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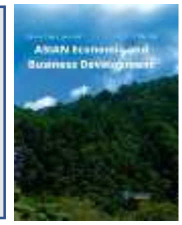

Export Trading Contract Process

Trenandy Febrillian Putra[1], Raditya Arif Ramadhan[2], M. Nur Chusainy[3], Ahmad Fauzi[4]

[1,2,3,4] Faculty of Economics and Business, University of Jember

Abstract

Export and import activities carry a high risk. With this, a trade contract is needed. Trade contracts are used to avoid deviations or cancellations. Thus facilitating international trade. This research is qualitative research that produces hypotheses from previous research. There are stages in the trade contract that must be carried out by both the exporter and the importer, which is the beginning of the transaction in the export-import trade by considering the contents of the trade contract. The stages in the trade contract include the first stage of promotion. The second stage is the Inquiry stage. The third stage is the Offer Sheet stage. The fourth stage is called the Order Sheet or Purchase Order stage. The next stage is known as the Sale Contract stage or the sale and purchase contract. Then the last stage in the export trade contract is called the Sale's Confirmation stage.

Keywords: International Trade, Trade Contracts, Export, Import

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Introduction

In modern times that are increasingly advanced, especially in the field of business, people and entrepreneurs want everything to be practical and safe, especially in the trade sector. Trade has been recognized as an important tool in economic activity. This has created a lot of jobs and demands for trade finance including for import and export purposes (Puneri, 2021). The terms that are often heard in international trade, namely imports and exports are understood as simple transactions involving multinational entrepreneurs in buying and selling. International trade activities, including import and export transactions, can only be carried out normally if the payment relationship runs smoothly and provides guarantees for all parties. Payments are usually made by using banking services or indirectly. In export and import trading activities, the payment used is by Letter of Credit (L/C). This is because the use of L/C provides a sense of security to exporters and importers (CheHashim & Mahdzan, 2014).

Letter of credit (L/C) itself is defined as one of the payment mechanisms in international trade. It is widely used especially in sales transactions where the seller and buyer are not in the same country. The long distance between the two sides always invites uncertainty, speculation, and concern because it is very difficult to trust each other. Dealing with someone you don't know or being in the same place is very dangerous especially if the sale involves a lot of money and expensive goods (Puneri, 2021). The L/C itself also involves third parties such as financial institutions. Meanwhile, the involvement of third parties brings with it other problems that add to the complexity of the transaction process. Dependence on third parties, prolongation and complexity of processes, risk of information leakage, high cost of intermediary services, monopoly power, low efficiency, and lack of transparency are common challenges faced by L/C users. With this, export and import activities have a high risk. With this, a trade contract is needed. Trade contracts are used to avoid deviations or cancellations thus facilitating international trade (Toorajipour et al., 2022).

In foreign trade transactions, both exports and imports, it is known that around 80% starts from communication between buyers and sellers, and the rest is carried out through face-to-face negotiations or by telephone. After the two parties reach an agreement, it can only be stated in an export trade contract, either in a simple form such as minutes or in the form of a jointly signed minutes in the form of a Memorandum of Understanding (MOU), or a more perfect Export Trade Contract (Bajo-Buenestado, 2018).

Literature review

Sani (2020), found that in export and import activities as much as 33.33% knew the role of trade contracts, although there were some who did not understand it well. Meanwhile, 56.66% stated that they used trade contracts in export-import activities and 30% stated that they did not need to use trade contracts in export and import transactions. Sukmawati and Budiasa (2017) found that sales of exporting companies experienced a decline in sales turnover due to a decrease in purchasing power in export destination countries due to the global crisis that hit the world. Rai (2013) explains that there are 3 main principles in the choice of law, namely the freedom of the parties, the bona fide principle and the principle of real relations.

In international trade, there are 2 aspects that are important to understand, first regarding the meaning, namely the existence of buying and selling transactions between residents within the international scope, the population in question is transactions between individuals, individuals with governments, or between governments. Second, international trade is one of the main factors in increasing Gross Domestic Product (GDP) (Purnamawati, 2013).

International trade can be interpreted as trade based on a mutual agreement and carried out by residents of one country with residents of other countries (Yuni & Hutabarat, 2021). International trade also explains that there is an exchange of goods or services with an agreed amount of money, where the exchange crosses the borders of a country or the exchange is carried out with other countries, not within the country. A trading contract is a remuneration contract (or compensation contract) including economic considerations for the performance of certain contractual obligations such as the delivery of goods. The specified means of payment is usually currency, but sometimes other commodities or goods can also be used to complete transactions (Lee, 2012). In addition, a sales contract in international trade can be interpreted as a legal document in which two parties, a seller and a buyer from different countries promise to transfer ownership of an item by paying a price (Berlingher, 2017).

Export is basically a trading activity. Where trading activities can be intended as trading activities selling or buying goods or services that take place continuously with the aim of making a profit. Therefore, exports are based on goods trading activities across customs areas based on applicable activities. In addition, export can be explained as the activity of selling certain physical goods obtained from one country to another (Viphindrartin & Bawono, 2021). People who carry out export activities are usually referred to as exporters. Abundant natural products are commodities that are often sold. Import is defined as the activity of purchasing goods and services from abroad through a cooperation agreement between two or more countries. In addition, imports can also be regarded as trade, because imports are activities carried out by importing goods from abroad into the country. These activities are not only inclusive but there are regulations that must be obeyed and each country has its own regulations. Import activities can be explained as the process of legally transporting an item from one country to another, usually in a trade trip. The implementation of imports is usually an activity by entering goods or commodities from a country that is outside the region into that country. Import activities result in the people of a country having their needs met (Purnamawati, 2013).

Methodology

Data Source and Collection

The purpose of writing this journal is to explain how the trade contract process is. In preparing this journal, we use sources from various systematic literature reviews such as through Google Scholar, ScienceDirect, and various other journal sources. From these journals we use content analysis and literature review studies. This research is a qualitative research which produces hypotheses from previous research.

Thematic Analysis

Thematic analysis is an analytical method used in qualitative research. In general, thematic analysis is defined as a method used to identify, analyze and report patterns or themes in data (Purssell & Gould, 2021).

In this study, we describe several processes of export trade contracts. Like the stages of the export trade contract process, in this case what is explained is promotion stage, inquary stage, stages of offer sheet, order sheet stages, sele's contract stages and stages of sale's confirmation.

Each of these stages is through a literature study that has been developed through a database of various journals and books. The purpose of our analysisis an attempt to find out how the process of export trade contracts.

Discussion

Karla and Shippey (2001) define a contract as a contractual relationship arising from the existence of a statement made by both parties or better, either orally or in writing. Meanwhile, Amir (1999) defines an export trade contract as an agreement in the form of an export trade contract that was originally formulated from a business negotiation.

According to Sutojo (2001), it is explained that trade in goods that are in accordance with mutually agreed terms by both exporters and importers to find a binding agreement in carrying out all obligations will be contained in an export trade contract. There are core parties in export trade contracts, namely exporters and importers. Exporters are those who produce goods that will be purchased by the importer, while importers are those who will later buy goods produced by the exporter.

There are stages in the trade contract that must be carried out by both the exporter and the importer, which is the beginning of the transaction in the export-import trade by considering the contents of the trade contract. The contents contained in the trade contract certainly cannot be changed unless both parties have expressed their agreement.

The stages in the trade contract include the first stage of promotion. At this stage, the seller will strive for the product or commodity produced to be known by potential buyers. Therefore, this promotional activity only aims to attract and attract buyers for the product or commodity being introduced. If it is associated with exports, then export promotion can be interpreted as the activities of sellers or exporters who are trying to make the products or commodities produced known to potential buyers abroad or in this case called importers with the aim that the export products are in demand by the importers so that they will buy it with a payment method using a foreign currency.

Promotion in the trade contract is done by sending a letter of introduction intended for prospective buyers who are overseas. In addition, trade contracts are also carried out by directly visiting prospective buyers located abroad. Other promotion methods include participating in international trade fairs held domestically or abroad, using marketing consulting services abroad, and also placing advertisements in various media such as print, radio, television, internet, and other media. then do not forget that prospective buyers who are abroad are also sent a price list along with a brochure.

The next stage, the second stage, is the Inquiry stage. At this stage, there is a letter called a Letter of Price Request or Latter of Inquiry which will be sent to the exporter if the importer is interested in buying an item. The contents of the Request for Price or Latter of Inquiry generally consist of a request and also a price quote in which it has also been notified regarding the quantity to be purchased, the quality of the desired goods, the unit price, and the total price by taking into account foreign exchange, both US Dollars and US Dollars. others, delivery time, and finally the desired port destination.

The third stage is the Offer Sheet stage. This stage is carried out with the aim of responding to and also fulfilling the price request letter that was previously sent by the importer by sending a reply letter, namely the Offer Sheet. The contents of this Offer Sheet generally consist of information in accordance with the request of the importer such as the description of goods, the quantity of goods, quality of goods, terms of payment, price, place, and also the time of delivery of goods, method of packaging of goods, time of shipment, brochures. , as well as the last sample of goods if it is needed.

The price offer is also divided into several more aspects, the first of which is called the Free Offer. This price offer has the characteristic that it does not include a valid time limit or validity time, nor does it include special requirements. Then the next one is a conditional free offer. This one offer with its characteristics, namely that it does not include a valid time limit or validity time is the same as the Free Offer but includes special conditions with words without engagement; subject to Government approval. The last one is a fixed offer or Firm offer. The characteristics of this offer are to include the expiration date and also include the expiration date of the offer

The fourth stage is called the Order Sheet or Purchase Order stage. This stage is the next step taken by the importer after receiving the Price Offer Letter or Offer Sheet from the exporter, namely by understanding the contents of the Price Offer Letter. All the conditions that have been stated, whether it has been agreed upon or not yet agreed upon or there are also those who want the contents to be changed, must be confirmed in advance with the exporter. Changes from the contents of the terms in the trade contract, if without requiring approval from the exporter first, then it is replaced with an alternative, namely the importer who must send these changes to the exporter as stated in the Order Sheet or Order Sheet.

In other words, this Order Sheet is a follow-up confirmation to exporters who have sent Offer Sheets with various changes desired by the importer. So that the confirmation is also a statement of agreement or approval from the importer on the offer given by the exporter. This Order Sheet is protected by law so it has a binding nature. Therefore, if there is a violation or denial of the conditions contained in the Order Sheet, it can be ascertained that sanctions will be imposed in the form of compensation which will then be given to the injured party.

The next stage is known as the Sale Contract stage or the sale and purchase contract. This stage is prepared by the exporter by following the guidelines derived from the existing Offer Sheet and Order Sheet files, then accompanied by information such as Claims, Force Majeure Claude, shipping requirements such as Vessel age, partial shipment, transshipment and so on. This Sale's Contract will be signed by the exporter first and then will be sent to the importer to be signed which is used as the embodiment of an agreement or agreement from both parties. In general, the original Sale's Contract file will be made in two copies. One for the exporter itself and the other for the importer. Then the last stage in the export trade contract is called the Sale's Confirmation stage. At this stage, the importer will first understand the contents of the Sale's Contract. If the importer has agreed, then it will be immediately signed and then sent back to the exporter. What is referred to as Sale's Confirmation here is the first original file that is kept by the importer as the original document of the transaction. Then this second original file will be returned to the exporter. Both of these original files have the same legal force.

Conclusion

According to experts, the export trade contract is defined as an agreement in the form of an export trade contract which was originally formulated from a business negotiation. There are several aspects contained in international trade, namely, regarding the definition where there are buying and selling transactions between residents in the international scope, the population is individual transactions, individuals with governments and even between governments. Furthermore, international trade is one of the most important factors in increasing GDP or Gross Domestic Product and also Gross Domestic Product of GDP. Instruments of international trade contracts that are increasingly advanced as they are today cannot be separated from various general rules that apply, such as those related to international commercial, especially in certain fields, such as construction contracts, contracts of transportation, buying and selling and also the field of electronic contracts. The trade contract itself is divided into several stages wherein this stage is an initial transaction related to the import-export trade by considering the contents of the trade contract. The stages in the trade contract are the promotion stage, the inquiry stage, the off sheet stage, the order sheet or purchase order stage, the sale's contract stage and the last one is the sale's confirmation.

Research Limits

In this study, there are research limitations that are intended so as not to expand from the intended discussion. In addition, the limitations of the research are also intended to focus this research. With this in mind, the limitation of the research applied by the author is in the form of a trade contract process.

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