Q&As for Exporters and Export Counselors

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Introduction

Q&As for Exporters and Export Counselors asks and answers 64 questions at the heart of what exporters need to know. Most counselors can answer questions from their **export-ready** clients, but less so the questions typically asked by the far larger group of **new-to-export** (NTE) firms. NTEs too often fall through the cracks. Yes, they are harder to work with, but many NTEs have solid domestic experience and exportable products. They represent a huge untapped source for national export expansion. They too have needs and questions, but at pre-export stages that export counselors generally know less about.

Despite all the books and articles on exporting, including my own, the "exports create jobs" mantra and other messaging **has not penetrated**, at least in those conventional narrative forms. The U.S. still has only about 89,000 total exporting manufacturers – a mere 25% of all our manufacturers. As the #2 world leader in both exporting and manufacturing, how can it be that 75% of all U.S. manufacturers still do no exporting at all? Just think of the boost to our economy if we could, say, just get to 50-50. Of course, there are reasons why our NTEs avoid exporting. It's mostly fear and ignorance – but these are misconceptions that can be overcome when reasonably explained.

If our traditional messaging has not made a dent, why do I think a **Q&A approach** would be more persuasive? My 60+ years in the export assistance field tell me that too many clients, especially NTEs, do not know what questions to ask, or they ask **this** question when they should be asking **that** question. **Q&As for Exporters and Export Counselors** aims to bridge the export-ready-NTE gap by asking and answering 64 questions over 15 phases of the export development process. I try to answer each question in one or a few paragraphs, along with direct links to online videos and other web resources that elaborate further on the topic and my answer.

About the Author

Maurice Kogon established Kogon Trade Consulting (KTC) in 2012, after a 52-year career in international business as a U.S. Government official, Director of the El Camino College Center for International Trade Development (CITD), business executive, educator, and now mostly pro-bono consultant. As KTC President, Maurice mentors NTEs on exporting; serves on advisory boards, guest- lectures at Los Angeles area universities, and maintain the **Trade Information Database on his International Trade Complsiance Institute website**. Maurice's U.S. Government career spanned over 33 years (1961-94) with the U.S. Department of Commerce. He started as a Country Desk Officer and went on to direct Commerce's offices for export strategic planning, international market research, and trade information programs. In 1978, Maurice was tapped to develop the Worldwide Information & Trade System (WITS), Commerce's first real-time trade information database and the forerunner of what is today's Trade.gov.

Maurice's consultancy work over many years has focused on export capacity building, strategic planning, and program evaluation. For the UN's International Trade Centre (ITC) in Geneva in 1999, he co-consulted on an evaluation of ITC's trade information programs. Under a contract with the Egyptian Government in 1999, he conceived and oversaw a 7-step Export Enabler program for Egyptian small businesses. From 2007-09, under a U.S. State Department grant, he directed a CITD project to institutionalize small business export development centers in Nicaragua and train and assist over 90 Nicaraguan small businesses on how to export.

Throughout his career, Maurice has written and lectured on international trade and has developed numerous Web-based export tools, including his **Export Readiness Assessment diagnostic and his 2022 book, *Roadmap to Export Success – Take Your Company from Local to Global*.** In 2011, Maurice **testified** on national export strategy before the House Committee on Small Business.

Maurice has a BA and MA in Foreign Affairs from George Washington University (GWU). He has taught international business courses at GWU, Virginia Tech, and Cal State University Northridge. He is a past President and a long-time Board member of NASBITE International and helped develop NASBITE's Certified Global Business Professional (CGBP) credential and national exam. He was honored in 2013 as the recipient of NASBITE's John Otis Lifetime Achievement Award.

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I. Expanding from Domestic Sales to an Export Start-Up

1. How is exporting similar to or different from selling domestically?

Many non-exporters falsely assume that exporting is so much different from domestic selling that they fear to try. Actually, they're alike in many ways. If you apply to exporting what you're already doing domestically, you can learn to deal with the differences and do well as an exporter.

Similarities of exporting to domestic selling. If your product for export is what you already sell domestically, you already know what's good about it and could tout and sell it similarly to a foreign audience. For example:

- If your domestic sales cater to a particular racial, religious, cultural, ethnic, or linguistic niche, you will find a comparable niche in many other countries.
- If your domestic product is seasonal, you can sell it to countries with coinciding seasons or, better yet, whose seasons start when yours ends.
- If you already conduct market research domestically, you could apply the same techniques to research potential foreign markets.
- If you use sales reps to market and sell your products domestically, that is also how you would operate in most export markets.
- The methods you use to price and promote your products domestically will likely make sense in export markets or could be readily adapted as needed.
- You could respond to inquiries and RFQs from foreign customers in the same way as domestically, adjusting as needed for translation and added transportation costs.
- The price, credit, and delivery terms you negotiate with domestic customers could also apply to export customers, although you would use more due diligence and an export payment method that assures you get paid.
- If your product is already compliant with any domestic health, safety, or other regulations, it would likely also satisfy comparable foreign regulations.
- If you ship to your domestic customers by truck, rail, air, or vessel, these are the same methods you would use to ship to some or most foreign countries.

Dissimilarities of exporting to domestic selling. Despite the many similarities to help ease the transition to exporting, there are also important differences. You'll need to take them into account. Here are the main dissimilarities:

- Exports involve an exchange of foreign currency (e.g., Mexican pesos into U.S. dollars) to enable you to get paid in U.S. dollars. However, it is the importer's responsibility, not yours, to convert the necessary amount of local currency into the dollar amount you quoted.

- Export sales usually take longer to get paid and involve different payment methods. Except for smaller purchases, importers will mostly pay on delivery or on credit (open account) at some agreed time thereafter (e.g., 30-60 days). Payment is rarely by cash or credit card, but by relatively safe Letters of Credit (L/Cs) or Documentary Collections (D/Cs) routinely handled by banks. Open account terms are riskier, but default can be mitigated even in these situations with export credit insurance.

- Exporting involves more and different paperwork. Exports are subject to a host of documentary requirements at both ends. Because even trivial mistakes can be costly, most exporters use freight forwarders who not only which documents are needed, but also fill them out and submit them. The modest freight forwarding fees are routinely factored into the export price quote.

- Exporting typically incurs added transportation and insurance costs to deliver the goods. If the importer agrees to pick up the goods at your factory, there are no added costs for you. More likely, importers will want the goods delivered to their country, or to a port or other destination in between. A freight forwarder can tell you what the added transportation costs will be. You include them in your price quote. but the buyer pays for them, not you.

- Exports are subject to import duties and taxes in the importing countries. Import duties range from zero to prohibitive, depending on the country and product. The importer pays the duties and taxes. If the levies are too high, as in some protectionist countries, you would not have a market. However, duties are no longer a barrier in most countries and, in the 20+ countries with which the U.S. has Free Trade Agreements (FTAs), you would pay zero or very low duties. Freight forwarders can advise on the current import duties in any country.

- Other countries have widely differing laws and business practices that could affect what you need to do to gain market access. Although some pose obstacles and risks for exporters, many are business friendly and relatively easy to comply with.

- Linguistic, demographic, and environmental variations are more pronounced abroad. These differences can make or break your export sales. Take care not to offend your foreign customers in the words, symbols, and body language you use in your promotional material and business negotiations. In addition, your products must "fit" the market environment—the climate, terrain, sizes of people and things, consumer tastes and preferences, etc.

For more on similarities and differences between domestic selling and exporting, see these videos and other web resources:

Videos:
- Learn How to Export

Other Web Resources:
- Export Sales vs. Domestic Sales and What you Need to Know
- Differences Between Domestic and International Marketing

2. What does it take to be a successful exporter?

You don't need to be an expert to export, but you will need an exportable product, adequate start-up resources, sound domestic marketing methods, and a committed management. Prospective exporters rarely start with all the necessary attributes, but with reasonable effort and guidance, a company can begin to fill the gaps and reach a point where exporting becomes viable.

- **Product Prerequisites:** To have export potential, your product must be needed or wanted somewhere abroad and be able to match or exceed the appeal of competing products -- in meeting needs, in quality, price, service, etc. You may be more export competitive than you think. For example, if your product has sold reasonably well in the domestic market, you've already proven you can compete, not only against other domestic products, but imported products as well. This is mostly the same competition you will face in foreign markets.

- **Export Resources:** As a start-up exporter, you'll need to have or acquire experienced staff and have available funds for basic export development activities, such as for export training, website enhancements, market promotion, international partner searches, etc. As export orders come in, you'll need available inventory or the ability to produce or acquire more product as needed. To augment your own resources, look for grants under the SBA's **STEP** program and loans under SBA's several **export financing programs** (Export Express, Export Working Capital Guarantees, International Trade loans)..

- **Marketing Methods:** Sound methodology is as critical in exporting as in domestic marketing. If you've been successful at home, the chances are that you base your decisions on market research and analysis, have a strong sales and distribution network, effectively promote your company and products, and give priority to customer service. Exporting requires the same sound methods, but some adaptations may also be needed to fit a particular foreign market.

- **Management Commitment:** motivated management is the primary key to export success. If the will exists, ways can be found to make a product more salable; overcome or adjust to tight budgets; or try a better way to market a product. Exporting takes time and perseverance to pay off. Management must be willing to commit and see it through.

For more on attributes for export success, see these videos and other web resources:

Videos

- Are you Export Ready
- Export Experts: Are You Ready to Export?
- Export-U: Are You Ready to Export?
- Florida SBDC: Export Readiness Assessment

Other Web Resources

- Export Readiness Assessment System (ERAS)
- Assessment for New Exporters

3. How can I determine whether to export on my own or use an export intermediary?

As a potential exporter, you have the option to do it yourself (direct exporting) or let an intermediary handle some or all your export activity (indirect exporting). The choice is usually based on the level of involvement and resource you are willing to devote to exporting.

As a direct exporter, you have full control and essentially do all the work, such as identifying and developing export markets, finding buyers and/or distributors, negotiating terms of a sale, assuring compliance with applicable regulations, and arranging for payment and delivery. In indirect selling, the intermediary performs all these functions on your behalf, sparing you the burdens and complexities. The intermediaries, known as **Export Management Companies** (EMCs) or **Export Trading Companies** (ETCs), already have the necessary experience and relationships abroad and will incur some or all of the initial costs to find you customers and generate orders.

The main difference between an EMC and an ETC is how they are compensated. EMCs typically get a retainer and/or commission (e.g., 3-15% of the export sale, depending on the product), but only when and if an export sale actually occurs. ETCs typically purchase the product up front, mark it up for themselves, and export it, but still act as your export representative. It is not unusual for novice exporters to start with an intermediary and graduate to direct selling as they gain confidence in their export potential and more familiarity with the process. Bear in mind, however, that since the intermediaries do the bulk of the up-front work, they tend to be selective in taking on new-to-export clients. You may need to satisfy them that you are worth the investment of their time and effort.

For more on sources of direct vs. indirect exporting, see these videos and other web resources:

Videos:

- Direct & Indirect Export & Role of Export Houses

Other Web Resources:

- Direct or Indirect Exporting: Which is the Best Fit for your Business?
- What are Export Management Companies; How Do They Market Products Abroad?
- Export Trading and Management Companies
- Export Trading Company Defined, Reasons for Using One

4. If I want to use an intermediary for my export business, where can I find one?

EMCs and ETCs can be found throughout the U.S. Most federal and state export assistance offices can refer you to them. A Google search will also direct you to websites of at least the larger EMCS/ETCs. Other sources are industry and trade associations that often have EMC /ETC members, and industry and trade journals that may carry their ads. Most EMCs or ETCs are generalists and can handle any export products for any foreign market. However, some also specialize by industry, country, or nature of the product (hazardous, refrigerated, etc.). If you need specialization, look for EMCs or ETCs with those capabilities.

For more on export intermediaries and where to find them, see these videos and other web resources:

Videos (None found – open to suggestion)

Other Web Resources:

- Export Management Company (EMC) Directory
- Global TradeNet Directory of Export Management Companies
- How to Find and Use an Export Management Company
- How do you Select the Best Export Intermediary?

5. Who can help me with export start-up advice and assistance?

No company can know everything or do everything alone, especially in exporting. Those who don't know when they need export help, or don't seek it when they need it, or don't use it when they get it, will not last long. New-to-export companies especially need help at start-up and may not even know what questions to ask. Once you're established as a U.S. business, you can get free export advice and assistance from the many federal, state, and local export assistance organizations located throughout the U.S. These include the Commerce Department's **U.S. Export Assistance Centers** (USEACs), SBA's **Small Business Development Centers** (SBDCs) and **Service Corps of Retired Executives** (SCORE); and **State international trade development offices.** All have Websites with extensive resources and tools for exporters. USEACs have "trade specialists" that can address industry-or country- specific export questions. They prefer to work with "export-ready" firms, so they may refer you to a local SBDC with export staff. Most States also have **District Export Councils** (DECs), whose subject-matter members are appointed by the Secretary of Commerce and are generally open to a free initial consultation.

For more on sources of start-up advice and assistance, see these videos and other web resources:

Videos

- ITA/Export Counseling
- MSU/GlobalEdge: Export Advice

Other Web Resources

- Export Assistance: State, Federal and International Resources
- Find U.S. Commercial Service Offices in the U.S.

II. Starting Up as a New Export Intermediary

1. Do I need any permits or approvals to start as an export intermediary?

A company that intends to start an intermediary export business, such as an Export Management Company (EMC) or Export Trading Company (ETC), is treated the same in the U.S. as any other enterprise No special permits or approvals are needed just to engage in exporting. Business start-ups for export or for any other activity are mainly regulated at the State or city level. Contact your appropriate state or local city hall for business-permitting requirements and procedures. As a good first step for business start-ups, ask for a free consultation from any of the nationwide **Small Business Development Centers** (SBDCs) or **Service Corps of Retired Executives** (SCORE) offices run by the **Small Business Administration** (SBA). See **SBDC locations** or **SCORE Chapters** to find an SBDC or SCORE office near you.

For more on help with business start-up, see these videos and other web resources:

Videos:

- SBDC Who We Serve and What We Do
- Free Business Mentors from SCORE

Other Web Resources:

- Small Business Development Centers (SBDCs)
- SCORE Business Mentoring

2. What does an export intermediary do for its manufacturer clients?

Export intermediaries are mostly known as **Export Management Companies** (EMCs) or **Export Trading Companies** (ETCs). Both handle exports for clients in a specified target market -- the world, a region, or a country. EMCs generally get a retainer or a commission (e.g., 3-15%), depending on the product. ETCs generally purchase the product and mark it up for export. Typical EMC/ETC functions involve market research to identify target markets; travel and promotion to find buyers and distributors, negotiating with buyers to close deals, assuring compliance with regulatory requirements, and arranging for payment and delivery of the export goods. It's important for EMCs and ETCs to secure a written agreement from a manufacturer before taking any export action on their behalf. A typical **International Sales Representation Agreement** spells out the parameters of representation, such as exclusivity, foreign territory covered, compensation, respective roles and responsibilities, termination, and non-circumvention. The latter is particularly important, as it protects the intermediary from possible direct dealings between the manufacturer and foreign buyers that bypass the EMC or ETC.

For more on the role of export intermediaries, see these videos and other web resources:

Videos

- Six Steps to Begin Exporting
- Starting to Export from the USA

Other Web Resources

- A Guide to Start an Import/Export Business at Home
- Exporting Goods from the USA: A How-To for New Exporters

3. How can I find clients as an export intermediary?

The prime clients for export intermediaries are U.S. manufacturers with exportable products, but not yet exporting at all or only occasionally. Although the U.S. is 2nd in the world in both manufacturing and exporting, over 75% of U.S. manufacturers do not export. At first blush, this suggests a huge potential clientele for export intermediaries. In reality, these manufacturers don't export at all or only occasionally for reasons that are hard to overcome – mostly fear that exporting is too risky, too complicated, or too costly. Although an EMC or ETC could relieve them of these fears, they might still just say no.

A second prime target are U.S. manufacturers that do export regularly, but only to one or two markets. Of the roughly 25% of all manufacturers that export, over 60% just export to Canada and/or Mexico. They at least know what exporting involves and might be open to intermediary help to get them into more of the 200+ world markets that might also want their products.

One good way to find potential clients is to attend U.S. trade shows and speak directly with exhibitors not yet exporting, or not yet exporting to your preferred markets. There are no easier ways to identify new, infrequent, or single-market exporters. You could waste valuable time and money searching **manufacturing directories,** because 75% might not be interested or persuadable. Some manufacturing directories, such as **Kompass,** have subsets for exporters, searchable by product category. You might also try "hunt and peck" Google searches for companies that make exportable products to see if they would be open to a pitch to represent them. Two high cost alternatives are the extensive **PIERS** and **DataMyne** databases that capture names of all U.S. exporters and much other shipping data directly from Bills of Lading at U.S. ports.

In whatever way you find potential export clients, you should emphasize that not only can exports generate additional sales and profits for them, but that your expertise can shield them from the risks and complications they most fear (peace of mind).

For more on finding clients for export intermediaries, see these videos and other web resources:

Videos (None found)

Other Web Resources

- Kompass – U.S. B2b Suppliers
- PIERS Launches Online Directories of U.S. Importers and Exporters

III. Assessing Export Readiness and Potential

1. How can I tell if my company is “export-ready”?

An “export-ready” company has five basic attributes:

- Its top management is willing to give exportin a good faith effort.
- It has adequate finances for at least a small export budget.
- It has in-house staff with some export knowledge or would acquire it (train or hire).
- Its organization could absorb the additional workload from new exports.
- It uses sound business practices domestically that also make sense for exporting.

Maurice Kogon’s free, online **Export Readiness Assessment** diagnostic addresses these export prerequisites, tells you how you rate in each area, and suggests steps and actions you can take to become more export ready.

Indicators of export readiness

- **Your top management is committed to exporting as a new or expanded activity.** Exporting should not be pursued opportunistically or for the “wrong” reasons – e.g., to make a quick buck, only to shut it off abruptly if not enough happens soon enough. Management should see the “right” reasons for exporting -- as a contribution to sound, specific company goals and a significant new facet of its business -- and be willing to wait the longer time it might take to bear fruit. Reluctant, indifferent, or impatient top management won't make that happen. If you're not sure, you might try low-risk, go-slow approaches to test the waters and build more confidence in your export potential.

- **Your company has adequate finances for a first-year export budget.** If you're already established domestically, you’ll incur some incremental costs for exporting. To gain market exposure abroad, you’ll need funds to market and promote yourself, such as by enhancing your website and marketing materials, taking overseas business trips, or exhibiting at trade shows. As export orders come in, you may need more working capital to fill them if beyond the inventory you have in stock. If your customers want delayed payment terms, you'll need to cover the cash flow while awaiting payment. You can minimize these and other incremental costs, but you can't eliminate them entirely.

- **Your domestic marketing practices are also conducive to exporting.** Sound methodology is as critical in exporting as in domestic selling. If you’ve been successful at home, the chances are that you base your decisions on market research and analysis, have a strong sales and distribution network, effectively promote your company and products, and give priority to customer service. Exporting requires the same sound methodology, but with possible adaptations for countries with different marketing and distribution practices. How you enter and develop a foreign market is important. Marketing and distribution practices vary by country and are often dictated by law, custom, or necessity. Some countries have excellent mass media and high receptivity to promotional activities. Others may not have the social media and other communication technologies for these purposes. Are you prepared to adapt your marketing methods? If not, you'll need to limit yourself to markets more like your own.

- **You could promptly fill new export orders from present inventory or other sources.** Exporters should be able to respond promptly to any new foreign orders. Foreign buyers typically can buy from other sources, and if you can't fill the order when they want it, they'll usually find someone else who can. Don't start or impair a relationship with delays and apologies. If you have idle plant capacity, you're probably in a good position to fill any new orders. You may already have inventory on hand, or you could increase production quickly without needing more workers, materials, or equipment. With that flexibility, you can go after new export business as aggressively as you wish.

For more on export readiness assessment, see these videos and other web resources:

Videos:

- Export-U: Are You Ready to Export?
- Export Readiness Assessment

Other Web Resources:

- Export Readiness Assessment System
- Assessment for New Exporters

2. How can I tell if my product has export potential?

Products won't sell anywhere, let alone have export potential, if they can't compete. To compete, your product must match or exceed the appeal of others -- in meeting needs and on price, quality, delivery speed, service, or other advantages offered. Here are some indicators of likely export potential and competitiveness:

- **Your product is already selling reasonably well in the domestic market.** By succeeding in the domestic market, especially if you already have national or at least wide regional distribution, you've already proven your product can compete, not only against other domestic products, but also against imported products. This is essentially the same competition you'll meet when you export.

- **Products just like yours are already being heavily exported and/or are growing rapidly**, as reflected in official export statistics. If you are not already part of that picture, it means your competitors are benefiting and you could as well. To find the latest U.S. export statistics for your product, plug your **Schedule B** number into the **USITC Trade Dataweb** Website,

- **Products just like yours are already in high and/or growing demand in foreign markets**, as reflected in official world import statistics. If other countries are importing large and fast-growing amounts of products like yours, particularly if a good share of those imports are U.S.-sourced, it means there is potential for your product as well. To find the latest foreign import statistics for your product, plug your **HS code number** into the **UN/International Trade Centre** website.

- **Foreign companies express interest in your company or product by email or through your website.** Unsolicited foreign inquiries are a strong indicator of export potential. They offer tangible proof that you've been discovered abroad. You may not know how or why, but count it as a plus that someone overseas has taken the initiative to search you out. Many companies say they first started exporting only after and because they received unsolicited inquiries.

For more on assessing product export potential, see these videos and other web resources:

Videos

- Determine a Product's Export Potential

Other Web Resources

- How to Analyze a Product or Service's Export Potential
- Does my company have export potential?

IV. Understanding Trade Terms and Codes

1. What coding systems are used to classify products for export?

The U.S. has three main product classification systems for exports – **Harmonized System (HS), Schedule B, and North American Industry Classification System (**NAICS). HS and Schedule B codes are used mainly to specify the product for export in documentary filings; compile export statistics on the product by destination country; and assess import duties on the product in importing countries. The North American Industry Classification System (NAICS) replaced the **Standard Industrial Classification** (SIC) codes in 1998 as the new coding system for business establishments and industries in the U.S., Canada and Mexico. NAICS codes can also be used to compile export statistics, The United Nations has its own **Standard International Trade Classification** (SITC) system to compile and reconcile trade statistics from all countries.

The Harmonized System is the only trade classification system universally used by all countries. HS Codes stop at a 6-digit level. The first 2, 4, and 6 digits of the HS code are the same regardless of country. The Schedule B, unique to the U.S., starts with the first 6 digits of the HS Code and goes up to 10-digits for greater product specificity.

For more on product classification systems, see these videos and other web resources:

Videos

- Introduction to Customs Classification of Export Goods – Schedule B
- What is an HS code?
- Understand Your Product's Harmonized System (HS) Code
- NAICS Code: What is it? And Where Do I Find It?

Other Web Resources

- Industry Classification Systems
- What is a Schedule B Number?
- Difference between a Schedule B Code and an HS Number
- What is a NAICS Code and Why Do I Need One?
- Standard International Trade Classification (SITC) Revision 4

2. How can I find HS, Schedule B, and NAICS codes for my export products?

All three classification systems have online search tools to find specific product codes. You can search by keyword or by a 2–4-digit product category and drill down to 6-digit HS or 10-digit Schedule B, or 6-digit NAICS. Even at the maximum 10-digit Schedule B or 6-digit NAICS, your product might still not distinguish between closely related products (e.g., a red widget vs. a black widget). In some cases, even at 6 or 10-digits, your product might still be lumped in with others with the designation not elsewhere specified (nes) or not elsewhere classified (nec).

To illustrate for 10-digit electrocardiographs, the hierarchy starts from the broadest 2 digits to 4 digits, to 6 digits, to 10 digits.

- At 2 digits, **HS 90** is for the broad category of optical, photographic, cinematographic, measuring, checking, precision, **medical** or surgical instruments & accessories.

- At 4 digits, HS 90 narrows to **HS 9018** for **medical,** surgical, dental, or veterinary instruments, non-electric, & parts.

- At 6 digits, HS Code 9018 further narrows to **HS 901811** for **electrocardiographs, and parts and accessories thereof.**

- At 10 digits, HS Code 901811 further narrows to **HS 9018113000** just for **electrocardiographs.**

For more on finding HS, Schedule B, and NAICS codes, see these videos and other web resources:

Videos

- Classifying Your Commodity - Schedule B and HS Codes
- How to Get Your NAICS and SIC Codes

Other Web Resources

- Classifying Your Commodity - Schedule B and HS Codes
- Schedule B Look-Up Tool
- Harmonized Code Look-Up Tool
- NAICS Identification Tools

3. What are International Commercial Terms (Incoterms); when and how are they used?

Incoterms are 3-letter acronyms used for quoting export prices at specified pick-up and/or delivery points and determining liability for goods if lost or damaged in transit. **Incoterms 2020,** the latest version, has 11 Incoterms ranging from Ex Works (EXW)—the seller's least responsibility and liability —to Delivered Duty Paid (DDP)—the most responsibility and liability to the seller.

Here are the 11 Incoterms in the 2020 update from 2010:

- **EXW (Ex Works).** The buyer picks up the goods at the seller's factory or other premises. The buyer loads and transports the goods to the final destination and assumes liability for any loss of or damage to the goods. EXW offers the least hassle for the seller, but might only be manageable for larger importers capable of managing their own logistics.

- **FCA (Free Carrier Alongside).** The seller delivers the goods to a specified carrier at a named place, such as a port. Once the goods are cleared for export, the seller's obligation is fulfilled. The buyer assumes the risks and costs of any further transport.

- **FAS (Free Alongside Ship).** The seller delivers the goods alongside the vessel at the named exit port. The buyer assumes liability and cost for loading onto the vessel.

- **FOB (Free on Board).** The seller delivers and loads the goods on board the vessel at the named exit port. The buyer bears all further costs and liability.

- **CPT (Carriage Paid to).** The seller delivers the goods to the carrier and contracts for and pays the costs to bring the goods to the named place of destination.
- **CIP (Carriage and Insurance Paid to).** In addition to CPT conditions, the seller also contracts for minimum insurance cover against the buyer's risk of loss of or damage in transit. The buyer would need to obtain extra insurance for any added protection.
- **CFR (Cost and Freight)**. The seller pays all costs except cargo insurance to deliver the goods to the final destination. The buyer is liable for any loss or damage to the goods in transit and is expected to obtain cargo insurance.
- **CIF (Cost, Insurance, Freight).** The seller pays all costs, including cargo insurance, to deliver the goods to the final destination. The buyer may opt to purchase additional cargo insurance for protection beyond the seller's minimum cover policy.
- **DAT (Delivered at Terminal).** The seller delivers the goods to a named terminal at a named port or place of destination. The seller bears all risks involved up to that point. The buyer pays any duties to release the goods from customs.
- **DAP (Delivered at Place).** The seller delivers the goods to a named destination. The seller bears all risks up to that point. The buyer pays any duties to release the goods from customs.
- **DDP (Delivered Duty Paid).** The seller delivers the goods to the buyer's door. The seller is responsible for clearing the goods through Customs and paying any import duties. The seller bears all the costs and risks to bring the goods to the place of destination. DDP is the one Incoterm to generally avoid. This is essentially door-to-door, including cost for import duties and taxes and the responsibility for clearing the goods through customs. It is better to let the importer pay the duties and clear the goods through customs. Exporters would know what price to quote if the buyer asks for EXW terms, because the factory price is basically the domestic sales price. All other Incoterms incur added costs for fees, transportation, and insurance to deliver to points beyond the factory. Freight forwarders can provide all such costs to add to the EXW price quote.

For more on Incoterms, see these videos and other web resources:

Videos

- Incoterms for Beginners
- What are the Best Incoterms to use?
- Incoterms 2020 Basics Training
- Incoterms® 2020 Explained
- What are Incoterms 2020? | A quick guide to Incoterms in International Trade

Other Web Resources

- Incoterms 2020 Explained – The Complete Guide
- What Are Incoterms and How are They Used in Shipping?

V. Conducting Export Market Research

1. What kinds of export market research would be most helpful; where can I find it?

Misdirected efforts are often a prime factor in export failure. Without good information, even experienced companies can waste resources on low potential markets or make costly blunders in promising markets. Market research provides the analytical foundation for sound export planning and decision making. The research should initially focus on making sure your product has export potential and, if so, which markets would be best or better than others, and what entry strategy would be best for the target markets.

The Web is a great free source for much of the export information you'll need, including the latest U.S. and international trade statistics; detailed country commercial guides; industry and country market surveys; and specific overseas trade opportunities and business contacts. The best web sources have aggregated much of this information in one-stop portals for easy access, such as the International Trade Compliance Institute **Trade Information Database**, Michigan State University's **globalEdge**, and the Commerce Department's **Trade.gov**.

For more on purposes and sources of market research, see these videos and other web resources:

Videos

- Researching the Global Marketplace
- International Market Research

Other Web Resources

- Market Research: What it Is, Methods, Types & Examples
- Guidelines for Conducting International Market Research

2. Where can I find U.S. and foreign trade statistics for my specific product?

U.S. trade statistics can help your spot the largest and fastest growing export markets for products like yours. You can access official U.S. export statistics online at no cost from **Trade DataWeb**, **TradeStats Express**, or **USA Tradeonline**. These allow searches for any exported product up to 6-digit HS or NAICS code or up to its 10-digit Schedule B code. You can download individual tables to a spreadsheet for further manipulation (e.g., growth rates, rank ordering, projections, etc.).

Foreign import statistics can be used, to "size up" demand in markets of interest, identify the major supplier countries, and compare U.S. and competitor market shares. Official foreign trade statistics are available online from the **United Nations COMTRADE** database for products up to 6 digits by HS code level or 5-digits by SITC code. The **UN International Trade Centre Foreign Trade Statistics** is somewhat easier to use than COMTRADE, but less detailed.

For more on sources of trade statistics, see these videos and other web resources:

Videos:

- ITC Dataweb Search
- How to use TradeStats Express to Find US Import Statistics by Product and Country
- Getting Started with USA Trade Online
- Online Tools for Finding New Markets

Other Web Resources

- Accessing USA Trade Online Data
- TradeStats Express -- U.S. and State Exports by Commodity and Country
- USITC Trade Dataweb (Free Registration)
- CIA World Factbook
- UN Data: A World of Information

3. Where can I find country-specific market research for my industry or product?

The Foreign Market Research section of **ITCI's Trade Information Database** provides access to a wealth of product-and country-specific research. See particularly the categories for:

- Manufactured Products Research
- Food & Agriculture Products Research
- Services Sector Research

The Commerce Department's **Top Export Market Rankings**, **Country Commercial Guides** (CCGs), and **Research by Industry** also provide product-and country-specific research. **Intercultural Research** is also readily available on a country-or culture-specific basis and is essential to avoid offending or appearing foolish in promotional materials and in meetings with foreign customers or counterparts.

For more on country-specific market research, see these videos and other web resources:

Videos

- Export Market Intelligence
- More Market Intelligence

Other Web Resources:

- Get Insights by Country
- Get Insights by Industry

VI. Identifying, Assessing, and Entering Export Markets

1. If I export entirely online to the global market, should I also look for best target markets?

If your model is to sell entirely online to the world at large, you would not need country-specific market entry plans or in-country distributors. With increasing Internet access around the world, more companies are using eCommerce – web shopping carts with order- confirmation- and fulfillment capabilities -- for both domestic and export sales.
Direct online sales can reach a very large target audience of businesses (B2B) or consumers (B2C) without incurring intermediary commissions or distributor markups.

However, eCommerce for export has some limitations. It could work well for exports of consumer goods—typically purchased in smaller amounts by credit card—but not for industrial goods. These are mostly paid by Letters of Credit and Documentary Collections, not by credit card, and typically rely on in-country distributors that deal directly with end users and provide needed after-sales service (installation, user training, repairs, etc.). A second limitation is that not all countries have widespread Internet access, as reflected in **Internet penetration rates.** Moreover, even where penetration is high, an effective eCommerce approach requires a "globalized" company Website with the capacity to appeal to different consumer cultures, accept payment from foreign sources, flag and comply with regulatory and documentary requirements, and fulfill/ship the orders. A third limitation is its potential to undermine (bypass) any exclusive agents or distributors the exporter already has in certain markets. This potential to bypass the intermediary is known as "channel conflict." In these situations, if the company uses eCommerce for other markets, it should selectively disallow direct purchases from its U.S. website and redirect traffic to the Website of the local agent or distributor.

For more on eCommerce export sales, see these videos and other web resources:

Videos:
- eCommerce – Choose the Right Channel Mix
- eCommerce Shipping Options
- eCommerce Best Practices and Strategies

Other Web Resources
- The Complete Beginners Guide to eCommerce
- ABCs of B2B and B2C
- E-Commerce and Selling Online: The Basics
- Electronic Commerce: Selling Internationally- a Guide for Businesses
- eCommerce: What Exporters Need to Know

2. If looking for specific target markets, how can I determine the best ones for me?

The nearly 200 countries in the world offer many options. If you sell online (eCommerce), you are open for business to anyone anywhere that wants to buy. However, if you want to focus on particular "best markets" not all are worth pursuing, especially at once. Don't waste time and money on likely marginal markets. New exporters should aim for the top 1 or 2 "best" markets and expand from there as they gain experience. The best markets for new exporters could be either **high comfort** markets or **high potential markets**.

High comfort markets are countries you already know well – trusted family or business connections, common language and culture, knowledge of business customs, etc. These countries are not usually the largest markets, but they are easiest to start with. For example, Honduras is a small market, but if that is your home country and you know it well, you could hone your export skills there and later expand to higher potential markets.

High potential markets typically have large, robust economies, high import demand, tolerable competition, and are relatively open and receptive to products like yours -- low or no import duties; few if any religious or other cultural taboos; and no significant non-tariff barriers; such as import quotas, restricted access to foreign exchange, and protectionist health, safety, or technical standards. U.S. exporters should look first at the 20 countries with which the U.S. has bilateral or multilateral **Free Trade Agreements** (FTAs).

You can find high potential markets with a little research and screening. Here are some free sources to help identify your high potential markets. USDOC **Top Export Market Rankings** report identifies countries, by industry, presumed to offer high potential for imports from the U.S. USDOC **Country Commercial Guides** (CCGs) have chapters on "Best Industry Prospects for U.S. Exports" and "Trade Regulations " Also good are USTR's annually updated **National Trade Estimate Reports on Foreign Trade Barriers.**

Here also are criteria and more sources to research likely top markets for your products:

- **What are the top U.S. export markets for products like mine?** Look for the largest and fastest growing export destinations for the product over the past several years – use **USITC DataWeb** or **Trade Stats Express** to access official U.S. export statistics by country for your product's Schedule B or HS number.

- **What are the world's top importing countries for U.S. products like mine?** Look for countries with the largest and fastest growing imports of the product and where the U.S. also has a relatively high. market over the past several years – use **ITC Import/Export Statistics (By Sector & Country)** and **ITC Import/Export Statistics (by Country & Sector)** for foreign import statistics for your product's HS number.

- **Which countries would be most open and receptive to U.S. products like mine?** Look for countries that prize "made-in-USA," and have no significant import barriers or dominant competitors – see USDOC **Top Export Market Rankings** and **Country Commercial Guides** (CCGs) and USDA **Global Agricultural Information Network** (GAIN) reports.

- **Which markets do the experts consider most promising for U.S. products like mine?** See USDOC's **Country Commercial Guides** (CCGs) that identifies 10-15 "Leading Sectors for U.S. Exports." Recommended markets are also identified in USDOC's **Top Export Market Rankings reports.**

Other criteria and sources can be used to corroborate statistical findings. These relate more directly to product demand driven by income levels, demographics, and available user sectors and infrastructure.

- **Economic indicators** for products affected by economic conditions or income levels (e.g., level and growth of GDP, per capita GDP, industrial/agricultural production). Sources: **CIA World Factbook**, **UN Data - A World of Information,** and U.S. Census Bureau's **International Database**.

- **Demographic indicators** for products aimed at particular population groups (e.g., level and growth of population by age, sex, race, religion, profession, health). **Sources: CIA World Factbook**, **UN Data - A World of Information,** and U.S. Census Bureau's **International Database**.

- **Sectoral indicators** for products aimed at particular end-users (e.g., number and growth of relevant manufacturers. utilities, medical facilities, vehicles, housing). **Sources:** : **CIA World Factbook**, **UN Data - A World of Information.**

- **Infrastructure indicators** for products that support development of power, transportation, communications, and other facilities. **Sources: CIA World Factbook**, **UN Data - A World of Information.**

For more on identifying best export markets, see these videos and other web resources:

Videos:

- Selecting Initial Markets
- Estimating sales potential in multiple markets
- Refining Your Overseas Targets List
- Due Diligence on Markets and Partners

Other Web Resources:

- Market Diversification Tool
- Top Market Series
- Top Export Market Rankings

3. Do I need a market entry strategy and plan for each target market; if so, what should it cover?

Systematic entry planning is essential for each target market, and no one plan fits all. Without such a plan, you might not realize your full market potential or, worse, make costly mistakes. The biggest mistake is to assume that all markets can be approached in the same way, or the same way you operate in the domestic market. Foreign markets can differ from the domestic market and each other in many ways -- in income levels, standards, climates, sizes of people and space, language, religion, cultural preferences and taboos, business practices, etc. These differences often dictate whether your products would be allowed into a market; could be afforded; could tolerate the local physical environment; would "fit" or operate efficiently; or would appeal to or offend potential buyers. To succeed in a market, you must understand its characteristics and plan accordingly.

A Market Entry Plan typically covers four key points:

- Rationale for selecting this market.

- Planned strategy and action to distribute, price, and promote your product in the market and to make adaptations needed to conform to local cultural norms and regulatory requirements.
- Budget to implement the planned actions.
- Time frame to take the specified actions.

For more on market entry planning, see these videos and other web resources:

Videos

- Choosing your Market Entry Strategy
- The Global Marketing Mix - Standardization vs. Adaptation

Other Web Resources:

- Standardization vs Adaptation (Globalization) in International Marketing
- Wikipedia: Market Entry Strategy
- 8 Strategies to Enter a New Foreign Market

4. How do I determine my best pricing strategy for a new target market?

Ideally, you want a pricing strategy that covers your costs, meets the competition, attracts buyers, and still makes a profit. That's a tall order, complicated by the fact that your "optimum" price in one market may not work in other markets. Whatever the market, price planning should start with your domestic price, which has already factored in your production and overhead costs and profit margin. From this base, add in any incremental costs for exporting. These could include costs to redesign your product to accommodate different sizes and technical standards abroad. Variable export costs could be for market research, postage, overseas phone calls, promotion, travel, credit checks; translations; performance bonds, export documentation, and for any special packaging or labeling that might be needed. Other export-specific costs are normally passed on to the buyer, such as for freight forwarding, transportation to destination, and cargo insurance.

Once you determine your baseline costs, your price above that can be whatever the market will bear. That's usually depends on market demand, ability to pay, the competition, and your product's particular attributes (new or unique, superior, brand recognition). Price flexibility is important, since it's unlikely you'll dominate in any given market. You might consider volume discounts or low introductory pricing to gain a foothold in the market. You might also offer delayed payments or credits to offset a higher price or to further sweeten your established price.

For more on export pricing, see these videos and other web resources:

Videos:

- Pricing your Export Product
- Pricing Strategy Webinar

Other Web Resources:

- Make the Export Sale: Export Pricing Strategy
- Export Pricing Strategy in International Trade: Using Price Calculations

5. How do I determine my best distribution strategy for a new target market?

You likely won't need an in-country distribution network if you mainly plan to sell online to consumers (eCommerce, B2C). Most other situations will likely require some form of in-country representation. If you typically use regional or national sales reps domestically, you should also seek comparable agents or distributors in your target markets. If you expect high volume sales, you might want to set up one or more in-country sales or branch offices or produce and distribute the product locally as a joint venture or wholly owned subsidiary.

For most exporters, the recommended approach is to find an interested and qualified agent or distributor. As market insiders, they both speak the language, understand how business is done, and know who the customers are and how to reach them. Both also develop and send you sales orders, arrange payment in dollars, prepare all required import documents, and clear the goods through customs. Agents normally work on a commission basis and don't take title to the goods. Distributors also represent you, but generally purchase your goods and resell them at a markup. Many distributors are equipped to stock, install and service the goods. In large, developed markets, agents and distributors often specialize by industry. In smaller, less developed markets, they're more likely to carry many different lines.

For more on distribution strategy, see these videos and other web resources:

Videos:
- Finding Foreign Buyers: Choosing a Sales Channel
- Finding Foreign Buyers: Customized Services
- Selecting the Right Distribution
- Finding the Right Business Partners

Other Web Resources
- Exporting and Distribution Strategy
- International Distribution Channels & Global Marketing Strategy
- Distribution Channels in International Marketing

6. How do I determine my best promotion strategy for a new target market?

If you're not already known in the target market, or in the world more generally, promotion is essential. You won't sell much if your intended customer segments – foreign buyers, distributors, and/or end users -- don't know who you are. Your promotion strategy should spell out the techniques to be used globally or in each target market, how much to spend; and who will do it --you and/or your overseas representatives.

The promotion options for exporting are generally the same as domestically -- your company website, social media, e-mail, press releases, paid ads, and trade events. Most countries can accommodate any of these methods. You can best increase your overseas market exposure through a combination of **broadcast** and/or **targeted promotion.** Both seek to promote awareness and generate interest and inquiries. Whether broadcast or targeted, however, you must take care not to use words, images, or symbols that might offend rather than appeal to the intended audience. Most offenses are unwitting, from ignorance of differences in cultures, religions, language, business customs, or other factors.

- **Broadcast promotion** is highly leveraged. It aims to reach the widest possible audience with your marketing message—to let customers anywhere in the world know who you are, what you do, and why they should want your particular product. Cost-effective methods of broadcast-promotion include a globalized version of your website, social media, press releases, and informative articles in industry journals with international distribution. The advantage of this approach is low overall cost and cost per lead.

- **Targeted promotion** focuses just on the markets or customer segments you wish to pursue. Since you're not everywhere at once, your message can be more detailed and personalized. Targeted promotion methods include a localized version of your website, Email campaigns, trade shows and missions, business trips, and paid ads. Some targeted promotion methods are more costly, but these costs are often shared with your overseas distributor. Email messages go directly to the target recipients at little cost. In addition to your own Email contacts, you can buy qualified mailing lists in your target customer segment. Bear in mind that Email recipients are often bombarded with unwanted messages and may delete rather than open them. Try to craft messages that appear "must-read" at first glance. Also consider how often to send messages to the same targets—not so rarely that you're forgotten, but not so often that you're a nuisance and get "unsubscribed." Above all, you must not "spam." That means keeping each message to a finite list and not mass-blasting to the point you could be sanctioned.

For more on a marketing and promotion strategy, see these videos and other web resources:

Videos:
- Marketing & Sales Plan for Export

Other Web Resources:
- Types of Strategies Used in Export Marketing

7. How can I ensure that my website is suitable for a foreign audience?

Your website is your window to the world. Because it can potentially be "seen" globally at any given moment, it needs to make a positive first impression. If you have not yet done any or much exporting, the chances are that you designed your website for the domestic audience, not a global audience. While the U.S. is a large and familiar market, it's just one of 190+ countries that your website could reach. Many of these countries have different languages that might not translate as intended from English; or whose cultures or religions might take offense at the colors or symbols used on your website. Before launching a serious export effort, you should determine if you need to adapt your website to maximize the appeal to a foreign audience or avoid negative reactions.

There are two levels of website adaptation – "**website globalization**" if you are promoting broadly to the world or major world regions, and "**website localization**" if you are promoting to specific target countries.

- **Website globalization** aims to enhance the domestic website to also appeal to as many interested foreign users as possible. For example, if your existing site is entirely in English, the mostly non-English speaking countries in the world may miss the point. Since it's not feasible to translate for every country's language, you might consider translations into the handful of widely shared languages, such as Spanish, French, or Chinese. To reduce the risk of cultural offense, look to use verbiage, colors, shapes, and symbols generally considered positive in most world cultures.

- **Website localization** goes a step beyond globalization. You would set up a "mirror" of the home site customized for each target market. Each such local site would have the domain name for that country (e.g., ABC.uk for the United Kingdom or ABC.ca for Canada). It would have an entirely local look and feel, in the local language and with relevant country-specific content. Given the cost to set up multiple local sites, you should probably reserve this option for just your highest potential markets where localized content would make a big difference.

For more on website optimization for export, see these videos and other web resources:

Videos:
- eCommerce Website Optimization
- Website Globalization
- Preparing your Website for Global Commerce

Other Web Resources

- Guide to Website Costs
- Website Internationalization
- Website Globalization Review Gap Analysis
- 12 Steps to Website Globalization
- How to Plan Website Globalization & Localization

8. How can I make the best use of social media to promote my export products?

Social media promotion is a low-cost way to get your message out to a large global audience. The main social media platforms -- Google, Facebook, LinkedIn, and YouTube --have global reach. If you use these media for domestic marketing, you can apply the same basic mechanics for foreign markets. You may need to adjust your messaging for markets with different languages and cultures. Each social media platform has its own tricks of the trade to maximize exposure.

- **Google** is the world's leading search engine and is also a powerful worldwide social medium. Google Ads allow you to highlight in 3 sentences what might best excite customers almost anywhere in the world and draw them to your website (preferably globalized). You pay only for any resulting clicks to your website or calls to your business.

- **YouTube** is the second most visited website after Google. Your YouTube videos should be "infomercials" that explain, inform, and ultimately generate interest and sales leads. YouTube Ads enable potential customers to act when they watch or search for videos. You pay only when they show interest. If you're not that skilled at video-making and uploading, consider using a professional video agency. For do-it-yourselfers, at least use a quality microphone and other recording equipment, and record your videos in HD.

- **Facebook,** now including Instagram and Messenger, is also huge globally. Over 2 billion people worldwide use Facebook products every day. You can use either your Facebook business Page or Facebook Ads Manager to drive target customers to your website. Facebook Ads Manager is the starting point to run ads on Facebook, as well as on Instagram, Messenger, or Audience Network. It's an all-in-one tool to create ads, manage when and where they'll run, and track how well your campaigns are performing.

- **LinkedIn reaches** over 675 million active professionals worldwide, targetable by job title, function, industry, country, and/or professional or personal interests. LinkedIn Leads can help build your brand, generate leads, and drive traffic to your website.

For more on social media promotion, see these videos and other web resources:

Videos

- A BETTER Way to do Social Media Marketing In 2023
- Social Media Marketing Strategies For 2023
- Digital Marketing for Beginners: 7 Strategies That Work
- Digital Marketing for Exporting
- Introduction to eCommerce: Build your Digital Brand

Other Web Resources

- 5 B2B Social Media Marketing Tactics that Actually Work
- The Importance of Having an International Social Media Strategy
- How to Create an International Social Media Strategy
- Digital Marketing is an Important Strategic Plan for Exporters
- Online Marketing Means Knowing Your Customers Semantically
- How Online Marketing Helps Global Exporters Grow
- Introduction to Digital Marketing

9. How should I prepare for a promotional business trip abroad?

Face-to-face meetings in your target market can be very persuasive. The key is to know whom to see and to arrange the meetings before you arrive. Don't waste precious time looking after you get there. If you don't have any known contacts, ask for help from your local USEAC. They can arrange advance appointments and make introductions for you. If you're using the fee-based **Gold Key** matching service, you will also get orientation briefings, market research, interpreters for meetings, and assistance with market strategy and effective follow-up. Some **State export assistance agencies** have overseas offices that can also provide some or all of these introduction and matchmaking services, as can **Bilateral Chambers of Commerce**.

Once you know the parties you will meet with, it's also critical that you understand how business is conducted in the country. Do not assume you can do business the "American" way. Each country has its own business customs, largely rooted in its religion and culture. U.S. businesses generally look to cut to the chase and get to a contract ASAP. Except for Canada and Europe, much of the rest of the world puts greater value on building a relationship, starting with small talk before getting to the point, leaving many things unsaid. When doing business in such "**high context**" cultures, after taking time for relationship-building, it’s especially important to explicitly spell out the terms of any contract or agreement, rather than leave them implied or assumed.

You should bone up on other cultural protocols in each target country, such as concepts of time that delay scheduled meetings, how to exchange business cards, proper business attire, forms of address, gift-giving, methods of negotiation, etc. Also be aware of holidays in the country that might close business down during your stay.

For more on overseas business trips, see these videos and other web resources:

Videos

- Foreign Business Travel
- Best Travel Tips for Executives and Entrepreneurs

Other Web Resources

- 7 Tips for Successful International Business Travel
- Travel Advisories

10. How can I use trade shows and trade missions to attract foreign buyers?

Overseas trade shows and trade missions are costly, but they put you face-to-face with potential customers that allow for more extensive discussions. At trade shows, you can demonstrate your products, book orders, and perhaps even sell off the floor. Trade show opportunities exist all over the world. Every country has at least one major trade show a year. Many countries host trade shows throughout the year, often on specific industry themes. For names, dates and locations, check any one of several online trade show directories, such as **AUMA** or the U.S. Commerce Department’s **Trade Show** directory.

It's not easy to get into major overseas shows on your own. They're often booked months in advance. However, you can still participate if a trade assistance organization or industry association has already reserved a pavilion. For example, DOC/ITA’s **Trade Show** program organizes or co-sponsors U.S. pavilions at many leading international trade shows, with services ranging from booth set-up help, "repfind" assistance, embassy briefings, and other on-site assistance. U.S. firms wishing to exhibit can reserve a booth sometimes as late as six months before the start date.

You don’t necessarily have to go abroad to get the benefits of a trade show. Many U.S. trade shows also attract foreign buyers and distributors. They're serious because they've come a long way at considerable cost to see what's new. If you're an exhibitor, they can see you just as well at the domestic show as at a foreign show. You get the best of both worlds—the domestic exposure you mainly want, plus spin-off exposure to foreign buyers. The U.S. Commerce Department provides matchmaking support at over 40 domestic trade shows annually under its **Trade Event Partnership Program** (TEPP) -- formerly the International Buyer Program -- and makes vigorous efforts to attract foreign buyers to these shows. TEPP events offer one-on-one business-to-business (B2B) matchmaking, one-on-one business-to-government (B2G) counseling, and industry-specific international seminars.

Overseas trade missions involve group rather than individual travel to target destinations. A group, particularly an "official" delegation, has more prestige, gets more notice, and opens more doors.

Many state governments and industry associations organize such overseas trade missions. The U.S. Department of Commerce also organizes or certifies Trade Missions specifically designed for matchmaking. Before the trip, Commerce trade specialists evaluate each company's export potential, find and screen contacts, handle the logistics, provide in-country business briefings, and arrange one-on-one meetings with prospective clients. Trade mission opportunities are usually announced well in advance, and your chances of getting on one are good if you apply early enough. Upcoming U.S. Trade Missions are listed in the U.S. Commerce Department's **Trade Missions** schedule.

For more on trade shows and trade missions, see these videos and other web resources:

Videos:

- How to Sell at International Trade Shows – Best Practices
- Finding Foreign Buyers at Trade Shows
- International Trade Shows
- Find Foreign Buyers on Trade Missions

Other Web Resources:

- How to Prepare for an International Trade Show
- 8 Key Steps to Preparing for a Successful Trade Show
- Export Trade Missions Can Be a Good Investment for Your Company
- Trade Missions
- International Trade Marketing Toolkit
- Trade Mission Briefing Book
- Hot Tips for Planning International Trade Events

11. How do I determine what adaptations are needed to enter a new target market?

Many of the world's countries have different languages, cultural values, tastes, business practices, income levels, environmental conditions, product standards, legal requirements, etc. These all have important adaptation implications. To be accepted in "different" markets, you'll need to "localize" your approach. In particular, you may need to alter your product, your packaging, and/or your sales material. For example, your product won't sell "as is" if it's incompatible with local health, electrical and technical standards. Low-income countries may want less costly versions of your products (no frills, second generation, etc.). Some countries may require added protections against abnormal temperatures, humidity, pest infestations, pollutants, etc. You may need to downsize your products to fit the smaller homes, streets, etc. in some countries. You might have to translate your sales literature if your foreign customers can't read or understand your language. Certain colors, shapes, words, and symbols are offensive or appear foolish in some countries.

For more on market adaptation, see these videos and other web resources:

Videos:

- Adaptations and International Trade

Other Web Resources:

- Product Adaptation
- Export Marketing Strategies: To Adapt or Not to Adapt?
- How International Markets Differ and Why You Need to Adapt for Each One

VII. Finding Foreign Buyers and Distributors

1. How can I find foreign buyers, agents, or distributors for my export products?

Every country has end users, importers, and intermediaries that might want to buy or distribute your products – e.g., direct consumers, manufacturers, utilities, health care and infrastructure facilities, and importers/distributors. The best source is "unsolicited" leads from foreign buyers or distributors. These might have been triggered by your website or social media promotion.

If you're not getting unsolicited leads, consider these pro-active methods:

- Ask other U.S. companies that export complementary (not competing) products if they could share names of their distributors in a particular country. For example, if the complementary exports men's clothes and you want to export women's clothes, their foreign distributors would likely handle both. The larger companies may already list their distributors on their websites, so no need to even ask.

- Exhibit at a U.S. or foreign trade show known to attract serious foreign buyers and distributors. If they like what they see first-hand, they will initiate the offer to buy or distribute your product. At less cost, you can attend a U.S. trade show, ask exhibitors of complementary products if they export and, if so, who their foreign distributors are.

- Use partner-find services, such as USDOC's fee-based **International Partner Search** (IPS) and **Gold Key** programs. In both cases, a Commerce trade officer in the target countries will identify and personally interview reputable and qualified prospects that handle your product. You will get a list of about 5-10 companies that expressed active interest. With the IPS version, you do not need to travel to the country. You can follow up with each listed company from home. The Gold Key version expects you to travel to the country to meet face-to-face with each prospect. The officer that conducted the search will arrange all appointments in advance and accompany you to the meetings.

Another approach is to search for specific "offers-to-buy" in **Trade Lead Directories** or for companies listed in **Foreign Manufacturers and Importers** directories. However, simply picking names from a directory could lead to false starts or even into the wrong hands, since directory listings usually don't provide enough qualifying information to assure a good match.

For more on finding foreign buyers and distributors, see these videos and other web resources:

Videos:

- Export Through Foreign Agents and Distributors
- Find Foreign Buyers at Trade Shows
- B2B Sales Channels Distributor vs Sales Agent

Other Web Resources:

- How to Find Global B2B Buyers Online
- 5 Strategies for Finding Export Buyers for New Products
- What is the Difference between an Agent and a Distributor?

2. How can I determine which foreign agents or distributors would be best for me?

Choosing the right overseas agents or distributors is crucial. You're relying on them to bring you sales. If they don't perform well, you could be stuck with them indefinitely. In some countries, you can't easily terminate an agent/distributor relationship. Carefully evaluate prospects and select the most likely best performers. Look for these five qualities in particular:

- **Experience –** Who has a solid track record as an agent or distributor; expertise in your product area; and strong connections in the user community?

- **Capabilities** -- Who can market and support your products in the way you require (e.g., promote, stock, train users, install and service equipment, etc.)?

- **Motivation** – Who is enthusiastic about your product; able and willing to give it priority; and not so overloaded that you would get short shrift even with good intentions?

- **Loyalty** -- Who would not jump to a competitor or carry a competing line?

- **Honesty** – Who has a good reputation in the industry and has positive bank and trade references.

To find out who has the "right stuff," you'll need background information on each prospect, at least on the points below.

- Status and history, including background on principal officers.
- Personnel and other resources (salespeople, warehouse, and service facilities, etc.).
- Sales territory covered.
- Current sales volume.
- Typical customer profiles.
- Names and addresses of U.S. and foreign firms currently represented.
- Trade and bank references.
- Capability to meet your specific requirements.
- Opinion on the market potential for your products.

USDOC's **International Company Profile** (ICP) service verifies financials, reputability, and other bona fides of specified foreign companies, including their likely suitability as a potential agent or distributor for you. Other fee-based sources of background reports on foreign firms include **D&B International**, **Coface**, and **Experian**.

For more on vetting foreign buyers and distributors, see these videos and other web resources:

Videos:
- Export Through Foreign Agents and Distributors

Other Web Resources:
- Evaluate Foreign Representatives
- Choosing a Foreign Representative or Distributor
- Golden Rules for Selecting Foreign Distributors and Agents
- **5** Criteria for Finding the Right Distributor

3. What provisions and protections should I seek in an Agent/Distributor Agreement?

Agent/Distributor Agreements spell out the terms of the relationship between you and your overseas representatives. They usually address the following points:

- Products and territory covered (e.g., the world, a region a country)
- Exclusive or non-exclusivity
- Responsibility for marketing, promotion, shipping, technical support, training, after-sales service
- On-hand inventory requirement
- Allocation of expenses
- Terms of commission/payment
- Handling of complaints and disputes (e.g., arbitration)
- Conditions of termination

These points are negotiable. Aim for an agreement that motivates the rep and protects your interests. The rep will expect you to respond promptly to orders, deliver the product on time, pay the agreed compensation, provide training or other specified support, and pay your specified share of joint marketing and promotion expenses. These are reasonable conditions. For your own protection, you'll want commitments from the rep:

- to apply the utmost skill and ability to the sale of your products.
- to effectively perform the marketing, promotion, and support tasks you specify.
- to meet any performance goals, you specify (e.g., sales volume and growth).
- not to handle competing lines.
- not to disclose confidential information about your company and products.
- not to bind you to agreements without your prior approval.

It's also vital to have an escape clause in the agreement. You need to be able to make a safe, clean break if the rep doesn't perform as agreed. Most agreements call for a specified duration (usually one year), with automatic annual renewal, unless either party opts to terminate. Typically, advance notice is required for termination (e.g., 30, 60 or 90 days), and it usually must be for cause if before the normal term (e.g., failure to meet specified performance levels). However, some countries limit termination rights to protect local businesses. You could be stuck with a poor performer longer than you want, or a high "severance" payment to be rid of them. It's a good idea to consult an internationally experienced attorney before signing any agent/distributor agreement.

For more on agent/distributor agreements, see these videos and other web resources:

Videos:

- Distribution Agreement Checklist
- Negotiating Agent and Distributor Contracts

Other Web Resources:

- What is a Distribution Agreement?
- Your Guide to Agency and Distribution Agreements

VIII. Responding to Export Inquiries & Orders

1. How should I respond to foreign inquiries about my product?

An export sale often starts with an inquiry. Someone overseas has heard of you and wants more information. Most inquiries are either from end users (for purchase) or agents/distributors (for representation). The inquiry might be general, for example, "Tell me more about your company and product" or specific, for example, "What is the price?" Should you respond to every inquiry? No. Some may be "fishing" for information or samples, with no real intent to purchase or distribute, and it costs money or at least time when you respond. If the request seems dubious -- unprofessional, poorly written, boilerplate, etc. -- don't respond. If it appears legitimate, treat it like gold. Always remember that you're not the only game in town. It's a buyer's market, and the potential buyer has other options. If in doubt, err on the side of responding, at least with your standard letter and a link to your website, which should answer most questions. Hold off on sending costly samples until it's clear that the intent is serious. If prospects are encouraged by your response, they'll follow up with more specific requests for price, delivery, and payment terms. As you provide the requested information, you might also ask who they are and what they do. If you're satisfied that they are serious, be prepared to negotiate until you've mutually agreed on all the terms (price, delivery, payment method).

For more on responding to foreign inquiries, see these videos and other web resources:

Videos:
- Responding to Export Inquiries

Other Web Resources:
- Establishing a policy for international inquiries
- 15 Steps for Properly Responding to an Export Sales Inquiry
- How to Respond to Sales Inquiries

2. How should I respond to a specific request for a price quote?

A seriously interested foreign buyer will send a **Request for Quotation** (RFQ) for the purchase of a specified quantity of goods. The buyer might ask for the price at different delivery points, such as from the factory or from some pick-up point en route – e.g., at the port of exit or to the destination country. These pricing points are defined by 3-letter **Incoterms,** most commonly EXW (price at the seller's premises); FAS or FOB (price alongside or onboard the vessel), or CIF (cost plus insurance and freight to the destination country). The buyers understand that they pay for any fees and/or transportation costs beyond the EXW price. The RFQ might also ask for other details, such as availability and discounts.

The exporter typically responds to an RFQ with a **Quotation** specifying the price, any discounts or freight charges, payment methods, and the terms and conditions of sale. If requested by the buyer, the exporter could respond instead with a **Pro Forma Invoice,** comparable to a Quotation. Buyers may need the Pro Forma instead of the less formal Quotation to comply with requirements to get an import license, open an irrevocable letter of credit, or comply with certain exchange controls. The pro forma invoice is usually a replica of the commercial invoice, which is later forwarded to the buyer, together with the transport and other documents. The commercial invoice contains the same information as the pro forma invoice, i.e., final quantities, the HS code, the Incoterms® requested and the agreed payment method and payment term.

For more on responding to export RFQs, see these videos and other web resources:

Videos:
- Quotes and Pro Forma Invoices
- Pro forma Invoice
- Request for Quotation

Other Web Resources:
- 9 Things You Need to Know to Prepare an Export Quote
- Quotations and Pro Forma Invoices
- Request for Quote: Definition and How Businesses Use RFQs
- What is a Pro Forma Invoice? Required Information and Example
- What is a proforma invoice? When and why should you use one?

3. What transaction documents are involved to negotiate and close export deals?

Assuming a deal results from the foreign buyer's initial RFQ and the seller's responsive Quotation, the two parties will exchange a new set of transaction documents to finalize the terms. These typically start with a **Purchase Order** from the buyer and a **Proforma Invoice** or **Commercial Invoice** from the exporter. If a deal is reached, delivery of the goods will require a whole new set of shipping and payment documents containing much of the same information (e.g., **Bill of Lading, Packing List**, etc.).

For more on transaction documents, see these videos and other web resources:

Videos:
- Documents in an Export Transaction
- How to a Create Purchase Order for Export
- How to Create a Commercial Invoice for Export
- How to Fill in a Commercial Invoice

Other Web Resources:
- What is a Commercial Invoice
- Export Documentation: Commercial Invoice
- Commercial Invoices: Everything You Need to Know

4. How can the process of exchanging transaction documents be simplified and expedited?

The process of exchanging documents to reach a deal can take weeks, especially if either side wants changes in one or more of the documents, as changes in any one document require updates to all the other documents that share the same piece of information. This time can now be cut from days to hours, and the completion of a transaction from weeks or months into days. Sellers and buyers can now use a paperless, digital transaction process to interact virtually in an online Zoom-like setting.

Either party can pull up (share screen) and make instantaneous changes to any needed document. The changes will also automatically update all other documents with that common information. This interactive capability is compliant with the **ICC Uniform Rules for Digital Trade Transactions** (URDTT) published on October 1, 2021. These rules provide guidelines for this completely digital environment without the need for commercial bank involvement. The URDTT digital rules will replace the UCP paper guidelines as the global standard for trade management.

For more on tools to simplify and expedite buyer-seller interactions, see these videos and other web resources:

Videos:

- eDTT Workspace Introduction
- iTrade Digital Introduction

Other Web Resources:

- Digital Trade Transaction Workspace
- iTrade Digital - Electronic Trade Transaction Platform
- Uniform Rules for Digital Trade Transactions (URDTT)

IX. Financing Export Sales

1. What are my main needs for export financing; where can I get it?

An exporter's needs for financing generally fall into three areas: a) to develop export markets; b) to fill export orders beyond current inventory; and c) to cover cash flow while awaiting export proceeds.

Market development financing. Exporters face a variety of costs to develop foreign markets. These can include costs to globalize websites, attend overseas trade events, and pay fees for export programs and services. The U.S. has several programs to ease the cost burden.

- SBA **Export Express** program. Exporters can borrow up to $500,000 (term loan or revolving line of credit) for global marketing (and other) activities, including translations of export marketing literature and participation in foreign trade shows and missions.

- USDA/FAS **Market Access Program (MAP)**. FAS partners with U.S. agricultural trade associations, cooperatives, state regional trade groups, and small businesses to share up to 50% of the costs of overseas marketing and promotional for U.S. agricultural products and commodities. The funds are typically channeled through mirror programs of regional associations, such as the **WUSATA Branded Program for Agricultural Exporters** and **SUSTA MAP Branded Program for Agricultural Exporters.**

- **State Trade Export Program (STEP).** This SBA grant program allots funds to State-level trade promotion organizations. Exporters can apply to the designated State agency for grants (e.g., $2,500 up to $15,000 per company) to offset costs for a wide range of export development and promotion activities (e.g., to create and translate marketing materials, globalize a website, pay fees for USDOC/ITA matchmaking services, and participate in overseas trade shows.)

Export fulfillment financing. If a foreign buyer orders more product than you have in stock, you will need bridge funds to produce and fill the balance of the order until the proceeds arrive. International commercial banks are the main source of such working capital loans, but they are often very reluctant lenders for this export purpose for fear of not getting repaid. To overcome this resistance, both SBA and the U.S. Export-Import Bank (Exim) offer similar programs to guarantee banks of repayment if the deals fall through. – **SBA Export Working Capital Guarantee Program** .and **Exim Export Working Capital Guarantee Program.** The main difference is that Exim's program will not cover military sales.

Cash flow financing (aka receivables financing). Except for advance payment sales, exporters are essentially out of pocket until the buyer pays up, either upon delivery or up to 30-120 days later for open account sales. Exporters may have cash reserves to cover the time gap, but if not, they can get immediate funds by discounting (selling) the receivable to a **Factoring** or **Forfaiting** company. These companies buy the receivable from you, so you get the funds up front, less their 20% or so cut as a premium, while they take on the responsibility to collect from the foreign buyer.

2. If my foreign buyer needs financing to purchase my product, who can provide it?

Foreign buyers are often unable to purchase large orders of U.S. goods without financing. Their own governments and banks rarely finance such private projects, or they charge prohibitive interest rates. In these situations, U.S. exporters can turn to the U.S. Export-Import Bank (Exim). for capital-equipment export financing and the USDA/FAS for financing of agricultural exports.

Exim Medium Term Guarantee program. This program incentivizes otherwise reluctant U.S. banks to make 1–5-year loans to foreign buyers of U.S. capital goods, backed by an Exim guarantee if the foreign buyer defaults. The Exim guarantee supports up to 100 % of the transaction value after a 15% cash down payment by the foreign buyer. To qualify, the buyer must demonstrate an ability to service the debt.

USDA/FAS Export Credit Guarantee Program (GSM-102). This program offers a credit guarantee to U.S. lenders that finance foreign buyer purchases of U.S. agricultural products, The program is meant to enable foreign buyers, especially in emerging markets, to place bigger orders for the U.S. products. The program is available to exporters of:

- High-value, consumer-oriented, processed products such as frozen foods, fresh produce, meats, condiments, wine, and beer.
- Intermediate products such as hides, flour and paper products.
- Bulk products such as grains, oilseeds, and rice.

For more on foreign buyer financing, see these videos and other web resources:

Videos:

- Exim Financing for Foreign Buyers of U.S. Goods and Services

Other Web Resources

- Medium and Long-Term Loan Guarantee
- About the USDA/FAS Export Credit Guarantee Program (GSM-102)

X. Getting Paid for Export Sales

1. What are the most common payment methods for export sales?

Exporters have several options to get paid for export sales. The most common, from least to most risk for the exporter, are full or partial payment in advance, letters of credit, and documentary collections.

- **100% cash in advance**, by wire transfer, credit card, or by discounting (factoring) the receivable.
- **Partial payment up front (e.g., 25-50%), the balance on delivery.**
- **Irrevocable, confirmed Letter of Credit** (L/C), payment guaranteed by the exporter's bank, typically on delivery.
- **Documents Against Payment** (D/P), also known as a Sight Draft, paid on delivery.
- **Documents Against Acceptance** (D/A), also known as a Time Draft, paid at a specified date after delivery.

Cash in advance is best for exporters, particularly by wire transfer, as there is no cash-flow burden and no risk of default. Advance payment by credit card offers the same benefit, but could run the risk of credit card fraud. For foreign buyers, though, advance payment is the worst option. It not only shifts the cash-flow burden to them, but forces them to pay before they can see what they get. Also, they can usually find a competing supplier willing to offer better terms. Therefore, unless this is a relatively small purchase or a "must have," the buyer will likely say no to cash in advance. If faced with this resistance, you might try for a partial up-front payment, say 25-50%, with the balance paid on delivery or at a specified later time. If the buyer still says no, don't let fear of default lose you this deal. Consider other payment options that also greatly reduce the payment risk, such as letters of credit and documentary collections.

Letters of Credit (L/Cs) are the most secure payment method after cash in advance and much more open to use by importers. The importer starts at his bank by opening an L/C in your favor for the full amount of the sale. The L/C guarantees that you will be paid by the importer's bank, not by the importer. In return for the importer's bank taking on the obligation to pay, the importer agrees to repay the bank at some future date. That's between the two of them, not your concern. For even greater protection, your own bank can take over the obligation to pay from the foreign bank. This is done through a routine, inter-bank "confirmation" process. The resulting payment instrument is known as an "irrevocable, confirmed L/C."

L/Cs are designed to protect both the exporter and the importer. The exporter gets a guarantee of payment from a reputable bank; the importer gets a guarantee that the exporter will deliver exactly what was ordered and by when, as specified in the L/C. To assure this mutual benefit, the L/C terms must be identical to terms in the purchase order and all related shipping documents. If there are any "discrepancies" among the documents, or the goods are not exactly as ordered or delivered on time, the buyer is not obliged to pay, and the bank is not obliged to release the payment. Thus, compliance with all L/C terms is crucial. Your bank and freight forwarder can help make sure that the price and terms are reconciled in all the documents. Should an unexpected problem arise with the documents or the shipment, it can often be resolved amicably. Contact the buyer immediately and ask for an amendment to the L/C to correct the problem.

Although L/Cs are widely used, they incur more bank fees than other methods. Moreover, the importer must repay his bank for the L/C amount covered, at high interest rates in some countries. For these reasons, the parties often prefer other, less costly payment methods that still offer reasonable protection against buyer default, such as "documentary collections."

Documentary Collections (D/C) equate to cash on delivery (COD) or cash at a mutually agreed later date. D/Cs are relatively safe and are routinely handled by banks without L/C-like fees. In the COD version -- **Documents Against Payment** (D/P) or "Sight Draft -- the importing country bank receives title to the goods (in the form of the Bill of Lading accompanying the shipment). The buyer must pay the bank the full amount owed to get title (access) to the goods. If the buyer for some reason decides not to pay (a potential risk), the exporter can bring the goods back or sell to someone else, but not lose the goods. In the delayed payment version -- **Documents Against Acceptance** (D/A) or Time Draft -- the goods are released to the buyer with a specified time to repay.
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For more on payment methods, see these videos and other web resources:

Videos:
- Financing Your Exports and Getting Paid
- Types of Letters of Credit (L/Cs)
- Using Documentary Collections with Trusted Foreign Buyers

Other Web Resources
- Trade Finance Guide
- Methods of Payment
- What is a Letter of Credit (LC)? What Types of LCs Are There?
- What is a Documentary Collection – D/P and D/A Payment Terms

2. How can I protect against default if my foreign buyer wants delayed payment terms?

Many potential exporters resist exporting out of fear that they won't get paid. That fear is overblown, as several payment methods can protect against buyer default. As noted above, 100% payment up front virtually eliminates risk. Partial up-front payment puts the buyer at risk of loss, especially if paired with a requirement to pay the balance on arrival. **Letters of Credit** (L/Cs) guarantee payment by your own bank. **Documents Against Payment** (D/P) require the buyer to pay in full on arrival before the goods are released.

These safer methods for the exporters are least preferred by the foreign buyers. They much prefer delayed payment (credit) terms, typically 30-90 days) before having to pay. This is known as **Open Account** terms. In a highly competitive export environment, buyers might insist on open account or reject the deal in favor of other exporters more willing to offer open account terms. Inexperienced exporters generally avoid open account and lose many deals for fear that they will not get paid. However, the default risk can be mitigated almost entirely with **export credit insurance** from the U.S. Export-Import Bank (Exim). Under these very inexpensive policies, the exporter is guaranteed nearly full payment if the buyer later defaults. savvy exporters know how to protect against buyer default, even for open account sales. They also know that they can be much more competitive if willing to sell on open account, especially if their prices are higher than other suppliers. Without export insurance for open account terms, the exporter should be especially vigilant in due diligence or reserve this option only for buyers that are well established, have solid payment records, or have been thoroughly checked for creditworthiness.

If you absolutely won't export without advance payment, and the buyer won't pay up front, you can try "factoring" (e.g., selling) the receivable to a **Factoring** company that will advance you the money for a fee (e.g., up to 20%). The Factor takes on the risk of collecting from the importer.

For more on open account terms, see these videos and other web resources:

Videos:
- Open Account Terms

Other Web Resources
- Protect Against Buyer Nonpayment
- Open Account -- Payment Method in International Trade, Pros and Cons
- Exim Export Credit Insurance – How it Works
- Export Credit Insurance FAQs

3. If the importer wants to pay in local currency, not US dollars, should I agree?

U.S. exporters generally want payment in U.S. dollars. -- for convenience, but also to protect against depreciation of weaker currencies. If the local currency depreciates by the time payment is due, the importer will need to put up more in local currency to equate to the agreed dollar amount, but the exporters will get the entire dollar amount specified. If quoted in a depreciating local currency, it will exchange for fewer dollars at payment time. That traditional dollar preference has some disadvantages. Most importers would prefer a local currency quote, also out of convenience. Quoting solely in US dollars could put the deal at risk, especially in countries with strong, stable currencies, such as in most of Europe. U.S. exporters are becoming more open to payment in local currencies, especially in strong-currency countries.

For more on local currency payments, see these videos and other web resources:

Videos:
- Foreign Exchange Risk Management: How to Get Paid in Foreign Currencies

Other Web Resources:
- Exporters Should Consider Quoting and Invoicing in Alternate Currencies
- Benefits of Billing Foreign Customers in their Own Currency

4. If I agree to payment in local currency, how can I protect against currency fluctuations?

To protect against adverse currency fluctuations, exporters can use **hedging strategies**," including **"forward"** or **"futures" contracts**, to lock in the exchange rate at the time of payment. **Forward Contracts**, as sold by banks**,** guarantee a specific rate of exchange for an agreed amount of foreign currency to be exchanged at a future date. The rate that the bank agrees to pay at the specified future date is known as the **forward rate of exchange** (as distinct from the current or **spot rate of exchange.** Forward contracts are commonly used to offset currency rate risks associated with 30,60, 90 open account payment terms, but much longer time frames (more than a year) are also available, which makes this a highly effective hedging tool for longer term contracts. For an exporter, the advantage of a forward contract is the certainty that the specified exchange rate will be available at the time of settlement. The disadvantage of a forward contract is that it locks the exporter in at that exchange rate, and therefore the exporter cannot profit if the value of the foreign currency appreciates while awaiting payment.

For more on foreign exchange hedging, see these videos and other web resources:

Videos:
- Foreign Exchange Risk Management: How to Get Paid in Foreign Currencies
- Spot and Forward Exchange Rates Explained in 5 Minutes

Other Web Resources:
- Forex Hedge: Definition, Benefits, How It Lowers Risk and Example

XI. Complying with U.S. Export Regulations

1. How do I determine if my product is subject to any U.S. export regulations?

Most products can be exported from the U.S. without any special permissions. However, the U.S. does control exports for several key purposes:

- To protect U.S. national security
- To attest to the quality/safety of U.S. exports (e.g., food, agricultural, and hazardous products)
- To protect against demands to boycott certain countries.
- To protect against bribing foreign government officials to secure contracts.

It is up to the exporter to determine in advance which, if any, regulations apply. Don't be deterred. Regulated products can still be exported with the necessary permissions, typically a "License" or "Certificate." Freight forwarders can usually advise on applicable regulations and can even prepare the needed compliance documents. Each regulatory agency also has a website that fully explains what products it regulates and how to comply.

National Security Regulations	
DOC/BIS - Dual-use product controls	Export Administration Regulations (EAR)
State/DDTC - Military product controls	International Traffic in Arms Regulations (ITAR)
DOC/BIS - Short supply product controls	EAR Part 760
Treasury/OFAC - Sanctioned countries	Foreign Assets Control Regulations

Quality and Health Regulations	
USDA – Agricultural products	APHIS Export Regulations
FDA - Medical devices, drugs, cosmetics	Federal Food, Drug, & Cosmetic Act (FD&C)
DOT- Hazardous materials	PHMSA Hazardous Materials Regulations
Anti-Competitiveness Regulations	
DOC/BIS - Anti-boycott	EAR Part 760)
DOJ/Criminal Division - Anti-bribery	Foreign Corrupt Practices Act (FCPA)

For more on U.S. export regulations, see these videos and other web resources:

Videos:

- Comply with Export Regulations
- ITAR Compliance Training for Employees
- What Does FDA Regulate
- Hazardous Materials Regulations Overview
- FCPA Enforcement and Compliance Review

Other Web Resources:

- Bureau of Industry & Security (BIS) Website
- BIS Export Administration Regulations (EAR)
- BIS: Export Controls: A Quick Start Guide

- State/DDTC: Defense Export Control and Compliance System
- DDTC/International Traffic in Arms Regulations (ITAR)
- Office of Foreign Assets Control - Sanctions Programs and Information
- USDA/APHIS Agricultural Export Regulations
- Exporting Food Products from the United States
- Exporting Medical Devices
- Human Drug Exports
- Cosmetics Export Certificate FAQs
- Hazardous Materials Regulations
- Anti-Boycott Compliance
- Foreign Corrupt Practices Act

2. What do I do if my product is controlled for national security purposes?

All U.S. products for export are "subject" to U.S. national security controls, but not necessarily restricted. The restricted products are identified by a 5-digit **Export Control Classification Number** (ECCN). A product with a designated ECCN will require an export license (with some exceptions). If the product not have an ECCN, it can be exported as **No License Required** (NLR) or **EAR 99**. Although over 90% of U.S. exports fall under NLR or EAR, it's up to the exporter to make that determination up front.

National security controls are strictly enforced to deny enemy access to U.S. military items or "dual use" commercial items that could also be used militarily. Purely military items are regulated by the U.S. State Department's **Directorate of Defense Trade Controls (DDTC)**. under the **International Traffic in Arms Regulations** (ITAR). Dual use items are regulated by the Commerce Department's **Bureau of Industry & Security** (BIS). under the **Export Administration Regulations** (EAR). Violations carry very severe penalties, even if unwitting. For a complete list of all controlled products, see the **DDTC Munitions List** for military items and the **BIS Commerce Control List** (CCL) for dual use items. These items require an export license to be exported, with exceptions in limited circumstances.

Military Items. All military items for export are on the State Department/DDTC Munitions List and require an export license from DDTC. Even if you sell a military item domestically, if it is a part or component of a controlled item that is ultimately exported, you must register your company and products with DDTC and comply with ITAR. To ensure compliance, DDTC strongly advises that registered exporters and manufacturers put programs in place that assist in monitoring defense trade activities. These programs should include a manual that articulates the company's policy on and commitment to compliance with defense trade laws and regulations, and that outlines the procedures for dealing with licensing and compliance matters.

Dual-Use Items. The vast majority (roughly 95%) of U.S. products fall outside the dual-use criteria and **do not** require an export license. However, you cannot just assume your product has no dual use. You must still determine that in advance by checking the BIS **Commerce Control List** (CCL). The CCL lists all dual use products alphabetically with their corresponding **Export Control Classification Number** (ECCN). If you are still uncertain after that, you can ask BIS for an **advisory opinion**. If confirmed to have dual use, you must apply for a BIS export license through BIS' SNAP-R on-line electronic licensing system. SNAP-R allows registered users to submit export or re-export license applications or commodity classification requests. You must first register and obtain a **Company Identification Number** (CIN)) prior to submitting an electronic license application or commodity classification request. Registration is free.

For more on U.S. export controls on military and dual use items, see these videos and other web resources:

Videos:

- ITAR in 10 Minutes
- ITAR Compliance Q&A
- Can I Export my Product
- What are Export Controls?
- Export Controls: Classifying Your Item
- What is an ECCN?

Other Web Resources:

- What is ITAR Compliance? (Regulations, Fines, & More
- Getting and Staying in Compliance with the ITAR
- Dual Use Export Licenses
- Export Control Basics
- Overview of Export Control and Trade Sanctions
- U.S. Export Licenses: Navigating Issues and Resources
- Guidelines for Preparing Export License Applications
- Simplified Network Application Process - Redesign (snap-r)
- License Exceptions

3. If an item is not military or dual use, do any other national security export controls apply?

Products that are not military or dual use may still be controlled for other national security purposes:

- If the foreign end user is on the BIS **Denied Persons** list, you cannot export to or conduct any other business with that person.

- If the foreign end user is on the BIS **Denied Entities** list, you would need a license to export to that entity. Denied entities include certain foreign businesses, research institutions, government and private organizations, individuals, and other types of legal persons.

- If the country for export is "sanctioned" as a U.S. national security risk, you would need a license to export any product or transfer any assets to that country. BIS implements U.S. Government sanctions against Cuba, Iran, North Korea, Sudan, and Syria, either unilaterally or to implement United Nations Security Council Resolutions. The license requirements, exceptions, and policies vary, depending on the particular sanctioned country. In addition to BIS sanctions, the Department of the Treasury's **Office of Foreign Assets Control** (OFAC) also implements certain sanctions against Cuba, Iran, North Korea, Sudan, and Syria under the **Foreign Assets Control Regulations (FACR).**

If you know or are advised that you need an export license, the application and processing procedures are explained in detail in **Introduction to the Commerce Department's Export**

Controls. If your export product is not controlled for any of the above national security reasons, you can export it with the designation **No License Required** (NLR) or **EAR 99** on the customary shipping documents.

For more on license requirements for dual use products, denied parties, or sanctioned countries, see these videos and other web resources:

Videos:

- Restricted Party Screening
- The Office of Foreign Assets Control (**OFAC**) Country Sanctions

Other Web Resources:

- How do I Avoid Dealing with Unauthorized Parties?
- Understanding the Various Restricted Party Lists

4. If I just share company information with a foreign national, not export a product, do I still need an export license?

If the company information has national security implications – e.g., blueprints, specs, operational details -- it is considered a "deemed export," as if it were a physical product. Such information must not be shared with any foreign national without an export license. The deemed export regulation applies even if the foreign national is one of your own employees or an invited guest, such as an existing or potential customer.

For more on deemed exports, see these videos and other web resources:

Videos:

- Deemed Exports
- Mastering Deemed Exports

Other Web Resources

- BIS: Deemed Exports
- Deemed Exports F.A.Q.

5. What U.S. regulations must I comply with to export hazardous materials?

Transport of hazardous materials is regulated by the U.S. Transportation Department's **Pipeline and Hazardous Materials Safety Administration** (PHMSA) under the **Hazardous Materials Regulations**. For PHMSA/HMR purposes, hazardous materials generally include any substances or materials deemed to pose an unreasonable risk to health, safety, and property no matter how or where transported -- by air, rail, vessel, or motor vehicle in interstate, intrastate or foreign commerce. The term includes hazardous substances, hazardous wastes, marine pollutants, elevated temperature materials, and other materials designated as hazardous in the **Hazardous Materials Table** (49 CFR 172). See details on **Shipping and Packaging HAZMAT** under HMR Part 173.

Hazardous waste as a HAZMAT subset is also regulated by the **Environmental Protection Agency (EPA)** under the **Resource Conservation and Recovery Act** (RCRA). Hazardous wastes can be liquids, solids, gases, or sludges. They can be discarded commercial products, like cleaning fluids or pesticides, or the by-products of manufacturing processes. For details and **FAQs on EPA's export requirements for hazardous waste under RCRA**.

For more on export regulations for hazardous goods, see these videos and other web resources:

Videos:

- Taking a Deep Dive into Dangerous Goods Export Protocols
- How to ship dangerous goods
- Shipping of Hazardous Materials
- Classify & Identify Hazardous Materials
- Packaging Requirements for Hazardous Materials

Other Web Resources:

- What You Need to Know about Exporting Dangerous Goods
- Hazardous Materials and International Shipments
- What You Need to Know about Shipping Dangerous Goods

6. What U.S. regulations must I comply with to export food products?

The U.S. regulates food exports to assure they are safe to consume – e.g., free of pests, contaminants, or other unsafe ingredients. Most importing countries require such assurances and will accept U.S. sanitary and phytosanitary certificates for food products issued by approved testing organizations. The **Food & Drug Administration** (FDA) and USDA's **Food Safety Inspection Service** (FSIS provide inspection services when certificates are required. For example, if required by the importing country, FDA or a State agency will issue a **Food Export Certificate** to assure that the product is intended for human consumption, that FDA has approved the ingredients for use in the U.S., and that the product has the same quality as that freely sold in the U.S. FDA Food Export Certificates can also be issued by State Governments. To apply for a Food Export Certificate, see **Food Export Certificate Application Step-by-Step Instructions.** USDA's **Food Safety Inspection Service** (FSIS) issues **FSIS Form 9060-5, Meat and Poultry Export Certificate of Wholesomeness** in cases where the importing country has no specified requirement, and **FSIS Form 9080-3, Establishment Application for Export** if the country requires pre-certification of the exporting establishment.

For more on food export regulations, see these videos and other web resources:

Videos:

- 5 Things Food Exporters Need to Know
- Food Export Certificates

Other Web Resources:

- U.S. Food Export Regulations and Policies

7. What U.S. regulations must I comply with to export medical devices, drugs, and cosmetics?

Medical devices, drugs, and cosmetics are regulated by the Food and Drug Administration (FDA) to attest to their safety for both domestic and foreign use. Many importing countries will not allow entry of these products from the U.S. without FDA assurance that they are safe for public use. FDA provides such assurance in the form of Export Certificates (aka **Certificates of Free Sale**). FDA is authorized to issue such certificates within 20 days of a request. A fee of up to $175 may be charged for each certificate. It is the exporter's responsibility to know the requirements of the importing countries and to request the needed FDA certificate. Some foreign governments may also accept FDA certificates issued ln FDA's behalf by a state, or a local health department or chambers of commerce.

For more on export regulations for medical devices, drugs, and cosmetics, see these videos and other web resources:

Videos:
- FDA Regulations for Importing and Exporting Medical Devices

Other Web Resources:
- Exporting Medical Devices
- Cosmetic Export Certificate FAQs
- Cosmetic Export Certificates: FAQs
- Certifying Pharmaceutical Exports

8. What U.S. regulations must I comply with to export alcohol or tobacco products?

The U.S. **Alcohol and Tobacco Tax and Trade Bureau** (TTB) issues certificates for exports of alcohol and tobacco products when required by importing countries. Exporters can request the following certificates as needed: Certificate of Free Sale; Certificate of Origin and/or Age; Certificate of Health; Certificate of Sanitation; Certificate of Authenticity; Sanitary Statement/Certificate; and Certificate of Manufacturing Process.

For more on exporting alcohol and tobacco products, see these videos and other web resources:

Videos: None found

Other Web Resources:
- Exporting Alcohol Beverages from the U.S.
- TTB: Export Certificate Program FAQs - Alcoholic Beverages
- TTB: Export Documents

9. What can I do if a target country won't buy from me unless I boycott another country?

You cannot comply with a boycott demand under U.S. Anti-Boycott Laws, enforced by the BIS Office of Anti-Boycott Compliance (OAC), The U.S. anti-boycott laws were adopted to prevent U.S. firms from being pressured to implement foreign policies of other nations that run counter to U.S. policy, such as efforts by Arab countries to boycott Israel. The **Office of Export Compliance** Website has details on what you must do if faced with a boycott demand.

For more on anti-boycott regulations, see these videos and other web resources:

Videos: None found

Other Web Resources:
- A Practical Understanding of U.S. Anti-Boycott Compliance
- Anti-Boycott Compliance

10. What can I do if a foreign buyer expects a bribe to secure an export contract?

Under the **Foreign Corrupt Practices Act (**FCPA), it is illegal for a U.S. firm to bribe foreign government officials "to assist in obtaining or retaining business," such as a bribe to win very large export deals. FCPA does not apply to bribing non-government officials or low-level "grease" payments often demanded by petty bureaucrats to expedite paperwork. The FCPA is enforced by the Justice Department Criminal Division. Since 1977, the FCPA anti-bribery provisions have applied to all U.S. persons and certain foreign issuers of securities. An amendment in 1998 extended applicability to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place within the territory of the United States. ***A Resource Guide to the U.S. Foreign Corrupt Practices Act*****,** compiled by the Department of Justice and Securities and Exchange Commission., addresses a wide variety of topics, including who and what is covered by the FCPA's anti-bribery and accounting provisions; the definition of a "foreign official"; what constitute proper and improper gifts, travel and entertainment expenses; the nature of facilitating payments; how successor liability applies in the mergers and acquisitions context; the hallmarks of an effective corporate compliance program; and the different types of civil and criminal resolutions available in the FCPA context.

For more on FCPA, see these videos and other web resources:

Videos:
- Foreign Corrupt Practice Act
- FCPA Enforcement and Compliance Review

Other Web Resources:
- Foreign Corrupt Practice Act
- U.S. Foreign Corrupt Practices Act

XII. Complying with Foreign Import Regulations

1. What foreign tariff and non-trade barriers might affect my access to a target market?

Nearly all countries impose tariffs and/or various non-tariff barriers. **Tariffs** are taxes on imports, ranging from low rates to generate revenue to high rates to protect domestic industries. Tariffs are based on the product's Harmonized System (HS) code. Most rates are assessed ad valorem, as a percentage (e.g., 5%) of the product's declared import value. Duties can also be specific—i.e., at a fixed amount per unit (e.g., $2 per pound). In some cases, duties may be a combination of ad valorem and specific. Most import duties are manageable and do not significantly deter market access. If you're faced with a prohibitive tariff, you probably cannot lower your prices enough to match domestic competitors. You might be better off avoiding high-tariff markets and look instead at zero-or low-duty markets, such as the 21 markets with which the U.S. has **Free Trade Agreements** (FTAs). If a high-duty market is too promising to pass up, you might consider local production within the country through a licensing agreement, joint venture, or subsidiary.

Non-tariff barriers (NTBs) include quantitative restrictions, licensing and exchange controls, and health, safety, and technical standards. NTBs are more problematic than import duties. They affect the composition of the product itself -- to meet safety and technical standards -- and how businesses must operate to conform to local customs and norms. Although NTBs are rarely prohibitive, they sometimes require onerous compliance measures to gain market entry, such as certifications, testing, and in some cases alteration of the product.

For more on tariffs and NTBs affecting market entry, see these videos and other web resources:

Videos:

- What is an import duty?
- Import Tariffs - Basic Analysis IA Level and IB Economics
- Introduction to Free Trade Agreements
- Breaking Through Trade Barriers
- Non-Tariff Barriers to Trade Explained
- Trade Protectionism - Ten Examples of Non-Tariff Barriers

Other Web Resources:

- Import Tariffs & Fees Overview and Resources
- Import Customs) Duty: Definition, How It Works, and Who Pays It
- Non-Tariff Barriers
- Non- Tariff Barriers and Regulatory Issues
- Tariff vs.Non-Tariff Barriers: A Comparative Analysis
- Nontariff Barrier: Definition, How It Works, Types, and Examples

2. How can I find the import duty for my product in any country?

You can find import duties by products and country on the **World Trade Organization** (WTO) **Tariff Download Facility**. Also, the **FTA Tariff Tool** also has duty rates and country of origin rules for the 20+ U.S.-**Free Trade Agreement countries**. Duty rates are listed by the product's Harmonized System (HS) code number. Because changes might not be immediately updated on the online databases, it's best to double-check with a freight forwarder. They have access to updated tariff schedules for each country.

For more on finding import duty rates, see these videos and other web resources:

Videos:

- Find Foreign Tariffs for U.S. Products

Other Web Resources:

- WTO/TAO - Tariff Analysis Online (free registration)**,** and,

3. If the import duty at my current HS Code is too high, can I reclassify it to get a lower rate?

Reclassifying to a lower duty rate is known as **tariff engineering**. It can take two forms. One is to call the product by another (similar) name that has a lower duty. The new name would need to be comparable enough to pass muster. For example, calling an "apple" an "orange" would obviously not qualify, but calling a "doll" a "toy" did work in a 2003 U.S. court case **(ToyBiz v. US).** The second method is to modify the character or design of the product just enough to qualify it under a different tariff code at a lower duty rate. Hypothetically, for example, a 26.9% import duty on a woman's blouse with 50% cotton-50% polyester could be reduced to just 15.4% by slightly increasing the cotton content to 51%. The redesign method would not make sense if the savings from a lower duty were less than the cost to modify the product. Be aware also that Customs authorities tend to view tariff engineering suspiciously as potential duty evasion.

For more on tariff engineering, see these videos and other web resources:

Videos:

- How Companies Design Products to Avoid Tariffs

Other Web Resources:

- Considering Tariff Engineering? Read this First
- Tariff Engineering: Opportunities for Duty Mitigation

4. How can I avoid paying import duties on goods I send abroad but intend to bring back?

Roughly 50 countries waive import duties on goods temporarily brought in, say for demonstration at a trade show, with the intent to bring them back. An **ATA Carnet is t**he document used for such waivers. An ATA Carnet is essentially a passport for goods considered "tools of the trade." These include commercial samples, professional equipment, and items used for trade shows or exhibitions. Some ordinary goods, such as computers (including laptops) or industrial equipment, will also qualify." Countries that do not accept the ATA Carnet may have another type of temporary import procedure exempting goods from the normal application of import duties and taxes. Some countries require importers to pay a temporary import bond, reimbursable if the product leaves the country within a specified time (usually one year from the date of importation).

Before you leave for your trip, contact the U.S. Customs Service, and notify them that your items will be coming back into the U.S. and that U.S. import duties and taxes should not be assessed on the goods when they return. U.S. Customs will need the serial number of the item you are taking.

For more on ATA Carnets, see these videos and other web resources:

Videos:
- What is ATA Carnet

Other Web Resources:
- ATA Carnet
- ATA Frequently Asked Questions

5. Do I need to pay U.S. import duties on imported goods that I plan to re-export?

The U.S. allows duty waivers or refunds on imported goods that are later re-exported. Many U.S. firms are unaware of the waiver options and pay large unrecoverable import duties that could have been avoided. The allowable waiver possibilities include:

Temporary Importation under Bond (TIB). A TIB may be posted at import in lieu of paying duties and taxes for products to be re-exported within 3 years. Failure to export or destroy the articles by then will trigger liquidated damages. The only goods that qualify for TIB entry are those listed in the fourteen subheadings HTUSA 9813.00.05 through 9813.00.75.

TIBs are usually handled by customs brokers who, for a fee, help get the TIB for the amount specified by customs. The broker cancels the bond when the goods are exported, and proof is presented to customs that the goods have left the country.

Bonded Facility. If the imported products are for eventual re-export, either as is or with value added, you can bring them duty-free into a Foreign Trade Zone (FTZ) or a bonded warehouse. FTZs, licensed by the **Foreign Trade Zones Board** under the Secretary of Commerce are usually located near entry ports. Products brought into a bonded facility are considered not technically imported and thus not subject to import duty. While in the facility, the products can be stored, exhibited, assembled, manufactured, and processed, pending re-export. However, if any of the goods are later sold domestically, rather than re-exported, the importer will be liable for duties and taxes.

Duty Drawback. You can apply for a duty drawback (refund) of the duty paid for an imported product, provided the product is subsequently exported. It is a cumbersome, time-consuming process that requires proof of exportation, and an impeccable audit trail to the original importation. A duty drawback claim must be filed within 3 years after the date of exportation. If not filed within 3 years, the exporter can no longer file unless U.S. Customs & Border Protection (CBP) takes responsibility for the delay. The possibility of an extension is highly unlikely.

For more on U.S. import duty waivers for re-exported goods, see these videos and other web resources:

Videos:

- U.S. Customs Temporary Importation Bond
- How Customs Bonded Warehouses Work
- Introduction to Foreign Trade Zones
- Drawback - Opportunities, Requirements, & Insights

Other Web Resources:

- Temporary Import Bond (TIB): Duty-Free Entry of Goods for Re-Export
- What is a Customs Bonded Warehouse?
- An Introduction to Foreign-Trade Zones
- Drawback – A Refund for Certain Exports
- Drawback

6. What non-tariff barriers might I face in specific markets; how will I know?

Non-tariff barriers Exporters should look for these types of NTBs and what must be done to comply.

- **Quantitative restrictions** (QRs) are quotas on the value or quantity of the product that can be imported. QRs are mostly used to protect labor-intensive industries against low-priced imports, such as textiles and apparel. The most extreme form of a QR, an outright import ban, is usually not for industry protection, but more to protect a religious or moral value (e.g., prohibited foods or sacrilegious items).

- **Product standards** protect against risks to public health or safety or to the country's technical standards. Exporters need to determine in advance if their product in its current form could meet a standard. If so, the product could be imported with proof of compliance, such as an **inspection certificate** from an approved testing body. such as a certification from an approved body, in some cases backed by mandatory testing. If the product does not meet the standard in its current form, the exporter would need to alter it in some way to make it compliant, such as by removing a banned ingredient or converting the voltage. The European Union has particularly rigorous product standards, most notably the CE (Conformité Européenne) Mark. The mark consists of the CE logo affixed to a product by the manufacturer to attest that it conforms to the applicable EC directive.

- **Sanitary and phytosanitary controls** protect humans and animals from pests or unsafe additives, contaminants, toxins, or disease-causing organisms in food. The protections typically require proof that the food came from a disease-free area. Compliance may require pre-shipment inspections; specified methods of treatment or processing; limiting levels of pesticide residues; or permitting only certain additives in food.

- **Import permits** are required in some developing countries for products that can only be imported with permission from a designated authority. Importers apply for permission, usually in the form of a license to import. A "general" license permits imports of the listed product for a specified limited time. A "one-time" license allows import of a listed product at a specified quantity, price, and country of origin.

- **Foreign exchange controls** can be imposed by certain "transitional economies" with foreign exchange shortages ("Article 14" countries). These controls limit the amount of hard currency (e.g., US$) that local companies can obtain for import transactions. Currently, 31 countries still qualify to apply these controls.

- **Promotional restrictions** regulate how certain products can be advertised and promoted, mostly to protect against health risks, immorality, and scams. The most regulated are alcohol and tobacco products, ethical drugs, contraceptives, personal hygiene products, undergarments, and films and books. The restrictions could include outright promotional bans; limits on the media used (e.g., not on TV) or time of day (e.g., late night only); limits on use of samples, or other. The relevant regulations are typically issued by agencies equivalent to the U.S. Food & Drug Administration (FDA) and Federal Trade Commission (FTC).

- **Distributor restrictions** in a few countries limit the terms of exporters' use of local distributors. In some countries, a local distributor is a requirement, not an option. Some countries make it difficult and costly to terminate a distributor, even for cause.

To find out which NTBs you'll need to comply with and how, it's best to check with a freight forwarder. You can also do your own research. The best overall sources are the USTR's annually updated **National Trade Estimate Reports on Foreign Trade Barriers**, USDOC's **Country Commercial Guide (CCG),** and USDOC's industry-specific market reports. **Market Access Sectoral and Trade Barriers Database (EU)**

XIII. Complying with Documentary Requirements

1. What documents are required to export U.S. goods?

Exporting involves a lot of paperwork -- documents for regulatory compliance at both ends and shipping documents for title transfer and transport purposes. All required documents must be fully and precisely completed. Even slight discrepancies or omissions could nullify a transaction. For smaller companies, this might seem intimidating, but freight forwarders can do all the heavy lifting. Unless you're large enough to have your own freight department, find a good freight forwarder to handle your documentation. They know what documents are needed and use sophisticated software to prepare and submit them to the proper authorities. Some freight forwarders specialize by product (e.g., hazardous materials, refrigerated goods, etc.) and/or by foreign destination (e.g., Asia, etc.).

Required export documents fall into three broad categories:

- Export documents required by the U.S. for regulatory compliance.
- Export documents required by importing countries for regulatory compliance.
- Export documents needed to ship the goods.

Export documents required by the U.S. for regulatory compliance. The U.S. requirements are primarily for **statistical purposes** -- to track the amount and destination of total U.S. exports – and **national security purposes** – to prevent foreign adversaries from getting U.S. products they could use against us.

- The U.S. Census Bureau requires an **Electronic Export Information** **(EEI)** filing for all U.S. exports valued at $2,500 or more, or $500 or more if sent by mail. The EEI is the source document for official U.S. export statistics.

- **USDOC's** **Bureau of Industry and Security** (BIS) and **State's** **Directorate of Defense Trade Controls** (DDTC) require **export licenses** for dual use (BIS) and military (DDTC) items. See Section XI for details about BIS and DDTC export licenses.

For more on export documents required by the U.S. for regulatory compliance, see these videos and other web resources:

Videos:
- AESDirect Introduction
- AESDirect – Creating an Export Filing
- Export Controls: A Quick Start Guide

Other Web Resources:
- Introduction to the Automated Export System (AES)
- Filing Your Export Shipments through the Automated Export System (AES)

Export documents required by importing countries for regulatory compliance. Importing countries invariably require documents that attest to the quality and safety of the imported goods, as well as documents that certify that the goods meet country of origin requirements to qualify for tariff or other preferences. The relevant foreign regulations were addressed in **7**B above. A documentary requirement is the primary means of enforcement. Unless the U.S. exporter or foreign importer submits the required document(s), the goods will likely not be released from customs. Here are documents commonly required by foreign governments for compliance purposes:

Consular Invoices are still required by a few countries to assure that accurate values are declared for the export goods, all the shipping documents are in order, and the goods would not be subject to any trade restrictions in the importing country or violate any of its trade regulations. A Consular Invoice must be purchased from a consulate representing the importing country.

Sanitary or health certificates are generally required to import grains and other plant products that could be harmed by pests, diseases, chemical treatments, and weeds. These generic certificates may also have different names for different products (e.g., **Phytosanitary Certificates** specifically for products susceptible to insect infestation), but all essentially confirm that the goods are free from disease or pests, and that the products have been prepared in accordance with prescribed standards. In the U.S., these certificates are issued by the **USDA/APHIS.**

Certificates of Free Sale are required by most importing countries for health-related reasons. The U.S. Food & Drug Administration (FDA) issues them for medical devices, cosmetics, pharmaceuticals, and processed foods. These Certificates can also be issued by an FDA-authorized State agency or a chamber of commerce. They basically attest that the U.S. product for export is of no lesser quality than that produced and freely marketed and sold in the U.S., and that the manufacturer has no unresolved enforcement actions. This Certificate is also known by other names, such as Health Certificate, Export Certificate, Sanitary Certificate, and Certificate of Sanitation.

Pre-Shipment Inspection (PSI) Certificates may be required by an importer or the importing country to assure that the goods are not defective or different from what was ordered. If required, the exporter must arrange for a physical inspection by an approved PSI organization in the exporting country. The findings are documented in a PSI inspection certificate. If defects or discrepancies are found, the exporter must take immediate steps to rectify any problems.

Certificates of Origin. Many countries grant trade preferences based on the country where a product originated. These certificates provide proof of eligibility for the preferences. Certificates of Origin identify the country where the export product was originally manufactured in whole or in part. If the product contains material manufactured, produced, or grown in more than one country, the product belongs to the country where it last went through a substantial transformation. Generally, to qualify, at least 51% of the product's labor and materials must come from the claimed country of origin. The exporter can use company letterhead if allowed or a Certificate of Origin form to declare the percentage of original content**).** This document must then be "certified" or notarized. In the U.S. this is typically done by a local chamber of commerce. The chamber will want a copy of the commercial invoice to verify the claimed origin. For some countries, however, a local chamber certification is not acceptable. Not all FTA agreements, including MCUSA (formerly NAFTA), require specific forms. Most FTA partners can accept declarative statements that contain specific data elements including information stating how the product qualifies for an FTA. However, importers may still ask exporters to use a specific format. While the form/format is optional, the information is required for the importer to make a claim of preferential customs treatment.

Special Certificate of Origin. Several Middle Eastern countries do not accept U.S. chamber certifications. They require certification by bilateral organizations, such as the **U.S.-Arab Chamber of Commerce** (for Kuwait, Lebanon, Oman, Qatar, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen); and the **U.S.-Saudi Business Council** (for Saudi Arabia).

For more on documents for foreign regulatory compliance, see these videos and other web resources:

Videos:
- Export Documentation Awareness Training
- What Key Documents Do I Need for Export
- Export Documentation

Other Web Resources:
- Common Export Documents
- 11 Documents Required for Exporting

Export documents needed to ship the goods Shipping documents provide details about the exported product – e.g., what it is; the HS number; its composition and uses, whether it's new or used or for resale. The documents are filed with the bank and the carrier. Whether you or your freight forwarder prepares your export documents, it's important to list each product individually and give the same precise description across all required documents. For example, if shipping parts for drilling machinery, instead of "parts," specifically describe the components: "drill bits, 1/4 forged steel." Avoid vague words or references such as personal items, promotional materials, samples, documents. gifts, etc.

Here are the most commonly needed shipping documents:

- **Commercial Invoices** are bills for the goods from the seller to the buyer. The buyer needs the Commercial Invoice to prove ownership and to arrange payment. Some governments use the Commercial Invoice to assess customs duties. It describes all aspects of the transaction -- from who shipped what to whom, on what sales and payment terms, and at what prices. It shows the shipping date, the buyer's purchase order number, the tariff classification used by the buyer's country, and other relevant details between exporter and importer. It is also the primary document used by Customs in all countries for commodity control and valuation.

- **Export Packing Lists** are more detailed than a standard domestic packing list. They itemize the material in each individual package and indicate the type of package—box, crate, drum, carton, etc. They also show the individual net, legal, tare, and gross weights and measurements for each package (in both U.S. and metric systems). Package markings should be shown along with the shipper's and buyer's references. The Packing List should be attached to the outside of a package in a waterproof envelope marked "Packing List Enclosed." The shipper or forwarding agent will use it to determine total weight and volume and whether the correct cargo is being shipped. Also, customs officials may use the list to check the cargo.

- **Dock Receipts** are issued by a direct ocean freight carrier to acknowledge receipt of an ocean shipment at the carrier's pier or shipping terminal. The Dock Receipt is surrendered to the shipping terminal when the delivery is completed.

- **Bills of Lading (B/Ls).** The Ocean Bill of Lading (B/L) is for exports by sea only. It describes the goods being shipped, the parties to the transaction, and other basic information. A "Negotiable" B/L holds title to the goods, the key to getting paid at the other end. The **Negotiable B/L** goes to a designated bank in the importing country. The bank will not release the goods until the buyer pays or promises to pay at a mutually agreed date. A **Non-Negotiable B/L** (aka Straight B/L) specifies a consignee to whom the goods are to be shipped, but does not itself hold title to the goods.

- **Air Waybills Air Waybills (AWBs)** cover shipments by air from airport to airport. Unlike Ocean B/Ls, AWBs are non-negotiable. They describe the goods and conditions of carriage, but do not specify the flight or when it will arrive. AWBs specify conditions, limitations of liability, shipping instructions, description of commodity, and applicable transportation charges.

For more on shipping documents, see these videos and other web resources:

Videos:
- Export Documents for International Shipping and Common Mistakes to Avoid
- What is the Difference Between a Negotiable Bill of Lading and a Nonnegotiable Bill of Lading

Other Web Resources:
- Shipping Documents: Essential Import & Export Docs
- What is a Commercial Invoice? Everything You Need to Know
- What is a Packing List
- What is a Dock Receipt

2. How do I submit export documents required by U.S. agencies?

The documents needed to comply with U.S. regulations can mostly be filed electronically through three primary export compliance systems—the **Automated Commercial Environment, the Automated Export System,** and the **Simplified Network Application Process Redesign.**

- **The Automated Commercial Environment (ACE)** is the U.S. system for reporting all imports and exports. You must have an ACE Secure Data Portal Account to access the ACE Secure Data Portal (ACE Portal). See the **ACE AESDirect User Guide** for basic information about ACE and how to establish an ACE account and begin interacting with ACE.

- **The Automated Export System (AESDirect)** is the primary filing tool for **Electronic Export Information** (EEI) filings. The free EEI replaced the Shipper's Export Declaration and is a required filing for all exports valued at $2,500 or more, or $500 or more if sent by mail. AES will process the information and, if accepted, respond with an **Internal Transaction Number** (ITN). The application is hosted on the ACE portal.

- **Simplified Network Application Process Redesign** (SNAP-R) is a free tool to electronically submit export license applications and commodity classification requests. SNAP-R applicants must register with BIS online to receive a Company Identification Number (CIN).

For more on filing export documents, see these videos and other web resources:

Videos:

- ACE 101
- AESDirect Walkthrough Series
- Snap-R Export License Applications

Other Web Resources:

- How to Use the Automated Commercial Environment (ACE)
- Getting Started with AESDirect
- SNAP-R

XIV. Preparing Goods for Export

1. Are there any special requirements to package goods for export?

To move goods overseas, you'll need to pack and label them to protect against damage or theft in transit. Beyond basic precautions, some steps are also legally required by the exporting or importing country. In these cases, the requirements are specific and must be precisely followed. Packaging, marking and labeling advice can be obtained from freight forwarders, carriers, and marine insurance companies. If you're not equipped to pack the goods yourself, use a professional export packing firm. This service is usually provided at a moderate cost.

Exported goods are typically packaged in cartons, boxes, crates, drums, bottles, or bags of various materials (e.g., wood, cardboard, burlap, plastic, glass, etc.). The packages are loaded into 20–40-foot containers or onto wooden pallets for transport to the foreign destination. Both the packaging and loading need particular care, as exported goods face greater physical risks in transit than domestic shipments. Some foreign entry points may still be loaded or unloaded in nets or by a sling, conveyor, or chute, putting added strain on the package. While in transit by air or sea, the goods could be damaged by jolting, vibration, pressure, heat/cold, and contamination from moisture, dust, and dirt. When unloaded at less-modern entry ports, the goods might be dragged, pushed, rolled, or even dropped. Moisture from condensation is also a danger, even if the ship's hold is equipped with air conditioning and a dehumidifier. The cargo also might be unloaded in the rain. Some foreign ports do not have covered storage facilities. Goods can also be stolen when poorly packaged.

In addition to keeping packages safe and secure throughout, exporters must also comply with any applicable international-or country-specific packaging requirements. These mostly relate to the materials used (e.g., wood or plastics). For example, the **International Plant Protection Convention** (IPPC) sets **International Standards for Phytosanitary Measures** (ISPMs). **ISPM 15 stipulates** how wood packaging materials must be treated to protect against invasive quarantine pests. To comply with ISPM 15, a stamp must be applied to the packaging to show that an inspection agency has certified the facility (i.e., a pallet manufacturer or recycler). Some countries may also impose packaging requirements. So too, buyers may specify their own requirements in purchase orders or contracts. Your freight forwarder can advise and help with these best practices to assure compliance and avoid problems:

For **sea shipments**, containerize your cargo whenever possible. Containers vary in size, material, and construction and are best suited for standard package sizes and shapes. Refrigerated and liquid bulk containers are readily available. If you can't fill an entire container, a freight forwarder can arrange to combine your cargo with others to get the benefit of lower container rates.

For **air shipments**, you can use lighter weight packing, but you must still take precautions. Standard domestic packing should suffice, especially if the product is durable. Otherwise, high-test cardboard or tri-wall construction boxes are more than adequate (at least 250 pounds per square inch). In either case, use strong, reinforced boxes or crates, and seal and fill them with lightweight, moisture-resistant material. Distribute the weight evenly to brace the container. To deter theft, use strapping, seals, or shrink wrapping where possible.

Dangerous goods -- classified as potentially harmful to any person or animal, or that could damage the environment -- must have leak-or break-proof packaging and must be properly marked, labeled, documented, and classified. Dangerous goods fall into **nine classifications**, each with further subclasses and each requiring its own unique label that identifies the potential dangers the goods present and must appear somewhere on the packaging.

For more on packaging goods for export, see these videos and other web resources:

Videos:
- Packaging Optimization for International Transportation! What is the suitable packaging for Export?

Other Web Resources:
- The Ultimate Guide to Export Packing

2. Are there any special requirements to mark and label export packages?

Many countries and some international organizations have marking and labeling regulations to protect public health and the environment. Foreign buyers will also likely require certain marks on the cargo to prevent misunderstandings and delays. The required lettering should be stenciled on packages in waterproof ink. Markings should appear on three faces of the package -- on the top and on the two ends or the two sides. Old markings must be completely removed. Don't list the contents or show brand names on the outside of the packages.

Standard marks include:

- Shipper's mark
- Country of origin
- Port of entry
- Gross and net weights (in pounds and in kilograms)
- Number of packages and size of cases (in inches and centimeters)
- Any special handling marks (international pictorial symbols)
- Cautionary markings, such as "This Side Up" or "Use No Hooks" (in English and in the language of the country of destination)
- Ingredients (if applicable, also included in the language of the destination country).

Extra precautions are needed when exporting hazardous goods. Special labels are used to indicate the hazard of the transported material and the potential hazards they could cause. To meet Hazmat labeling requirements:

- The label must be clearly visible.
- The label must be weather resistant and durable enough to withstand transport conditions.
- The label must only be printed on or affixed to the top or the sides of the package – never at the bottom.
- The label color must contrast with the color of the surface it is printed on or affixed to.
- The label must be shaped like a diamond (square on point) and must meet the specifications regarding size, color, printing, and inner border.

- The label must be printed on or affixed to the surface of the package being transported – adjacent to the marking containing the proper shipping name – except in cases where the dimensions of the package are inadequate.
- If a package contains materials belonging to different hazard classes, it must be affixed with as many labels as required – depending on the types of materials in the package (e.g., if the materials belong to three different hazard classes, the package must display three labels.

Failure to comply could incur severe penalties and fines for the shipper and seizure or delays for the entire cargo. The importer could also face costly litigation and reputation damage. The risk is particularly high when shipping hazardous materials and dangerous goods.

For more on marking and labeling export packages, see these videos and other web resources:

Videos:

- Marking and Labeling Hazardous Materials
- Marking and Labeling Dangerous Goods

Other Web Resources:

- Marking & Labeling Your Shipment
- Labeling
- Cautions When Marking and Labeling Goods for Export from the U.S.

3. Do I need cargo insurance for my export shipments; if so, where can I get it?

Export goods must arrive intact, in good condition, and on time. Cargo insurance, also called marine insurance, offers important protection against delays in transit and losses or damage from harsh weather, rough handling by carriers, and other common hazards. Either the supplier or the buyer is at risk for the cargo in transit, depending on the Incoterms of sale. For CIF transactions, the supplier is liable for any loss or damage to the goods until unloaded at the foreign port of entry. For Ex Works, FOB or FAS sales, the buyer assumes risk from the agreed pick-up point. The responsible party must insure the cargo for its portion of the risk. If the foreign buyer has responsibility, don't assume (or even take the buyer's word) that the insurance has been purchased. The supplier could still be liable if the buyer fails to obtain coverage or takes too little. The carrier will not insure the cargo. For international shipments, the carrier's liability is frequently limited by international agreements, and the coverage is substantially different from domestic coverage. Check with an international insurance carrier or freight forwarder for options and advice.

The needed insurance can be obtained directly from marine insurance companies or through the freight forwarder. Make sure to include a **general average clause**, which limits liability just to the supplier’s own cargo involved. Otherwise, you could be liable for a share of the entire ship’s cargo if destroyed for any reason (e.g., if the ship sinks).

For more on cargo insurance, see these videos and other web resources:

Videos:

- How Can Marine Cargo Insurance Protect Your Business?

Other Web Resources:

- What is Cargo Insurance: Benefits, Types, & Coverage
- What is Cargo Insurance and Why Is It Important?

XV. Transporting Export Goods

1. What are the main options for transporting export goods?

When the time comes to deliver the export goods, you have four main transport options -- rail, truck, air, or sea. Note, however, that you have **no transportation responsibilities** if the buyer asks for Ex Works (EXW) Incoterms. Under EXW, the buyer will pick up the goods at your premises and handle all transportation from that point on. You only become responsible for international transportation when the terms specify delivery to the destination country—Cost & Freight (C&F) or Cost, Insurance & Freight (CIF).

- **Rail and truck** are only viable for adjacent destinations (e.g., Canada or Mexico). Rail is the least costly method and can handle all types of cargo, including containers. However, rail can only go from station to station. Few foreign buyers have their own rail landing sites, so trucks would also likely be needed beyond the rail station. Trucks can also handle most cargo at relatively low cost and are a popular option for anywhere by land.

- **Sea and air.** Since neither rail nor trucks are options for any overseas transportation, the choice is most often between sea and air. The buyer will generally decide which mode to use. Air would automatically be ruled out if the cargo is too big or too heavy for the plane. Otherwise, the decision would be based on cost and speed. Air transport costs much more than sea transport, but may be best for low-weight, low volume goods, perishable goods, and any other cargo that needs fast delivery. Air cargo can arrive overnight or the next day. Sea transport could take up to 2 weeks or more. Most cargo goes by sea, because vessels can accommodate cargo of any size or weight, the buyer can often wait for as long as it might take, and the cost is much lower.

Large, frequent exporters often have their own freight departments and book their cargo directly with the carrier at a volume discount. Smaller, less frequent exporters do not have the clout to get carrier discounts, so are much better off piggybacking on the discounts that freight forwarders have with the carriers.

For more on export transport options, see these videos and other web resources:

Videos:

- International Shipping 101
- Process of Air Shipment from Picking Up Cargo to Delivery
- Explained Sea Shipment/Marine Transportation Flow for Beginners

Other Web Resources:

- Modes of Transportation in the Supply Chain
- International Transportation: Shipping Strategy and Prices

2. How can I know which transport mode is best for my export goods?

Whether it's better to transport by land (truck or rail) or by air or sea is a function of speed, cost, the nature of the product, and the destination -- how much it weighs, how much space it takes up, and if it needs any special handling, such as for refrigeration or hazard protection. Shipping by truck or rail is normally best for exports to Canada or Mexico no matter the product. For offshore destinations, air transport is best for perishables, "just-in-time" (JIT) deliveries, and low-weight, low volume items. However, faster transport by air will likely cost more, so for bulkier items, and/or where longer delivery times are acceptable, shipping by sea is more cost-effective.

Experienced freight forwarders can advise on the most cost-effective modes and rates for all transport options. They know all the air and ocean carriers and schedules, can negotiate better rates through volume discounts, and can make all the shipping arrangements. Unless you have in-house logistics expertise, you should find a good freight forwarder to handle delivery of the goods. Look for a freight forwarder familiar with your type of product and/or your destination countries. The **National Customs Bureau & Freight Forwarders Association** (NCBFFA) or any of its regional branches are a good source for referrals.

For more on selecting best transport modes for your needs, see these videos and other web resources:

Videos:
- Transportation Overview and Modes

Other Web Resources:
- How Do You choose the best transportation for your goods?
- How to Choose an Appropriate Mode of Transportation

3. Who pays the cost if there are delays in unloading my cargo at a foreign port?

"Demurrage" is the term for the cost incurred for each day that a vessel is prevented from unloading cargo at the entry port beyond the stipulated delivery time. The hold-up could result from labor strikes or backlogs at the port, improper documentation on arrival, or other factors. The exporter or importer would pay if their negligence caused the delay. At the end of the stay in port, the ship master draws up a time sheet based on a Statement of Facts compiled by the port agent. The port authority collects the amount due, calculated at the specified rate per day/gross tone (including container tare weight).

For more on demurrage, see these videos and other web resources:

Videos:
- What is Demurrage and Detention?
- Demurrage and Detention Charges – How to Avoid Them

Other Web Resources:
- Demurrage vs. Detention
- Understanding the Crucial Realities of Demurrage and Detention

Appendices

A Trade Associations for International Trade Professionals

1. NASBITE International
2. Academy of International Business (AIB)
3. Organization of Women in International Trade (OWIT)
4. National Customs Brokers and Freight Forwarders Association (NCBFFA)

B. Annual Conferences for International Trade Content and Networking

1. NASBITE International Annual Conference
2. NASBITE International Exporter Summit
3. Academy of International Business (AIB) Conferences

C. Web Portals for International Trade Information

1. International Trade Compliance Institute
2. Trade.gov
3. USDA/FAS.gov
4. MSU globalEdge.com

D. U.S. Export Assistance Organizations

E. U.S. Export Regulatory/Enforcement Organizations