 365  
Further EU expansion 366

## **30 Global trading trends 367**

The global economic slowdown after 2008 367

The outlook for 2010 and 2011 369

Additional elements of risk 370

Evolution of the WTO 371

Increased political risk 373

Living with China 373

*Appendix 1: Websites for exporters 375*

*Appendix 2: Further reading from Kogan Page 377*