Introduction to International Trade Logistics

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INTRODUCTION

• An efficient transport and trade logistical system is a prerequisite for sustained economic development for any country of the world. It is especially more important for an emerging economy like India which has one of the highest transactional costs of doing business in the world.

• The prime reasons of high transactional cost in India’s foreign trade are poor logistical infrastructure in India, poor logistics management practices, and lower use of technology in logistical operations.

• Logistical advantages and efficient transport system also play an important role in promoting the development of the backward regions including country hinterland and help in effective economic integration of such areas into mainstream economy by opening them to trade and investments.

• In a liberalized set-up, an efficient transport network, including improvements in virtual as well as physical infrastructure and overall efficiency in logistical system of the country, become all the more important in order to increase productivity and enhance the competitiveness of the economy in the world market.
# GROWING IMPORTANCE OF TRADE LOGISTICS

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<th>Topic</th>
<th>Details</th>
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<td>Waves of Economic Liberalization and Globalization in Large Part of the World.</td>
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<td>China and India’s Rise as Global Production and Services Base.</td>
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<td>Historic Rise in Oil Impacting the Transportation Cost.</td>
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<td>Peak in Production Capacity and Efficiency in Certain Areas.</td>
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<td>Fundamental Change in Inventory Management Strategies such as JIT/TQM/VMI etc</td>
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<td>Proliferation of Product Line Compelling Producers to sell to Fragmented and widely spread Markets as Quick as Possible.</td>
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<td>Real Onset of ICT Era in Latin America, Asia and Africa.</td>
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<td>Growing Might of Organized Retails Chain World Wide.</td>
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<td>Government Interest in Prompt Logistical Services as it will give additional boost to Economy.</td>
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<td>Shift of Power from Developed to Emerging Markets in Asia; Africa and Latin America</td>
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Understanding trade logistics

• The word ‘Logistics’ has originated from a French word ‘Loger’ which means “art of transporting”.

• Understanding the field of international trade logistics require concerted efforts to know the all elements of international logistics system trade supply chain, which include tangible elements like inventory management, packing & packaging, freight determination and forwarding, choice of mode of transportation, storage & warehousing and material handling on the one hand and understanding of intangible elements such as customer service, decision support system, information system and IT applications etc on the other.
UNDERSTANDING TRADE LOGISTICS

international trade logistics is a process where “the inward logistics of inputs, raw material other utilities and services start from the base level of ‘generation of the demand’, where such inputs are processed using money, machine, material and men and ends with movement of such produced goods through the ‘process of purchase’ by buyers or ‘supply of material by the vendor’ right through to ‘final acceptance’ by end consumers or users with enhanced and extended customer services and concludes with ‘payments to the supplier’ including the reverse logistics if any and the whole process is to be considered as “one whole activity” with each stage having an impact on price, cost and quality of internationally traded goods or services”.
Figure 1.2: Components of International Trade Logistics
SUB SYSTEM ELEMENTS IN TRADE LOGISTICS

- Custom Clearance
- Export Order Processing
- Packing & Material Handling
- Transportation
- Warehousing
- Inventory Management
- Information Monitoring
- Customer Service
Export Clearance - Processing of shipping Bill/LEO

SERVICE CENTRE

CHA/EXPORT → SERVICE CENTRE → CHECK LIST GENERATION → YES ERRORS NO

APPRAISSING

APPRAISSING BY AC YES FOB > Rs.10 LAKH DBK > Rs.1 LAKH NPET > Rs.25000 NO DEEC → YES DEEC SUPERINTENDENT FOR ENDORSEMENT

GOODS REGISTRATION

SUP FOR ALLOTMENT OF INSPECTOR

EXAMINATION

HANDING OVER OF CONSIGNMENT TO AAI

SUBMISSION OF DOCUMENTS TO SUP

PRINTING OF PROCESSED SB 3 COPIES

LEO BY SUP.

FILEING OF EGM BY AIRLINES

DBK

YES DBK PROCESSING

NO CYCLE COMPLETE
Packing defined

• Packing can be defined as “process of preparing items and equipment which not only facilitates the transportation and storage of goods but it also embraces preservation, identification and packaging of products in international logistics operations.

• Phillip Kotler, the well-known marketing guru, defines packaging as “all the activities of designing and producing the container for a product”.
FORCES SHAPING MODAL CHOICE DECISIONS

- Lower Logistics Cost
- Proper Inventory Levels
- Higher Customer Services
- Timely delivery schedules
IMPORTANCE OF TRANSPORTATION DECISION

Transportation Decision and Utilities Creation

TRANSPORTATION DECISIONS

Possession Utility

Place Utility

Time Utility

Form Utility
### FACTORS AFFECTING CHOICE OF TRANSPORT MODE

**Carrier Selection Determinant in International Trade**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
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<tr>
<td>Transportation Cost</td>
<td>• This includes Rates, minimum weight, loading and unloading charges.</td>
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<tr>
<td>Transit Time</td>
<td>• Transit time is the total time that elapses from the time the consigner makes the goods available for dispatch until carrier delivers same to the consignee.</td>
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<tr>
<td>Reliability</td>
<td>• Reliability refers the consistency of the transit time a carrier provides.</td>
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<tr>
<td>Capability</td>
<td>• Capability refers to the carrier’s ability to provide the equipment and facilities that is required for the movement of particular commodity.</td>
</tr>
<tr>
<td>Accessibility</td>
<td>• Accessibility refers to carrier’s physical access or geographical limits.</td>
</tr>
<tr>
<td>Security</td>
<td>• Security refers to the arrival of good in the same condition.</td>
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THE ROLE OF THE WAREHOUSE IN THE LOGISTICS SYSTEM

• The warehouse is where the supply chain holds or stores goods.

• Functions of warehousing include
  – Transportation consolidation
  – Product mixing
  – Docking
  – Service
  – Protection against contingencies
TYPE OF WAREHOUSING

• Bonded Warehouses
• Public Warehousing
• Private Warehousing
• Contract Warehousing
• Multi-client Warehousing
CONCEPT OF DRY PORTS

• A common user facility with public authority status equipped with fixed installations and offering services for handling and temporary storage of import/export laden and empty containers carried under customs control and with Customs and other agencies competent to clear goods for home use, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export. Transhipment of cargo can also take place from such stations.”
CONCEPT OF DRY PORTS

• Customs Act 1962 has made a distinction between ICD and CFS whereby it define the ICD as “the places which alone shall be inland container depots for the unloading of imported goods and the loading of export goods or any class of such goods” and remained silent on appointment of Container Freight Stations thus concluding that “all containers terminal facilities in the hinterland would be designated as ICDs” Ibid vide Section 7 (aa) of Customs Act 1962 and inserted by Finance Act No. 11 of 1983, w.e.f. 13th. May, 1983.
SALIENT FEATURES OF DRY PORTS

• ICDs/CFSs are located away from a gateway port, providing facilities for overseas trade. ICDs/CFSs are located in close vicinity of production center or place of consumption in country hinterland having rail & road linkages to gateway ports.

• ICDs/CFSs are common user facility meant for handling and temporary storage of importable/exportable cargo, stuffed/unstuffed containers for clearance by Customs for home consumption, warehousing, onward transit to other locations.

• ICD are larger and virtually dry ports but CFS are generally on off-dock facility close to gateway port which is established so as to decongest gateway port by shifting cargo and customs-related activities outside the port to these Container Freight Stations (CFS).

• In India, there are almost 40 dry ports (ICDs/CFSs) in close vicinity of gateway ports and in total there are 140 dry ports spread in country industrial hubs.

• Popularization of containerized trade (the box: 20’*8’*8.5’) has transformed international trade and has helped reduce the transit time.

• Dry port compensates the disadvantages of having industrial hubs in country industrial hubs. ICDs/CFSs have gained increased demand in view of clustering of economic activities at Special Economic Zones at various locations in the country.
FUNCTIONAL OVERVIEW OF DRY PORTS

<table>
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<tr>
<th>Traditional Model of Transportation</th>
<th>Modern Hub</th>
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<td><img src="image1.png" alt="Diagram" /></td>
<td><img src="image2.png" alt="Diagram" /></td>
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- **Terminal 1**
- **Terminal 2**
MAIN FUNCTIONS OF ICD & CFS

Main Activities at ICD
- Receipt and dispatch/delivery of cargo.
- Stuffing and stripping of containers.
- Transit operations by rail/road to and from serving ports.
- Customs clearance.

Main Activities at CFS
- Consolidation and desegregation of LCL cargo.
- Temporary storage of cargo and containers.
- Reworking of containers.
- Maintenance and repair of container units.

Source: Draft Policy on ICDs/CFSs, Ministry of Commerce, Government of India
INCREASING ROLE OF DRY PORTS

REASONS FOR INCREASING ROLE OF DRY PORTS

- Aggregation & Unitization of Long Distance Cargo
- In-transit Storage in secure environment
- Localized Customs & Regulatory Compliance/Clearance
- Reducing Pilferage & Demurrage
- Liability Transfer through issue of Bill of Lading in Advance
- Optimization in Container Unitization
- Optimization of Transports Cost, Inventory Cost
- Increasing Trade Flows

Role of ICD/CFS in International Trade Logistics
Thank You

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धनयवाद

Gracias

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