Global Trade Process Model (Part 1)

Assumptions:
- Trade lane is China to US
- Industry is apparel
- Incoterms are FCA Factory
- Mode is Ocean

Optimal

Trade finance

Connecting flowchart

Pre-Trade offline functions:
- C-TPAT Certification
- Trade Finance and Receivables Financing Set Up
- Transportation, Cargo Insurance, Inspection, Credit Insurance, Duty Relief Program, US CBP ACH/Periodic Monthly Statement, Routing, and Flexible Routing Set Up
- Quota Authorization Set Up

1. Importer screens Exporter
2. Resolve screening issue
3. Exporter receives Request for Info/Quote
4. Exporter performs credit check
5. Exporter makes a quote
6. Importer classifies new products (preliminary)
7. Importer screens goods
8. Importer evaluates quote (landed cost, margin)
9. Importer creates Purchase Order
10. Importer classifies new products (final)
11. Exporter receives PO & checks quota allocation if applicable

LC steps

12. Exporter agrees to price & terms of trade
13. Exporter ensures product classification
14. Exporter pre-screens all partners
15. Resolve pre-screening issues
16. Exporter pre-screens products for license requirements

17. Exporter acknowledges PO
18. Importer amends PO
19. Exporter receives & acknowledges PO amendment

20. Open Account or LC payment terms?

OA route

LC route

21. Exporter makes Pre-Shipment Trade Finance Request to Bank based on the approved PO
22. Exporter's Bank approves the Finance Request
23. Exporter's bank pays the Exporter
24. Importer consolidates PO into Import LC Application
25. Exporter examines/approves LC request
26. Importer sends Import LC Amendment Request to the Bank
27. Bank issues an Import LC
28. Importer sends LC to Exporter's bank
29. Exporter's bank sends LC to Exporter
30. Importer creates Import LC Amendment
31. Importer sends Import LC Amendment Request to the Bank
32. Bank issues Import LC Amendment
33. Sales/Delivery Order is created
34. Recalculate data 'between PO & SO'
35. Missing/incorrect info in SO is updated
36. Exporter screens all partners
37. Resolve final screening issues
38. Exporter screens products for license requirements
39. Exporter resolves license issues: acquire license if possible; terminate/modify orders if not
40. Build to order or withdraw from inventory?
41. Build to order OR
42. Withdraw from inventory

Step 106

Step 70

Source: Hausman and Lee, Stanford