

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER (3) – EXAMINATION – WINTER 2019

Subject Code: 4539296

Date: 30/11/ 2019

Subject Name: EXIM Procedures

Time: 10:30 Am to 1:30 Pm

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 Definitions **14**
a) IEC Number
b) Cart Ticket
c) GR forms
d) Inspection Certificate
e) DGFT
g) certificate of Origin
f) E-IEC

Q.2 (a) Exporter is person, who exports or intends to export and holds an importers/exporter code number, unless otherwise specifically exempted". Discuss **07**
(b) Discuss the objectives of MEIS & SEIS. **07**

OR

(b) Explain Registration process with GST and its importance in Export **07**

Q.3 (a) What do you mean by principal document for International trade? explain any 3 of them **07**
(b) Discuss various categories of importers and exporters **07**

OR

Q.3 a) Explain importance of Marine Insurance Policy and various types of marine Insurance policy? **14**
b) Quality control is important aspect to focus on in export –import. Discuss various methods of quality control and pre-shipment Inspection.

Q.4 (a) Discuss various import incentives under special schemes. **07**
(b) Warehousing is important link for import and export both. Discuss. **07**

OR

Q.4 (a) Explain any two contracts in Foreign Business Trade. **07**
(b) What is the role of customs House agents? **07**

This particular case is about import management by an automotive dealer who deals with import of cars .it deals with the procedures involved in import, and the problems that can arise in the import business.

Vemic auto is located in Vanda, Finland, in the north of Europe. It employs 25 people, many of whom are experts on car export and import. Klaus Pohjala is the managing director of Vemic Auto. Vemic auto handles the sales and marketing of Mitsubishi cars, parts and accessories in Finland. It works together with local sales offices to sell cars. Mitsubishi has its production facilities in Japan, Thailand and The Netherlands. Therefore, the cars are exported from the factories. Mitsubishi motors has its main European headquarters in Bonn, In the Netherlands. It overlooks the sale of Mitsubishi in Europe. The car sales of Vemic auto only deals with the import of Mitsubishi cars. However, initially the Vemic Auto was solely managing Mitsubishi products. The company was also part of bigger company called Veho Group. This company dealt with the import of not only Mitsubishi cars but also Mercedes Benz, Ford, Citroen, Skoda, Honda and Smart. In Finland, the Veho group is an exclusive importer of these brands. The reason for focusing on all of these brands was that they believe in the success of all of these brands, and making a (small) profit.

Mr. Tony Viidik, the logistics manager of Vemic Auto, is responsible for the logistics of Mitsubishi vehicles, parts and accessories in Finland.

To understand how import works, one needs to look into the legal documents that were required to import the cars in the Finland. What we discovered was that the documents required differed from where they imported them from. As mentioned, it has three main countries that it imports its vehicles, parts and accessories from and these countries are Japan, Thailand and the Netherlands. The difference is basically whether it is from an Asian country or a European country.

The products are shipped from Japan and Thailand using a Roro vessel, where the vehicles are 'rolled onboard the ship. This is the easiest way to transport vehicles, as they are not a commodity that can easily be transported by, for example, containers. The Roro vessels coming from Asia are deep sea vessels, so they stop at the port of ZEEbrugge, Belgium, to unload the vehicles and move them to smaller Roro vessels for further shipment to Finland. There is need for a bill of Lading for shipment. The Bill of Lading is a document that substantiates that the goods mentioned in it, are on board the vessel, and that the shipment will be done by the carrier. In this case, the goods are transferred from one ship to another in Zeebrugge, which means that they need an offshore Bill of Lading.

In addition to the two Asian countries, Vemic Auto also imported some vehicles from the Netherlands, where another factory is located. The main document required for shipment is a T1 document is 'a declaration of shipping for the transportation of non-community goods within EU. Their definition of T1 document is 'a declaration of shipping for the transportation of non-community goods between two locations in the EU customs area.' It shows the custom offices of both countries that it is an EU product and that no duty has to be paid over it, which is sufficient to transport the products from one country to another. T1 document integrates the requirement of transport document, exchange control declaration form, shipping bill and Bill of Entry, which is the case in Non-EU countries.

In addition to these three main exporting countries, Vemic Auto has an import agreement with a Swedish company that specializes in special parts for the Nordic countries which is otherwise not provided by Mitsubishi. There are special parts because they are made to suit the harsh weather conditions one finds in the Nordic countries, and not elsewhere in Europe.

These parts, for example, include special spike tyres for icy roads. As they are now dealing with another EU country, they only need to fill out the T1 document.

The shipping documents required for Vemic Auto is something that is getting more and more important in the globalized world we live in today. This is that many countries have special agreements this is the EU. The EU wants to promote export and import among the European countries that members of the EU. In addition, non-EU countries like Norway, have special trade agreements through EEA. This simplifies all the processes of shipping the goods, but also removes many of the taxes on export and import where some countries make agreements to promote import export between them.

Vemic Auto also dealt in some export. There have been cases when on an ad-hoc basis, the Mitsubishi distributions of neighboring countries have requested for certain types of vehicles that are in the stock of Vemic Auto, which they then sell for a small profit. Negotiating prices with these people is not tough, as they are acquainted with each other's for years already. Their shipment is then always done on CFR terms and the shipping company creates a bill of lading or T1 document, based on which country they are exporting to. Since the vehicle is sent on CFR terms, it means that the exporter has to make agreements with the carrier. The price negotiations with the shipping companies can be difficult and they address more than one company to find the lowest freight charges.

Vemic Auto has always been exporting cars under CFR conditions. On the other hand, their import from Asia and the Netherlands is done under other incoterms, such as CIF conditions. CIF stands for cost, Insurance and Freight (to importers port), and it means that these costs are included in the price they have to pay on the vehicle. In other words, it means that the exporter undertakes the legal responsibility of all the arrangements dealing with the shipments, from booking a carrier to paying the insurance. In this case, Mitsubishi Motors Corporation as Mitsubishi Motors Corporation wants them to pay for the vehicles before they arrive in Finland.

Mitsubishi Motors Corporation is invoicing them when the vehicles are booked on vessel and they then have one month to pay for the vehicles. Parts and accessories. The lead time from Asia to Finland is approximately 6 weeks. The Finnish customs does not require a certificate of origin when the proof of the origin can be determined from either the commercial invoice or from the EUR1 document. It is used to 'validate claims for preferential duty treatment. For Mitsubishi products from Asian countries, a commercial invoice is sufficient.

It is interesting to see that Mitsubishi motors Corporation takes the responsibility of the transport and everything that follows. One reason for this might be that they know that it is in their own interest to get a good deal on the shipment charges to other countries. As a big company they will have stronger bargaining power with the carriers than a 'small' local importer in Finland would have. Another aspect is that by doing the shipment themselves they can collect all their orders in Europe and ship them together. In doing so, they will probably avail discounts from the number of vehicles or parts that they are shipping. It will, of course, be up to them to give these discounts to the importer or keep them with the Mitsubishi Motors Corporation. It will benefit them either ways.

When Vemic Auto has ordered a number of vehicles and it has been shipped from their original port, the vehicles arrive at Hanko Freeport on the south coast to Finland. The cars remain there – neither touched nor did custom clear – until they sell the vehicles to a dealer. First,

when the vehicle is sold to a dealer, it gets custom cleared. Custom clearance is done automatically via EDI. A cargo declaration has to be submitted electronically to the Assessing officer, who checks it and then approves it. The Bill of Entry is then printed and the importer pays the duty for the vehicles. Cars are then sent to the dealer who sells it to the customer.

The reason why they keep the vehicles in the warehouses at the sea port until it is ordered is that having a large stock of cars costs a lot of money. Whether they have a storage in the Freeport or just outside the port there is not much difference in the time it takes to get a car saved more money, because they would have had to pay the tax. So, by having the storage within the port they potentially save large amount of money by not paying import taxes until they actually get it back themselves.

- (a) Discuss about the various legal documents that were required by Vemic auto to import the cars into Finland. **07**
- (b) Who takes the legal responsibility of all the arrangements dealing with the shipments – importer or exporter? Discuss **07**

OR

- Q.5**
- (a) How does Mitsubishi Motors Corporation benefit by undertaking the responsibility of the transportation arrangement? **07**
 - (b) What is the customer clearance Strategy for Vemic Auto? Are there any hurdles they were facing in it? **07**
