Export FAQs

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Introduction

When I first got into the export assistance field over 50 years ago, I was struck by a disturbing and truly puzzling phenomenon. Over 85% of American manufacturers did not export, even though the U.S. had the world's largest economy and was by far the world's largest manufacturer and exporter. Sadly, in the half-century since, we have the same 85% ratio of non-exporting manufacturers. Not all, but I believe many non-exporting manufacturers in the 85% have the potential to export, especially those with already strong domestic track records and nationwide distribution. If they have survived and succeeded in the world's most competitive market, our own, essentially against the same competition they would face as exporters, they could compete anywhere.

As noted in my 2012 testimony before the House Committee on Small Business, this is our national export paradox – "We are a very large exporting nation, but not a nation of exporters." Why is it that so many U.S. manufacturers sell solely to the U.S. market, with only 5% of the world's population, when they potentially could make much more money by also exporting to the nearly 200 countries outside the U.S., with 95% of the world's population? I have often asked, "What's wrong with these people? Why don't or won't they at least consider exporting as a way to increase their sales and reduce sole dependency on the U.S. market?"

Many prior studies have examined the non-exporting phenomenon in the U.S., the factors responsible, and the needs that must be met to increase exporter involvement. These studies generally found that non-exporters lack motivation, interest or confidence stemming from:

- Misconceptions -- I'm too small, can't afford it, can't compete, too complicated, too risky.
- Fear -- of the unknown, of regulations, of not getting paid, of IPR risks, of legal liability.
- Ignorance -- of their export potential, of the benefits, of the steps and procedures.

To try to encourage more non-exporters to overcome their resistance and give exporting a try, I decided to update and greatly ***Export FAQs*** as a companion to my **Exporting Basics** guide and **Export Readiness Assessment System**. ***Export FAQs*** answers 85 specific, export-related questions in 13 broad categories. The broad categories follow the sequence of steps in the export process, from getting started to delivering the goods. From the Contents page, each category links to the list of related questions, and each question links directly to its answer within the document. Many of the answers also have external links to relevant federal and other organizations and to Web resources that elaborate on the answer.

If any of the Q&As lead you to other questions about exporting, or a need for further clarification or advice, please feel free to contact me at mkogon@socal.rr.com.

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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 consultant. As KTC President, Maurice also volunteers extensive time to serve on advisory boards, counsel and train companies on exporting, guest-lecture at Los Angeles area universities, and maintain the Trade Information Database on his International Trade Compliance Institute Website.

Maurice's U.S. Government career spanned over 33 years (1961-94) with the U.S. Department of Commerce in Washington, DC, where he initially served as a Country Desk Officer (Taiwan, Hong Kong, Philippines, and Germany) and later directed Commerce's international trade information, strategic planning, and program evaluation offices. As director of the market research and trade information office in the early 1990s, he oversaw many of the export assistance services offered at U.S. Export Assistance Centers nationwide. In 1978, Maurice was selected to develop and manage the Worldwide Information & Trade System (WITS), Commerce's first real-time trade information system.

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, Maurice co-consulted on an evaluation of ITC's trade information programs. Under a contract with the Egyptian Government in 1999, he conceived and oversaw implementing of 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, widely used Web-based export tools, including his Exporting Basics guide, Export Readiness Assessment diagnostic and Internet Export Search Wizard. In 2011, Maurice was invited to testify on national export strategy before the House Committee on Small Business. Maurice has a BA and MA in Foreign Affairs from George Washington University and did Doctoral work in International Relations at American University. He has taught international business courses at Cal State University Northridge, George Washington University, and Virginia Tech. Maurice is a long-time member of NASBITE's Board of Governors, served as NASBITE President in 2008-09, and was actively involved in developing 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.

Contents

VII. Finding U.S. Suppliers & Foreign Buyers and Distributors

1. As an Export Management Company (EMC), where can I find U.S. manufacturers that might want to use me to handle their export sales, rather than do it themselves?
2. Where can I find U.S. suppliers of specific products wanted by foreign buyers?
3. Where can I find potential foreign buyers or distributors by product and location?
4. Where can I find specific foreign offers to buy or distribute products like mine?
5. How can I attract inquiries/orders from foreign buyers and distributors?
6. How can I evaluate prospective agents and distributors?
7. What provisions and protections should I seek in an Agent/Distributor Agreement?

VIII. Responding to Export Inquiries & Orders

1. How do I respond to foreign inquiries about my product?
2. How do I respond to a foreign request for a price quote?
3. My cost quote depends on whether the buyer wants my factory price, the price to the end destination, or the price to some specified point along the way. What is best for me?

IX. Getting Paid for Export Sales

1. If I export my goods, how can I make sure I get paid?
2. What factors should I consider in selecting a payment method for my export sales?
3. I would like to get paid in advance for export sales. Are importers open to that?
4. What is a Letter of Credit? Would it guarantee payment for my export sales?
5. What are Documentary Collections? Would they guarantee payment for my export sales?
6. If the importer insists on Open Account for my export sales, and I want the deal, can I still make certain I get paid?
7. Should I agree if the importer wants to pay me in local currency instead of U.S. dollars?
8. An importer has ordered more of my product than I have in stock. Where can I get the money I'll need to produce the balance of the order?
9. Where can I find more information about export payment methods?
10. Where can I find sources of export financing?

X. Complying with U.S. Export Regulations

1. Does the U.S. have any controls or restrictions on exports that could affect me and, if so, what must I do to comply?
2. Where can I find more about these and other U.S. export regulations?
3. How can I know if my export product is considered a "military" item under DDTC's International Traffic in Arms Regulations (ITAR) and, if so, what must I do to comply?
4. How can I know if my export product is considered a "dual use" item under BIS' Export Administration Regulations (EAR) and, if so, what must I do to comply?
5. How can I know if my export product is considered in "short supply" under Part 754 of the Export Administration Regulations (EAR and, if so, what must I do to comply?
6. What is an ECCN; how do I find one for my commodity?
7. Who could give me authoritative advice on whether my product requires an export license?

XI. Complying with Foreign Import Regulations

XII. Filing Required Export Documentation

XIII. Preparing and Shipping Export Goods

I. Starting Up as a New Exporter

1. Do I need any special permits or approvals to start an export business in the U.S.?

An export business is treated the same in the U.S. as any other enterprise, requiring no special business permits or approvals just because it engages in exporting. Business start-ups, whether for export or any other activity, are typically 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 stop for setting up an export or other business in the U.S., you can get 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. Also, see the excellent free resources on SBA's Website for more on **Thinking about Starting a Business**, including how to develop a business plan and find sources of financing.

2. Who can help me with export start-up advice and assistance in particular?

For tips on starting an export business, see **How to Start an Export/Import Business** and **A Guide to Start an Import/Export Business at Home**. Once established, you can get ongoing help as new exporters from many federal, state and local organizations, including the Commerce Department's U.S. Export Assistance Centers (USEACS), SBA's SBDCs and SCORE chapters, State international trade departments, and international trade assistance centers typically located at colleges and universities. Most of these organizations also have Websites with extensive resources and tools for export start-ups. In addition, the **Trade Information Database** section of the **International Trade Compliance Institute** (ITCI) Website has an entire area dedicated to Trade Readiness Tools, including an online **Export Readiness Assessment** diagnostic, and a number of **Export Guides** and **Trade Tutorials - Webinars, Courses, Videos.**

3. Where can I find information on how to export?

Maurice Kogon's free, 129-page **Exporting Basics** provides step-by-step advice and guidance for novice exporters. The chapter, "**Is Exporting for Me**?" discusses the benefits, costs and risks of exporting; how to get started; and where to go for help. The chapter on "**Developing Overseas Markets**" discusses four key steps to identify, select and enter promising markets, develop ongoing distribution, find customers and generate inquiries and leads. The "**Making Export Sales**" chapter discusses how to respond to inquiries and orders, check out prospects, bill customers, prepare the goods for delivery, insure and ship the goods, and get paid. Many other free, how-to-export guides can be found in the **Export Guides** section of the **International Trade Compliance Institute'**s **Trade Information Database**.

4. 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 selling) or let an intermediary handle your export sales for you. The choice is usually based on the level of involvement and resource you are willing to devote to exporting and how much control you want over the process. In direct selling, you have full control and essentially do all the work, such as identifying and developing export markets, finding customers (buyers, agents or distributors), and dealing directly with the customers. In indirect selling, you cede some control to the intermediary, but avoid the burdens and complexities of doing it yourself. The intermediaries, such as Export Management Companies (EMCs) and 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. You mostly pay only when and if any business actually results, usually in the form of a commission based on a percentage of the sale. 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.

5. Where can I find an intermediary to handle my export business?

Export intermediaries can be found almost anywhere, particularly in port cities. You should look for intermediaries that are particularly familiar with products in your industry. However, since they must do the bulk of the up-front work, they tend to be selective in taking on new-to-export clients. You'll need to satisfy them that you are a worth the investment of their time and effort to bring you along. See **How to Find and Use an Export Management Company**.

Here are several sources for locating interested and qualified intermediaries:

- **Global TradeNet Directory of Export Management Companies** includes intermediaries searchable by industry category.

- Many industry trade associations have intermediaries as active members; or your association may know of intermediaries experienced in exporting products like yours.

- Trade publications in your industry, especially the marketing magazines, will know of intermediaries in your product field.

- Local federal and state export assistance offices are familiar with intermediaries in their area.

6. Where can I get help with specific trade-related questions?

The many different organizations at the federal and state level have "trade specialists" that can address your export-related questions. At the federal level, the U.S. Department of Commerce has a Trade Information Center (TIC) and hot line for this purpose (1-800-USA-TRAD), as well as a network 100+ U.S. Export Assistance Centers (USEACs) throughout the U.S. See the Commerce Department's **Directory of U.S. and International Trade Offices and Staff** to contact a Commerce Trade Specialist near you. In addition, every state has **trade-and economic development agencies** and staff that can help with export issues.

You can also send questions to the International Trade Compliance Institute **Help** desk. The Director (Maurice Kogon) will respond by E-mail or phone.

II. Assessing Export Potential and Readiness

1. 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.

- **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, the chances are it will also sell abroad. Why? Because, to do well domestically, you've already proven you can compete, not only against other domestic products, but imported products as well. The overseas playing field will be different, and you may need to adapt your product, pricing or payment terms somewhat to compete in specific markets.

- **Export Resources:** As a start-up exporter, you'll need to have or acquire experienced staff, premises and equipment, as with any new business. Once established, you'll need funds for market research and development (finding distributors, market promotion, etc.). As export orders come in, you'll need available inventory or the ability to produce or acquire more product as needed. If your customers want delayed payment terms, you'll have to pay for financing.

- **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 methodology, but may also need to be adapted to fit a particular foreign market. Marketing and distribution practices vary by country, often dictated by law, custom or necessity. For example, some countries favor certain marketing or distribution methods over others, such as direct sales or use of local agents. Some have better promotional media and higher receptivity to promotion than others.

- **Management Commitment:** A 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.

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. Maurice Kogon's free, online **Export Readiness Assessment System** (http://www.tradecomplianceinstitute.org/p_trade_info_db_links.php?SubCatID=1&Cat=Trade Readiness Tools&SubCat=Export Readiness Assessment) addresses these prerequisites, tells you how you rate in each area, and suggests steps and actions you can take to become more export ready. Maurice Kogon's free, **Exporting Basics** guide is also aimed at non-exporting companies thinking about exporting. It deals with the fundamentals of why export, how to get started, and where to go for help.

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, speed of delivery, service, or other advantage 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 benefitting 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 (see III 2 and IV 2 below for further guidance).

- **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 coming from your country, 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 (see III 2 and IV 2 below for further guidance).

- **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.

3. How can I tell if I am "export-ready"?

Maurice Kogon's free, online **Export Readiness Assessment System** is an interactive, diagnostic tool that can help you assess your export potential, see where you are strong or weak, and guide you on possible next steps. Export counselors can also use ERAS as a fast, user-friendly tool to "qualify" new clients for export assistance. The customized ERAS assessment is based directly on the company's answers to 23 questions about its present operations, management philosophy, and products. The questions appear in sequence, with 3-5 possible answers easily "clicked" on the screen. Once all 23 questions are answered, ERAS provides immediate feedback in the form of an export readiness "score," a detailed, point-by-point diagnosis of the company's export strengths and weaknesses in each of the 23 areas, and suggested steps to build on its strengths and overcome any weaknesses.

III. Understanding Trade Terms and Codes

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

The Harmonized System (HS) is a universal coding system used to classify products for import duties and for export/import statistical reporting. The first 2, 4, and 6 digits of the HS code are the same regardless of country. The number of digits defines the specificity of the product. For example:

- At 2 digits, HS Code 90 is for the broad category of **optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & accessories.**
- At 4 digits, HS Code 9018 narrows the 90 category to **medical, surgical, dental or veterinary instruments, non-electric, & parts.**
- At 6 digits, HS Code 901811 further narrows the 9018 category to **electrocardiographs, and parts and accessories thereof**:

For many countries, even the 6-digit HS Codes are too broad. The U.S. uses 10-digit coding systems for greater specificity. For export purposes, the U.S. uses 10-digit Schedule B numbers. To classify products for import duties, the U.S. uses 10-digit Harmonized Tariff Schedule of the USA (HTSUSA) numbers. Both the Schedule B and HTSUSA numbers start with the 6-digit HS codes.

While HS codes are the universal norm, the United Nations also has its own 5-digit Standard International Trade Classification (SITC) system, developed in 1950 and used solely by international organizations for reporting international trade.

2. How do I determine my HS, Schedule B, HTSUSA or SITC codes?

You can do an on-line search for the **Schedule B/HS, HTSUSA** or **SITC** codes that apply to your product. If you know your code number in one system, but would like to know what it is in another system, try the **Commodity Translation Wizard**.

3. What are SIC and NAICS codes, and where can find them?

Standard Industrial Classification (SIC) codes were superseded in 1997-98 by the North American Industry Classification System (NAICS) as the new coding system for the collection, analysis, and dissemination of statistics on business establishments and industries in the U.S., Canada and Mexico. See list of all **NAICS Codes.** To cross-reference NAICS codes with corresponding SIC Codes for specified products, see **NAICS-SIC Concordance**.

4. What are Incoterms and how do I use them?

Incoterms, the acronym for International Commercial Terms, were developed by the International Chamber of Commerce to specify international transportation costs and liability for the cargo from a named start point to a named end point. The foreign buyer typically specifies the desired Incoterm when requesting a price quote. For example, the buyer may say quote me a price from your factory, or from a port of exit, or all the way to the destination country. The most frequently used Incoterms are: EXW (“ex-works” at the factory), FAS (“free alongside ship” at the port of exit), FOB (“free on board” the ship at the port of exit), CFR (“cost and freight” from factory to the destination country), and CIF (“cost, insurance and freight” from factory to the destination country). You should specify the appropriate Incoterms in your documentation, such as in Proforma invoices, Letters of Credit, etc., to specify the point at which title will pass and liability for the cargo will be incurred. See **Incoterms 2010** for a complete list of Incoterms, definitions, and risks and responsibilities of each party.

5. What are EIN, VAT, RFC and BN numbers and how can I obtain them?

These are government-assigned tax-identification numbers. In the U.S., a company tax ID number is called an EIN (Employer Identification Number). In Europe, it is called a VAT (Value Added Tax number); in Mexico, an RFC number; and in Canada, a BN (Business Number). Governments require a tax ID number on certain documents. If you do not know your own tax ID number, check with your tax preparer. If you do not have one, contact your country's tax authorities. Contact the person you are doing business with for his or her tax ID number.

IV. Conducting Export Market Research

1. **What kinds of export market research would be most helpful, and 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 kinds of research needed for these purposes include trade statistics, product market surveys, intercultural do's and don'ts, trade regulations, and target-country marketing guides.

You can find much of what you need from the Internet alone. But while mountains of Web resources exist, typical "Googlers" waste far too much time searching for just the nuggets they need, without necessarily finding them. A few Websites have aggregated this overabundance into more user-friendly, one-stop "portals." One such portal is the International Trade Compliance Institute (ITCI) Website**.** It combines three very extensive trade-related databases into an integrated, one-stop portal covering all phases of the export process.

- **ITCI's Trade Information Database** contains over 900 "deep" links organized into 12 broad categories and 74 subcategories. It not only has virtually everything found in Export.gov and other USG sites, but also many additional resources from non-USG, commercial, and UN/international sites – all entirely free.

- **ITCI's Regulatory FAQ Database**) has over 1,000 authoritative FAQs on U.S. export and import controls, foreign import controls, and international/multilateral trade controls under various treaties and conventions. Nearly all the FAQs were extracted from the official Websites of the regulating organizations. By recompiling and consolidating these FAQs into the one-stop ITCI portal, it's no longer necessary to search each source individually to find the same FAQs.

- **ITCI's Regulatory Database** has hundreds of compliance-related definitions of Terms/Acronyms; abstracts and in some cases the full text of Trade Laws, Regulations, Treaties and Agreements; samples of international trade Documents; and links to compliance–related Organizations/Agencies. These are searchable by keyword, category or alphabetically.

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

With U.S. trade statistics, you can readily spot the largest and fastest growing export or source markets for products like yours. You can download individual tables to a spreadsheet for further massaging as you wish (e.g., growth rates, rank ordering, projections, etc.). Official U.S. trade statistics are compiled by the U.S. Census Bureau and can be obtained online for any exported or imported product (up to 10-digit Schedule B or HTSUSA number) from **USITC Interactive Tariff and Trade DataWeb**. Note: First-time users must register to create a free new account.

With foreign trade statistics, you can "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's **International Trade Centre Foreign Trade Statistics** (ITC) is somewhat easier to use than COMTRADE, but less detailed.

3. **Where can I find country-specific market surveys 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 puts out two types of country/product market research reports that are especially helpful – **Market Research Reports and Country Commercial Guides.**

- **Market Research Reports (MRRs)** are product-and country-specific market surveys that have fairly detailed market assessments for industry sub-sectors in high potential countries. They discuss overall demand trends; best sales prospects within the subsector; key end-user segments; major competitors; and relevant business conditions, practices and market barriers. They also identify useful government and industry contacts, including importers and distributors. On the search screen, select an **Industry** of interest (e.g., Health Technologies), then select a more specific **Sector** (e.g., Medical Equipment). For **Report Type**, select **Market Research Reports.** Then press **Go.** A list of titles will appear. For a complete list, press **More**. To get the full text of a listed report, you must enter a User Name and Password obtained from **Export.gov** (free registration).

- **Country Commercial Guides** (CCGs) are in-depth reports updated annually by U.S. embassy staff in over 80 countries. CCGs have 10 standard chapters covering each country's commercial environment, how to do business and sell U.S. products in the market, leading sectors for U.S. exports, trade and investment climate, business travel tips, etc. CCGs also list important government and trade association contacts in each country. On the search screen, select a **Country** of interest. For **Report Type**, select **Country Commercial Guides.** Then press **Go.** Click on the most recent listed CCG to get the full text of the report.

Intercultural Research is 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. The ITCI Website includes many links to **intercultural research**, as well as **videos** on international business culture.

V. Identifying & Assessing Best Export Markets

1. How can I determine which markets are best for me?

The nearly 200 different countries in the world offer many options, but not all are worth pursuing, especially at once. Don't waste time and money on lesser markets. When first starting, aim for top 3-5 "best" markets and expand from there as they work out. The "best" markets offer a combination of high comfort for the company (language and cultural affinity) and high potential for the products (large, emerging, fast-growing, receptive, open, limited competition).

You can find high potential markets with a little research and screening. Within the **Trade Information Database** of the **International Trade Compliance Institute (ITCI) Website**, the sections on **Trade & Economic Data** and **Foreign Market Research** link to extensive information to help identify and size up the better markets.

- In the Trade & Economic Data section, look particularly at the categories for **U.S. Trade Data**, **Foreign Trade Data**, and **World Economic & Demographic Data**.

- In the Foreign Market Research section, check out the categories for **Manufactured Products Research**, **Food & Agriculture Products Research**, **Services Sector Research**, and **Countries & Regions Research**.

Here are criteria to help identify your high potential markets:

- **Where are U.S. products like mine mostly exported to?** Look for the largest and fastest growing export destinations for the product over the past several years -- see ***USITC DataWeb*** (free registration) or USDOC's ***Trade Stats Express*** for official U.S. export/import statistics by commodity and country.

- **Which countries are mostly importing products like mine?** Look for countries with the largest and fastest growing imports of the product and strong U.S. market shares over the past several years. For foreign import statistics by commodity and country, see **UN Commodity Trade Statistics Database (UN Comtrade), ITC Import/Export Statistics (By Sector & Country), and ITC Import/Export Statistics (by Country & Sector)**

- **Where would U.S. products like mine be most wanted, competitive, welcome, and easiest to sell?** U.S. Department of Commerce/USCS ***Market Research Reports*** (MRRs) and U.S. Department of Agriculture ***Global Agricultural Information Network*** **(**GAIN) reports are product-specific by country and address these issues in great detail. To get the full text of the MRRs, you will first need to plug in your User ID and Password (free registration to acquire). Then, from the search screen, select the relevant industry and sector and choose Market Research Report as the Report Type.

- **Which markets do the experts consider most promising? Country Commercial Guides** (CCGs), updated annually by U.S. commercial and agricultural specialists in each country, identify "Leading Sectors for U.S. Exports" in Chapter 4. To access CCGs from the search screen, plug in the country wanted and select Country Commercial guide as the Report Type. The recommended markets are also identified in the **Market Research Reports** cited above.

The above criteria generally apply for any product or industry. Additional criteria for specific products include:

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

- **Sectoral indicators** – for products aimed at particular industry sectors (e.g., number and growth of relevant manufacturers; hospitals; cars, houses, banks, utility companies). Source: **CIA World Factbook**, **UN Data - A World of Information** -- for products that use or require infrastructure support (e.g., level and growth of power, transportation, communications, and other facilities). Source: **CIA World Factbook** and **UN Data - A World of Information.**

- **Financial indicators** -- for products affected by fiscal and monetary developments (e.g., level and growth of consumer/wholesale/industrial prices, interest rates, foreign exchange reserves, national debt). *Source:* **CIA World Factbook**, **UN Data - A World of Information,** and U.S. Census Bureau's **International Database**.

2. How can I identify likely users of my product in specific markets?

USDOC **Market Research Reports** (MRRs) often include an "End User Analysis" section that identifies the intermediate and end-use sectors that buy and ultimately use specified products in a given country, such as the manufacturing sector, utilities, hospitals, retail outlets, government agencies, and the end consumers. With this information, you can better target your marketing and sales effort in the country.

3. How can I identify my likely competitors in specific markets?

USDOC **Market Research Reports** (MRRs) typically include a "Competitive Analysis" section that discusses competition in the market for a specified industry sub-sector, including local, third-country and U.S. competitors. With this information, you can see who the main competitors are, what market shares they have, and whether you have a competitive advantage or fit in the market.

4. How can I identify markets that are relatively open to my product?

Relatively open markets are characterized by low or no import duties and few if any 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 “free-port” countries like Hong Kong and Singapore and the increasing number of countries that have entered into bilateral or multilateral **Free Trade Agreements** (FTAs) with the U.S. (20 as of April 2014).

Beyond just FTA countries, any country that is the subject of a USDOC **Market Research Report** (MRR) is presumed to be relatively open to imports from the U.S., else it would not have been written. These MRRs typically include a standard “Market Access” section that describes all pertinent import conditions in the country for the specified industry sub-sector. In addition, each USDOC **Country Commercial Guide** (CCG) has a standard “Trade Regulations” chapter addressing this issue. Also good are USTR’s annually updated **National Trade Estimate Reports on Foreign Trade Barriers.**

VI. Developing Best Export Entry Strategies for Target Markets

1. Do I need an export market plan for each target market, and what should it cover?

Systematic market planning is essential to exporting and can be instrumental in avoiding costly mistakes. The adage, “companies don’t plan to fail, they fail to plan” is especially true in the global arena. An Export Market Plan provides a structure and step-by-step roadmap for your export operations. 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 your own 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.

An Export Market Plan should cover three main areas -- Situation Analysis, Market Development, and Market Entry. Situation Analysis looks at available company resources, capabilities and potentials. Market Development looks at overall strategic objectives and approach, including whether to export directly or through a domestic intermediary, which products to export, and which markets to focus on. Market Entry looks at strategy and actions to effectively penetrate specific target markets, including distribution, promotion, pricing, and market adaptation strategies. See Maurice Kogon’s **Exporting Basics** for help in developing an Export Market Plan (Chapter 2 and pp.59-65 for a sample **outline** and illustrative **completed plan**.

2. How do I determine the best way to distribute my product in a target market?

Your main options are to set up a distribution network abroad or sell directly to end users from the U.S. If the former, you could sell through agents or distributors in each market; hire your own overseas sales staff; or establish overseas sales or branch offices. The right channel largely depends on how much of the marketing you want to do yourself; how much control you want over the process; and what's customary in each market.

Most exporting is done through local agents or distributors -- for two good reasons. It's the norm in most markets, and it's more effective. As market "insiders," they speak the language, understand how business is done, and know who the customers are and how to reach them. The end-users generally prefer to deal with them, rather than buy direct from foreign suppliers. Overseas agents typically act as your representative in the market. They develop and send you sales orders, arrange payment in dollars, prepare all required import documents, and clear the goods through customs. They normally work on a commission basis and don't take title to the goods. Overseas distributors also represent you, but generally purchase your goods and resell them at a markup. Many 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.

3. How do I determine the best way to promote my product in a target market?

Your promotion options abroad include press releases, paid ads, trade shows, sales trips, direct mail, and increasingly the Internet and E-mail. Most countries have adequate media and can support any of these methods. However, some may work better than others in particular markets. Costs could also affect your approach. Certain techniques clearly cost more, such as direct mail, trade shows and business travel. If these are your preferred techniques, they might best be done in conjunction with your overseas rep, possibly on a cost-sharing basis.

4. How do I determine the best way to price my product in a 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 must start with your baseline unit costs. Your baseline export costs include your fixed costs to produce the product for export, plus variable costs to market and deliver the product abroad. Fixed production costs for export could be higher or lower than costs for the domestic market. They might be lower if you're exporting a stripped down or no-frills model; higher if you have to redesign your product to accommodate different sizes and technical standards abroad.

Variable export costs might include any or all of the following: market research, postage, overseas phone/fax calls, promotion, travel, credit checks; translations; consultant/legal fees, performance bonds, export documentation, any special packaging, labeling, freight forwarding fees, transportation to destination, cargo insurance, agent/distributor commissions, training, warehousing, product warranties, service contracts, banking fees, credit insurance, credit-carrying costs.

Once you determine your baseline costs, your price above that can be whatever the market will bear. That's usually a function of market demand, ability to pay, the competition, and your product's particular attributes (new or unique, superior quality, 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 further sweeten your established price.

5. How do I determine what adaptations are needed for acceptance in a target market?

Many potential markets 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 relevant in "different" markets, you'll need to "localize" your approach. In particular, you may have to alter your product, your packaging 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 people, 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.

VII. Finding U.S. Suppliers and Foreign Buyers and Distributors

1. As an Export Management Company (EMC), where can I find U.S. manufacturers that might want to use me to handle their export sales, rather than do it themselves?

The U.S. is the world's leading manufacturer and 2nd largest world exporter; yet only about 15-20% of U.S. manufacturers actually export. At first blush, that suggests a huge potential of non-exporting manufacturers that might be interested in exporting through an EMC. In reality, however, many of these manufacturers don't export for reasons that are hard to overcome – mostly fear that exporting is too risky, too complicated, or too costly. Thus, even if an EMC could relieve them of these fears – they might still just say no. Given this potential resistance, you could waste valuable time and money approaching manufacturers at large, because potentially 80% might not be interested or persuadable. Nevertheless, since existing exporters don't need an EMC, these non-exporting manufacturers are your target audience as an EMC. You can find them in many Web-based directories, typically searchable by company name, industry, product, and/or location (see directories of **U.S. Producers and Exporters** on the ITCI Website). Better yet, you can find them at U.S. trade shows, where you can stop by their booth and make a more direct, one-on-one pitch. In whatever way you find them, to overcome their possible resistance to exporting and select you as their export intermediary, you should emphasize that not only can you generate additional sales and profits by exporting, but that your expertise can shield them from the risks and complications they most fear (peace of mind).

2. Where can I find U.S. suppliers of specific products wanted by foreign buyers?

You can find U.S. suppliers of almost any specific product in U.S. manufacturing directories (see directories of **U.S. Producers and Exporters** on the ITCI Website). As explained in VIII 1 above, however, many of these suppliers may not be interested in exporting their product. Instead, you might do better by focusing on the 300,000+ U.S. companies already known to export goods or services. Over 75% (227,000) of known U.S. exporters are wholesalers, distributors and other intermediaries. About 25% (74,000) are manufacturers. Among the many **directories** on the ITCI Website, two in particular are focused on companies that do export – **ExportUSA** (formerly Commercial News USA) and **The Export Yellow Pages**.

3. Where can I find potential foreign buyers or distributors for my export products?

Every country has manufacturers, importers and distributors that might be interested in your export products. They can potentially be found in many Web-based directories, searchable by country, industry and product (see worldwide and region-or country-specific directories of **Foreign Manufacturers and Importers** on the ITCI Website). However, simply picking names from a foreign directory could lead to many false starts or even into the wrong hands, since directory listings usually don't provide enough qualifying information to assure a good match. You should get better results using these targeted methods:

- Ask companies that export complementary (not competing) products if they could share names of their distributors in particular countries. For example, they export men's clothing and you want to export women's clothing. Their foreign distributors would likely handle both. The larger companies may already list their distributors on their Websites, so you would not even have to ask.

- Exhibit at a U.S. or foreign trade show known to attract serious foreign buyers and distributors. If they like what they see, 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 the export and, if so, whether they use foreign distributors who they are.

- Use fee-based services to help you find suitable buyers and distributors in target countries. The U.S. Department of Commerce offers two such matchmaking services – **International Partner Search** (IPS) and **Gold Key** partner search. In both cases, Commerce staff in the target countries will identify and personally interview reputable and qualified prospects that meet your needs. You will receive a list of only those interviewed that expressed active interest in buying or distributing them (roughly 5-10 companies). With the Gold Key version, you will travel to the country to meet face-to-face with each prospect. The Commerce staffer that conducted the search will arrange all appointments in advance and accompany you to the meetings. With the IPS version, you do not need to travel to the country. You can follow up with each listed company from home, based on the information provided in your IPS report.

  Similar matchmaking services might also be offered by other trade organizations and/or consultants in some countries, such as the **Hong Kong Trade Development Council** (HKTDC) for Hong Kong and mainland China. The Commerce Department officers in each country would be aware of these alternatives.

4. Where can I find specific foreign offers to buy or distribute products like mine?

The U.S. is a major source of goods and services in demand around the world. Ideally, potential foreign buyers and distributors would find and contact you first – through your Website, other promotions or advertising that reaches them, at a trade show, or the like (see **VIII 4** below for more on attracting leads). Alternatively, if attraction does not draw leads, you can look in trade lead directories for specific foreign offers to buy or distribute products like yours. See directories of **Hot Trade Leads** in the ITCI website. These directories typically allow searches by country, industry, and product. The leads describe the products wanted and provide the contact information needed for follow-up.

5. How can I attract inquiries/orders from foreign buyers and distributors?

You can drum up interest, inquiries and orders by actively promoting yourself abroad. Overseas exposure is a must. You won't sell much if the buyers don't know who you are. Promotion gets you visibility, but you also want impact. Generally, the more you promote, the greater the impact. Effective promotional techniques include:

- **Create and promote your own company Web site:** A company Web site can potentially be seen by anyone in the world at any given moment. You can design it as a virtual company/product catalog, with text, images, price sheets, order forms and anything else you wish. However, unless you promote your site, you could be lost in the enormous crowd of other sites. Strategic links to search engines and export-related directories are a must.

- **Post a specific export offer** in online export directories, such as **ExportUSA (formerly CNUSA) Exporter Directory** and **Export Yellow Pages. These directories** reach a worldwide audience with some self-described narrative about your product, a link to your Website, and your contact information.

- **Advertise and promote selectively** through press releases and in newspapers and industry magazines with international and target-country distribution. Nearly all newspapers carry paid ads, and many industry journals have sections that announce or evaluate new products. When you advertise in these, or get a favorable mention or review, you're not only getting good domestic press, but quality overseas exposure as well. See links to **Worldwide Marketing Media** in the ITCI Website.

- **Exhibit at U.S. and overseas trade shows:** They're costly, but nothing beats show-and-tell for high quality impact. At a trade show, you're accessible to hundreds, sometimes thousands of interested prospects at once, all able to see you and your products first hand. Trade show venues exist all over the world. Every country has at least one major annual trade show. Many countries have shows throughout the year, often on specific industry themes. To find relevant overseas trade events, and how best to prepare for them, see **Trade Event Resources and Schedules** on the ITCI Website. You can also get the same benefit at much less cost by exhibiting at a U.S. trade show supported by the U.S. Commerce Department's **International Buyer Program** (IBP). These are shows known to attract many foreign buyers and distributors. IBP actively recruits foreign delegations to roughly 40 U.S. trade shows annually and provides on-sight networking and match-making services at each venue.

6. How can I evaluate prospective agents and distributors?

Choosing the right overseas agents or distributors is crucial. You're relying on them to bring you sales. If they prove to be poor performers, you could be stuck with them indefinitely. In some countries, you can't easily terminate an agent/distributor relationship. Therefore, you should carefully evaluate prospects and select those that will perform best for you. A Distributor Qualifications Checklist can help you pinpoint the key issues for you. 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.

- Current 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 special requirements.
- Opinion on the market potential for your products.

The Commerce Department's **International Company Profile** (ICP) service provides extensive background information to verify 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**.

7. 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 chosen overseas representatives. They usually cover the following points:

- Products covered
- Territory covered (e.g., country)
- Degree of exclusivity
- Minimum sales/purchase obligations
- Responsibilities for marketing, promotion, shipping
- Responsibilities for 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 seek to commit 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.

You can find sample Agent/Distributor Agreements on the Web (see Maurice Kogon's **Exporting Basics**, Appendix D5, pp. 94-108. However, samples are merely illustrative. When you get to this point, it's best to use an international attorney familiar with the country to draw up your agreement.

VIII. Responding to Export Inquiries and Orders

1. How do 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 every time you respond. If the request seems dubious -- unprofessional, poorly written, boilerplate, etc. – you don't have to 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 many 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 requested information, you should also ask them for information, such as who they are and what they do. If you're satisfied and want the business, be prepared to negotiate until you've mutually agreed on all the terms (price, delivery, payment method)

Maurice Kogon's **Exporting Basics** (pp. 34-36) offers detailed advice on when and how to respond to inquiries, as well as sample response letters (p.110). Here are some pointers:

- **Say it fast or not at all.** Delay implies lack of interest or, worse, insensitivity to the prospect's needs. Use E-mail, fax, express delivery or air mail as appropriate. Surface mail can take weeks or even months to reach some countries.

- **Answer all questions asked.** The inquirers may come back with more questions, but don't make them ask the same questions twice.

- **Be business-like, friendly and courteous,** but avoid slang or informal, chatty responses.

- **Reply in the language specified.** Most inquiries are in English. Some are in a foreign language, but invite you to reply in English. If the inquiry is not in English, have it translated so you know exactly what it says. Then, translate your response if you're not otherwise advised.

- **Print and sign all letters.** Impersonal form responses with filled in blanks don't make a good impression. With a word processing package, you can easily personalize even a standard letter.

- **Enclose your product brochures, price lists and other information.** These usually answer most questions, so that the next communication will more likely be a request for quote.

2. How do I respond to a foreign request for a price quote?

As inquiries lead to interest, prospects will ask for specific price quotations, or "**Proforma invoices**" as they're known internationally. Proforma invoices are not bills for payment, since a sale has not yet occurred. They're basically quotations in an invoice format. You want your price quote to cover all your export costs. Proforma invoices should be neatly typed on business letterhead and cover at least the following points:

- Price of each item (typically in U.S. dollars to reduce foreign-exchange risk).
- Trade discount, if applicable.
- Country of origin of the goods.
- Gross and net shipping weight (in metric units where appropriate).
- Total dimensions (in metric units where appropriate) packed for export.
- Delivery point.
- Terms of sale.
- Payment terms and method, including currency to be used for payment.
- Insurance and shipping costs, specifying who will pay (determined by agreed Incoterms).
- Total charges to be paid by customer.
- Estimated shipping date to factory or U.S. port (it's preferable to give U.S. port).
- Estimated date of shipment arrival.
- Any other terms of the proposed sale.
- An explicit expiration date for quotation

3. My cost quote depends on whether the buyer wants my factory price, the price to the end destination, or the price to some specified point along the way. What is best for me?

The buyer will usually specify, by use of an **Incoterm**, what costs to include in your price quote. For the exporter, the simplest Incoterm is "Ex Works" – the cost at the factory or warehouse. If buyers ask for an Ex works price quote, it means they will arrange to pick up the goods at the factory or warehouse and incur all transportation and other costs to reach the final destination. They are also liable if anything happens to the goods after the pick-up. You might get an Ex Works price quote request from a large importer capable of managing its own logistics. More likely, you will be asked for a price quote from some intermediate point en route, such as the port of exit, or to the end destination. The Incoterms most often used in these cases are FAS (free alongside the vessel at the exit port), FOB (free onboard the vessel at the exit point), and CIF (cost, insurance and freight to the destination port). You are liable for the goods up to specified location. Your freight forwarder can itemize all relevant costs to include in these quotes, as well as arrange for all necessary transportation to each specified location. The one Incoterm you should generally avoid is DDP (Delivered Duty Paid). 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.

IX. Getting Paid for Export Sales

1. If I export my goods, how can I make sure I get paid?

Many potential exporters resist exporting out of fear that they will not get paid. That is a misplaced fear, since there are several available payment methods to protect against buyer default. These methods, explained more fully in IX 3-6 below, can virtually assure that you get paid for your export sales. The options include cash in advance, letters of credit, documentary collections, and even open account when backed by very inexpensive export credit insurance. No matter what payment method you use, it's a good practice to verify the reputability and credit worthiness of your potential customers, especially those less well-known or established in the industry. Check out the company's Website, ask for bank and trade references, and consider credit and background checks from organizations providing these services.

2. What factors should I consider in selecting a payment method for my export sales?

Export payment terms and methods – when and how to get paid -- are negotiable between exporter and importer. Both parties have interests and risks at stake, and each approaches the payment issue from somewhat opposite ends. These differences must be mutually understood and accommodated in a successful negotiation.

For exporters, the key payment issues are:

- How soon can I get paid (before or after shipment)
- How will I get paid (what currency and what payment method and process)
- How do I protect against non-payment (risk mitigation)

For importers, the converse issues are:

- How soon do I have to pay (the more time the better)
- How do I make certain I get what I paid for

3. I would like to get paid in advance for export sales. Are importers open to that?

Cash in advance is best for exporters, particularly by wire transfer, because 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 importers, however, advance payment is the worst option. It not only shifts the cash-flow burden to them, but forces them to pay before they can even see what they're getting. Also, they know they can usually find a competing supplier willing to offer better terms. Therefore, unless this is a "must" buy with no source but you, 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 lose you this deal. Consider other payment options that also greatly reduce the payment risk, such as letters of credit, documentary collections, and even open account backed by export credit insurance.

Alternatively, if you absolutely won't export without advance payment, and you're willing to pay a fee to get it, you could try a **Factoring** company willing to buy the export "receivable" from you. After paying you up front, the Factor takes on the risk of collecting from the importer (not your concern). Factors logically charge a high premium for this service, but it's a risk-free, up-front payment for exporters if they can afford it.

4. What is a Letter of Credit? Would it guarantee payment for my export sales?

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 importers bank, not by the importer. An L/C can be at sight (immediate payment upon presentation of documents) or a time or date L/C (payment to be made at a specified future date). 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 by 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.

Despite their fairly wide use and mutual benefit, L/Cs cost both parties more in 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."

5. What are Documentary Collections? Would they guarantee payment for my export sales?

Documentary Collections are the most often used payment method for export sales. They basically equate to cash on delivery (cod) or cash at a mutually agreed date after delivery. They are routinely handled by banks, but without L/C-like fees, and they protect against buyer default almost as well. In the cod version, also known as Documents Against Payment (D/P), the bank in the importing country receives your title to the goods (your bill of lading accompanying the shipment). The importer must pay the bank the full amount owed to get access to your 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 mutually-agreed delayed payment version, also known as Documents against Acceptance (D/A), the goods are released to the importer with a specified time to repay. This is open account in effect, more risky, but the exporter can virtually eliminate the risk by purchasing **export credit insurance** from the U.S, Export-Import Bank. If the buyer later defaults for any reason, the insurance policy will cover nearly all the loss.

6. If the importer insists on Open Account for my export sales, and I want the deal, can I still make certain I get paid?

Open account is the payment method most favored by importers, because they don't have to pay until some agreed upon time after they get the goods (typically 30-120 days). Inexperienced exporters generally avoid open account and lose many deals for fear that they won't get paid in the end. However, 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. The risk can be mitigated almost entirely with an **export credit insurance policy** from the U.S. Export-Import Bank. Under these very inexpensive policies, the exporter is guaranteed nearly full payment if the buyer later defaults. If you don't insure, you should avoid open account unless the buyers are well established, have solid payment records, or have been thoroughly checked for creditworthiness.

7. Should I agree if the importer wants to pay me in local currency instead of U.S. dollars?

It is customary to be paid in U.S. dollars or at least in another "stable" currency. A weaker currency could cost you in US$ equivalent if they depreciate by the time the payment is due. As long as you specify a dollar amount for payment, that is what you will get, even if the importer has to put up more in depreciated local currency to equate to that dollar amount. The importer should bear the risk of depreciation, not you. More experienced exporters might use hedging techniques to lock in future exchange rates.

8. An importer has ordered more of my product than I have in stock. Where can I get the money I'll need to produce the balance of the order?

This situation calls for an export working capital loan from a bank, to be repaid from the proceeds of the export sale. You can use that "bridge" loan, in effect, to get whatever more labor, materials or equipment you'll need to fill the rest of the order. Banks traditionally look to your assets as the basis for lending, but might be more receptive if payment for the export sale is otherwise guaranteed, typically under a Letter of Credit (L/C). Unfortunately, many banks are still reluctant to lend, even with a guarantee of repayment by L/C. To overcome this reluctance, under the Export Working Guaranty Program (EWGP), the U.S. Government will itself guarantee repayment to the bank in the unlikely event of default with the L/C. The EWGP is offered in slightly different form by the U.S. Small Business Administration and the U.S. Export-Import Bank (see **SBA EWGP** and **Exim EWGP** for further details).

9. Where can I find more information about export payment methods?

For more information on methods of payment, see:

Trade Finance Guide for U.S. Exporters	How to Get Paid for Your Export Sales
Export Finance FAQs for New Exporters	Getting Paid by Your Latin-American Buyer
Bankable Deals: SME Guide to Trade Finance	Getting Paid for Exports to China

10. Where can I find sources of export financing?

The first source for export financing is your regional and local bank. Contact your local bank to see what kind of programs they provide. Many state governments provide export financing through their international trade offices. See **State and Regional Trade and Economic Development Agencies** on the ITCI website.

For more information on specific U.S. export finance programs and services, see:

SBA Export Loan Programs	USDA Agricultural Export Finance Programs
Ex-Im Bank Financing for U.S. Exporters	"Branded" Agricultural Export Programs

X. Complying with U.S. Export Regulations

1. Does the U.S. have any controls or restrictions on exports that could affect me and, if so, what must I do to comply?

Most products can be exported from the U.S. without restriction or any special approvals. However, the U.S. does have strict controls on exports that could endanger national security or are in short supply. The U.S. also regulates exports of products that could pose safety or health risks to the importing countries, such as hazardous materials, food and agricultural products, drugs, cosmetics and medical devices. You'll need to determine in advance if any of these regulations apply to your products. Even in those particular cases, you can still export by getting the required approval from the relevant regulatory agency (e.g., an export license or certificate).

The products most subject to U.S. export regulation are:

- **Military and "dual-use" items** are controlled for national security purposes to prevent adversaries (countries, entities, individuals) from obtaining products or assets that could aid them economically or militarily. **Strictly 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). C**ommercial items that could also be used militarily ("dual use**) are regulated by the U.S. Commerce Department's **Bureau of Industry & Security** (BIS) under the **Export Administration Regulations** (EAR). For more on exporting military and dual use items, see **X 3** and **X 4** below.

- **Products in "short-supply"** are controlled by BIS under **Part 754 of the Export Administration Regulations** (EAR) to prevent scarcities from disrupting the economy. For more on requirement to export short-supply products, see **X 5** below.

- **Hazardous materials** (HAZMAT) are regulated by the U.S. Transportation Department's **Pipeline and Hazardous Materials Safety Administration** (PHMSA) under the **Hazardous Materials Regulations** (HMR). Hazardous waste as a HAZMAT subset is also regulated by the **Environmental Protection Administration (EPA)** under the **Resource Conservation and Recovery Act** (RCRA)**.**For more on exporting hazardous materials, see **X 13** below.

- **Plants and plant products** (e.g. bulbs, seeds, grain, fruits and vegetables, cut flowers) are regulated by the U.S. Department of Agriculture's **Animal and Plant Health Inspection Service** (APHIS) and the **Federal Grain Inspection Service** (FGIS). For more on exporting hazardous materials, see **X 15** below.

- **Animals and animal products** are also regulated by APHIS. For more on exporting animals and animal products, see **X 16** below.

- **Meat, poultry processed egg products and other food and agricultural products** are regulated by the U.S. Department of Agriculture's **Food Safety Inspection Service** (FSIS). For more on exporting these products, see **X 17** below.

- **Medical devices, drugs and cosmetics,** also regulated by FDA. For more on exporting these products, see **X 18**, **X 20**, and **X 21** below.

2. Where can I find more about these and other U.S. export regulations?

Freight forwarders and international attorneys can advise on whether a U.S. export regulation applies to a particular export transaction. In addition, check out these sections on the ITCI website for extensive links to regulatory resources:

- U.S. National Security Export Controls
- Other U.S. Export Controls

3. How can I know if my export product is considered a "military" item under DDTC's International Traffic in Arms Regulations (ITAR) and, if so, what must I do to comply?

The controlled military items fall within 21 categories specified on the DDTC's **Munitions List.**

1. Firearms, Close Assault Weapons & Combat Shotguns
2. Guns & Armament
3. Ammunition/Ordnance
4. Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets, Torpedoes, Bombs & Mines
5. Explosives & Energetic Materials, Propellants, Incendiary Agents & Their Constituents
6. Vessels Of War & Special Naval Equipment
7. Tanks & Military Vehicles
8. Aircraft & Associated Equipment
9. Military Training Equipment & Training
10. Protective Personnel Equipment & Shelters
11. Military Electronics
12. Fire Control, Rangefinder, Optical & Guidance Control Equipment
13. Auxiliary Military Equipment
14. Toxicological Agents, incl. Chemical & Biological Agents & Associated Equipment
15. Spacecraft Systems & Associated Equipment
16. Nuclear Weapons, Design & Testing Related Items
17. Classified Articles, Technical Data And Defense Services Not Otherwise Enumerated
18. Directed Energy Weapons
19. [Reserved]
20. Submersible Vessels, Oceanographic & Associated Equipment
21. Miscellaneous Articles

If you export any of these products directly, or even if you sell them domestically as parts or components 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 have in place programs 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. Such a manual should also include the identification and duties of empowered and responsible persons, and procedures on record keeping and internal auditing. For further details, see DDTC's **Getting Started with Defense Trade** and **Compliance Program Guidelines.**

4. How can I know if my export product is considered a "dual use" item under BIS' Export Administration Regulations (EAR) and, if so, what must I do to comply?

Technically, **all** U.S. products for export are **subject** to the EAR, but most fall outside the dual-use criteria and **do not** require an export license. Licensable dual-use products are identified by a product-specific **Export Control Classification Number** (ECCN) on the BIS **Commerce Control List** (CCL). The CCL lists 10 broad categories of dual-use products:

0 = Nuclear materials, facilities, & equipment
1 = Materials, Chemicals, Microorganisms &Toxins
2 = Materials Processing
3 = Electronics
4 = Computers
5 = Telecommunications & Information Security
6 = Sensors & Lasers
7 = Navigation & Avionics
8 = Marine
9 = Aerospace & Propulsion

If your product has an ECCN (see **X 6** below for more on ECCNs) and is listed on the CCL, you will need an export license (some exceptions apply). It is up to the exporter to determine in advance whether the product is on the CCL. If not specifically listed, the product can be exported with the designation No License Required or EAR 99. If after checking the CCL you are still uncertain if your product requires an export license, you can seek an "advisory opinion" from BIS (see X 7 below for more on advisory opinions).

5. How can I know if my export product is considered in "short supply" under Part 754 of the Export Administration Regulations (EAR and, if so, what must I do to comply?

Short supply products, including crude oil, other specified petroleum products, red cedar wood, and horses, typically require export licenses from BIS. They contain the symbol "SS" in the "Reason for Control" part of "License Requirements" section of the applicable Export Control Classification Number (ECCN) identified on the Commerce Control List (Supplement No. 1 to part 774 of the EAR).

6. What is an ECCN; how do I find one for my commodity?

An **Export Control Classification Number**(ECCN) is an alphanumeric designation (i.e., 1A984 or 4A001) used in the **Commerce Control List** (CCL) to identify items for export control purposes. An ECCN categorizes items based on the nature of the product, i.e. type of commodity, technology or software and its respective technical parameters. Once the ECCN has been identified, you can determine the reasons for control of the item, which transactions may require an export license based on the country of destination, and which license exceptions, if any, may apply.

7. Who could give me authoritative advice on whether my product requires an export license?

BIS can advise you whether or not your item is subject to the EAR and what the correct Export ECCN for your item. See **How to Request an Export Control Classification Number**. This type of request is commonly referred to as a "Classification Request". You may also **Request and Advisory Opinion** on whether a license is required, or is likely to be granted for a particular end-use, end-user, and/or destination. Requests for Advisory Opinions must be submitted in writing or electronically to BIS (see **Contact BIS** for contact information).

8. If my product requires an export license under the EAR, how do I get one?

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** and **Licensing FAQ**.

9. Are there any individuals or entities that I may not export to regardless of my product? If so, how do I know who they are?

"**Denied Persons**" and "**Denied Entities**" are specific persons or organizations that have been denied export privileges by the U.S. Government in whole or in part. **Export Administration Regulations** (EAR) provides a list of denied persons and entities and a detailed description on the possible export privileges denied. It is advisable to determine whether your transferee, ultimate end-user, any intermediate consignee, or any other party to a transaction, is a person denied export privileges. It is a violation of the EAR to engage in any activity that violates the terms or conditions of a denial order (General Prohibition Four (Denial Orders) (_736.2(b)(4) of the EAR). The full text of each order denying export privileges is published in the Federal Register as cited in the column entitled, "Federal Register Citation". If you have questions about the scope of a particular denial order, you may contact the **Office of Export Enforcement**,

10. Are there any countries that I may not export to regardless of my product? If so, how do I know which ones they are?

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, license exceptions, and licensing policy vary depending upon the particular sanctioned destination. 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). Exporters and re-exporters are responsible for complying with all applicable regulatory requirements.

11. What can I do if one country of interest tells me I can't export to another country of interest?

U.S. Anti-Boycott Laws, enforced by the U.S. Department of Commerce's Office of Anti-Boycott Compliance (OAC), prohibit compliance with such a demand. The U.S. anti-boycott laws were adopted to prevent U.S. firms from being used 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.

12. What can I legally do if a foreign buyer expects a payoff to secure an export deal?

It is illegal under the **U.S. Foreign Corrupt Practices Act** (FCPA) to make payments to a foreign government official, either directly or indirectly, as means to influence or induce that official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person. Since 1977, the anti-bribery provisions of the FCPA have applied to all U.S. persons and certain foreign issuers of securities. With the enactment of certain amendments in 1998, the anti-bribery provisions of the FCPA now also apply 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. For more detailed information about the FCPA, its provisions, and enforcement, click **here** for **A Resource Guide to the U.S. Foreign Corrupt Practices Act** compiled by the Department of Justice and Securities and Exchange Commission. The *Guide* 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. On these and other topics, the *Guide* takes a multi-faceted approach, setting forth in detail the statutory requirements while also providing insight into DOJ and SEC enforcement practices through hypotheticals, examples of enforcement actions and anonymized declinations, and summaries of applicable case law and DOJ opinion releases.

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

Transport of hazardous materials (HAZMAT) is regulated by the U.S. Transportation Department's **Pipeline and Hazardous Materials Safety Administration** (PHMSA) under the **Hazardous Materials Regulations** (HMR). 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 172.101). See details on shipping and packaging HAZMAT under HMR Part 173.

Hazardous waste as a HAZMAT subset is also regulated by the **Environmental Protection Administration (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.

14. What U.S. regulations must I comply with to export grains?

U.S. export requirements for grain vary based on whether the commodity is covered by the United States Grain Standards Act (USGSA). Anyone exporting 15,000 tons or more per year of grain covered by the USGSA must first register with the Grain Inspection, Packers and Stockyards Administration (GIPSA). The registration process involves submitting certain information on a form and paying a fee. Further, GIPSA is required to certify the quality and weight of all export shipments of USGSA-covered grain. GIPSA also is required to test all corn exports for aflatoxin, unless the contract stipulates testing is not required. Exceptions to these mandatory inspection and weighing requirements include:

- Grain exports under 15,000 metric tons per year by any individual facility.
- Grain exported for seeding purposes.
- Grain shipped in bond.
- Grain exported by rail or truck to Canada or Mexico.
- High quality specialty grain shipped in containers.
- Grain not sold by grade (mandatory weighing still required per 7 CFR 800.18).

15. What U.S. regulations must I comply with to export plants and plant products (including grain)?

If required by the importing country, the U.S. Department of Agriculture (USDA) **Animal and Plant Health Inspection Service** (APHIS) will issue **Phytosanitary Certificates** for all shipments of fresh fruits and vegetables, seeds, nuts, flour, rice, grains, lumber, plants, and plant materials. The certificate verifies that the products were inspected and found to be free of pests, plant diseases, chemical treatments, or weeds. Additional information and forms are available from **Animal and Plant Health Inspection Service** (APHIS). See **FAQs on Phytosanitary Certificates** for more details. In addition, USDA's **Federal Grain Inspection Service** (FGIS) conducts sampling, inspection, process verification, weighing and stowage examination services to describe and attest to the quality and quantity of exported rice, peas, beans, lentils, all grains, and grain-based processed products.

16. What U.S. regulations must I comply with to export live animals (including semen and embryos)?

The U.S. has minimal export requirements for animals. However, each destination country may have its own specific health requirements for animal imports. The documents needed, such as an **International Health Certificate,** vary depending on the destination, species, intended use of the animal, and mode of transportation/carrier (airplane, ship, truck). To see **List of Countries and Required Documents** for countries that have these requirements and the documents they require, Click on the destination country and choose the species to be exported. The corresponding document will have the detailed requirements of the destination country. In most cases, the animal must be examined by a USDA-accredited veterinarian who will issue the health certificate. The health certificate is then endorsed by a **USDA/APHIS Veterinary Services (VS) official veterinarian**. You should also contact your selected carrier for any additional documentation the carrier may require for the movement of your animals. For more specific **FAQs on live animal exports**,

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

Food exports are generally subject to health and sanitary standards in most countries. In many cases, the importing countries will accept sanitary and phytosanitary certificates for food products issued by approved testing organizations in the exporting country. In the U.S., the Food & Drug Administration (FDA) and several USDA agencies 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.

18. What U.S. regulations must I comply with to export medical devices?

Medical device exports are regulated by the **U.S. Food & Drug Administration** (FDA). Any medical device that is legally in commercial distribution in the U.S. may be exported anywhere in the world without prior FDA notification or approval. However, while FDA does not itself restrict the export of legally marketed medical devices, certain importing countries may require written certification that a firm, or its devices, is in compliance with U.S. law. For a medical device to be legally in commercial distribution in the U.S., the following requirements must be met (see **X 19** below if the medical device for export does not meet these requirements).

- The manufacturing facility must be FDA-registered and the device listed with the FDA;
- The device must have a Premarket Notification (510(k)) or Premarket Approval (PMA), unless exempted by regulation or if the device was on the market prior to May 28, 1976;
- The device must meet applicable labeling requirements of 21 CFR Part 801and 21 CFR 809;
- The device must be manufactured in accordance with the Quality System (QS) Regulation of 21 CFR Part 820, unless exempted by regulation.

If required by an importing country, FDA will issue a **Certificate to Foreign Government** (CFG), but export certificates may also be requested when exporting medical devices under sections **801(e)(1) and 802** of the **Federal Food, Drug, and Cosmetic (FD&C) Act** or when exporting non-clinical research-use-only devices.

The CFG is a self-certification process. By completing the required form, a firm certifies that it is registered and listed, that each product is legally marketed in the U.S. and is not the subject of an open recall, that all facilities involved in the manufacturing process are complying with the FDA's regulations, and that each product is being exported from the U.S. See **How to Request**

Export Certificates/Permits and Submitting Simple Notification. See **Q&As about exporting medical devices** for more specifics.

19. If a medical device is not yet FDA-approved for sale in the U.S., can I still export it?

Even if a medical device is not FDA approved or cleared for marketing legally in the U.S., it may still be exported without FDA permission under section **801(e)(1) of the FD&C Act**, provided it is intended for export only and is:

- In accordance with the specifications of the foreign purchaser;
- Not in conflict with the laws of the country to which they are intended for export;
- Labeled on the outside of the shipping package that they are intended for export; and
- Not sold or distributed in the U.S.

A foreign government may require documentation from the FDA confirming that an unapproved device meets these criteria and is being exported from the U.S. In these cases, firms may request an export certificate. Please see **directions on how to request Certificates of Exportability related to section 801(e) (1) of the FD&C Act**.

20. What U.S. regulations must I comply with to export drugs and biologics?

Drugs and biologics approved by FDA for marketing and sale in the U.S. do not require other U.S. approvals for export. However, the importing country may require an export certificate from FDA. Under the FDA Export Reform and Enhancement Act of 1996, FDA is authorized to issue certificates for drugs, animal drugs, and devices within 20 days of receipt of a request. A fee of up to $175 may be charged for each certificate issued. In addition to issuing export certificates for approved or licensed products, the FDA will also issue export certificates for unapproved products that meet the requirements of Sections 801(e) or 802 of the Act. A draft guidance document -- **Guidance for Industry: Exports Under the FDA Export Reform and Enhancement Act of 1996** --is available that summarizes and explains the basic requirements and procedures for exporting human drugs (also drug components) and biologics that may not be sold or distributed in the U.S. This guidance document also summarizes and explains the requirements for exporting drugs that are approved for marketing in the United States, but which are being exported for an unapproved use.
The following websites provides information and contacts on export certificates for drugs and biologics:

- FDA Export Information: Exports and Export Certificates
- Guidance on FDA Export Certificates
- Certificate of a Pharmaceutical Product application guidelines and instructions (PDF - 33KB)[4]

21. What U.S. regulations must I comply with to export cosmetics?

If your cosmetics products are manufactured in the U.S. in compliance with all applicable U.S. laws and regulations, you do not need any other U.S. approvals to export them. However, the importing country may require an export "certificate" as part of its cosmetics import process. It is the exporter's responsibility to know the cosmetics requirements of the importing countries and to request the needed certificate from FDA. Some foreign governments may also accept certificates issued by a state or local health department, board of trade, or trade association.

FDA can only issue cosmetic export certificates for products whose intended use is solely cosmetic. Products that are intended to cleanse the body or promote attractiveness are cosmetics, while products that are intended to affect the structure or function of the body, or to have a therapeutic effect such as treating or preventing disease are drugs under U.S. law. Products marketed as "soap" may be cosmetics or drugs regulated by FDA, or they may be consumer products regulated by the Consumer Product Safety Commission, depending upon their composition and intended use.

For detailed answers to the specific questions below, see **Cosmetic Export Certificates: FAQs:**

1. How do I obtain a cosmetics export certificate?
2. Is my product really a cosmetic under the law?
3. Are there other sources of cosmetic certificates, besides FDA?
4. What types of export certificates does FDA issue for cosmetics?
5. How much does a certificate cost?
6. How long will it take to process my cosmetic certificate request?
7. Does a certificate mean FDA approval?
8. How can I verify the authenticity of cosmetic export certificates?
9. For exporters – How can I request an apostille from U.S. Department of State?

XI. Complying with Foreign Import Regulations

1. What foreign trade barriers might affect my access to particular markets?

Exports are subject to import tariffs (duties) and taxes in the destination countries. The applicable rates are published, but if high enough could price your products out of the market. Each country may also have various non-tariff barriers that impede imports, such as quantitative restrictions, licensing and exchange controls, and health, safety and technical standards. Before shipping to a particular country, it's essential to check with your importer, freight forwarder or attorney on potential regulatory impediments and what permits, certifications, documents, and the like you might need to assure hassle-free entry. For other helpful sources of regulatory information, see:

- **National Trade Estimate Reports on Foreign Trade Barriers** are annual surveys of trade barriers by country.

- The **Country Commercial Guide** (CCG) chapters on "Trade Regulations and Standards" and "Investment Climate" examine each country's trade regulations and investment practices.

- **Market Access Sectoral and Trade Barriers Database** can be searched by country, industry or barrier type to find barriers that apply to specific products in specific countries.

- **Internet Legal Resources** provides links to web sites that specialize in international trade laws and regulations by topic and country.

2. How can I determine the applicable duty rates for my products in specific countries?

The official Customs agencies in each country are the authoritative source for product-specific duty rates. The rates are typically listed by the product's Harmonized System (HS) code number in each country's official tariff schedule, often available online. Rates vary from zero to prohibitive, depending on the country and/or product, and can change over time.

A few countries, such as Hong Kong and Singapore, are essentially "free" ports with no duties on most products. Many developing countries still have high import duties, either to protect domestic industries or deter "non-essential" imports. Generally, however, duty rates are trending more toward zero or very low, spurred by the World Trade Organization and an increasing number of bilateral or multilateral Free Trade Agreements (FTAs). As of 2014, the U.S. had 14 FTAs in force with 20 countries -- Australia; Bahrain; Chile; Colombia; Israel; Jordan; Korea; Morocco; Oman; Panama; Peru; Singapore; DR-CAFTA (including : Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, & Nicaragua); and NAFTA (including Canada & Mexico).

For guidance on import tariffs and how to find rates for your products, see Tariff Basics. To find the applicable duty and tax rates for your products in a specific country, start with a freight forwarder. They have access to updated tariff schedules for each country. Tariff and tax information is also available from these Web sources -- Import Duties by Country - USDOC/ITA/MAC Database; **WTO Tariff Schedules** for rates on agricultural products; **APEC Tariff Database** for rates in member countries of the Asia Pacific Economic Cooperation (APEC).

3. How do I avoid paying foreign duty and tax on goods to be returned to me?

Most importing countries exempt goods from import duties and taxes if they are entering that country only temporarily. Fifty nations currently accept a document known as the **ATA Carnet**. The ATA Carnet is essentially a passport for your goods. If the good can be described as a "tool of the trade", then, upon presentation of the ATA Carnet, the good may be exempt from duties and taxes. "Tools of the trade" 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 as "tools of the trade". Carnets do not cover consumable goods, disposable items or postal traffic. 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 period (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.

4. How do I move my goods duty-and tax-free under a Temporary Import Bond (TIB)?

For goods imported temporarily and re-exported within a short time frame, a Temporary Import Bond (TIB) may be **posted** at import in lieu of paying duties and taxes. Not all countries honor or offer TIBs. The importer may have to pay full duty and seek a refund later, if possible. A TIB is handled in most countries by a broker, who for a fee assists in getting a bond issued for the amount designated by customs. The bond is canceled by the broker when the goods are exported, and proof is presented to customs that the goods have left the country.

5. How can I use a "bonded" facility, e.g., a Foreign Trade Zone, to avoid import duties?

If the products you import are for eventual re-export, either as is or with value added, you can bring them duty-free into a bonded facility, also referred to as a "free zone," "free port," "bonded warehouse," or in the U.S. as a Foreign Trade Zones (**FTZ),** licensed by the **Foreign Trade Zones Board** under the Secretary of Commerce. These facilities are usually located near ports of entry. Products brought into a bonded facility are considered not technically imported; 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.

6. If I paid U.S. import duties on goods I later export, can I get a refund?

You can apply for a "duty drawback" (refund) of the duty paid for an imported product, provided the product is subsequently exported. It is considered a Customs privileged program. 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 the drawback claim is not filed within 3 years, the exporter cannot file, unless U.S. Customs & Border Protection (CBP) takes responsibility for the claim being filed untimely. The possibility of an extension is highly unlikely. For a full explanation of the duty drawback process, See CPB's Drawback – A refund for Certain Exports.

7. What can I do if the importing country requires a pre-shipment inspection of the goods?

Pre-shipment inspections (PSIs) are physical inspections of goods to be exported. Many developing countries require PSIs to prevent entry of substandard goods, verify the true value of the goods for import duty purposes, or assure compliance with any technical or other standards. Inspection costs are generally paid either by the importer or by the government of the importing country. In some cases, the inspection agency may invoice the seller in the event of supplementary inspection visits. The costs associated with presenting the goods for inspection (such as unpacking, handling, testing, sampling, and repackaging) are the responsibility of the seller.

Requirements for PSIs are normally spelled out in a Letter-of-Credit or other shipping document. They are performed in the exporter's country by approved international inspection companies, such as Bivac/Bureau Veritas, Cotecna, Intertek and SGS. Some countries may waive the requirement for low-value shipments or apply it only for certain types of goods. The following countries currently require or request pre-shipment inspections:

> Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Comoros, Republic of Congo (Brazzaville), Democratic Republic of Congo (Kinshasa), Cote d'Ivoire, Ecuador, Ethiopia, Guinea, India (see note below), Indonesia (see note below), Iran, Kenya (under review), Kuwait (see note below), Liberia, Madagascar, Malawi, Mali, Mauritania, Mexico (see note below), Mozambique, Niger, Senegal, Sierra Leone, Togo, Uzbekistan.

Following are typical steps in the inspection process:

- The importer opens an import license, informs the inspection service in the country of import of a pending shipment, and then either pays for the inspection up front or pays a percentage based on the value of the commercial invoice, depending on the terms of the importing country's inspection contract.

- An inspection order is forwarded to the inspection company office in the country of export. The inspection company contacts the exporter to arrange date, time and location for inspection.

- The inspection is carried out, and a "Clean Report of Findings," is issued confirming the shipment's value, customs classification and that it can be cleared.

- The goods are shipped onward to the importing country, and the importer uses the inspection report to get goods released from customs.

- If the goods should reach the border of the importing country without inspection, they usually have to be re-exported to a nearby country where the inspection takes place prior to re-entry.

8. What can I do if the event of a disagreement with the pre-shipment inspection?

As a first step, try resolving the problem with the inspection company. If unsuccessful, and if the importing country is a WTO member, the **WTO Agreement on Pre-shipment Inspection** requires the inspection company to appoint an appeals official and comply with the Agreement guidelines.

XII. Filing Required Export Documentation

1. Who can help me identify and fill out the documents I'll need to export my products?

Exporting involves a lot of paperwork not needed for domestic sales. Many of the documents ask for the same or similar information, and all must be fully and precisely filled out. Even slight discrepancies or omissions within or among the documents can cause payment or shipping delays, or even risk seizure of the goods. Given the complexity, burden and risk, most exporters rely on freight forwarders to handle their export documentation. An experienced freight forwarder knows which documents are needed to export any type of product to any target country. Some freight forwarders specialize by product (e.g., hazardous materials, refrigerated goods, etc.) and/or by foreign destination (e.g., Asia, etc.). Freight forwarders charge modest fees that are understood by all parties to be a cost of business included in the export price quote. See the ITCI Website for sources of freight forwarders.

2. Where can I find information about export documentation and sample documents?

For information about documentary requirements, see the links in the ***Documentation Basics*** section of the ITCI Website. Samples of most of these documents can be found in the ITCI Sample Export Documents section.

3. How should a product be properly described in export documents?

Whether you or your freight forwarder prepares your export documents, it's important to give the same description of the commodity across all required documents. Be precise. 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, "See Commercial Invoice." List and describe each commodity individually, including:

- What the commodity is
- What the commodity is made of
- What the commodity will be used for
- Whether the commodity is new or used
- Whether or not the shipment is for resale
- The HS number

4. What documents are commonly needed for export, regardless of product or country?

Some documents are required to export any product to any country; other documents may only be needed for a particular product or to a particular destination. The commonly needed export documents in all cases are:

- **Electronic Export Information (EEI)**. The EEI replaced the Shipper's Export Declaration and is a required U.S. Government filing for all exports valued at $2,500 or more, or $500 or more if shipped by mail. The EII must be electronically filed via the **AES Direct** online system, a free service from Census and Customs. See **EEI filing instructions** and videos, including: Registering for AESDirect, Filing a Shipment in AESDirect**,** Response Messages from AES**,** Proof of Filing Citations, AESDirect - The Shipment Manager, and Elimination of the SSN in the AES.

- **Commercial Invoice.** This is a bill for the goods from the seller to the buyer. It lists the quantity, weight, unit price and total price of each exported item, along with other basic transactional information. The buyer needs it to prove ownership and to arrange payment. Some governments use the Commercial Invoice to assess customs duties. See sample **Commercial Invoice**.

- **Export Packing List.** This document basically describes the type of package – e.g., box, crate, drum, carton, etc. – its contents, the seller, buyer, shipper, invoice number, date of shipment, and mode of transport. The packing list should be attached to the outside of a package in a waterproof envelope marked "packing list enclosed." See sample **Export Packing List**.

- **Ocean Bill of Lading.** 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. See sample **Negotiable B/L** and **Non-Negotiable B/L.**

- **Air Waybill.** An Air Waybill (AWB) covers shipments by air from airport to airport. Unlike a Negotiable 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. See sample **Air Waybill.**

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

5. What additional documents may be needed to exports to particular countries?

Some countries require additional documents for a variety of purposes, but most often to protect public health and safety or to determine eligibility for trade preferences. The documents most often required for these purposes are:

- **Consular Invoice**. A few countries still require this document to assure that the exporter's trade papers are in order and the exported goods comply with any laws or trade restrictions. A Consular Invoice must be purchased from the consulate of the importing country. Formats vary by country, but typically ask for the same information needed for the Commercial Invoice and Packing List. See sample **Consular Invoice**.

- **Certificate of Origin**. Many countries grant trade preferences or restrict imports based on the country where a product originated. A Certificate of Origin identifies 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, typically by a local chamber of commerce. The chamber will also want a copy of the commercial invoice to verify the claimed origin. For some countries, however, a local chamber certification is not acceptable. Many Middle Eastern countries, in particular, require certification by specific organizations, such as the U.S.-Arab Chamber of Commerce (for Kuwait, Lebanon, Oman, Qatar, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen); American Egyptian Cooperation Foundation (for Egypt); and the U.S.-Saudi Business Council (for Saudi Arabia). See sample **Certificate of Origin).**

- **NAFTA Certificate of Origin.** The North American Free Trade Agreement (NAFTA) grants zero or preferential duty status to U.S., Canadian, and Mexican products traded within the region. A NAFTA Certificate of Origin is needed to qualify for the preferences and basically attests that the exported products meet the NAFTA Rules of Origin requirements. NAFTA Certificates of Origin do not need to be certified. The declaration of the exporter is sufficient. The statement should be handwritten, stamped, typed on or attached to the commercial invoice. The exporter completes and delivers the document to the importer, who submits it to customs in the importing country. Certificates of Origin may, at the discretion of the exporter, cover a single importation of goods or multiple importations of identical goods. In some cases, an exporter may not have the NAFTA Certificate of Origin ready at the time of export; however, the importer still has up to one year after the goods go through customs to make a claim for the NAFTA tariff preference and to apply for a refund of duties paid at the time of entry. See sample **NAFTA Certificate of Origin, filing instructions, and relevant videos**.

- **Special Certificates of Origin under other U.S. Free Trade Agreements.** Special certificates of origin may be required to qualify for preferences in countries with which the U.S. has free trade agreements (FTAs). For more information, see the Commerce Department's FTA webinars and information on documenting origin under specific FTAs:
  - Australia (CO samples)
  - Bahrain (importer to check with Govt. of Bahrain on format/information)
  - CAFTA-DR (Costa Rica, Dom. Rep,, El Salvador, Guatemala, Honduras CO sample)
  - Chile (CO sample)
  - Israel (CO sample
  - Jordan (notarized generic certificate of origin required)
  - Morocco (importer makes a claim on the basis of supporting evidence)

- Singapore (No certificate of origin is required. However, the importer is required to produce the necessary permits together with an invoice, at the time of cargo clearance.)
- Peru (There is no prescribed format. However, specific information is required. See implementing instructions and sample certification guidance for Peru.
- Korea (There is no prescribed format. However, specific information is required. See documenting origin guidance and required data elements for certification for Korea.

6. What other documents may be needed to export particular products?

Various product-specific certificates may be required by the importing country for health, safety or quality assurance purposes, such as **Phytosanitary Certificates** for food and agricultural products, **Certificates of Free Sale** for medical devices, cosmetics, and pharmaceuticals; and **Dangerous Goods Certificate** for hazardous materials.

XIII. Preparing and Shipping Export Goods

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

Export goods can be shipped by land (truck or rail) or by air or sea. What's best is a function of speed, cost, and the nature of the product -- 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 air is typically used 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 the most cost-effective. For exports to bordering countries, truck or rail transport is also a good, relatively inexpensive option. 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. See also the links on the ITCI website to transport logistics providers.

See these links on the ITCI Website for more information about export transport and logistics.

Transportation and Logistics Basics	International Shipping Basics
Logistics 101: Back to Basics	Int'l Maritime Freight Transport and Logistics
Creating a Logistics Strategy	Introduction to Supply Chain Management

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

Exported goods are more vulnerable to physical risks -- breakage, theft and damage by the elements -- than domestic shipments. To avoid potential problems, the goods should be packed in strong, reinforced containers, sealed and filled with lightweight, moisture-resistant material. The weight should be distributed evenly to brace the container. To deter theft, use strapping, seals, or shrink wrapping where possible; and don't list the contents or show brand names on the outside of the packages. For air shipments, you can generally 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). See **Packing Your Products for Shipping** for packaging tips, but also consult with **freight forwarders**, **carriers**, and **marine insurance companies** for specific advice for any given shipment. 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.

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

Export shipping containers must be properly marked and labeled to meet shipping regulations, ensure proper handling, conceal the identity of the contents, and help receivers identify shipments. Some requirements are mandated by law; others are precautionary -- to protect the goods against damage, theft or delay in transit. The requirements are usually very specific, and you must follow them to the letter. The buyer usually specifies export marks that should appear on the cargo, either preferred or required by the importing country, such as:

- Shipper's mark.
- Country of origin (USA).
- Weight marking (in pounds and in kilograms).
- Number of packages and size of cases (in inches and centimeters).
- Handling marks (international pictorial symbols).
- Port of entry.
- Labels for hazardous materials

Given the complexities and risks, most exporters use international freight forwarders to perform these critical services. See **Marking and Labeling Shipping Containers** for further advice on this topic.

4. Do I need cargo insurance for my export shipments, and 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 bad 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 they unloaded at the foreign port of entry. For Ex Works, FOB or FAS sales, the buyer assumes risk at the agreed pick-up point in the export country. The responsible party must insure the cargo for its portion of the risk.

To cover your share of the risk as the exporter, you can take out a company policy or insure the cargo under a freight forwarder's policy. The foreign buyer is expected to insure the cargo for any point in transit beyond your responsibility. However, if the buyer fails to honor that obligation, or under-insures, you could be liable for the uninsured portion. As a precaution, seek confirmation of coverage from the buyer, such as a copy of the policy or an Insurance Certificate. 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. If in doubt, check with a **marine insurance company** or freight forwarder for options and advice.

5. 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 master of the ship 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).