



Exporting Basics

The Why's, How-To's and To-Do's for New Exporters

By

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Introduction

When I first got into the export assistance field over 50 years ago, I was struck by a 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 many non-exporting manufacturers in the 85% have the potential to export, especially those with already strong domestic track records. 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 should be able to 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? To try to encourage more non-exporters to overcome their resistance and give exporting a try, I decided to update and expand *Exporting Basics* as a companion to my [Export FAQs](#) and [Export Readiness Assessment System](#). *Exporting Basics* is intended as a practical guide to exporting for small-business manufacturers and intermediaries who are not yet exporting, but could be.

Chapter I, [Is Exporting for Me](#), is for non-exporters who are thinking about exporting as a new revenue stream, but are not sure if it's for them. It deals with why exporting might make sense in their situation; how exporting is both similar to and different from selling domestically; the benefits, costs and risks of exporting; and the four developmental stages a non-exporter would typically go through to become an export success. Also covered in this Chapter are the myths that deter more companies from exporting at all or to their full potential.

Chapter II, [Build Export Capacity](#), is for non-exporters willing to give exporting a try, but are not sure how. It covers how to assess the export potential of their products and the export readiness of their company; what they'll need to know and be able to do at each export stage; and where they can get the advice, training and assistance they'll need along the way.

Chapter III, [Develop Overseas Markets](#), is for newly export-capable companies that are now ready to test the export waters. It lays out 5 key steps to (1) plan for export; (2) identify high potential export markets; (3) determine the best strategies for market entry; (4) foster greater recognition and demand for their products in target markets; and (5) find interested, qualified and reputable foreign buyers and distributors.

Chapter IV, [Make Export Sales & Get Paid](#), is for companies ready to convert their newly-developed presence in target markets into actual export sales. It describes 5 key steps to closing the deal, from (1) responding to general and specific foreign inquiries; (2) vetting potential buyers and distributors; (3) negotiating the terms of sale (price, credit, delivery); (4) selecting payment options; and (5) protecting against buyer default.

Chapter V, *Comply with Regulatory and Documentary Requirements*, is for companies that have closed the deal and now need to assure compliance with any applicable trade regulations or documentary requirements. These could include U.S. export controls for national security or health and safety purposes; any tariff and non-tariff barriers imposed by the importing countries; and the host of documents commonly required for any export shipment.

Chapter VI, *Deliver the Goods*, is for companies that are now ready for the final step to get the goods from here to there. It covers preparing the goods for shipment, insuring the cargo against potential loss in transit; and transporting the goods to the destination country.

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 serves on advisory boards and volunteers much of his time to 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 FAQs](#), [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.

Chapter I

Is Exporting For Me?

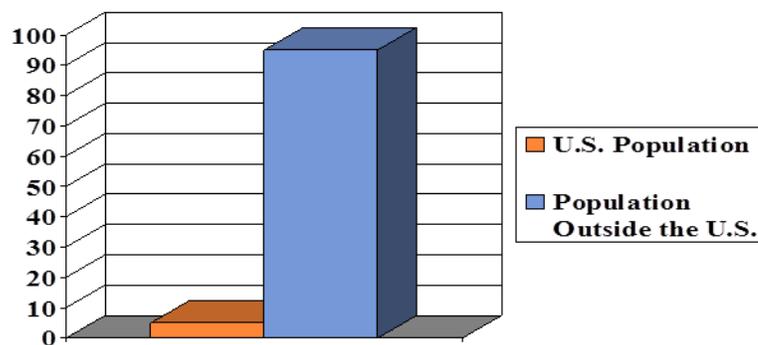
A. What is Exporting?

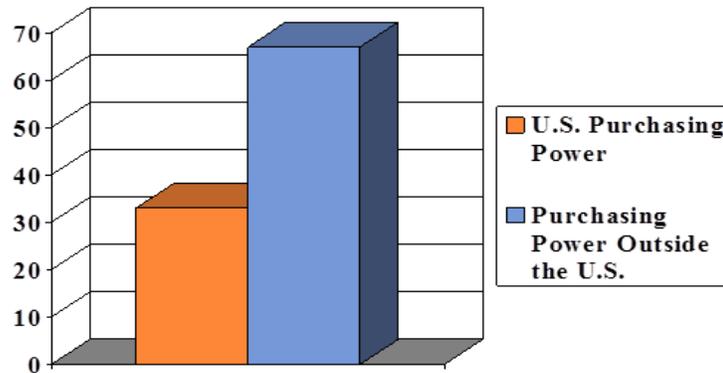
An export occurs when you sell your product or service to a buyer in another country or to a visitor from another country (e.g., a tourist). For example, if you sell your U.S. product to a buyer in Mexico, that's an export. If you sell the same item to a Mexican tourist, that too is an export. The key is whether the buyer purchases the product with U.S. dollars initially converted from the buyer's local currency (e.g., Mexican Pesos).

B. A Huge World Market Awaits Exporters

Did you know that the U.S. is a world leader in manufacturing and exporting, but that only 1% of all U.S. businesses export, and only 15% of all U.S. manufacturers export? Not only that. Over half of the 15% of the exporting manufacturers sell only to two countries – Canada and Mexico. This abysmally low ratio of U.S. exporters to non-exporters is hard to fathom, given that the U.S. accounts for only 4% of the world's consumers and only 1/3rd of the world's purchasing power. That's right. The nearly 200 other countries in the world have 96% of the world's consumers and 2/3rds of the world's purchasing power. If you are one of the 85% of U.S. manufacturers selling only to the U.S. market, or one of the 8% of manufacturers exporting to only 2 of 200 potential countries that might also want your product, what you are missing. In effect, you are forfeiting a huge potential to increase your sales and profits. One might well ask, "What are you thinking?"

There is no doubt that many more of the non-exporters have the potential to export, especially those with already strong domestic track records and nationwide distribution. If they have survived and succeeded in the U.S., the world's most competitive market – against the same competition they would face as exporters -- they could likely compete anywhere. They just haven't tried, or perhaps they tried but gave up too soon.





C. Myths about Exporting - Why More Companies Don't Export

Many prior studies have examined the under-exporting phenomenon in the U.S., the factors responsible, and the needs that must be met to increase exporter involvement. These studies have 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.

Let's take a look at the reasons given for not exporting – or more accurately the excuses and myths – causing so many to miss out on huge opportunities to increase their sales and profits.

- ***I'm too small to export; only large firms with name recognition, ample resources, and export departments can export successfully.*** False! In the U.S., for example, over 95% of the exporting firms are small and medium-sized enterprises (SMEs). Many have fewer than 50 employees and annual sales in the \$1-10 million range. It's true that large firms typically account for far more total exports by value (over 85% in the U.S.), but SMEs dominate the exporting population in the U.S. and most other countries.
- ***I can't afford to export; I don't have the money to hire people, market myself abroad, or expand production if I get new export business.*** Not true! There are low-cost ways to market and promote abroad and finance new export orders. These don't require hiring new staff or setting up an export department. The Internet is a low-cost medium to reach potential customers worldwide, as well as to conduct international market research. At little or no cost, for example, you can get product and country market surveys, worldwide market exposure, specific trade leads, and find qualified overseas distributors to represent you. Free-or low-cost help is available from federal, state and local trade assistance organizations. They typically offer one-on-one export counseling, export seminars and matchmaking services. If you need financing for export purposes, consider the export loan programs offered by the [U.S. Small Business Administration](#) (SBA) or the [U.S. Export-Import Bank](#).
- ***I can't compete overseas; my products are unknown and my prices too high for foreign markets.*** Not likely. The world is large, with varied needs and interests. If your product is

bought domestically, it might well be wanted and affordable somewhere else in the world. What makes your product sell in the home market can help it sell abroad. Price is important, but it is not the only selling point. Other competitive factors are need, utility, quality, service, credit, consumer taste - these may override price. Don't assume your price is uncompetitive. Your products could still be a bargain in strong-currency countries, even after adding overseas delivery costs and import duties.

- ***Exporting is too risky; I might not get paid. My intellectual property might be copied. I might break a law I didn't know about.*** Not necessarily! Selling anywhere has risks, but they can be reduced with common-sense due diligence. To assure you get paid, use bank-backed Letters of Credit (L/Cs) or low-cost export credit insurance if buyers want delayed-payment terms (see [Chapter IVD](#) on payment methods). To avoid possible scams, check references through the Internet, your bank, or an international credit reporting agency. If you have a patent, trademark or copyright, there are ways to protect it overseas as you do here. While trade laws vary by country, most are straightforward and non-threatening (see [Chapter VA on regulatory compliance](#)). For advice and help with contracts, protecting intellectual property, etc., consult a lawyer specializing in international trade.
- ***Exporting is too complicated; I don't know how.*** Complexities, yes, but you don't need to be the one to demystify them. You can use outside experts to deal with the complications, including Export Management Companies (EMCs), freight forwarders, commercial banks, and overseas agents and distributors. Between them, they can represent you, find overseas customers, present you with sales orders, handle all the export paperwork, assure you get paid, and deliver the goods. You fill the orders and get paid for the sale. You pay them a fee or commission. If export business warrants, hire your own expert. Or, become more knowledgeable yourself. Personalized "how-to" counseling is available at no cost from many local trade assistance organizations. Export workshops and online export tutorials are other ways to learn at modest cost. Once you learn more and gain confidence, you can better decide how much to do yourself and how much to rely on export support services.
- ***I'm too busy with the domestic market to think about exporting.*** That may appear understandable, given the seemingly large U.S. market, but it's a very shortsighted view in general and a nonsensical view in a recessed U.S. economy. If you're basically in business to make money, the U.S. market, large as it is, accounts for just a small fraction of the world market. In effect, non-exporters with exportable products are saying "I'm not interested in the additional sales that exports could bring." Yet, if a new sales order came to them, say from Pennsylvania instead of Mexico, would they also say "No, I'm too busy?" Not likely. The "too busy" retort masks the same fears about exporting reflected in the other excuses.

D. Exporting Compared with Domestic Marketing

Many non-exporters falsely assume that exporting is so much different from domestic selling that they couldn't possibly adjust. Actually, domestic selling and exporting are alike in many ways. If you simply apply to exporting what you're already familiar with domestically, you can then learn to deal with the differences and do well as an exporter.

Similarities of Exporting to Domestic Selling: Exporting, like domestic selling, is basic marketing first and foremost.

- If the product or service for export is the same that you sell domestically, you already know what's good about it and would tout it similarly to a foreign audience.
- If you sell domestically to a particular racial, religious, cultural, ethnic, or linguistic niche, you will find a comparable niche in any number of other countries.
- If your domestic product is seasonal, you can sell it to countries with coinciding seasons or, better yet, whose seasons start when yours ends.
- If you already conduct market research domestically, you could apply the same familiar techniques to size-up and assess potential foreign markets.
- The strategies and techniques you use to distribute, price, and promote your products domestically will probably make sense in export markets, or could be readily adapted as needed.
- You could respond to inquiries and RFQs from foreign customers in the same way as domestically, adjusting as needed for translation and added transportation costs.
- The price, credit-and delivery terms you negotiate with domestic customers could also apply to export customers, although you would use more due diligence and an export payment method that assures you get paid.
- If your product is already compliant with any domestic health, safety or other regulations, it would likely also satisfy comparable foreign regulations, making it easier to obtain any needed permits or certifications.
- If you ship to your domestic customers by truck, rail, air or vessel, these are the same methods you would use to ship to some or most foreign countries.

Dissimilarities of Exporting to Domestic Selling: Notwithstanding the many similarities to help ease the transition to exporting, there are also important differences. You'll need to take them into account, but don't worry, help is available from many sources to facilitate the adjustment (see [Chapter IID](#) for sources of help). Here are the main dissimilarities:

Exports are more often channeled through agents or distributors in each country, not sold directly to end-users. Consider these intermediaries as assets for you, not extra layers. They know the market and have contacts with the end-users. As your representatives in the market, they develop and send you sales orders, arrange for payment, prepare required import documents, and clear the delivered goods through customs. Many are equipped to stock, install and service the goods. The end-users know and prefer to deal with them, rather than buy direct from you or other foreign suppliers. See [Chapter IIIF](#) for more on finding qualified agents or distributors to represent you abroad.

Exports involve an exchange of foreign currency into your preferred currency. For example, a Mexican importer has Pesos, but you want to be paid in U.S. dollars. Assuming you quote your purchase price in U.S. dollars, the importer would put up the Peso equivalent at the then prevailing exchange rate. A foreign exchange bank would convert the Pesos into the U.S. dollar amount you quoted. You would get paid that amount in U.S. dollars, not the Pesos. Experienced exporters might use hedging techniques to protect against exchange rate

fluctuations, but if you just want the dollar amount you specified, simply quote your selling price in U.S. dollars and let the importer deal with any exchange rate fluctuations.

Export sales use different payment methods. Except for smaller purchases, exporters rarely get paid up front by wire transfer or credit card. Rather, importers mostly want to pay either when the goods arrive or at some agreed time thereafter (e.g., 30-60 days). Payment on arrival (cash on delivery in effect) is typically processed through banks, using Letters of Credit (L/Cs) or Documentary Collections (D/Cs). L/Cs virtually guaranty payment by the exporter's own bank; D/Cs at least assure that buyers cannot get the goods on arrival until they pay. Allowing buyers to pay later, after getting the goods, is riskier, but you can guarantee payment even in these open account situations with export credit insurance. See [Chapter IVD](#) and [IVE](#) for more on export payment methods and protecting against buyer default.

Exporting involves more and different paperwork. Exports are subject to a host of documentary requirements at both ends. Because even trivial mistakes can be costly, most exporters use freight forwarders to tell them not only which documents are needed, but also to fill them out and submit them. The modest freight forwarding fees are routinely factored into the export price quote. Unless you have an experienced, in-house logistics department, you should not attempt to handle your own export documentation. For more on documentation and freight forwarders, see [Chapter VB](#).

Exporting may incur added transportation and insurance costs to deliver the goods to the importer's country. If the importer asks for a CIF price quote -- the International Commercial Term (INCOTERM) for cost, insurance and freight, the exporter must determine and include all costs from the factory to the end foreign destination. The freight forwarder will not only calculate these costs for you, but will also obtain the cargo insurance and book the cargo. If the importer asks instead for a price quote just from your factory (EXW), or from the departure port or airport (FAS or FOB), you would not be responsible for the transportation or insurance beyond those points. For more on INCOTERMS, and who pays for insurance and transportation, see [Chapter IVC](#).

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

Other countries have widely differing laws and business practices that could affect what you're allowed to or should do gain access to the market. Although some pose obstacles and risks for exporters, many are business friendly and relatively easy to comply with. It's best to research potential regulatory constraints in each country and seek counsel from an international law firm if needed. For more on trade regulations, see [Chapter VA](#).

Linguistic, demographic and environmental variations are more pronounced abroad. These differences, if ignored, can make or break your export sales efforts. Take care not to offend your foreign customers in the words, symbols and body language you use in your promotional material and business negotiations. In addition, your products must "fit" the market environment -- the climate, terrain, sizes of people and things, consumer tastes and preferences, etc. Your local trade assistance organization has relevant information on each country and can refer you to "localization" specialists to help you adapt your product or approach as needed.

E. Benefits of Exporting

Exporting benefits both the nation and the firms that export. The nation benefits as exports create more jobs, spur economic growth, increase in tax revenues, and reduce trade deficits. For the exporting firms, the number one benefit is more money. Exporting enables you to increase your sales, diversify your markets, offset lags in domestic demand, extend product life cycles, use idle capacity, and reduce unit costs through economies of scale. Exports also help sharpen competitiveness, broaden contacts, and enhance understanding of global markets and cultures.

Exports increase sales and income. Selling more is the surest way to make more money. Foreign markets offer greatly increased sales opportunities. If you don't export, you're competing only for a larger slice of the domestic pie. With exporting, you expand the pie - the entire world is your market. The U.S., for example, is the world's largest market. Yet, as earlier noted, over 95% of the world's population and two-thirds of its purchasing power lie outside the U.S. To illustrate, say you currently export only within California. It's worth \$1 million overall, and you have a 5% share (\$50,000 sales). If you branch out to the \$10 million Western regional market, you can double your sales with only a 1% market share. At a 5% share, your sales would increase ten-fold. Next, you expand to the nationwide \$100 million market, with the same multiplier effect. Most successful firms do just that. They start locally, expand regionally, and then grow nationally, increasing sales at each stage. But too many of them stop there, as if the world market didn't exist. Why stop at the border? There's no sales barrier that automatically begins where your border ends.

Exports diversify market risk; offset lags in domestic demand. The world market offers new sales options when domestic business slows down. Exports can help offset slow-downs during recessions and seasonal changes. When the domestic economy stagnates, the economy in other countries may be growing. As their production and consumption increase, their import demand rises. In your slow periods, rather than accumulate inventory, idle more capacity, or lay off people, explore export opportunities in growth economies. Similarly, when it's summer or winter domestically, it's just the reverse in many other parts of the world. When your season ends, these countries are looking for the seasonal products you just stopped selling at home.

Exports extend product life cycles. As technology advances and tastes change, many products become obsolete or lose their appeal, particularly in highly industrialized markets. But these products may still be valued elsewhere. Over half the world's economies are less developed. They may not need or can't afford your latest model. They may even prefer less costly, earlier versions or used or reconditioned products. Pursue exports in markets that still value goods no longer in demand in the domestic market.

Exports use idle capacity; reduce unit costs. Increased exports put idle production capacity to work, often with the same equipment, staff and capital investment. With increased export production and sales, you can achieve economies of scale and spread costs over a larger volume of revenue. You reduce average unit costs and increase overall profitability and competitiveness.

F. Costs of Exporting -- Can I Afford Them?

Costs of exporting can be kept low, but can't be avoided altogether. If you're just starting, you'll have the usual start-up costs for an office, furniture, equipment, and supplies. As a new exporter, you'll incur some initial research costs to identify your best markets. To enter and develop these markets, you'll have costs to gain exposure, set up sales and distribution networks, and attract customers. As your exports grow, you might translate your sales literature, travel overseas, advertise more, and participate in trade shows abroad. In some countries, you may have to redesign or modify your product to meet local requirements or customer preferences. Generally, the more you spend to prepare, promote, and adapt for export, the greater the return. But don't be deterred by limited funds. You can start even on a small budget. You can also borrow at reasonable rates to help with higher export start-up and operating expenses. Sources include home-equity loans, loans from family, and government export financing programs of the [U.S. Small Business Administration](#) or the [U.S. Export-Import Bank](#).

Examples of Exporting Costs

Premises. If you already have a production site, you're probably already equipped to export. If not, you'll need to set up space for an office and production facility. Look particularly for leased space in enterprise zones or industrial parks that may offer location incentives. If you're an intermediary, such as an Export Management Company (EMC), you'll need an office, either in your home or in leased space. Check with a realtor on costs for renting office space and with an accountant on home-office tax deductions. If you're home-based, consider a mailing address that sounds more professional, such as a suite number in executive premises with mail drop and conference room services.

Personnel. You may not need additional personnel if you're an EMC. One experienced person can handle the work for several exporter clients, gathering market research, seeking overseas customers, responding to inquiries, preparing export paperwork, and arranging for delivery of the goods. You'll need a back-up employee in case you're sick, on vacation, or traveling.

If you're already producing a product or service, you can export through an EMC without adding or training your own company staff. EMCs already have relationships abroad and will incur some or all of the initial costs to find you customers and generate orders. You pay only if and when they produce export results, usually a commission based on a percentage of the sale. Export Trading Companies (ETCs) and some EMCs also buy goods outright from domestic producers for resale (export) abroad. You, as the supplier, would get paid right away and would also benefit from exposure of your product abroad. See [Appendix E4](#) for a sample representative agreement with an EMC. If you intend to handle some or all of the export work in-house, you should hire an export manager or train someone on staff. The training should focus on market

research and analysis, market entry planning, intercultural communication, market promotion, export financing, handling of export inquiries and orders, regulatory and documentary compliance, and export shipping. This export guide can be used for staff training, along with other Internet [export guides](#) and many [webinar and videos](#). You can also attend export workshops offered by USEACs, SBDCs, and college-based international trade assistance centers.

Equipment & supplies. You'll need the usual office furnishings, computer equipment and software, telephone and office supplies, including letterhead stationery and writing materials. For a home office, your telephone should be for business only, not the family phone. You'll need a new line installed for that.

Communications. A successful exporter constantly communicates -- most cost-effectively by e-mail and phone, including face-to-face by Skype at little or no cost.

Market research & planning. The Web is a great source for much of the export information you'll need. The most useful Web information is available at little or no cost, including the latest U.S. and international trade statistics; detailed country commercial guides; in-depth industry and country market surveys; and specific overseas trade opportunities and business contacts. The best Web sources, such as the [Trade Information Database](#) and the Commerce Department's [www.Export.gov](#), have aggregated much of this information in one-stop portals for easy access.

Advertising & sales promotion. If you're a new or infrequent exporter, you're probably not known outside your country. You'll need to promote yourself to get overseas exposure and attract inquiries and orders. A company Web site with an appealing "About Us" page and descriptions of your products and services, can be your first window to the world. A web designer can create an attractive site for you, or you can do it yourself with inexpensive Web design software. You can register your dot.com domain for a small fee. Because your individual site may be difficult to find on the very crowded Web, you should also list your company in one or more Internet export directories, such as [Export Yellow Pages](#).

In addition to a Website and directory listings, you should also have a company brochure, product sheets, and other print materials for mailings, handouts and responses to inquiries. Your brochure could be self-prepared or professionally designed by a marketing firm. Whenever possible, place free press releases in industry journals with international circulation. Higher-cost options include paid telemarketing, media ads, and participation in overseas trade shows. For more on marketing and promotion, see [Chapter III E](#).

G. Risks of Exporting: How Can I Reduce Them?

Self-inflicted risks. Don't try to run before you crawl. Crawling is safer until you gain more experience. Do seek export counseling, attend export seminars, conduct market research, adapt to the market, and use specialists to handle the details. You could make costly mistakes in haste or inexperience. Here are some common mistakes to avoid:

- Don't pursue too many markets at once, or the wrong markets.
- Don't use sales literature that unwittingly offends.

- Don't apply your domestic marketing methods in countries with different business practices.
- Don't appoint incompetent overseas representatives that can't be terminated.
- Don't fail to protect your intellectual property if vulnerable to copying.
- Don't agree to payment methods or terms that leave you at undue risk.
- Don't try to handle all the shipping and documentation yourself.

If you're a start-up intermediary, you can be overwhelmed if you try to find immediate "matches" for trade leads you've uncovered. Don't assume that every supplier would welcome an export sales opportunity, or would want you to represent them just because you found the lead. Even if they might, they'll want more details about the lead, the buyer, the market, and you. You'll need to convince them the lead is viable, the market warrants their attention, you are familiar with their product and industry, and you're equipped to handle their export business. You'll need knowledge of the market and experience in export fundamentals and procedures. If you're just starting out, you might face rejection or make mistakes that could harm you or your clients. One big mistake to avoid is to let the buyer or seller know who the other party is before you have an agreement with either party requiring them to deal through you. Otherwise, they will likely go around or "circumvent" you and deal directly with each other. See Appendix D4 for a sample [Export Representative Agreement](#).

Financial risks. Your main concern is non-payment after you've shipped the goods, either because the importer can't or won't pay. You can largely avoid default by selling on a **Letter of Credit** (L/C) basis or with export credit insurance. Irrevocable, confirmed L/Cs virtually assure payment because the buyer must deposit the money in advance at his bank, and a correspondent bank in your country then takes on the obligation to pay you. However, many foreign buyers want delayed payments: for example, on open account within 30-120 days after the goods arrive. These terms are customary when you know and trust the buyer. You might also extend credit if your competitors are offering these terms. Doing so increases your risk, particularly if, by payment time, the buyer's local purchase costs have increased due to depreciation against your currency. See [Chapter IVD](#) and [Chapter IVE](#) for more on methods of payment, including L/Cs, and protecting against buyer default.

If buyers won't pay, it's usually for one of two possible reasons: you haven't complied with the terms of sale in their view, or they're dishonest. You must comply with the terms of sale specified in the L/C and the shipping documents. With reasonable precautions, you can recognize dishonest buyers. You can obtain company profiles and credit reports on many foreign companies from banks and credit-reporting firms. Government export assistance agencies in some countries offer a similar service. In the U.S., for example, the Commerce Department's [International Company Profile](#) (ICP) service provides detailed financial and commercial information on the foreign companies you specify, including an opinion on whether the firm would be a suitable partner for U.S. firms.

Business risks. Take elementary precautions to learn about potential business partners. Graft and corruption are common in many countries. The line between what's customary and tolerable, and what's excessive or illegal, is not always clear. Seek advice from a lawyer or a country specialist in a trade assistance organization. Watch out for potential customers that might pirate you patent, trademark or copyright. Take special care to appoint suitable overseas agents and distributors.

Some may already represent your competitors, or be so busy they can't do justice for your products. They may not have the qualifications or capabilities they claimed, such as the ability to stock, install and service your goods. In some countries, once you sign an agent/distributor agreement, it's almost impossible to terminate.

Legal risks. Every country has its own business laws and regulations, and you're presumed to know them. Many may be similar to U.S. laws or follow international standards. Some vary widely by country, affecting import procedures, agent/distributor agreements, treatment of intellectual property, rights to own businesses or land, tax liability, currency trading, health and technical standards, and even what is allowable to eat, drink or wear. Failure to comply could trigger fines or worse. The [International Trade Compliance Institute \(ITCI\) Website](#) provides easy look-up to thousands of U.S. and international trade regulations. See also [Foreign Trade Laws & Regulations](#) in the ITCI's [Trade Information Database](#). Take the time to do market research and seek legal advice as needed.

Political risks. Political upheavals can cause dramatic changes, including shifts in economic policy, nationalization, expropriations, loss of personal rights, and physical danger. Political strife can prompt foreign reactions in the form of economic sanctions, boycotts, and embargoes. Be alert to what's happening in the world. Most common are the shifts to the economic right or left that often come with elections. Some shifts can favor exporters. For example, shifts toward privatization and trade liberalization can open new opportunities for exporters.

H. Four Stages of Export Development

Successful exporters typically transition through four sequential developmental stages, starting from not exporting at all to the final stage where exports are an ongoing and important part of the business. See [Appendix A2](#) for a flow chart depicting the four stages and the steps or actions that need to be taken at each stage to advance to the next. Shortcuts rarely work.

Stage 1: Build Export Capacity. At this initial stage, a company is thinking about exporting and starts the process to:

- Assess the likely export potential and competitiveness of its products;
- Assess whether the company itself has the commitment, resources, and operating methods to sustain an export effort;
- Acquire a basic understanding of the how-to's of exporting; and
- Identify sources of export advice, information, assistance, and facilitation.

Here are typical Stage 1 to-do's -- addressed in more detail in [Chapter II – Build Export Capacity](#):

- Conduct a pre-export SWOT analysis to assess underlying strengths, weaknesses, opportunities and threats of the company as it currently operates. Consider actions to improve domestic productivity and competitiveness (e.g., lean manufacturing training).

- **Take Maurice Kogon’s free, 23-question [Export Readiness Assessment](#) (ERA) diagnostic.** Consider ERA recommendations to overcome weaknesses as a potential exporter.
- **Read any or many of the [free export guides](#)** available on the Web, to get a better understanding of export fundamentals.
- **Learn to use free, web-based portals** offering one-stop access to extensive information on all aspects of exporting. Examples include the [Trade Information Database](#) on Maurice Kogon’s [International Trade Compliance Institute](#) website; Michigan State University’s [globalEDGE](#); and the Commerce Department’s [Export.Gov](#).
- **Look for free or low-cost export training opportunities** in your area, such as export workshops typically offered at college-based international trade assistance centers and Small Business Development Centers.
- **Identify nearby sources of export help and support**, such as for start-up advice and training, market research, distributor searches, export promotion and finance, regulatory compliance, freight forwarding, and networking. See [Chapter IID](#) for organizations that offer such export help and would welcome your call.

Stage 2 – Develop Export Markets. At this second stage, the company is presumed to have confidence in its export competitiveness, potential-and readiness, has identified its export support network, and now needs to:

- Identify how many and which specific “best” markets to focus on;
- Develop tailored, affordable, and actionable market entry strategies for each target market, covering plans for distributing, pricing, promotion and market adaptation;
- Establish a distribution network in the target markets, as recommended in the entry plan;
- Set pricing policy and price points for each target market; as recommended in the entry plan;
- Initiate promotion campaigns in each target market; as recommended in the entry plan;
- Make adaptations to the product, literature or packaging recommended in the entry plan.

Here are typical Stage 2 to-do’s -- addressed in more detail in [Chapter III – Develop Export Markets](#):

- **Use U.S. export-and foreign import statistics** as a first clue to gauge exportability of the product and the most promising markets (e.g., large and fast-growing for the product). Official statistics on U.S. exports and foreign imports by country are freely available at [USITC Dataweb](#) and the United Nations [Intracen](#), respectively.
- **Conduct research to identify/assess best markets, market segments, and market dynamics** (business customs/practices, competition, market access, etc.) as the basis for effective market entry planning. Two good sources are the Commerce Department’s [free Country Commercial Guides and Market Research Reports](#).

- **Use available free templates to draft an Export Market Plan (EMP)** for each target market. The EMP should include country-specific strategies, actions and budgets for distribution, pricing, promotion and adaptation. See Appendix C2 for a suggested [EMP template](#) and Appendix C3 for a [sample of a completed EMP](#).
- **Implement the promotional steps recommended in the EMP** to increase overseas market exposure and attract inquiries, leads and purchase orders. Such steps could include globalizing your website, listing your product in [ExportUSA](#) and other export directories, and exhibiting at foreign and domestic trade shows that attract foreign buyers.
- **Contact the nearest U.S. Export Assistance Center (USEAC)** for possible use of Commerce services to promote your product and find qualified, interested and reputable distributors in a target market.

Stage 3 -- Make Export Sales & Get Paid. In this third stage, the company has already found distributors, has promoted itself in target markets, is beginning to receive expressions of interest from potential buyers, and now needs to:

- Respond promptly to inquiries and leads, including requests for quote;
- Negotiate price/credit/delivery terms and close deals with the interested buyers; and
- Secure any needed export financing and credit insurance for each transaction.

Here are typical Stage 3 to-do's -- addressed in more detail in [Chapter IV – Make Export Sales & Get Paid](#):

- **Create a kit of inquiry-response forms** for fast response to foreign requests for information about the company, the product, price quotes, and invoices. See sample response forms in [Appendix E1](#) and [E2](#).
- **Determine negotiating options in advance if the buyer resists your first offer** – e.g., your tolerable margin to reduce the price, or to allow more time to pay, and/or to expedite delivery, if these will make a difference.
- **Establish a relationship with a preferred commercial bank** for any needed export financing, such as for pre-export working capital or transactions to be paid for by Letter of Credit (L/C) or Documentary Collections.
- **Establish a relationship with the [U.S. Export-Import Bank](#)** for export credit insurance to protect against buyer default on open account terms.

Stage 4 – Comply with Regulatory & Documentary Requirements and Deliver the Goods. In this fourth stage, the company already has a purchase order, selected the payment method, secured any needed financing, and now must:

- Comply with any applicable U.S. regulations to export the product;
- Comply with any applicable import regulations of the target country;
- Comply with any applicable documentary requirement to ship or to receive the goods;

- Pack and otherwise prepare the goods for delivery; and
- Arrange for transportation of the goods to the point specified by the buyer.

Here are typical Stage 4 to-do's -- addressed in more detail in [Chapter V – Comply with Regulatory & Documentary Requirements](#) and [Chapter VI – Deliver the Goods](#):

- **Establish a relationship with a freight forwarder** experienced in your type of product and/or target countries. The freight forwarder can advise you of applicable U.S. and foreign trade regulations; prepare all required shipping documents; pick up, pack and load your goods; and book the cargo.
- **Establish a relationship with an international attorney** to further assure compliance with relevant international trade laws and regulations beyond the freight forwarder's purview, such as taxation and anti-bribery laws.

Chapter II

Build Export Capacity (Stage 1)

You don't need to be an expert to export, but you will need an exportable product, adequate start-up resources, sound domestic marketing methods, and a committed management. Prospective exporters rarely start with all the attributes that assure export success. However, with reasonable effort and guidance, a company can begin to fill the gaps and reach a point where exporting becomes viable. If you have not exported before, don't assume the worst. You lack the experience, but not necessarily the potential to export. Every experienced exporter was at one time a non-exporter.

If you believe exporting might be right for you, having weighed the benefits, costs and risks, your next step is to assess your chances for success. For a detailed, customized assessment, you can take Maurice Kogon's free, on-line [Export Readiness Assessment](#) diagnostic. After answering 23 questions from the options given, you will get immediate feedback about the likely export potential of your product and the strengths and weaknesses of your company as a potential exporter.

A. Assess Your Product's Export Potential

Products won't sell anywhere, let alone have export potential, if there is no demand for them or they can't compete. To have export potential, your product must find a need or want in at least one foreign market, and it must be able to meet the competition from other suppliers. How can you gauge the extent of foreign demand for your products and whether they would likely be competitive in export markets? To compete, your product must match or exceed the appeal of others -- in meeting needs, in quality, in price, etc. These indicators of foreign demand and competitiveness can help you assess the likely export potential for your products.

Indicators of foreign demand:

- **Products just like yours are already being heavily exported and/or are growing rapidly**, as reflected in official export statistics. If your competitors are already exporting similar products, a demand clearly exists that you may also be able to tap. You can find the latest U.S. export statistics for your product, by its Schedule B or Harmonized System (HS) code number, at [USITC Trade DataWeb](#)
- **Products just like yours are already being heavily imported by other countries and/or are growing rapidly**, 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. You can find the latest foreign import statistics for your product, by HS code, at the [UN/International Trade Centre Website](#).
- **Foreign companies have expressed interest in your company or product.** Unsolicited foreign inquiries by Email or through your Website are a strong indicator of potential demand. 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 foreign inquiries. If you haven't been approached yet, don't be discouraged. A likely reason is not lack of interest or demand, but lack of awareness. Your company and product probably just aren't known abroad, either favorably or unfavorably. You need exposure abroad to pique interest and demand. See [Chapter III E](#) for tips on export marketing and promotion.

Indicators of foreign competitiveness

- **Your product is already selling reasonably well in the domestic market.** A strong domestic sales performance is a good indicator of export competitiveness. If domestic sales are increasing, or have at least kept pace with competitors, you could well be competitive abroad. You've already shown strength in the domestic market against the same domestic and imported products you'd likely face in export markets. The overseas playing field will be different. You may need to adjust your pricing somewhat to compete in specific markets. You may have to absorb added marketing and shipping costs to remain price competitive. You may have to offer credit terms and wait longer for payment to match competitors. You may need to adapt your product to comply with local standards and tastes. Are you prepared to do what it takes to compete? If not, you won't succeed as an exporter.

Even if you have weak domestic sales, don't necessarily assume you're uncompetitive for export. In fact, if your sluggish sales are due mainly to a domestic economic slowdown, or to product obsolescence, exporting may offer a promising outlet. When the domestic economy stagnates, other countries may be booming. As their production and consumption increase, their demand for imports also rises, including possibly for yours.

- **You have a relatively strong share of the domestic market.** Market share is a key indicator of product competitiveness, whether you're selling locally, regionally or nationally. If your share of that market is already high or growing, or at least holding steady, your product likely has fundamental competitive strengths; e.g., attractive pricing, uniqueness, high quality, strong service and customer support, or other. These competitive assets are as appealing to foreign buyers as domestic.

A low or declining market share reflects competitive weaknesses. Because competition is even more intense overseas, the chances are that you would do no better overseas, and probably worse. However, this could depend on the reasons for your low domestic market share. For example, if product obsolescence is the reason, exporting may offer an opportunity. Other countries, particularly lower income or less developed countries, may not need the latest technology and may value yours for its presumably lower cost.

- **Your product is price-competitive in the domestic market.** Domestic price-competitiveness is a big plus in exporting. Competition abroad is usually stiffer than at home, and price is often a decisive competitive factor. A competitive price is a must for products that are otherwise indistinguishable, such as basic commodities. Even for performance-based products, price often becomes decisive at some point. Unless your product is indisputably

superior to the others, or is indispensable, the buyer may ultimately let price be the final determinant. If your prices are competitive domestically, you're in a strong position to offer very attractive export pricing as well. While you may need to add some export delivery costs to your prices (e.g., freight, insurance, etc.), so too will most of your exporting competitors. You can thus retain your relative price advantage in many export markets.

On the other hand, if you have little or no price advantage domestically, and have no offsetting product strengths (superior quality, uniqueness), exporting may not be a viable option. Given the importance of competitive pricing, you should try to obtain comparative price information before you enter a target market. If necessary, strongly consider adjusting your prices to meet the competition.

- **Your product compares favorably with domestic competitors in features and benefits.** It helps to be "superior" in some key way, particularly when you're higher priced than your competition. Foreign buyers look at product performance, not just cost, when they make procurement decisions (e.g., dependability, versatility, durability, repair frequency, productivity, labor-saving etc.). They will often pay more to get more or better. If your product fits a niche in the domestic market, or has some advantage over competing products, you have strong export potential.

If you have no particular qualitative advantages, you may still have export potential. Many of the most heavily exported products are virtually indistinguishable (e.g., agricultural products, raw materials and semi-manufactures). You and your competitors alike must use price and credit as your main selling points. If you do have a distinguishable product, but it's comparatively "inferior," consider markets that are less selective. Buyers in many less-developed, cost-conscious, labor-intensive countries may not need or want the "best" or "latest." They'll often take a lesser product to pay less (e.g., manually-operated vs. automated equipment, yesterday's technology, no frills models).

B. Assess Your Company's Export Readiness

An "export-ready" company has five basic attributes:

- It has a top management willing to give exporting a good try;
- It has adequate finances for at least a small export budget;
- It has in-house staff with some export knowledge, or would acquire it (train or hire);
- It's organizational structure could absorb the additional workload as exports develop; and
- It uses sound business practices domestically that also make sense for exporting.

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

Indicators of export readiness

- **Your top management is committed to exporting as a new or expanded area of activity.** Exporting should not be pursued opportunistically or for the “wrong” reasons – e.g., to make a quick buck, only to shut it off abruptly if not enough happens soon enough. Management should see the “right” reasons for exporting -- as a contribution to sound, specific company goals and a significant new facet of its business – and be willing to wait the 2-4 times longer it may take to gain traction, compared with domestic selling. "Where there's a will, there's a way." If the management will exists, ways can be found to make a product more salable; overcome or adjust to tight budgets; or to better market a product. Reluctant, indifferent, or impatient top management won't make that happen. If you're not sure, you might try low-risk, go-slow approaches to test the waters and build more confidence in your export potential.
- **Your company has adequate finances for a first-year export budget.** If you're already established domestically, you might incur incremental export costs for market research to identify best markets and entry strategies, although much of this is freely available from the Web. To gain market exposure abroad, you'll need funds to market and promote yourself, such as by enhancing your website and marketing materials or by exhibiting at foreign and domestic trade shows that attract foreign buyers. As export orders come in, you may need more working capital to fill them if beyond what you have in inventory. If your customers want delayed payment terms, you'll need to cover the cash flow while awaiting payment. You can minimize these and other incremental costs, but you can't eliminate them entirely.
- **Your domestic marketing practices are also conducive to exporting.** Sound methodology is as critical in exporting as in domestic selling. If you've been successful at home, the chances are that you base your decisions on market research and analysis, have a strong sales and distribution network, effectively promote your company and products, and give priority to customer service. Exporting requires the same sound methodology, but may also need to be adapted for countries with different marketing and distribution practices.

How you enter and develop a foreign market is important. Marketing and distribution practices vary by country and are often dictated by law, custom, or necessity. Some countries may require or prefer certain marketing or distribution methods, such as use of local representatives. Some countries have excellent mass media and high receptivity to advertising, trade shows, mail order, etc. Others shun these approaches or do not have the modern communication technologies to support them. Are you prepared to adapt your marketing methods? If not, you'll need to limit yourself to markets more like your own.

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

C. Learn the Fundamentals of Exporting

If you are established domestically, you already know how to run a business, just not yet for export. You probably routinely conduct research, plan, budget, finance, market, manage a sales network, fill orders, control inventory, service customers, comply with regulations, and package and ship goods. These basic practices also apply to exporting, and the knowledge and skills you already have is your starting point. As a new exporter, what more will you need to know and be able to do? In essence, you'll need to learn how to adapt to selling to a "foreign," not domestic market – to customers with often different languages, cultural idiosyncrasies, and physical characteristics, and to countries with often different regulations, business practices, and environmental conditions. You'll also need to learn to adapt to some of the procedural differences, such as different payment methods and added transportation costs.

You can acquire this learning in many no-or low-cost ways. First, read the how-to-export literature widely available, such as this *Exporting Basics* guide and others. Look for training opportunities, such as export workshops and Web-based webinars and videos on exporting. The topics range from start-up (e.g., is exporting for me?) to cross-cultural communication and negotiation, legal do's and don'ts, exporting to particular countries, and the functional how-to's of market research, target-marketing, market entry planning, international matchmaking, export finance and insurance, regulatory and documentary compliance, and transportation and logistics.

D. Know Where to Go for Export Help

No company can know everything or do everything alone, especially in exporting. Those who don't know when they need export help, or don't seek it when they need it, or don't use it when they get it, will not last long. At some point along the way, you'll typically need help with start-up export advice and training; information on how-to export and for market research and planning; assistance with international matchmaking and promotion; legal assistance to protect interests and comply with regulations; and help to finance, insure, and move the goods. Make a list of sources in your vicinity that you can turn to when you'll need their help.

Sources of export advice and assistance. Most States have [International Trade Offices](#), with field staffs of export counselors, and some States maintain their own overseas offices. Several federal agencies offer free-and low-cost export assistance. These State and federal services focus primarily on how-to-export counseling, best-market identification, market-entry planning, matchmaking, trade promotion, and trade finance. Simply call for an appointment. At the federal level, the U.S. Department of Commerce's International Trade Administration (ITA) has trade specialists at U.S. Export Assistance Centers (USEACs) in nearly every State, as well as overseas commercial offices at most American embassies or consulates abroad (see a [directory of domestic and overseas offices and staff](#)). The Agriculture Department's [Foreign Agricultural Service](#) (FAS) assists food-and agricultural exporters with trade promotion and also offers cost offsets for export marketing. The U.S. Small Business Administration (SBA) has a nationwide network of [Small Business Development Centers](#) (SBDCs) and [SCORE](#) offices, many with skilled export counselors.

Sources of trade information. The Web is an information goldmine for exporters. However, 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.” The [International Trade Compliance Institute \(ITCI\) Trade Information Database \(TID\)](#) covers all aspects of exporting with over 900 “deep” links organized into 74 subcategories within 12 broad categories (listed below). Several federal agencies also maintain extensive trade-related portals, including the Commerce Department’s [U.S. & Foreign Commercial Service](#); the Agriculture Department’s [Food & Agricultural Service USDA/FAS](#); the Small Business Administration’s [Office of International Trade](#) the [Energy Information Administration](#); and the [U.S. Export-Import Bank](#). Also, [Michigan State University GlobalEDGE](#) contains a wealth of information, insights, and learning resources on global business activities.

ITCI Trade Information Database Categories

Trade Readiness Tools	Information and tools to prepare and train for international trade.
Trade Reference Tools	Quick look-ups to commonly needed international commodity codes definitions and conversions.
Trade & Economic Data/Policy	Worldwide trade and economic data, U.S. trade policy, and U.S. exporter composition and job impacts.
Foreign Market Research	Extensive industry, country, and topical market research to help pinpoint best export markets, assess particular markets, adapt to local cultures and customs, and develop effective market entry strategies.
Trade Contacts & Leads	Trade directories and specific trade leads to identify prospective suppliers, buyers and distributors.
Trade/Investment Regulations	U.S. and worldwide laws and regulations affecting market access and compliance.
Trade Documentation	Requirements, procedures, and forms for documentary compliance.
Trade Promotion	Programs, services and events to promote exports and facilitate international matchmaking.
Trade Finance & Insurance	Guides, programs, and sources of export finance, export credit insurance, and marine insurance.
Trade Transport & Logistics	Requirements, tools and services to manage international trade logistics and deliver the goods.
International Trade News	News feeds, Blogs, periodicals and publications on topics, industries, and regions of interest to international traders.
Trade Resources Directory	U.S. Government, California, international, private sector and academic sources of assistance.

Sources of Export Finance. The U.S. Small Business Administration (SBA) offers an [Export Working Capital Guaranty Program](#) (EWCGP) to encourage U.S. banks to provide U.S. exporters with pre-export working capital to fill export orders. The [U.S. Export Import Bank](#) (Exim) offers a similar EWCGP program, as well as low-cost export credit insurance to protect against buyer default on open account sales. Exim also offers buyer financing for foreign purchasers of U.S. products. SBA’s [Export Express Program](#) helps small businesses defray costs of overseas promotion, including costs to participate in foreign trade shows, conduct market research, translate their product brochures or catalogues.

USDA/FAS offers several financing programs specifically for agricultural exports. The **Supplier Credit Guarantee Program** insures short-term, open account financing. The Commodity Credit Corporation's (CCC) **Facility Guarantee Program** (FGP) provides payment guarantees to facilitate the financing of U.S. manufactured goods and services that would improve or establish agriculture-related facilities in emerging markets. CCC's **Export Credit Guarantee Programs** encourage exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees.

Chapter III Develop Export Markets

A. Develop an Overall Export Market Plan

Systematic market planning is essential to exporting and can help avoid costly mistakes. As the old adage goes, unsuccessful companies don't "plan to fail, they fail to plan." What might work domestically may not work overseas. Depending on the country, exporters could face different income levels and demand cycles; different languages, cultures and environments; different laws and regulations; different ways of doing business; and different risks. An Export Market Plan (EMP) should provide a structure and step-by-step roadmap for your export activities in each target country. It should set goals, strategies, and timetables that take account of the differences among countries. Above all, the EMP must be realistic, manageable, and achievable within your resources. In its simplest form, it addresses three basic questions:

- Which markets are best to pursue?
- What's the best entry strategy for each target market?
- What specific actions need to be taken to implement the recommended strategy?

For guidance in developing an EMP, see [Export Market Plan Template](#) (Appendix C2) and a [Sample Export Market Plan](#) based on the template (Appendix C3). The [ITCI Website](#) has much of the information you'll need to develop the EMP, including U.S. and foreign trade and demographic statistics; country and industry-specific market surveys; intercultural research; and U.S. and foreign trade laws and regulations.

B. Identify Best Markets for Export

You want to find your best markets, but you also want a manageable number of markets. Don't spread yourself too thin or pursue markets that aren't right for you. Aim for a first cut of 3 to 5 "target" markets. The "best" target markets offer a combination of high comfort for your company and high potential for your products. **High-comfort markets** are those you're close to in some way -- you may speak the language, know the culture; or have relatives or other trusted contacts there. However, high comfort markets may not offer the highest potential for your products. You ultimately want to be in **high-potential markets** – those with large, emerging or fast-growing imports of products like yours, limited local or foreign competition; and no barriers to market entry. If you can find high potential markets that are also high in comfort, better yet.

Here are 5 questions for any product or industry. The answers can help identify your "best" markets, particularly when comparatively displayed in the Export Potential Matrix shown below. The Web has most of the information you'll need to answer the questions (see quick links under each question and additional Web sources in Chapter [IIIC](#) below).

1. **Where are products like mine mostly exported?** Look for the largest and fastest growing export destinations for comparable products. USITC [DataWeb](#) and USDOC's [Trade Stats Express](#) are free sources of official U.S. export statistics by product and country.

2. **Which countries are mostly importing products like mine?** Look for countries with the largest and fastest growing imports of comparable product. [UN COMTRADE](#) and [International Trade Centre](#) are free sources of official foreign import statistics by product and country.
3. **In which countries would products like mine be most competitive?** Look for countries with limited competition from local producers and where the U.S. also competes well against other foreign suppliers (e.g., U.S. market share of 15% or more). [UN COMTRADE](#) shows imports by product from each supplier country. Commerce Department [Country Commercial Guides](#) and [Market Research Reports](#) both have sections that address industry-specific local and foreign competition.
4. **Where are products like mine most welcome and easiest to sell?** Look for countries with high receptivity to comparable product and no significant import barriers. [Country Commercial Guides](#) and [Market Research Reports](#) both have sections on market accessibility and import regulations.
5. **Which markets do the experts consider most promising for products like mine?** Look for countries recommended as "Best-Prospect" markets for comparable products. Sources: [Country Commercial Guides](#) and [Market Research Reports](#).

The matrix technique illustrated below can help you compare market potentials for your products for any number of countries. The matrix shows how well 5 hypothetical countries met the 11 illustrative criteria drawn from the 5 questions above. A double "XX" in a column indicates the country **significantly met** the criterion; a single "X" signifies **minimally met**; and a "blank" means the country **didn't meet** the criterion. The more promising markets are those with XX or X across the most number of columns. In this case, Countries 3 and 1 appear far more promising than the others. See [Market Potential Matrix Worksheet](#) (Appendix C4) and [Trade Statistics Worksheets 1-4](#) (Appendix C5) to help you fill out your own matrix.

Export Market Potential Matrix: Selection Criteria

	1	2	3	4	5	6	7	8	9	10	11
Country 1	X	XX	X	XX	X	X	XX	X	XX	XX	XX
Country 2		X			XX			X		X	X
Country 3	XX	X	X	XX	XX	XX	XX	X	XX	XX	XX
Country 4			X	X					X	X	
Country 5		X			X						
Country 6+											

Key: Columns/Criteria

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Largest export markets, latest year 2. Fastest growing export markets, past 3 yrs. 3. Fastest growing export markets, latest year 4. Largest importing countries, latest year 5. Fastest growing importing countries, past 3 yrs. 6. Fastest growing importing countries, latest year | <ol style="list-style-type: none"> 7. Strong share of import market, latest year 8. Limited competition from local producers 9. High receptivity to products from your country 10. No significant market barriers 11. Recommended as a "best" export market |
|---|--|

It's conceivable that better markets could be found with criteria more specific to a product's application or target audience, such as the indicators below. More likely, these will reaffirm the Matrix findings, not find different markets. To get supporting data for these additional indicators, see the [World Economic and Demographic Data](#) section of the ITCI Website.

- **Economic indicators** -- for luxury and other high-end products, or products more affordable target users, look for countries with high-or low per capita incomes as appropriate.
- **Demographic indicators** -- for products aimed at a particular age range, sex, race, religion, profession, medical condition, etc., look for countries with the largest and fastest-growing populations within that target audience.
- **Sectoral indicators** -- for products aimed at particular industry sectors, such as manufacturing, health care, construction, banking, utilities, etc., look for countries with the largest and fastest-growing number of entities in those sectors.
- **Infrastructure indicators** -- for products that use or require technology or physical infrastructure, such as telecommunications, power, transportation, ports, etc., look for countries with the basic facilities needed.

C. Sources of Market Potential Data

Most or all of the data needed to identify your target markets can be found on the ITCI [Trade Information Database](#), including trade, economic and demographic statistics and international market research covering virtually all countries in the world.

- **U.S. trade statistics** compiled by the U.S. Census Bureau provide the data needed for Matrix columns 1-3. (Best sources: USITC [DataWeb](#) or USDOC's [Trade Stats Express](#).) The Commodity-by-Country series shows U.S. exports of a specified product to all destination countries. The Country-by-Commodity series shows all U.S. products exported to a specified country. With these statistics, you can spot the largest and fastest growing export markets for products like yours; or identify the largest and fastest growing U.S. exports to a particular country. Individual tables can be downloaded to a spreadsheet. Once in the spreadsheet, you can do whatever calculations and sorting you wish (e.g., growth rates, rank ordering, projections, etc.). See [Worksheets 1-3](#) (Appendix C5) for sample Commodity-by-Country U.S. export statistics
- **Foreign trade statistics** (Matrix columns 4-7) help "size up" markets of interest, identify the major supplier countries, and compare competitor country market shares. (Best sources: [UN COMTRADE](#) and [International Trade Centre](#).) Each country compiles and publishes its own import statistics. The United Nations also consolidates and publishes the data, but in broader product categories and on a less current basis.
- **Foreign Market Research** (Matrix columns 8-11) can provide more detailed assessments of market potentials for your products in particularly promising countries. Chapter IV of Commerce Department [Country Commercial Guides](#) identify the industries offering the

best prospects for U.S. exports in the target country over the coming two years. These can be considered "recommended" industries for Matrix column 11. International market surveys and reports are available by product and/or country from DOC/ITA ([manufactures and services research](#)) and USDA/FAS ([food and agriculture research](#)). These comprehensive reports typically cover overall demand trends; best sales prospects within the subsector; key end-user segments; major competitors; customary business practices, market barriers, and useful government and industry contacts. They offer corroborating information for columns 8-11 in the Matrix. DOC/ITA also offers a [Customized Market Research](#) service tailored to a company's specific product. A customized survey is conducted in the selected market to assess sales prospects, identify competitors, compare prices, recommend marketing and distribution channels, and identify potentially interested buyers and distributors.

D. Develop Market-Specific Entry Plans

Each target market needs its own market entry strategy. Foreign markets can differ 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 could freely access the market, could be afforded, could tolerate the local physical environment, would "fit" or operate efficiently, or would appeal to or offend potential buyers. Without a market-conducive entry strategy, you will not maximize your market potential; or worse, you could make costly mistakes. The biggest mistake is to assume that all markets can be approached in the same way, or the way you operate domestically.

In its simplest form, market entry plan should address 4 key points – distribution, pricing, promotion, and adaptation/localization

Distribution strategy. Most exporting is done through resident agents or distributors, or directly to buyers. Other distribution options include hiring overseas sales staff or setting up overseas sales offices, joint ventures or subsidiaries. The right approach largely depends on how much control you want over the process, the expected volume of sales, the openness of the market, and what is customary in each market.

- **Selling through resident agents and distributors (intermediaries).** Exporting through local agents or distributors is the norm in most markets. 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 local agents and distributors, rather than buy direct from foreign suppliers. Acting as your representatives in the market, agents and distributors develop and send sales orders, arrange payment, prepare all required import documents, and clear the goods through customs. The **agents** normally work on a commission basis and don't take title to the goods. The **distributors** generally purchase the goods and resell them at a markup. Many distributors are equipped to stock, install and service the goods. In larger, developed markets, agents and distributors often specialize by industry. In smaller, less developed markets, they're more likely to carry many different lines.
- **Selling direct to end users in the market.** Direct selling avoids intermediary costs and offers more control over price, service and level of effort. However, direct selling may only

be a good option in markets with only a few potential end-users, or when you or the end users can easily find each other. It is less effective where seller and buyer are not easily matched and, without a local representative, you would need to find the prospects and handle the transactions on your own. This is not cost-effective in most cases. For guidance on which approach is best in any given market, see [Country Commercial Guides](#) (CCGs) and [Market Research Reports](#). Distribution options are discussed in CCG Chapter 3, "Marketing U.S. Products and Services in (country)". Market Research Reports also discuss customary and recommended distribution channels for specific products.

Promotion strategy. You will need some promotion in target markets to make your presence known. The promotion strategy should spell out the techniques to be used in each market; how much to spend; and who will do it – you or your overseas representatives. The promotion options abroad are generally the same as domestically – your Company Website, direct mail (regular or e-mail), telemarketing, press releases, paid ads, trade shows, and sales trips. Most countries have adequate media to support any of these methods. However, some techniques may work better than others in particular markets. Costs could also affect the approach. Certain promotions clearly cost more if done from afar, such as direct regular mail, telemarketing, and business travel. If you opt for these techniques, let the overseas rep handle them, possibly on a cost-sharing basis. Techniques that work best in a given market are covered in Chapter 3 of [Country Commercial Guides](#) ("Marketing U.S. Products and Services in [Country]")

Pricing strategy. Ideally, the export price should cover all costs, meet the competition, attract buyers, and still make a profit. That's a tall order, complicated by the fact that the "optimum" price in one market may not work in other markets. Whatever the market, the export price must start with the product's baseline unit costs. Pricing below cost is not only economically unwise, but could also trigger anti-dumping penalties.

- **Calculating baseline export costs.** Baseline export costs include 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 for a stripped down or no-frills model; higher if a product redesign is needed to accommodate different sizes and technical standards. Variable export costs might include:

Staff training	Packaging, labeling adaptations
Market research	Bank transaction fees
Website adaptation and translations	Freight forwarding fees*
Market promotion	Export credit insurance
Travel	Agent/distributor commission
Credit checks	Cargo insurance*
Consultant/legal fees	Transportation to destination*

* Factored into price to buyer in CIF quote

- **/Determining what the market will bear.** 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 price resistance. These concessions, of course, will lower your profit margins, at least in the short run. [Market Research Reports](#) give a feel for market demand, ability to pay, the extent of competition, and whether price and credit are key competitive factors in the market. Getting actual comparative prices takes more digging. You could ask a prospective overseas rep to check market prices, or pay for a customized market survey, such as the U.S. Department of Commerce's [Customized Market Research](#).

Localization strategy. Most countries have different languages, cultural values, tastes, business practices, income levels, environmental conditions, product standards, legal requirements, etc. To be relevant in markets significantly different from your own, you'll need to "localize" your approach. In particular, you may need to localize the product, packaging or sales material. For example, "as is" sales won't do well if:

- The product is incompatible with local health, electrical and technical standards.
- The product is unaffordable for buyers able to use no frills or older generation models.
- The product needs added protections against harsh climates, pestilence, pollutants, etc.
- The product requires downsizing to fit smaller people, homes, streets, etc.
- The product or packaging uses colors, shapes, words or symbols that offend or appear foolish to target customers.
- The sales literature and user manuals need translation to be understood.

To know when to adapt, do some research on the cultural, economic, environmental or legal situations in each country. The [ITCI Website](#) provides access to many good sources of [intercultural research](#). Also, [Country Studies](#) cover these matters in great detail. Other sources include [Market Research Reports](#) and [Country Commercial Guides](#) (see standard chapters on "Business Travel -- Business Customs" and "Trade Regulations & Standards").

E. Market & Promote in Best Markets

If you're not already known abroad, you'll need to actively promote your company and products. Overseas promotion is a must. You won't sell much if the buyers don't know who you are. Generally, the more you promote, the greater the impact. You can best increase your overseas market exposure through a combination of broadcast and targeted techniques.

Broadcast Promotion -- This is highly leveraged promotion. You can reach many markets at once with a single notice or ad. All you need is a medium with worldwide outreach. The object is to promote awareness and generate interest and inquiries. The advantage of this approach is its low overall cost and cost per lead. One drawback is that you might get more responses than you want, particularly from firms merely fishing for product samples or information. Here are some broadcast options worth a try:

- **Company Website.** Your own company Website 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. You can track and collect data on site traffic, such as number of hits and individual sessions by user location, and

incorporate automatic e-mail responses to orders and inquiries. Set-up costs are fairly low. However, with millions of sites on the Web, potential customers may not find yours when they do a typical keyword search. Be sure to include your Web “URL” address on your business card and other promotional literature.

- **Export Directories.** Unlike [directories of manufacturers](#), export directories only list companies actually engaged or interested in exporting. Since many manufacturers do not export, foreign buyers will more likely look in an export directory to find potential suppliers. It’s to your advantage to be listed in export directories, particularly those with worldwide Internet outreach. There are two types of export directories – company-specific and product-specific. An export company directory essentially lists the companies by name and industry category, with fewer details about their specific export products (e.g., [Export Yellow Pages](#)). An export product directory highlights the products for export, often with detailed descriptions and images. For example, DOC/ITA and ThinkGlobal’s [ExportUSA](#) promotes U.S. products and services worldwide through a magazine and a companion on-line service. Each listing provides brief product information and a photo, with links to the company’s E-mail address and Web site. You should seek opportunities to list in both types of directories. However, since foreign buyers primarily look for products, not companies, you may get better promotional results from listings in export product directories.
- **Export “sell” offers.** You can post your own “offers to sell” in a number of different electronic trade lead systems, such as [Alibaba](#). It’s best to provide as much information as possible in your offer, to reassure potential respondents that you are a serious and reliable supplier. It’s especially helpful to be specific in describing your export product (specifications, uses, benefits), quantity available, price and delivery options, your bona fides, and what you would like to know from respondents. See [Appendix E1](#) for suggested particulars to include in a sell offer. Also, use discretion in selecting trade lead systems. Most allow anyone to post an export offer and have no quality control.
- **Trade press ads.** Many industry magazines published domestically are also circulated abroad. When you advertise or get a favorable review in these industry journals, you reach the same interest groups overseas as domestically -- producers, buyers, distributors, and other procurement decision-makers. Nearly all industry magazines carry paid ads, and most have sections that announce or evaluate new products.

Targeted promotion – Here, you aim your promotion just at the market or audience you want. Since you're not everywhere at once, your message can be more detailed and personalized. Your objective is high-quality, high-impact exposure. The costs are higher, but so are the potential rewards. If you have foreign representatives, they can do some or all of the promotion in their areas, usually on a cost-sharing basis. Consider these targeted promotion techniques:

- **Overseas Business Trips.** Face-to-face promotion can be very persuasive. The key is to know who to see before you get there. Don't waste precious time looking after you arrive. If you don't know anyone in particular, ask for help from a trade assistance organization with overseas representatives. For example, the U.S. Commerce Department can arrange advance appointments and make introductions for U.S. exporters, under its fee-based [Gold Key](#)

Matching service. Other Gold Key options, if needed, include orientation briefings, market research, interpreter service for meetings, and assistance in developing a market strategy and effective follow-up. States can also provide some or all of these matchmaking services where they have overseas offices.

- **Overseas trade shows.** They're more costly, but a trade show puts you face-to-face with many potential customers at once, all able to see you and your products first hand. You can talk face-to face, book orders, and perhaps even sell off the floor. Trade show opportunities 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. For names, dates and locations, check any one of several on line **trade show directories**, such as **TSNN** or the U.S. Commerce Department's **Trade Events** directory.

It's not always easy to get into major overseas shows on your own. They're often booked years in advance. However, you can still participate if a trade assistance organization or industry association has already reserved a pavilion or booth space for eligible exporters. For example, DOC/ITA's **Certified Trade Fairs** program places U.S. firms in pavilions at leading international trade shows, sometimes as late as six months before the start date, and provides services ranging from advance promotion to booth set-up help, "repfind" assistance, embassy briefings, and other on-site assistance for U.S. exhibitors.

- **Domestic trade shows.** Some domestic trade shows attract large numbers of foreign buyers. They're serious buyers, because they've come a long way to see what's new. If you're an exhibitor, they can see you just as well there as at a foreign show. You get the best of both worlds -- the domestic exposure you mainly want, plus spin-off exposure to foreign buyers. The U.S. Commerce Department provides matchmaking support at over 40 domestic trade shows annually under its **International Buyer Program** (IBP) and makes vigorous efforts to attract foreign buyers to these shows. IBP-designated events can be found in the U.S. Commerce Department's **Trade Events** directory.
- **Catalog shows.** In the U.S., your State may offer opportunities for companies to showcase their product catalogs abroad. These events do not require your physical presence and are much less costly than trade shows. Catalog shows are normally theme-specific and typically make stops in several selected countries. At each stop, foreign prospects can view the displayed catalogs, brochures, videos and other sales materials. You receive any resulting sales leads, along with a list of all foreign buyers attending the event. Check the Commerce Department's **Catalog Show Schedule** for dates of upcoming Catalog Shows abroad.
- **Overseas trade missions.** Traveling with a group can add impact to your visit. A group, particularly an "official" delegation, has more prestige, gets more notice and opens more doors. Many state governments and industry associations organize such overseas trade missions. The U.S. Department of Commerce also organizes or certifies **Trade Missions** specifically designed for matchmaking. Before the trip, Commerce trade specialists evaluate each company's export potential, find and screen contacts, handle the logistics, provide in-country business briefings, and arrange one-on-one meetings with prospective clients. Trade mission opportunities are usually announced well in advance, and your chances of getting on

one are good if you apply early enough. Upcoming U.S. Trade Missions are listed in the U.S. Commerce Department's [Trade Events](#) directory.

F. Find Foreign Buyers & Distributors

Find potential buyers. You can't assume that the buyers will find you. Most likely, you'll need to find or attract them yourself. There are two basic sources of "buy" leads -- the leads you or your reps develop first-hand; and second hand leads that you hear or read about. Clearly, the best leads are the first-hand leads that respond to your promotions, that you uncover on foreign business trips, or that your overseas reps find for you. While better, these leads are also more costly to develop. If you don't have overseas reps, or can't afford to promote or travel, try the "second-hand" leads. However, since your competitors can learn about them too, you want to follow up quickly on these leads. The [ITCI Website](#) provides access to [Hot Trade Leads](#) that include specific overseas "buy" offers reported daily by U.S. embassies, as well as leads self-posted by individual importers. U.S. embassy leads, for example, are for specific products sought either by foreign government agencies or private buyers and distributors. The U.S. Commerce Department's [Trade Opportunity Program](#) provides current leads screened and reported by U.S. commercial offices abroad. Also, many states have their own overseas trade offices that could be sources of trade leads. Whatever your source, use due diligence to assure that the buyers are reputable (see [Chapter IVB – Screen Potential Buyers](#)).

Some of the best leads are for major development projects still in the planning stage. These future projects offer opportunities for equipment, supplies and services of all kinds. They often have foreign government backing and assured financing from the World Bank and its network of regional development banks. Each bank lists proposed and pending projects and procurement opportunities on its Website, along with procedures for bidding, including [World Bank International Business Opportunities](#); [African Development Bank Business Opportunities](#); [Asian Development Bank Business Opportunities](#); [European Bank's Procurement Opportunities](#); [Inter-American Development Bank Projects](#); [North American Development Bank Information](#); [Trade Development Agency \(TDA\) Pipeline](#); and [Trade Development Agency \(TDA\) Feasibility Studies & Projects](#).

Find potential agents/distributors. Finding and keeping the "right" agents or distributors for each market is crucial. You need good overseas business partners to generate ongoing sales. Agent/distributor selection is especially important. A poor rep could seriously hamper you in possibly lucrative markets, perhaps indefinitely in countries that impede termination of agent/distributor agreements. Therefore, you want to choose carefully. Finding good overseas reps is a four-step process: 1) Identify and contact potential reps in target markets; 2) Screen the best prospects; 3) Select and appoint the reps; and 4) Support the reps over time.

There are two basic ways to search for prospects -- "do-it-yourself" or use a rep-find matchmaking service. In either case, you should thoroughly screen each prospect before you make a selection. Do-it-yourself searching can be frustrating and costly without solid leads or recommendations. You can look in [directories of foreign manufacturers and importers](#) or purchase targeted mailing lists. However, the listed companies are just names, not necessarily

interested or reputable. You could also seek referrals or recommendations from trade associations or from exporters with complementary product lines.

You would be better advised to use a rep-find service from a government trade promotion organization. Some State export assistance agencies offer rep-find services to resident exporters. The U.S. Department of Commerce offers two, fee-based repfind services -- **International Partner Search** (IPS) and **Gold Key Matching** service. With both, you would provide detailed information about your export product and market objectives through a local U.S. Export Assistance Center (USEAC). Based on this information, a U.S. Embassy trade specialist will identify a number of qualified prospects that have expressed interest in representing you. With the IPS, the exporter can follow up with each prospect as desired without traveling to the target country. With the Gold Key, the exporter goes to the country for prearranged, face-to-face meetings with each prospect, accompanied by the Embassy trade specialist.

Screen prospective reps. First impressions count, so what you say first is very important. Your initial communication should convey basic facts about your company and products and your market objectives, the qualifications you seek in a potential rep, and what the rep could expect from you (pricing, payment terms, delivery, promotional support, etc.). For guidance in communicating with agent/distributor prospects, see sample **Agent/Distributor Search Letter** (Appendix E2). You should respond promptly to all serious responses, try to answer all questions as fully as possible, and provide standard product literature. Use discretion in sending costly samples, in case they could be easily copied. Samples should be reserved for the top prospects.

Once you've located some prospects, how can you tell who's best? The key is to know what you want in a rep. You should identify the qualifications needed for effective representation and look for reps with the required attributes. The requirements may vary by product, but five basic qualities are fundamental:

- **Experience** – a rep with a solid track record as an agent or distributor; expertise in your product area; and strong connections in the user community;
- **Capability** – a rep who can market and support your products in the ways require (e.g., stock and promote the product, train users, install and service equipment);
- **Motivation** – a rep who is enthusiastic about your product and able and willing to give it priority;
- **Loyalty** – a rep who would not desert you for a competitor or represent a firm with a competing product;
- **Honesty** – a rep with a good reputation in the industry and good bank and trade references

To find the best rep, you should compile background information on each prospect, at least on the points below. See [Agent/Distributor Qualifications Checklist](#) (Appendix D3) for more detailed assessment criteria.

- Current status and history
- Principal officers and sales staff
- Warehouse and service facilities
- Sales territory covered
- Current sales volume
- Typical customer profiles
- Foreign firms currently represented
- Trade and bank references
- Capability to meet your requirements
- Opinion on the potential for your products

Don't hesitate to ask prospects for this information. They'll respond if they want your business. Of course, don't go by what they alone say, since they might well give self-serving answers. You should also seek neutral sources for corroboration. Check the firm's bank references for one. A number of [international credit reporting agencies](#) can provide commercial profiles on foreign firms for a fee. Some Government trade promotion organizations offer a comparable service for their exporters. For example, the U.S. Department of Commerce's [International Company Profiles](#) cover the foreign firm's trade experience, the companies and products it already represents, principal officers, bank and trade references, financial stability, reputability and its suitability as a possible trading partner for U.S. exporters. A face-to-face meeting with top prospects is also wise at some point, preferably at their premises for a first-hand evaluation.

Select and appoint the best reps. Once you've found a suitable match, you should formally engage them under an agent/distributor agreement. These agreements spell out the terms of the relationship and the responsibilities of each party. See [Sample Foreign Representation Agreement](#) (Appendix D5) for illustrative provisions. These agreements usually cover the following points

- Products covered
- Territory covered (e.g., country)
- Exclusive or non-exclusive
- Minimum sales/purchase obligations
- Non-circumvention
- Responsibility for marketing/promotion
- Responsibility for shipping
- Responsibility for user training
- Responsibility for technical support
- Allocation of expenses
- Terms of commission/payment
- Handling of complaints and disputes
- Conditions of termination

These points are negotiable. Aim for a mutually beneficial agreement that motivates the rep and protects your interests. The rep will seek your commitment to respond promptly to orders, deliver the product on time, provide any needed training or other specified support, and pay a fair share of any joint marketing and promotion expenses. These are reasonable conditions. In turn, you should seek the following 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 the flexibility to make a safe, clean break if the rep doesn't perform as agreed. Most agreements call for a specified duration (e.g., one year), with automatic annual renewal unless either party opts to terminate. Advance notice is typically, 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 in order to protect local businesses. Without an enforceable termination clause, you might have to retain a poor performer longer than you want, or pay a high fee to sever the relationship. You should consult an internationally experienced attorney before drafting your own or signing any agent/distributor agreement.

Support your overseas reps. Good reps need your cooperation and support as much as you need theirs. Treat them as you would your domestic sales force. Prices, terms and commissions should be reasonable. At the least, you should:

- Alert your reps to planned changes to the product line, pricing and delivery
- Respond promptly to their calls and correspondence
- Provide product training and customer support as needed
- Consider help with promotions, including cost sharing for trade shows and media ads
- Deliver the goods when and as promised

If volume warrants, make periodic visits to help motivate the reps and also get a better feel for what and how they're doing.

Chapter IV Make Export Sales & Get Paid

A. Respond to Export Inquiries

An export sale usually starts with an inquiry. Someone overseas has heard of you and wants more information. The inquiry might be general, for example, "Tell me more about your company and product" or specific, for example, "What is the price?"

Inquiries are precious. It's a buyer's market, and they typically have other options. You should respond quickly, fully and professionally. If prospects like what you tell them, they'll follow up with more specific requests for price, delivery and payment terms. As you provide requested information, you should also ask the prospects for information, such as who they are and what they do. Basically, you need to know if they are serious and reputable. If you're satisfied and want the business, be prepared to negotiate until you've mutually agreed on all the terms (price, delivery, payment, etc.)

Handling general inquiries and requests for information. Follow these basic rules to respond to inquiries (see [Sample Responses to Inquiries from Prospective Buyers](#) (Appendix E1) and [Sample Responses to Inquiries from Prospective Agents/Distributors](#) (Appendix E2).

- **Reply quickly or not at all.** Delay implies lack of interest or insensitivity to the prospect's needs. Also, delays give competitors more time to win the business. Use E-mail, fax, airmail or express delivery as appropriate. Surface mail can take weeks to reach some countries.
- **Answer all questions.** The inquirers may ask many questions, but should not have to ask the same questions twice. If one of your standard letters answers the questions, send the letter. If not, revise the letter to answer the questions.
- **Use a business-like tone.** Impersonal form responses don't make a good impression. Print all responses on company letterhead. Add name, title, phone, fax, E-mail and Web address if not already embedded in the letterhead. If starting from a standard letter, add customized touches to appear more directly responsive. Avoid slang or informal responses.
- **Reply in the language specified.** Most inquiries are in English. Some are in the author's language but invite a reply in English. If the inquiry is not in English, have it translated so it's clear what the prospect wants. Translate the response if requested. Commercial translators will do this for a fee. Some colleges and universities also offer translation services. For instant translations of uncomplicated messages, try Google's [Language Tools](#).

Should you respond to every inquiry? No. You might disregard form letters or inquiries that are clearly unprofessional or poorly written. However, it's not always possible to distinguish serious from frivolous requests. Err on the side of responding to all or most inquiries. If in doubt, don't send samples or bulky product literature that costs more in postage.

B. Screen Potential Buyers

Before committing to any sale, you should verify that the buyer is trustworthy. Gather impressions from your correspondence, particularly from responses to your questions. However, also look to independent sources to evaluate prospects, such as:

- **Government services.** The U.S. Department of Commerce has a fee-based International Company Profile (ICP) service that provides detailed background reports on individual foreign firms. U.S. exporters can order ICPs from a local U.S. Export Assistance Center. A number of U.S. States have overseas trade offices that will compile foreign company information for State residents.
- **Web-based directories.** Many Web-based directories of Foreign Manufacturers & Importers list thousands of worldwide companies that might be potential buyers. The listings often give enough information about their products and capabilities to gauge their possible procurement interests and trustworthiness.
- **International banks.** Major international commercial banks will often provide information on foreign firms for their corporate customers.
- **Credit reporting agencies.** Many credit reporting agencies provide background and credit reports on foreign companies for a fee.

C. Negotiate Terms of the Export Sale

As foreign inquiries lead to interest, the potential buyer will ask for a price quote (see Template for Responding to a Foreign Request for Quote (Appendix E3). This RFQ is the usual start point of the negotiation. Your Export Quotation (Appendix E4) in response would typically cover your cost of goods at the factory, plus markup, plus all costs to deliver the goods to the destination specified by the buyer. For illustrative export costs, see Export Quotation Worksheet (Appendix E5). The buyer will specify which delivery price to quote, using the appropriate INCOTERM. INCOTERMS are international commercial terms of sale developed by the International Chamber of Commerce to define at which point in a shipment the parties incur costs and bear liability. Here are the more frequently used INCOTERMS:

- **EXW (ex works)** at a named point of origin, such as your factory or warehouse. The EXW price is essentially your domestic selling price, excluding delivery costs. Under this term, the buyer agrees to take possession of the goods at the named point of origin. The buyer would then bear all costs and liabilities to get the goods from that point to the importer's port and through customs, including payment of any import duties and taxes.
- **FAS (free alongside ship)** at a named port of export (e.g., FAS Port of Los Angeles). This includes the EXW price, plus your costs to transport, unload, and deliver the goods alongside the departing vessel or aircraft. The buyer covers the cost to load the goods onto the carrier, plus all the cargo insurance and transportation costs to get the goods from that point to the importer's port and through customs, including payment of any import duties and taxes.

- **FOB (free on board)** at a named port of export (e.g., FOB Port of Los Angeles). This includes the FAS cost, plus the cost to load the goods onto the carrier. The buyer pays for cargo insurance, transportation to the destination, and any applicable import duties and taxes.
- **CIF (cost, insurance, freight)** to a named overseas port of import (e.g., CIF Singapore). This includes all FOB costs, plus all cargo insurance and transportation to costs to the foreign port. The buyer pays only the import duties and taxes to clear customs.
- **DDP (delivered duty paid)** to a named place of destination (e.g., DDP Singapore). This includes all CIF costs, plus any applicable import duties, taxes and other costs to clear the goods through customs. In effect, DDP is the “landed cost” to the foreign buyer.

Unless your product is a “must have” with no other source, the buyer may well say your price is too high. Don’t just give up at that point. A deal might still be negotiable. You could consider reducing the price to a still profitable level. If you can’t or don’t want to do that, here are some other options. If applicable, tout any superiorities of your product that justify the price, such as its uniqueness, unmatched functionality, greater durability, or that it would significantly save costs over time. If time is of the essence to the buyer, and you could do it, assure just-in-time (JIT) delivery. In addition, or instead, if you can absorb the cash-flow lag, your most persuasive counter to price resistance might be to offer credit terms; i.e., allow the buyer more time to pay (e.g., 30-90 days on open account). Don’t be deterred by fear of not getting paid. You can protect against buyer default with low-cost export credit insurance from the U.S. Export-Import Bank. See Chapter [IV D](#) and [IV E](#) below for more on payment methods and export credit insurance.

When you and the buyer have agreed on the final price and terms, you would typically confirm it with a **Proforma Invoice**. Proforma invoices are not bills for payment, since a sale has not yet occurred. They're basically quotations in an invoice format. They require more detail than domestic quotations, because the customer may also need them to obtain an import license or open a Letter of Credit. Although formats can vary, Proforma invoices should be neatly typed on business letterhead and cover the following points

Date prepared	Total cubic volume and dimensions
Exporter's name, address, telephone/fax/	Delivery point
Buyer's name and address	Terms of sale
Buyer's reference number and date of inquiry	Payment terms and method
List and brief description of products	Insurance and shipping costs - who will pay
Price per item (e.g., in US\$)	Total charges to be paid by customer
Trade discount, if applicable	Shipping date from factory or exit port
Country of origin of the goods	Estimated date of shipment arrival
Gross and net shipping weight	An explicit expiration date for quotation

D. Select Method of Export Payment

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

Timing of payment. In exporting, advance payment is rare. Foreign buyers generally will only pay fully up front for smaller shipments. Although they might agree to a partial down payment if the only way to get the goods, they will mostly insist on payment upon delivery, or preferably sometime after delivery (e.g., 30-60 days after receipt of the goods). More often than not, the parties agree on a middle ground -- a Letter of Credit (L/C) or a Documentary Collection (see payment methods below). The goods are shipped before payment, but banks at each end serve as intermediaries to minimize the risk.

Payment currency. New or less experienced exporters should require payment in a stable currency (e.g., U.S. dollars). Even if the buyer's currency depreciates, you are still owed the dollar amount specified. More experienced exporters might use hedging techniques to lock in future exchange rates.

Methods of payment. Exporters need to be familiar with international payment methods, as some are riskier than others.

Payment Methods by Risk Level

Least Risk	Moderate Risk	Most Risk
Advance Payment	Documentary Collections	Open Account
Factoring		
Letter of Credit (L/C)		

Advance payment by credit card or wire transfer virtually eliminates all risk of default before delivery. That's clearly to the exporter's advantage. However, it creates cash flow problems for importers and increases their risks – for example, the risk that the goods they receive are damaged, defective, or not exactly what they ordered. Don't expect foreign buyers to agree to advance payments except, perhaps, for relatively small consumer purchases. **Factoring**

essentially involves discounting the export receivable to a third part, a factor, who then assumes all risks to collect from the buyer. The exporter gets paid up-front, but at a fairly stiff premium ranging around 15%.

A Letter of Credit (L/C) is the most secure payment method for exporters other than advance payment. With an L/C, the exporter is paid by a bank, usually by the exporter's own bank, not by the importer directly. The bank collects independently from 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). L/Cs also protect the importer, in that the bank will not release payment to the exporter unless the goods are exactly as specified in the purchase order and shipping documents.

Here's a typical L/C scenario:

- The exporter and the importer agree on the terms of a sale.
- The importer applies for the L/C for the amount due from a local commercial bank (see a **sample L/C** in Appendix F1). The L/C is normally "irrevocable" (no changes permitted without the consent of both the buyer and the seller). The bank typically requires the buyer to put up collateral to cover the L/C amount. At this point, the buyer's bank takes on the obligation to pay the exporter.
- The importer's bank prepares the irrevocable L/C and all **L/C Instructions** (Appendix F2).
- The importer's bank sends the irrevocable L/C to a correspondent bank in the exporter's country, requesting "confirmation." At this point, the confirming bank (typically, the exporter's own bank) accepts the obligation to pay the exporter.
- The confirming bank sends the exporter a letter of confirmation along with the "confirmed, irrevocable" L/C.
- The exporter reviews and accepts all conditions in the L/C.
- The exporter's freight forwarder arranges to deliver the goods to the appropriate exit port or airport.
- When the goods are loaded, the forwarder completes the necessary documents.
- The exporter or the forwarder present documents to the confirming bank showing full compliance with all product and delivery terms and conditions specified in the L/C.
- The confirming bank checks that documents are in order and sends them to the importer's bank for review.
- The importer gets the documents from his bank and uses them to claim the goods.
- The confirming bank pays the exporter by draft at the time specified.

Compliance with all L/C terms is crucial. You should carefully review the L/C and make sure the price and terms are the same agreed to in price quotes and other documents. If the L/C terms are not precisely met, the bank might not pay. Also, the bank will only pay the amount in the L/C, even if higher charges for shipping, insurance or other factors are documented. If the L/C terms can't be met, or it has errors or even misspellings, you should contact the buyer immediately and ask for an amendment to the L/C to correct the problem.

To get paid, you must provide documentation showing that the goods were shipped by the date specified. The freight forwarder can advise about any unusual conditions that might delay

shipment. You must also present the documents by the date specified. The bankers can advise whether there's enough time to meet a presentation deadline. You should always request that the L/C specify that partial shipments and transshipment will be allowed. This will avoid unforeseen problems at the last minute.

Documentary Collections (also known as Bills of Exchange). Although L/Cs virtually eliminate risk for both sides, they incur extra costs in bank processing fees and also, for importers, interest charges to their own bank. For these reasons, the parties often prefer Documentary Collections that also use banks as intermediaries. Documentary Collections are low cost, efficient, and provide reasonable security for exporters. The exporter's bank bills the importer by sending title documents – the **Ocean Bill of Lading** -- and a cover letter to the importer's bank. The importer's bank advises the importer of the bill. When the importer pays the bill, the importer's bank pays the exporter's bank which, in turn, promptly credits the funds to the exporter. The only risk to the exporter is if the buyer no longer wants the goods or can't afford to pay when the goods arrive. In that unlikely event, the exporter still owns the goods and could either sell them to another buyer or bring them back home.

Open account sales – essentially allowing importers to receive the goods and pay at some agreed later date -- are the riskiest for the exporter, but most preferred by importers. The risk is that the buyer won't or can't pay when the bill comes due. You will be much more competitive if you are willing to offer open account terms. If concerned about not getting paid, as you should be, you can protect against buyer default with a low-cost **Export Credit Insurance** policy from the U.S. Export-Import Bank. If the buyer fails to pay for any reason, the insurance will cover the loss (see Chapter **IVE Protect Against Buyer Default** below for further details). This gives exporters the best of both worlds – open account terms preferred by the buyer with assurance of payment by the insurance policy if the buyer fails to pay when due.

E. Protect Against Buyer Default

To some extent, sellers are always at risk of payment default, even with domestic sales. Due diligence is the first line of defense. It's important to check out the reputability and credit worthiness of any potential buyer, unless they are already well-known to you or are well known in the industry. Learn what you can from the company's Website, seek bank references, and consider credit and background checks from organizations providing these services (see Chapter **IVB Screen Potential Buyers** above). For unknown or uncertain buyers, try first for low risk, L/C or Documents against Payment (D/P) terms – if not payment in advance. If the buyer insists on payment after delivery (time draft or open account), and you don't want to lose the sale, you still have a great, low-risk option. You can purchase **Export Credit Insurance** from the U.S. Export-Import Bank (Ex-Im). insurance costs very little, guarantees nearly full payment if the buyers defaults for any commercial or political reason, and is a powerful tool to remain in the mix if the buyer won't accept other terms you might prefer.

Chapter V Comply with Regulatory & Documentary Requirements

A. Comply with Trade Laws & Regulations

All countries control their exports and imports in some form, typically through a licensing, permitting or certification process. Exporters must comply with regulations not only to get the goods out of their own country, but also into the importing country. Failure to comply could have severe consequences. At minimum, your shipment could be delayed at either end and your payment held up. Worse, your goods could be seized or you could be fined, denied further export privileges, or jailed. Take all requirements seriously. See the [International Trade Compliance Institute](#) Website for one-stop access to thousands of [international trade regulations](#) and [regulatory FAQs](#), including U.S. export and import controls, foreign import controls, and international regulations governed by treaties, agreements and conventions.

U.S. export controls are mainly used to protect national security, prevent depletion of products in short-supply, attest to the quality of potentially harmful products, and prevent anti-competitive practices.

- **National security export controls** are mainly designed to prevent foreign adversaries from acquiring strategically-sensitive products, whether military items under the State Department's [International Traffic in Arms Regulations](#) (ITAR), or dual use items under the Commerce Department's [Export Administration Regulations](#) (EAR). The enforcement agencies are the State's [Directorate of Defense Trade Controls](#) (DDTC) and Commerce's [Bureau of Industry and Security](#) (BIS). It's important to understand that **all** U.S. exports are subject to these controls and **may** require an export license. The onus is on the exporter to determine in advance if the product is on either ITAR's [U.S. Munitions List](#) (USML) or the EAR [Commerce Control List](#) (CCL). If it is, you'll need a license to export it, unless a license exception applies in your particular case. The good news is that over 90% of U.S. products exported are not on either list and therefore don't require an export license. Other good news is the export control reform process begun in 2014 will shift many items from the more restrictive USML to the CCL.

A product's [Export Control Classification Number](#) (ECCN) determines whether and what type of license, if any, is required for a specified end-use, end-user, and/or destination. If in doubt, U.S. exporters may ask BIS for an "Advisory Opinion." For exports not requiring a license, simply put EAR 99 or "NLR" (no license required) on the [Automated Export System](#) (AES) filing. Violations of national security export controls carry very severe penalties, even if unwitting.

- **Health, safety and sanitary export controls.** These types of controls exist mainly to assure that the exported goods meet the importing country's prescribed health, safety and/or quality standards. The controls mostly apply to exports of food and agriculture items, biotechnology products, medical devices, pharmaceuticals, and cosmetics. To satisfy the requirement, exporters usually must obtain an appropriate "certificate" from the enforcing agency or, in many cases, from a chamber of commerce. For example, a [Phytosanitary Certificate](#) attests

that a shipment of grain is free from quarantinable pathogens or pests. Food & Drug Administration (FDA) [Export Certificates](#) may be needed to export animals, food, food ingredients, medical devices, pharmaceuticals, and cosmetics. These Certificates attest that the animal and food-related products are grown, produced, processed, packaged and labeled to the importing country's standards; and that the medical devices, pharmaceuticals and cosmetics are “of no lesser quality” than those sold in the U.S. market. See [Appendix H1](#) and [H2](#) for the products affected by these regulations, the enforcing agencies, and certifications required.

- **Anti-competiveness export controls.** The U.S. Government has sought to level the global playing field for U.S. exporters, particularly against bribery, boycotts and other anti-competitive practices. The [Foreign Corrupt Practices Act](#) (FCPA), for example, prohibits U.S. firms from bribing foreign government officials “to assist in obtaining or retaining business,” such as a bribe to win very large export deals. Over the years, the U.S. Justice Department has clarified the bribery prohibition to allow “grease” payments often demanded by low-level bureaucrats to expedite paperwork. U.S. [Anti-Boycott Regulations](#) are designed to protect U.S. companies from demands to cease business relationships with (boycott) another country as a condition for market access. U.S. businesses faced with a boycott demand can say it’s not their choice; the U.S. simply prohibits compliance.

Foreign import controls. Foreign trade regulations vary widely by country. Each country has its own policies, laws, regulations, and business practices that may or may not impede or bar imports. Some countries are virtually free of restrictions, such as Hong Kong and Singapore. The U.S. and most industrialized countries have relatively open markets. Less developed countries still tend to have higher import duties and more restrictive non-tariff barriers.

Import duties and taxes. Governments impose duties and taxes on imports to generate revenue and/or to protect local industries. The levies are mostly “ad valorem,” assessed as a percentage of the invoice value. They range from zero to prohibitive, depending on the product (identified by its HS code) and/or country of manufacture. Duty and tax rates are generally published by the Customs agency in each country. You can also look up import duties by country and product in the [U.S. & Foreign Import Duties](#) section of the [ITCI/Trade Information Database](#). U.S. exporters concerned about potentially high import duties should look first to the 20+ countries that have [Free Trade Agreements with the U.S.](#)

Non-tariff barriers. Governments use a variety of techniques other than import duties to control imports, some to limit them quantitatively (e.g. quotas); to preserve scarce foreign exchange (exchange controls); to control who can import (permitting); or to comply with health, safety or technical standards. You should research these potential non-tariff barriers (NTBs) in each target country and seek counsel from an international law firm if needed. Useful Web sources of trade regulations by country and product include:

- [Country Commercial Guide](#) (CCG) chapters on "Trade Regulations and Standards" and "Investment Climate" examine each country’s trade and investment regulations.

- **National Trade Estimate Reports on Foreign Trade Barriers** (all countries) are annual surveys of trade barriers by country.
- **Market Access Sectoral and Trade Barriers Database (EU)** can be searched by country, industry or barrier type to find barriers that apply to specific products in specific countries.
- **International Legal Resources** provides links to web sites that specialize in international trade laws and regulations by topic and country.

B. Comply with Documentary Requirements

Exporting involves a lot of paperwork -- documents to ship the goods out, as well as to get them into the destination country. Some documents are required for export of any product to any country; other documents may only be needed for a particular product or to a particular destination. All required documents must be fully and precisely completed. Even slight discrepancies or omissions could nullify a transaction. Given the burden and risk, most exporters use freight forwarders to handle required documentation. The following documents are most often required in exporting, either for each export shipment or for certain products.

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

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 a consulate of the importing country. Formats vary by country, but typically ask for the same information needed for the Commercial Invoice and Packing List.

Bills of Lading. Bills of lading (B/Ls) are contracts between the owner of the goods and the carrier. There are two types of B/Ls. A **Straight B/L** is non-negotiable. It specifies a consignee to whom the goods are to be shipped, but does not itself hold title to the goods. 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.

Air Waybill: An Air Waybill (AWB) covers shipments by air from airport to airport. Unlike 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. The shipping document used for the transportation of air freight includes conditions, limitations of liability, shipping instructions, description of commodity, and applicable transportation charges. It is generally similar to a straight, non-negotiable bill of lading and is used for similar purposes.

Export Packing List. An Export Packing List is more detailed and informative than a standard domestic packing list. It itemizes the material in each individual package and indicates the type of package -- box, crate, drum, carton, etc. It also shows the individual net, legal, tare, and gross weights and measurements for each package (in both U.S. and metric systems). Package markings should be shown along with the shipper's and buyer's references. The packing list should be attached to the outside of a package in a waterproof envelope marked "Packing List Enclosed." The list is used by the shipper or forwarding agent to determine the total shipment weight and volume and whether the correct cargo is being shipped. In addition, customs officials (both U.S. and foreign) may use the list to check the cargo.

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.

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

Certificate of Origin. Many countries grant trade preferences or restrict imports based on the product's country of origin. 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)

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. The NAFTA Certificate is needed to qualify for the preferences. It attests that the exported products

meet the **NAFTA Rules of Origin** requirements. NAFTA Certificates need not 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 [relevant videos](#) for more on NAFTA Certificates of Origin.

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.)

Certificate of Free Sale: Many countries require a Certificate of Free Sale to import certain products for health related reasons, notably medical devices, cosmetics, pharmaceuticals, and processed foods. For U.S. exporters, the Certificate basically attests that the product is of no lesser quality than that produced and freely marketed and sold in the U.S., and that the manufacturer has no unresolved enforcement actions before either the Food & Drug Administration (FDA) or State. This Certificate is also known by other names, such as Health Certificate, Export Certificate, Sanitary Certificate, and Certificate of Sanitation. It can be obtained from FDA, an authorized State agency, and in most cases as well from a local chamber of commerce.

Phytosanitary Certificate: This certificate is often required by foreign countries to import non-processed plant products, such as grains, that could be harmed by pests, diseases, chemical treatments and weeds. Where required, the export product must meet the standards or criteria outlined by the importing country. The certificate attests that the plants or plant products were inspected and conform to any phytosanitary entry requirements the importing country has set prior to leaving the U.S. port.

Chapter VI Deliver the Goods)

A. Prepare Goods for Delivery

To move the goods overseas, you'll need to pack, label, document, insure, and ship them. Some of this preparation is precautionary -- to protect the goods from damage, theft, or delay in transit. Some actions are required by law, either by the exporting or importing country. In these cases, the requirements are usually very specific and must be precisely followed. Given the complexities and risks, most exporters use a **freight forwarder** to perform these critical services.

Packing for export. Exported goods face greater physical risks in transit than domestic shipments. They're more vulnerable to breakage, theft, and damage. At some ports, goods may still be loaded or unloaded in a net or by a sling, conveyor, chute, or other method, putting added strain on the package. In the hold, goods might be stacked atop each other or bump sharply against other goods in transit. Overseas, handling facilities may not be up to domestic standards, so the cargo might be dragged, pushed, rolled, or dropped. Moisture from condensation is also a danger, even if the ship's hold is equipped with air conditioning and a dehumidifier. The cargo also might be unloaded in the rain. Some foreign ports do not have covered storage facilities. Goods can also be stolen when inadequately protected. Packaging tips and advice can be obtained from freight forwarders, carriers and marine insurance companies. If you're not equipped to pack the goods yourself, use a professional export packing firm. This service is usually provided at a moderate cost.

To avoid problems:

- Use strong, reinforced boxes or crates to pack the goods. Seal and fill with lightweight, moisture-resistant material. Distribute the weight evenly to brace the container.
- To deter theft, use strapping, seals, or shrink wrapping where possible.
- Don't list the contents or show brand names on the outside of the packages.
- For sea shipments, containerize your cargo whenever possible. Containers vary in size, material, and construction and are best suited for standard package sizes and shapes. Refrigerated and liquid bulk containers are readily available. If you can't fill an entire container, a freight forwarder can arrange to combine your cargo with others to get the benefit of lower container rates.
- For air shipments, you can use lighter weight packing, but you must still take precautions. Standard domestic packing should suffice, especially if the product is durable. Otherwise, high-test cardboard or tri-wall construction boxes are more than adequate (at least 250 pounds per square inch).

Export marking and labeling. Export packages need to be properly marked and labeled to meet shipping regulations, ensure proper handling, conceal the identity of the contents, and help

receivers identify shipments. The buyer usually specifies export marks that should appear on the cargo, such as:

Shipper's mark	Handling marks (international pictorial symbols)
Country of origin	Cautionary markings, such as "This Side Up."
Weight marking (in Lbs. and in Kgs)	Port of entry
Number of packages and size of cases	Labels for hazardous materials

Mark containers legibly to prevent misunderstandings and delays in shipping. Stencil lettering onto packages in waterproof ink. Markings should appear on three faces of the package -- on the top and on the two ends or the two sides. Old markings must be completely removed. Most freight forwarders can advise on specific marks and labels required by each country.

B. Get Cargo Insurance

Cargo 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 terms of sale. For all CIF transactions, the supplier is liable for any loss or damage to the goods up to the point the buyer takes title. For FOB or FAS sales, the buyer assumes risk at the exit point. The responsible party must insure the cargo for its portion of the risk. To cover your share of the risk, you can take out a company policy, or insure the cargo under a freight forwarder's policy for a fee. Make sure to include a general average clause. This obligates the insurer to share the cost of losses incurred voluntarily to save the voyage from complete destruction.

If the foreign buyer has responsibility, don't assume (or even take the buyer's word) that the insurance has been purchased. You could still be liable if the buyer fails to obtain coverage or takes too little. The carrier will not insure the cargo. For international shipments, the carrier's liability is frequently limited by international agreements, and the coverage is substantially different from domestic coverage. Check with an [international insurance carrier](#) or [freight forwarder](#) for options and advice.

C. Transport the Goods

The sooner the goods arrive, the sooner you get paid, so speed is essential. However, faster transport may cost more. The procedures, routes and rates vary with the transport mode -- truck, rail, air or sea. It's best to use international [freight forwarders](#) to ship the goods. They're the experts. They can compare the costs, lead times, and transit times for each transport option; select the best option; and make the booking. If desired, they can also prepare the required documentation; handle the packing, marking and labeling; transport the goods from the factory to the exit point; obtain cargo insurance; and arrange to clear the goods through customs on arrival. Their modest fees can be factored into the export price. The ITCI Website provides access [Trade Logistics Tools](#) to assist the exporter or the forwarder

Export Start-Up Aids

1. Export Readiness Assessment System (ERAS)

ERAS was developed by Maurice Kogon as an on-line diagnostic tool to assess a company's export potential and “readiness”: to export. It is intended mainly for non-exporting manufacturers who see exporting as a possible new or expanded activity, but are uncertain if their product has export potential or how export-ready they are as a company. Trade counselors can also use ERAS as a fast, user-friendly way to “qualify” new clients for export assistance. The Assessment starts with 23 questions about the company’s domestic activity, business practices, organization, and products. After answering each question in one of the 3-6 possible ways given, the user gets an immediate export readiness “score” and a detailed diagnostic report that addresses the company’s export strengths and weaknesses in each of the 23 areas. The report further suggests specific steps the company can take to build on its strengths and overcome any weaknesses. The user can save, copy, and print the entire report and, if desired, can automatically share the results with a trade counselor of choice.

The 23 ERAS Questions & Possible Responses

A. Company Export Readiness

1. Are you an established presence in your industry domestically?

- Well known
- Somewhat known
- Not well known

2. How extensive is your current domestic sales outreach?

- Sell to large national customer base
- Sell to large regional customer base
- Sell to large local customer base
- Sell to few regional/national customers
- Sell to local customers

3. How do you sell and distribute your products in the domestic market?

- Use combination of own sales force and regional distributors
- Use regional distributors only
- Use own sales force only
- No sales/distribution network

4. Do you customarily conduct market research and planning for your domestic operations?

- Always
- Sometimes
- Rarely

5. To what extent do you advertise and promote your products in the domestic market?

- Very aggressively
- Fairly aggressively
- Modestly
- Not much
- None

6. Do any of your current managers or staff have export marketing or sales experience?

- Considerable experience
- Some experience
- Little or no experience

7. Has your company received any unsolicited inquiries from foreign firms?

- Many
- Some
- None

8. Could you promptly fill any new export orders from present inventory or other sources?

- Easily
- With Some Difficulty
- With Great Difficulty

9. How would you handle any new or additional export business within your organization?

- Establish export department
- Establish export manager
- Hire more staff
- Train existing staff
- Assign to current staff

10. What is the current status of your export activity?

- Export to many markets
- Export to some markets
- Export occasionally
- No export activity

11. Is your top management committed to exporting as a new or expanded area of activity?

- Strongly committed
- Somewhat committed
- Little commitment

12. How much per year could you afford to spend on export development?

- <\$5K
- \$5-25K
- \$ 26-50K
- \$51-100K
- >\$100K

13. How long would your management be willing to wait to achieve acceptable export results?

- Up to 3 years
- Up to 2 years
- Up to 1 year
- Up to 6 months
- Need immediate results

B. Product Export Readiness

14. Have domestic sales of your product grown over the past 3 years (average per year)?

- Zero or negative
- <5%
- 6-10%
- 11-20%
- >20%

15. What is your product's current share of the domestic market?

- <5%
- 5-10%
- 11-20%
- 21-40%
- >40%

16. Is your product price-competitive in the domestic market?

- Highly Competitive
- Somewhat Competitive
- Not Competitive

17. What payment terms would you be willing to offer reputable foreign buyers?

- Pay in advance
- Pay on delivery
- Up to 30 days
- 31-60 days
- 61-120 days
- Over 120 days

18. Does your product compare favorably with domestic competitors in features and benefits?

- Very favorably
- Somewhat favorably
- Somewhat unfavorably
- Unfavorably

19. Would you be willing to adapt your product and/or packaging to better suit foreign markets?

- Very willing
- Willing
- Reluctantly
- Unwilling

20. Is your product costly to transport over long distances?

- Not very costly
- Somewhat costly
- Very costly

21. Is any special training required to assemble, install or operate your product?

- No special training
- Some training
- Extensive training

22. Does your product require any special technical support or after-sale service?

- None required
- Some support/service
- Extensive support/service

23. Can your product tolerate harsh or widely varying environmental conditions?

- High tolerance
- Some tolerance
- Low tolerance

Appendix A Export Start-Up Aids

2. Four Stages of Export Development Needs for Assistance at Each Stage

Stage 1	Stage 2	Stage 3	Stage 4
Build Export Capacity →	Develop Export Markets →	Make Sales/Get Paid →	Deliver the Goods
Improve Competitiveness	Identify Best Markets	Close the Deal	Regulatory Compliance
Situation analysis/SWOT	Market research/analysis	Respond to inquiries	U.S regulatory compliance
Solidify fundamentals Production processes Business practices Operating capital	Select target markets Assess target markets Competition Market segments Market conditions/barriers	Quote prices (Incoterms) Negotiate sales terms	Foreign regulatory compliance
Develop Export Readiness	Develop Entry Strategies	Finance Sales/Get Paid	Documentary Compliance
Assess export readiness	Market strategy planning	Payment methods/svcs	U.S documentary compliance
Enhance company readiness Export counseling Export training & education	Distribution/pricing/promotion Adaptation/localization Implementation/action plan Resource/budget plan	Pre-export financing Transaction financing Export credit insurance Factoring/forfeiting	Foreign documentary compliance
		Payment Sources Commercial banks Export-Import Bank Factors/Forfaiters	
Get/Use Help	Implement Strategy		Transport the Goods
Trade assistance network State export assistance centers USDOC/USEACs & Embassies County/city export centers Chambers/Associations/WTCs	Find partners Trade leads Int'l partner searches Screen/select partners		Manage the supply chain
Trade assistance resources Partner programs/services Partner client databases	Promote export sales Broadcast promotion Targeted promotion Market promotion financing		Prepare goods for delivery Book cargo/ship the goods

Appendix B

Commodity Classification Codes

The most widely used trade classification codes are: the **Harmonized System (HS) Code**, a universal standard; the **Schedule B and Harmonized Tariff Schedule of the United States (HTSUSA)**; and the **Standard International Trade Classification (SITC)**, used by the United Nations. Other coding systems may be used to categorize products by industry sector rather than for trade purposes, such as the **North American Industry Classification System (NAICS)**, which replaced the **Standard Industrial Classification (SIC)**.

- **Schedule B Export Codes** are used only in the U.S. and only for export shipments. The 10-digit Schedule B codes are required entries on U.S. Electronic Export Information (EEI) filings (formerly Shipper's Export Declarations). At the 6-digit level, Schedule B codes are equivalent to Harmonized System (HS) codes.
- **Harmonized System (HS) Codes** were developed in 1989 by more than 60 countries to provide a uniform classification system for export and import statistics and to determine applicable import duties by product. The first 6 digits of an HS number are the same regardless of country.
- **Harmonized Tariff Schedule of the United States (HTSUSA) Codes** are specific to the U.S. for exports (comparable to 10 digit Schedule B codes) and imports (to determine applicable U.S. import duties).
- **Standard International Trade Classification (SITC) Codes** were developed by the United Nations in 1950 for use solely by international organizations for reporting international trade. The SITC has been revised several times; the current version is Revision 3.
- **North American Industry Classification System (NAICS) Codes** are used to categorize business establishments and industries in the U.S., Canada and Mexico, replacing the **Standard Industrial Classification (SIC)** codes. The NAICS, adopted in 1997-98, was developed to provide a consistent framework for the collection, analysis, and dissemination of industrial statistics. Of the 1,170 NAICS codes, 358 are new industries, 390 are revised from SIC, and 422 can be compared to the older SIC codes. See **SIC-NAICS Code Concordance** to look up SIC or NAICS Codes for specified products.

Appendix C

Market Research & Planning Aids

1. ITCI Trade Information Database

The International Trade Compliance Institute (ITCI) Trade Information Database (**TID**) is an extensive one-stop source of trade information drawn from many different U.S. Government, international, and non-governmental Websites. The TID is organized into 12 broad categories and 74 subcategories for convenient, drill-down searches. Within the 74 subcategories, are nearly 900 direct links to export/import guides; trade reference tools; product-and country-specific statistics and market research; trade directories, trade opportunities; tariff and non-tariff trade barriers; trade promotion programs; guides to trade finance, documentation, and transportation; and sources of trade assistance.

Trade Readiness Tools

How to information and tools to prepare and train for international trade

- [Export Readiness Assessment](#)
- [Internet Export Search Wizard](#)
- [Export Guides](#)
- [Import Guides](#)
- [Trade Tutorials - Webinars, Courses, Videos](#)

Trade Reference Tools

Quick look-ups to commonly needed international commodity codes definitions and conversions

- [Commodity Coding Systems](#)
- [Trade Terminology](#)
- [International Conversions](#)
- [Other Handy References](#)

Trade & Economic Data/Policy

Worldwide trade and economic data, U.S. trade policy, and U.S. exporter composition and job impacts

- [U.S. Trade Data](#)
- [Foreign Trade Data](#)
- [World Economic & Demographic Data](#)
- [U.S. Industry Profiles](#)
- [U.S. Economic Data](#)
- [U.S. Trade Policy](#)
- [U.S. Exporter Composition & Job Impacts](#)
- [California Trade/Economic/Industry Data](#)

Foreign Market Research

Extensive industry country and topical market research to help pinpoint best export markets assess particular markets adapt to local cultures and customs and develop effective market entry strategies

- [Manufactured Products Research](#)
- [Food & Agriculture Products Research](#)
- [Services Sector Research](#)
- [Intercultural Research](#)
- [Countries & Regions Research](#)
- [Country Risk Assessments](#)
- [North America Region Research \(U.S./Mexico/Canada\)](#)
- [South/Central America Region Research](#)
- [Western Europe/EU Region Research](#)
- [Russia/Eastern Europe Region Research](#)
- [Asia/Pacific Region Research](#)
- [Africa/Middle East Region Research](#)

Trade Contacts & Leads

Trade directories and specific trade leads to identify prospective suppliers, buyers and distributors

- [U.S. Producers & Exporters](#)
- [Foreign Manufacturers & Importers](#)
- [Hot Trade Leads](#)
- [Major Project Opportunities](#)

Trade/Investment Regulations

U.S. and worldwide laws and regulations affecting market access and compliance

- [U.S. and Foreign Import Duties](#)
- [U.S. National Security Export Controls \(EAR, ITAR, FACR\)](#)
- [Other U.S. Export Laws & Regulations](#)
- [Intellectual Property Law & Regulations](#)
- [U.S. Import Laws & Regulations](#)
- [Invest in USA Incentives & Regulations](#)
- [Foreign Trade Laws & Regulations](#)
- [International Trade Treaties & Agreements](#)
- [International Legal Resources](#)
- [California Law & Regulations](#)

Trade Documentation

Requirements procedures and forms needed for documentary compliance

- [Documentation Basics](#)
- [Sample Export Documents](#)
- [Documentation Forms & Software](#)

Trade Promotion

Programs, services and events to promote exports and facilitate international matchmaking

- [U.S. Trade Promotion & Matchmaking Services](#)
- [Trade Event Resources & Schedules](#)
- [Worldwide Marketing Media](#)
- [U.S. & International Trade Promotion Organizations](#)

Trade Finance & Insurance

Guides, programs, and sources of export finance, export credit insurance, and marine insurance

- [Trade Finance Basics](#)
- [Trade Finance Programs & Services](#)
- [Trade Finance/Insurance Providers](#)
- [Export Trade Financing - On-Line Application](#)
- [Marine Insurance Basics](#)
- [B2B - E-Commerce](#)

Trade Transport & Logistics

Requirements, tools and services to manage international trade logistics and deliver the goods

- [Transportation & Logistics Basics](#)
- [Trade Logistics Tools](#)
- [Transport Logistics Providers](#)

International Trade News

News feeds, Blogs, periodicals and publications on topics, industries, and regions of interest to international traders

- [Daily News Feeds/Blogs](#)
- [Periodicals](#)
- [Industry Publications](#)

Trade Resources Directory

California U.S. Government international private sector and academic sources of assistance

- [U.S. Government Trade Assistance Organizations](#)
- [U.S. Government Trade Regulatory Organizations](#)
- [State & Local Economic and Trade Organizations](#)
- [California Trade Organizations](#)
- [Trade & Industry Associations](#)
- [Chambers of Commerce](#)
- [Foreign Trade Offices](#)
- [Academic Trade Organizations](#)
- [International Trade Organizations](#)
- [International Trade Career Resources](#)

Appendix C

Market Research & Planning Aids

2. Export Market Plan Template

The Export Market Plan (EMP) template below can help each company develop a customized export development and market entry plan, with specific recommendations on target markets, prospective buyers and distributors, and effective export pricing, distribution and promotion strategies in each target market. The EMP provides a structure and step-by-step roadmap for the company. It has a three-part focus:

- Available company resources, capabilities and potentials.
- Overall strategic objectives and approach to develop markets, including product and market focus and whether to export directly or through a domestic intermediary.
- Strategy and actions to effectively enter and penetrate specific target markets, including product, pricing, distribution and promotion strategies.

I. Executive Summary

II. Company Profile

Provide a concise description of the company to include type of business (manufacturer, other), products supplied, when established, current location, # employees, organization structure and key managers.

III. SWOT Analysis

- A. Strengths**
- B. Weaknesses**
- C. Opportunities**
- D. Threats**

IV. Current Export Status

- A. Current export activity (as % of total sales):**
- B. Current export products and markets:**
- C. Ability to meet commercially acceptable international product standards:**

V. Product Focus for Export

A. Product 1: _____

1. **Classification:** Schedule B/HS# _____
2. **Product description & function:**
3. **Target customers/users:**
4. **Customary sales/distribution channels:**
5. **Customer support requirements for export:**
 - **Warranty & replacement policies:**
 - **Installation & maintenance:**
 - **User training:**
 - **Replacements/spare parts stocking:**
6. **Available supply for export (units per month):**

_____ currently available for export
_____ to be available for export as of _____

B. Product 2: Repeat for each product

VI. Current Export Resources, Functions & Requirements

A. Export Budget (last 3 years):

3 years ago: \$ _____ 2 Year ago: \$ _____ Last Year: \$ _____

B. Export Organization Structure & Reporting Hierarchy: Which unit has responsibility for the function; Where does it fit in the organization?

C. Export Manager(s)/Sales Force: Who supervises the function; how experienced. How large and experienced is the staff?

D. Export Functions Currently Performed (organization unit/persons assigned): How regularly is this function performed; what is done; how and by whom is it used?

1. **Market research, analysis and planning:**
2. **Export marketing and promotion:**
3. **Order taking & processing:**
4. **Export documentation:**
5. **Export finance/insurance:**
6. **Shipping & delivery:**

VII. Export Market Strategy for [This Year-Next Year]

A. Most Promising Markets:

B. Target Market 1 (Repeat for each target market):

1. Market Profile

- **Market overview:**
- **Demand trends:**
- **End user analysis:**
- **Competitive analysis:**
- **Import requirements and regulations:**
- **Market compatibility:**
- **Marketing & distribution practices:**
- **Advertising and promotion media:**
- **Potential business contacts:**

2. First Year Export Sales Goal: \$_____

3. Market Entry Strategy

- **Export Mode:** (Whether to export directly or use domestic export representative)
- **Localization/adaptation:** (Whether/how to adapt product, packaging, literature)
- **Distribution:** (Whether to sell direct to buyer or use local rep, sales office, etc.)
- **Advertising & promotion:** (Whether/how to promote and media to use)
- **Product pricing:** (Base price and whether /how much to discount)
- **Export financing:** (What payment terms/methods to use, for whom)
- **Product delivery:** (What packing, labeling, shipping, storage needs/methods apply)

4. Market Development Action Plan (milestones/dates)

- **Develop marketing collateral:** (Promotional materials, pricing, etc.)
- **Identify prospects in target markets:** (Buyers, agents/distributors, licensees, etc.)
- **Select/appoint partners:** (Conclude agent/distributor/other agreements)
- **Conduct marketing campaign:** (Advertising, trade shows, business visits)
- **Evaluate results:** (apply to ongoing strategic review)

First-Year Export Budget

A. Pre-Export Working Capital:	\$ _____
B. Market Research:	\$ _____
C. Sales & Distribution:	\$ _____
D. Market Promotion:	\$ _____
E. Market Adaptation:	\$ _____
Total	\$ _____

Appendix C

Market Research & Planning Aids

3. Sample Export Market Plan

ABC Co.

I. Executive Summary

II. Company Profile

ABC Inc., established in 1980 and located in Big City, USA, manufactures digital imaging systems for the medical market. ABC's products are highly regarded for reliability, innovation and quality engineering. The complete ABC line offers diagnostic and review workstations, transcription software, and Web distribution and tele-radiology solutions. This scalable product line allows each facility to transition into the digital environment and grow at its own rate, offering improved productivity with limited financial exposure.

III. Current Export Status

A. Current Export Activity (as % of total sales): ABC's exports are fairly sporadic and currently account for about 5% of total sales.

B. Current Export Products and Markets – ABC exports digital imaging systems on occasion to Canada, Mexico, Israel, Hong Kong, Saudi Arabia.

C. Ability to meet commercially acceptable standards: ABC's PACS (Picture Archiving Communication Systems) comply with all FDA and other U.S. standards. CE Mark pending.

IV Product Focus for Export

Product 1: Digital imaging systems

1. HS Classification: 902214

2. Product Description: - ABC's digital imaging systems bring the best of today's digital imaging technology to hospitals, imaging centers and other institutions in a user-friendly environment that dramatically reduces wasteful administrative time. The systems enable diagnosticians in one location to analyze medical scans taken at the source location and also to easily interface and consult with other medical professionals on a timely basis to improved patient care. See ABC's Web site for further details (www.xxx.xxx).

3. Target Customers/Users: Hospitals, medical centers, imaging centers, doctors' offices.

4. Customary Sales/Distribution Channels: ABC sells to a large customer base domestically, utilizing a combination of their own sales force and regional distributors. The current domestic sales and marketing strategy is to service existing customers and rely on them and word of mouth to attract new customers. Customers are encouraged to visit the plant and talk over their needs with the plant staff.

5. Customer Support Requirements for Export

- **Warranty & replacement policies:** ABC has a strong customer service orientation. We are willing to send or train technicians to replace or repair any system that does not meet customer requirements.
- **Installation & maintenance:** Dealer's responsibility.
- **User Training:** Dealer provides and/or training provided at ABC.
- **Replacements/Spare parts stocking:** Dealer discretion.

6. Available supply for export (units per month):

- **Currently available for export:** ABC could easily fill new export orders from present inventory or other sources.
- **To be available for export as of _____:** Not applicable.

V. Current Export Resources, Functions & Requirements

A. Export Budget (last 3 years): ABC's management is strongly committed to exporting and would be willing to commit over \$15,000 per year for export development. The company would also be willing to wait up to 3 years to achieve acceptable export results.

3 yrs ago: None

2 yrs ago: None

Last yr: \$5,000

B. Export Organization Structure & Reporting Hierarchy (which unit has responsibility for the functions; where does it fit in the organization?): For export purposes, existing sales, marketing and distribution managers will report to the president of the company.

C. Export Manager(s)/Sales Force (Who supervises the function; how experienced; how large and experienced is the staff?). The current sales manager, Joe Smith, will initially serve as both the Export Manager/Sales Manager. He has little prior experience in exporting, but will be given opportunities to attend appropriate export training programs. ABC will consider hiring an Export Manager if new export volume warrants.

D. Export Functions Currently Performed (organization unit/persons assigned; How regularly is this function performed; what is done, how and by whom is the work used in the company): Joe Smith handles the majority of the sales and processes the orders through ABC's credit department and then shipping department.

- **Market research, analysis and planning:** At present, ABC invests minimally in market research, analysis and planning.
- **Export marketing and promotion:** ABC has not yet done any export marketing or promotion, although we do have an active website.
- **Order taking & processing:** Will be assigned to the Sales/Export Manager.
- **Export documentation:** Sales/Export Manager to work with freight forwarders.
- **Export finance/insurance:** Sales/Export Manager to work with XYZ Commercial Bank for export transactions by L/C and Documentary Collections and with the U.S. Export-Import Bank export credit insurance.
- **Shipping & delivery:** Sales/Export Manager will handle and work with freight forwarders.

VI. Export Market Strategy Next 2 Years

Target Markets: ABC will focus on 2 markets considered most promising over the next two years, based on trade statistics and available market research – [Country 1, Country 2]. See Appendices for assessments of these target markets.

U.S. Exports of HS 902214, Latest 4 Years Apparatus based on the use of X-Rays for medical, surgical, or veterinary uses, Top 5 Markets in Rank Order, Latest Year

Country	Base Year A	Next Year B	Next Year C	Latest Year D	% Change A-D	% Change C-D	% Total D
<i>In 1,000 Dollars</i>							
Japan	108,223	72,498	90,234	142,111	31.3%	57.5%	15.54%
China	77,273	100,622	120,372	102,924	33.2%	-14.5%	11.26%
Canada	58,909	67,951	93,589	66,249	12.5%	-29.2%	7.25%
Belgium	69,510	70,477	64,830	63,784	-8.2%	-1.6%	6.98%
Germany	52,224	63,054	54,187	54,837	5.0%	1.2%	6.00%
Subtotal :	366,138	374,602	423,212	429,906	17.4%	1.6%	47.02%
All Other:	426,319	443,271	519,807	484,459	13.6%	-6.8%	52.98%
Total	792,457	817,873	943,018	914,365	15.4%	-3.0%	100.00%

A. First Year Export Sales Goal: \$500,000

B. Market Entry Strategy

- **Export Mode: (Whether to export directly or use domestic export intermediary):** ABC will export directly to [Country], not use a U.S. intermediary.
- **Distribution in target markets (Whether to sell direct to foreign buyers or use in-country agent/distributor):** ABC will initially seek a distributor in [Country] that specializes in radiological equipment, can train locally as needed, is not already overloaded with other accounts, and is willing to share costs of market development and promotion. ABC will use the Department of Commerce Gold Key Service in [Country] as a first step.
- **Advertising & promotion (Whether/how to promote to target market and what media to use):** ABC and its distributor will launch an aggressive in-country promotion campaign focused on ads in the major medical imaging trade magazines and exhibiting at the next [Medica show in Germany].
- **Product pricing (Base price and whether /how much to discount):** Base export prices (Ex Works and FAS Los Angeles) are shown on the attached Price List. CIF pricing can be quoted on a case-by-case basis. The distributor will get a 15% discount on orders below \$25,000 and a 25% discount on orders above \$25,000.

- **Export financing (What payment terms/methods to use):** Unless special circumstances apply, or the distributor advises otherwise, ABC will sell on an irrevocable, confirmed Letter of Credit basis or, if warranted, on open account backed by export credit insurance from the U.S. Export-Import Bank.
- **Product delivery (What methods to use for packing, labeling, shipping, and storage):** ABC will pack and label shipments in compliance with any product marking and labeling requirements. ABC's freight forwarder will arrange delivery from and to whatever point the buyer specifies (from factory only (ex-works), to the U.S. point of exit (FOB, FAS) or to the entry point in the destination country (CIF).
- **Localization/adaptation (Whether/how to adapt product, packaging, literature):** For the [Country] market, ABC will be able to use current product design and packaging and current English-language product brochures and other marketing collateral.

C. Market Development Action Plan (milestones/dates)

- **Develop marketing collateral** (promotional materials, price lists, legal instruments, etc.): ABC will develop by [Date]
- **Identify prospects in target markets** (Buyers, agents/distributors): ABC will use the Department of Commerce Gold Key Service to identify potential distributor in [Country]. Additional repfind initiatives will be pursued on a case by case basis. by [Date]
 - **Select/ appoint partners** (Conclude agent/distributor/other agreements): To be pursued as prospects are identified.
 - **Conduct marketing campaign** (Advertising, trade shows, business visits): After selection of distributor(s).
 - **Evaluate results:** Quarterly

VII. First-Year Export Budget

1. Pre-Export Working Capital:	\$ None
2. Export Training (8 topics):	\$1,800
3. Market Research & Planning:	\$1,500
4. Sales & Distribution:	\$1,500 for Gold Key
5. Market Promotion:	\$10,000 (Medica Trade Show)
6. Market Adaptation:	As needed for regulatory compliance
7. Travel:	\$5,000
8. Other:	\$200
Total:	\$20,000

Appendix C Market Research & Planning Aids

4. Market Potential Matrix Worksheet Selection Criteria

This matrix assesses the U.S. industry's market potential in each listed country, based on how well the country performed against the 11 "predictor" criteria represented in Columns 1-11 below. A **double X** in the Column cell indicates the country met the criterion very well; a **single X** indicates reasonably good performance; a **blank** indicates the country was lacking in that criterion. The countries with the greatest number of XX's and X's across the most number of criteria are presumed to offer greater export potential for the industry.

	1	2	3	4	5	6	7	8	9	10	11
Argentina											
Australia											
Austria											
Belgium											
Brazil											
Canada											
Chile											
China											
Czech Republic											
Denmark											
France											
Germany											
Hong Kong											
Hungary											
India											
Ireland											
Israel											
Italy											
Japan											
Korea											
Malaysia											
Mexico											
Netherlands											
Poland											
Russia											
Saudi Arabia											
Singapore											
South Africa											
Spain											
Sweden											
Switzerland											
Taiwan											
Thailand											
UAE											
UK											

Key: Columns/Criteria

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Largest export markets, latest year 2. Fastest growing export markets, past 3 yrs 3. Fastest growing export markets, latest year 4. Largest importing countries, latest year 5. Fastest growing importing countries, past 3 yrs 6. Fastest growing importing countries, latest year | <ol style="list-style-type: none"> 8. Limited competition from local producers 9. High receptivity to products from your country 10. No significant market barriers 11. Recommended as a "best" export market |
|---|---|
7. Strong share of import market, latest year

Appendix C Market Research & Planning Aids

5. Market Potential Statistics Worksheets

Worksheet 1

Top 30 U.S. Export Markets for Widgets [Past 4 Years] In Rank Order by Country [Latest Year]

Country	Base Year	2 Years Ago	Last Year4	Latest Year	% Change	% Change	% Share
	<i>In 1,000 Dollars</i>				From Base Year	From Last Year	Latest Year
Canada	5,052,205	4,759,415	5,131,904	5,393,844	6.8%	5.10%	22.5%
Mexico	2,876,758	2,722,342	2,687,602	3,999,975	39.0%	48.80%	16.7%
Japan	2,542,296	1,778,775	1,649,501	1,567,063	-38.4%	-5.00%	6.5%
United Kingdom	1,980,351	1,390,027	1,339,784	1,485,395	-25.0%	10.90%	6.2%
Netherlands	2,118,322	1,463,165	1,379,502	1,318,343	-37.8%	-4.40%	5.5%
Germany	1,123,926	965,580	1,017,171	1,091,621	-2.9%	7.30%	4.6%
China	957,494	738,618	735,760	779,539	-18.6%	6.00%	3.2%
Singapore	923,633	660,386	669,519	649,593	-29.7%	-3.00%	2.7%
Hong Kong	1,250,218	800,819	686,630	633,767	-49.3%	-7.70%	2.6%
France	508,981	415,218	457,123	516,888	1.6%	13.10%	2.2%
Korea	812,728	694,474	518,784	502,270	-38.2%	-3.20%	2.1%
Australia	589,983	428,935	452,526	474,064	-19.6%	4.80%	2.0%
Brazil	765,436	423,420	371,178	421,148	-45.0%	13.50%	1.8%
Ireland	648,126	411,319	444,715	391,723	-39.6%	-11.90%	1.6%
Malaysia	407,250	371,353	288,711	350,984	-13.8%	21.60%	1.5%
Taiwan	548,479	416,308	324,952	340,030	-38.0%	4.60%	1.4%
India	246,348	255,726	274,416	311,686	26.5%	13.60%	1.3%
Italy	198,878	174,147	191,785	239,779	20.6%	25.00%	1.0%
Chile	193,447	187,887	183,373	236,537	22.3%	29.00%	1.0%
Israel	303,740	186,689	211,471	225,203	-25.9%	6.50%	0.9%
Colombia	228,811	217,061	201,473	189,369	-17.2%	-6.00%	0.8%
Venezuela	221,331	110,641	65,003	179,424	-18.9%	176.00%	0.7%
Belgium	221,275	136,483	135,213	174,471	-21.2%	29.00%	0.7%
Argentina	246,526	46,589	114,522	150,261	-39.0%	31.20%	0.6%
Spain	107,596	98,865	114,881	135,921	26.3%	18.30%	0.6%
Thailand	137,412	136,827	125,262	130,169	-5.3%	3.90%	0.5%
Paraguay	118,940	170,643	106,546	123,091	3.5%	15.50%	0.5%
Denmark	62,151	75,932	79,977	105,283	69.4%	31.60%	0.4%
Russia	63,360	59,666	72,001	98,335	55.2%	36.60%	0.4%
Peru	92,703	75,673	92,693	96,024	3.6%	3.60%	0.4%
Subtotal :	25,548,703	20,372,983	20,123,974	22,311,797	-12.7%	10.90%	93.0%
All Other:	1,837,611	1,439,095	1,470,962	1,678,571	-8.7%	14.10%	7.0%
Total	27,386,314	21,812,078	21,594,936	23,990,368	-12.4%	11.10%	100.0%

Source: US Census Bureau

Appendix C
Market Research & Planning Aids

5. Market Potential Statistics Worksheets
Worksheet 2

Top 30 U.S. Export Markets for Widgets [Past 4 Years]
In Rank Order by Growth Rate [From Base Year to Latest Year]

Country	Base Year	2 Years Ago	Last Year4	Latest Year	% Change	% Change	% Share
	<i>In 1,000 Dollars</i>				From Base Year	From Last Year	Latest Year
Denmark	62,151	75,932	79,977	105,283	69.40%	31.60%	0.40%
Russia	63,360	59,666	72,001	98,335	55.20%	36.60%	0.40%
Mexico	2,876,758	2,722,342	2,687,602	3,999,975	39.00%	48.80%	16.70%
India	246,348	255,726	274,416	311,686	26.50%	13.60%	1.30%
Spain	107,596	98,865	114,881	135,921	26.30%	18.30%	0.60%
Chile	193,447	187,887	183,373	236,537	22.30%	29.00%	1.00%
Italy	198,878	174,147	191,785	239,779	20.60%	25.00%	1.00%
Canada	5,052,205	4,759,415	5,131,904	5,393,844	6.80%	5.10%	22.50%
Peru	92,703	75,673	92,693	96,024	3.60%	3.60%	0.40%
Paraguay	118,940	170,643	106,546	123,091	3.50%	15.50%	0.50%
France	508,981	415,218	457,123	516,888	1.60%	13.10%	2.20%
Germany	1,123,926	965,580	1,017,171	1,091,621	-2.90%	7.30%	4.60%
Thailand	137,412	136,827	125,262	130,169	-5.30%	3.90%	0.50%
Malaysia	407,250	371,353	288,711	350,984	-13.80%	21.60%	1.50%
Colombia	228,811	217,061	201,473	189,369	-17.20%	-6.00%	0.80%
China	957,494	738,618	735,760	779,539	-18.60%	6.00%	3.20%
Venezuela	221,331	110,641	65,003	179,424	-18.90%	176.00%	0.70%
Australia	589,983	428,935	452,526	474,064	-19.60%	4.80%	2.00%
Belgium	221,275	136,483	135,213	174,471	-21.20%	29.00%	0.70%
United Kingdom	1,980,351	1,390,027	1,339,784	1,485,395	-25.00%	10.90%	6.20%
Israel	303,740	186,689	211,471	225,203	-25.90%	6.50%	0.90%
Singapore	923,633	660,386	669,519	649,593	-29.70%	-3.00%	2.70%
Netherlands	2,118,322	1,463,165	1,379,502	1,318,343	-37.80%	-4.40%	5.50%
Taiwan	548,479	416,308	324,952	340,030	-38.00%	4.60%	1.40%
Korea	812,728	694,474	518,784	502,270	-38.20%	-3.20%	2.10%
Japan	2,542,296	1,778,775	1,649,501	1,567,063	-38.40%	-5.00%	6.50%
Argentina	246,526	46,589	114,522	150,261	-39.00%	31.20%	0.60%
Ireland	648,126	411,319	444,715	391,723	-39.60%	-11.90%	1.60%
Brazil	765,436	423,420	371,178	421,148	-45.00%	13.50%	1.80%
Hong Kong	1,250,218	800,819	686,630	633,767	-49.30%	-7.70%	2.60%
Subtotal :	25,548,703	20,372,983	20,123,974	22,311,797	-12.70%	10.90%	93.00%
All Other:	1,837,611	1,439,095	1,470,962	1,678,571	-8.70%	14.10%	7.00%
Total	27,386,314	21,812,078	21,594,936	23,990,368	-12.40%	11.10%	100.00%

Source: US Census Bureau

Appendix C
Market Research & Planning Aids
5. Market Potential Statistics Worksheets

Worksheet 3

Top 30 U.S. Export Markets for Widgets, [Past 4 Years]
In Rank Order by Growth Rate [From Last Year to Latest Year]

Country	Base Year	2 Years Ago	Last Year4	Latest Year	% Change	% Change	% Share
	<i>In 1,000 Dollars</i>				From Base Year	From Last Year	Latest Year
Venezuela	221,331	110,641	65,003	179,424	-18.90%	176.00%	0.70%
Mexico	2,876,758	2,722,342	2,687,602	3,999,975	39.00%	48.80%	16.70%
Russia	63,360	59,666	72,001	98,335	55.20%	36.60%	0.40%
Denmark	62,151	75,932	79,977	105,283	69.40%	31.60%	0.40%
Argentina	246,526	46,589	114,522	150,261	-39.00%	31.20%	0.60%
Chile	193,447	187,887	183,373	236,537	22.30%	29.00%	1.00%
Belgium	221,275	136,483	135,213	174,471	-21.20%	29.00%	0.70%
Italy	198,878	174,147	191,785	239,779	20.60%	25.00%	1.00%
Malaysia	407,250	371,353	288,711	350,984	-13.80%	21.60%	1.50%
Spain	107,596	98,865	114,881	135,921	26.30%	18.30%	0.60%
Paraguay	118,940	170,643	106,546	123,091	3.50%	15.50%	0.50%
India	246,348	255,726	274,416	311,686	26.50%	13.60%	1.30%
Brazil	765,436	423,420	371,178	421,148	-45.00%	13.50%	1.80%
France	508,981	415,218	457,123	516,888	1.60%	13.10%	2.20%
United Kingdom	1,980,351	1,390,027	1,339,784	1,485,395	-25.00%	10.90%	6.20%
Germany	1,123,926	965,580	1,017,171	1,091,621	-2.90%	7.30%	4.60%
Israel	303,740	186,689	211,471	225,203	-25.90%	6.50%	0.90%
China	957,494	738,618	735,760	779,539	-18.60%	6.00%	3.20%
Canada	5,052,205	4,759,415	5,131,904	5,393,844	6.80%	5.10%	22.50%
Australia	589,983	428,935	452,526	474,064	-19.60%	4.80%	2.00%
Taiwan	548,479	416,308	324,952	340,030	-38.00%	4.60%	1.40%
Thailand	137,412	136,827	125,262	130,169	-5.30%	3.90%	0.50%
Peru	92,703	75,673	92,693	96,024	3.60%	3.60%	0.40%
Singapore	923,633	660,386	669,519	649,593	-29.70%	-3.00%	2.70%
Korea	812,728	694,474	518,784	502,270	-38.20%	-3.20%	2.10%
Netherlands	2,118,322	1,463,165	1,379,502	1,318,343	-37.80%	-4.40%	5.50%
Japan	2,542,296	1,778,775	1,649,501	1,567,063	-38.40%	-5.00%	6.50%
Colombia	228,811	217,061	201,473	189,369	-17.20%	-6.00%	0.80%
Hong Kong	1,250,218	800,819	686,630	633,767	-49.30%	-7.70%	2.60%
Ireland	648,126	411,319	444,715	391,723	-39.60%	-11.90%	1.60%
Subtotal :	25,548,703	20,372,983	20,123,974	22,311,797	-12.70%	10.90%	93.00%
All Other:	1,837,611	1,439,095	1,470,962	1,678,571	-8.70%	14.10%	7.00%
Total	27,386,314	21,812,078	21,594,936	23,990,368	-12.40%	11.10%	100.00%

Source: US Census Bureau

Appendix C Market Research & Planning Aids

5. Market Potential Statistics Worksheets

Worksheet 4

Top 30 World Importers of Widgets, [Past 4 Years] In Rank Order by Country [Latest Year]

Importing Country	Base Year	2 Years Ago	Last Year4	Latest Year	% Change From Base Year	% Change From Last Year	% Share Latest Year
	<i>In 1,000 Dollars</i>						
USA	48,492,144	51,012,784	52,984,512	60,782,880	25.3%	14.7%	23.9%
Netherlands	14,177,290	12,713,590	17,062,944	21,922,432	54.6%	28.5%	8.6%
Germany	16,964,912	16,003,794	17,772,144	20,392,544	20.2%	14.7%	8.0%
United Kingdom	14,597,824	13,785,818	15,233,345	17,904,640	22.7%	17.5%	7.0%
Japan	15,038,005	14,332,633	15,928,690	17,617,440	17.2%	10.6%	6.9%
China	4,980,964	6,733,327	11,411,206	14,456,089	190.2%	26.7%	5.7%
France	8,054,771	7,873,243	9,148,496	11,428,904	41.9%	24.9%	4.5%
Hong Kong	6,448,641	6,846,739	7,028,636	7,441,557	15.4%	5.9%	2.9%
Canada	6,555,357	6,143,934	6,524,289	7,339,777	12.0%	12.5%	2.9%
Italy	4,698,982	4,662,938	5,351,687	6,273,750	33.5%	17.2%	2.5%
Mexico	4,162,375	4,524,254	5,235,837	6,240,103	49.9%	19.2%	2.5%
Belgium	3,840,399	3,627,217	4,824,050	5,394,915	40.5%	11.8%	2.1%
Singapore	5,423,161	4,413,267	4,341,531	4,984,158	-8.1%	14.8%	2.0%
Spain	2,858,692	2,690,508	3,789,003	4,676,536	63.6%	23.4%	1.8%
Australia	2,495,448	2,713,043	3,152,170	4,047,342	62.2%	28.4%	1.6%
Ireland	4,535,643	3,437,614	3,547,569	3,558,203	-21.6%	0.3%	1.4%
Korea Republic	3,039,814	3,210,755	3,178,907	3,455,784	13.7%	8.7%	1.4%
Switzerland	3,105,710	2,860,008	3,027,437	3,265,489	5.1%	7.9%	1.3%
Sweden	2,136,065	2,097,531	2,538,045	3,075,320	44.0%	21.2%	1.2%
Malaysia	1,640,171	1,431,360	1,225,400	2,220,873	35.4%	81.2%	0.9%
Austria	1,414,702	1,460,193	1,860,513	2,122,010	50.0%	14.1%	0.8%
Denmark	1,260,986	1,458,821	1,760,183	2,035,252	61.4%	15.6%	0.8%
Czech Rep	1,140,474	1,590,309	1,766,046	2,003,695	75.7%	13.5%	0.8%
Thailand	1,038,687	N/A	1,763,233	N/A	-100.0%	-100.0%	0.0%
India	591,409	806,512	1,091,994	1,471,025	148.7%	34.7%	0.6%
Poland	1,092,673	1,035,209	1,146,867	1,460,261	33.6%	27.3%	0.6%
Norway	994,669	978,113	1,098,273	1,388,434	39.6%	26.4%	0.5%
Hungary	628,990	970,898	1,031,544	1,310,856	108.4%	27.1%	0.5%
Finland	922,442	904,930	1,022,561	1,286,122	39.4%	25.8%	0.5%
South Africa	695,581	638,615	902,932	1,258,171	80.9%	39.3%	0.5%
Subtotal:	183,026,981	180,957,957	206,750,044	240,814,562	31.6%	16.5%	94.6%
All Other:	11,116,420	10,185,154	11,791,845	13,781,302	24.0%	16.9%	5.4%
Total:	194143401	191143111	218541889	254595864	31.1%	16.5%	100.0%

Source: United Nations Comtrade

Appendix C Market Research & Planning Aids

5. Market Potential Statistics Worksheets

Worksheet 5

Top 30 World Exporters of Widgets, [Past 4 Years] In Rank Order by Country [Latest Year]

Exporting Country	Base Year	2 Years Ago	Last Year4	Latest Year	% Change From Base Year	% Change From Last Year	% Share Latest Year
	<i>In 1,000 Dollars</i>						
Italy	\$2,486,029,568	\$2,719,557,901	\$3,188,613,603	\$3,152,002,685	26.8%	-1.1%	15.1%
Germany	\$1,853,634,816	\$2,108,984,000	\$2,742,899,000	\$2,823,024,000	52.3%	2.9%	13.5%
China	\$1,313,839,558	\$1,612,924,802	\$2,028,959,587	\$2,756,843,267	109.8%	35.9%	13.2%
USA	\$1,250,118,581	\$1,378,639,835	\$1,659,469,135	\$1,972,277,018	57.8%	18.8%	9.4%
Japan	\$836,997,952	\$1,019,295,658	\$1,252,187,175	\$1,385,504,259	65.5%	10.6%	6.6%
Belgium	\$805,705,088	\$999,390,328	\$1,157,331,806	\$1,220,434,208	51.5%	5.5%	5.8%
United Kingdom	\$685,780,288	\$818,617,880	\$1,011,257,188	\$1,130,869,450	64.9%	11.8%	5.4%
France	\$805,705,088	\$883,498,496	\$982,702,252	\$1,053,352,707	30.7%	7.2%	5.0%
Canada	\$767,516,470	\$762,098,853	\$864,942,697	\$918,421,953	19.7%	6.2%	4.4%
Austria	\$399,964,320	\$550,824,071	\$639,352,516	\$672,185,008	68.1%	5.1%	3.2%
Mexico	\$345,260,128	\$390,256,493	\$457,778,521	\$543,970,079	57.6%	18.8%	2.6%
Switzerland	\$267,932,352	\$308,303,328	\$353,983,862	\$335,906,935	25.4%	-5.1%	1.6%
Korea	\$197,750,896	\$227,394,880	\$263,454,937	\$316,035,647	59.8%	20.0%	1.5%
Sweden	\$178,527,744	\$212,277,072	\$260,647,661	\$304,215,924	70.4%	16.7%	1.5%
Finland	\$185,074,720	\$225,654,736	\$279,205,590	\$295,929,873	59.9%	6.0%	1.4%
Denmark	\$174,207,536	\$216,867,952	\$228,714,576	\$238,338,596	36.8%	4.2%	1.1%
Russia	\$82,779,735	\$106,709,375	\$164,171,014	\$216,550,590	161.6%	31.9%	1.0%
Slovenia	\$124,712,960	\$139,715,725	\$163,009,318	\$182,098,845	46.0%	11.7%	0.9%
South Africa	\$91,208,368	\$105,742,192	\$158,647,257	\$174,209,118	91.0%	9.8%	0.8%
Hungary	\$66,244,000	\$101,866,000	\$127,709,000	\$170,187,943	156.9%	33.3%	0.8%
Thailand	\$0	\$104,758,958	\$128,993,121	\$151,196,901	N/A	17.2%	0.7%
Greece	\$106,789,208	\$137,731,744	\$129,524,594	\$137,520,211	28.8%	6.2%	0.7%
Hong Kong	\$102,210,526	\$109,347,991	\$135,135,933	\$133,490,907	30.6%	-1.2%	0.6%
Luxembourg	\$61,437,424	\$63,159,139	\$73,269,636	\$85,258,959	38.8%	16.4%	0.4%
Belarus	\$42,076,232	\$62,437,816	\$85,124,238	\$82,095,900	95.1%	-3.6%	0.4%
Singapore	\$48,043,564	\$45,834,525	\$56,090,680	\$68,958,162	43.5%	22.9%	0.3%
Ireland	\$50,212,032	\$56,517,120	\$60,837,763	\$58,484,673	16.5%	-3.9%	0.3%
Argentina	\$24,225,619	\$29,667,333	\$60,837,763	\$52,926,349	118.5%	-13.0%	0.3%
Australia	\$34,825,920	\$42,042,184	\$42,180,806	\$46,485,940	33.5%	10.2%	0.2%
Croatia	\$20,465,569	\$23,117,496	\$31,382,978	\$46,433,534	126.9%	48.0%	0.2%
Subtotal:	\$13,409,276,262	\$15,563,233,883	\$18,788,414,207	\$20,725,209,641	54.6%	10.3%	99.0%
All Other:	\$3,082,728,454	\$4,294,092,215	\$5,211,757,609	\$213,577,557	-93.1%	-95.9%	1.0%
Total:	\$16,492,004,716	\$19,857,326,098	\$24,000,171,816	\$20,938,787,198	27.0%	-12.8%	100.0%

Source: United Nations Comtrade

Appendix C Market Research & Planning Aids

5. Market Potential Statistics Worksheets

Worksheet 6

**World Importers of Widgets, [Latest 3 Years]
Total Market, Imports and Imports from the U.S.
In Rank Order by Imports from the U.S. [Latest Year]
In \$millions**

Country	Total Market			Total Imports			Imports from US			% U.S. Share
	Base Year	Latest Year	% Change	Base Year	Latest Year	% Change	Base Year	Latest Year	% Change	Latest Year
Argentina	175	236	35%	105	156	49%	31	45	45%	29%
Australia	1,787	2,009	12%	1,208	1,310	8%	593	570	-4%	44%
Austria	442	494	12%	827	868	5%	171	178	4%	20%
Brazil	1,602	1,840	15%	851	930	9%	361	360	0%	39%
Bulgaria	111	165	49%	104	160	54%	16	33	106%	21%
Canada	2,981	3,589	20%	1,993	2,594	30%	1,223	1,496	22%	58%
Chile	58	78	34%	43	59	37%	23	25	9%	42%
China	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Colombia	205	231	13%	179	200	12%	76	87	14%	43%
Costa Rica	16	75	369%	17	77	358%	8	34	315%	44%
Denmark	975	1,100	13%	900	950	6%	254	285	12%	30%
Dom Rep.	207	179	-14%	201	175	-13%	121	104	-14%	59%
Egypt	572	671	17%	546	638	17%	136	160	18%	25%
Finland	562	533	-5%	404	368	-9%	109	103	-6%	28%
France	4,586	5,047	10%	2,540	2,850	12%	760	822	8%	29%
Germany	13,720	14,600	6%	13,260	14,400	9%	4,080	4,438	9%	31%
Greece	690	750	9%	688	744	8%	98	125	28%	17%
Guatemala	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hong Kong	172	164	-5%	801	886	11%	228	224	-2%	25%
Hungary	160	185	16%	143	160	12%	15	20	33%	13%
India	1,745	1,925	10%	1,065	1,200	13%	150	200	33%	17%
Ireland	296	352	19%	570	659	16%	340	393	16%	60%
Israel	463	553	19%	450	510	13%	127	150	18%	29%
Japan	18,184	18,752	3%	7,767	8,579	10%	4,791	5,274	10%	61%

Source: USDOC *Country Commercial Guides*

Appendix D Matchmaking Aids

2. Sample Agent/Distributor Search Letter

Dear _____:

We are seeking representation for our products in your country and would welcome your possible interest. This will briefly describe who we are, what we do, what we are looking for, and how we prefer to operate. Please refer to our Web site (www.xxxxxxxxx.com) for additional information.

XYZ, Inc. is a leading U.S. manufacturer of two-way radio communications equipment for professional use. We offer vehicular mounted radios and base station radios. They are used by police, taxis, delivery services, etc. We are currently [exporting to _____, but not yet in your country] [selling throughout the U.S., but not yet exporting].

Our firm was founded in 19__ with __ employees. We now have __ employees, and our annual sales this past year totaled over \$_____. ABC, Inc. is capitalized at over \$____, has modern plant facilities, and excellent profitability. Our financial and operations can be confirmed by national credit agencies. We are also a member of the [any relevant chambers or other organizations].

Our products are sold in the U.S. through a nationwide network of stocking distributors who purchase direct from our factory. The distributors must have the capability to install the equipment and provide local warranty and non-warranty service. The distributor must have adequate test equipment and be willing to not only inventory our radios, but service materials as well.

We prefer to deal with mutually exclusive distributors in each defined territory. We grant a __% discount (__% commission) from our recommended or suggested list prices and fully support our distributors with technical advice, express shipments when needed, and other support services. We would support our overseas representatives in the same way.

It is our policy to select and work with a dealer on a trial basis using either pre-payment or payment by a confirmed, irrevocable letter of credit. After a relationship has been established, and a distributor has demonstrated they can sell and service our products profitably, we are open to other credit and payment terms.

With kind regards,

Appendix D Matchmaking Aids

3. Agent/Distributor Qualifications Checklist

Consider these factors in evaluating prospective overseas representatives. Their significance varies with the products and countries involved and the needs of the company seeking a rep.

Sales force

- Number and location of sales staff.
- Would the rep need more staff to service your account? Would it be willing add staff?
- How is its sales staff compensated? Are any incentive or motivation programs offered?
- How is its sales staff trained? Would it pay or share costs of Egypt-based training if needed?

Sales performance

- Sales volume for the past five years. If growing, why? If not, why not?
- Sales goals for next year; based on what assumptions?
- What sales volume does it foresee for your products? Based on what? Is this adequate?

Territorial coverage

- Current territory served. Is that the coverage you need?
- How does it serve more distant areas within its territory -- resident staff, branch offices?
- Would it be willing to strengthen coverage in areas you consider important?

Companies/products represented

- How many and whose/products does it currently represent? Is this a manageable level?
- Would you be the primary supplier? What priority would you receive?
- Would your products fit well in this mix?
- Do you compete with any of the companies/products represented?

Customer profile

- What end-use sectors does it mainly sell to? Are these the right targets for you?
- Who are its key accounts? What share of sales do they represent? Do they make sense for you too?

Facilities and equipment

- Communications facilities and preferred methods -- phone, fax, cable, E-mail, other?
- Warehouse and stocking capacity. Is there enough for you, if you need it?
- Customer support facilities/capabilities. Can it install and service your products if needed?
- Training facilities/capabilities. Can it train users if needed?

Localization capabilities

- Can it translate your sales literature and ad copy if needed?
- Can it alter the packaging or the product itself if needed to meet local requirement or tastes?

Market development capabilities

- Market research -- Does it conduct or use market research in decision-making? Can it help you assess your market potential?
 - Promotion -- Does it promote itself and the products it represents? What promotional literature is used for this? What promotional media are used? How are the results measured? How much is spent on each method? If the principals contribute, what formula is used to allocate the costs?

Appendix D Matchmaking Aids

4. Sample Export Sales Representative Agreement

DISCLAIMER

This sample agreement is provided by Y.F. Chou, Prof. Corp., (this "Firm") as a service and does not constitute legal advice. A sample agreement does not constitute legal advice and does not create an attorney-client relationship. This Firm makes no claims, promises, representations, warranties or guarantees concerning the accuracy, completeness, adequacy, currency, suitability, legal effect, appropriateness of the provisions and/or information contained in the agreements, including but not limited to the warranties of merchantability and fitness for a particular purpose. The sample agreement is provided "as is," "as available," and with "all faults," and its use is entirely at user's own risk. The sample agreement may be inappropriate for particular circumstances, and different jurisdictions may require different or additional provisions to ensure the desired result. Some provisions contained herein might not be enforceable in various jurisdictions. As legal advice must be tailored to the specific circumstances of each case or matter, and laws are constantly changing, nothing provided herein shall be used as a substitute for the advice of competent counsel. Users should not act or rely on the sample agreement without seeking the advice of competent counsel licensed to practice in user's jurisdiction. Users should obtain professional assurances and determine the appropriate provisions and agreements applicable to their particular transactions. Further, the sample agreement is provided on a non-exclusive license basis only for user's personal one-time use for non-commercial purposes, without any right to re-license, sublicense, distribute, assign or transfer such license.

THIS EXPORT SALES REPRESENTATIVE AGREEMENT (this "Agreement") is made and entered into on _____ (date) (the "Effective Date"), by and between _____ ("Manufacturer"), a California corporation with principal offices located at _____ (address), USA, and _____, ("Representative") having its principal offices at _____ (complete address of representative's office).

RECITALS

Manufacturer is in the business of manufacturing and exporting _____;
Representative is in the business of representing manufacturers to sell products; and
Manufacturer desires to retain Representative to act as Manufacturer's sales representative pursuant to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, the Manufacturer and Representative agree as follows:

1. DEFINITION

1.1 "Affiliate" means an entity which, directly or indirectly, controls, is controlled by, or is under common control of a parent company with a party to this Agreement. For purposes of this paragraph, "control" means owning or controlling at least 30% of the voting stock entitled to vote for elections of the members of the board of directors (or, if none, persons performing similar functions) or, in the case of entities not having voting stock, equivalent ownership or control thereof.

1.2 "Commissions" shall mean the commissions to be paid by Manufacturer to Representatives for the Commissionable Orders pursuant to Sections 6.3, 6.4 and 6.5 of this Agreement.

1.3 "Commissionable Orders" shall mean any and all Orders for Products: (a) that have been received by Manufacturer through or from the Representative for orders of Products to be delivered to Manufacturer Customers within the Territory; (b) that have been reported by Representative to Manufacturer promptly after the receipt of the order; (c) that have been confirmed in writing signed by the CEO of, or a person designated by, Manufacturer, confirming that such an Order is a Commissionable Order; (d) that disclose the name of the ultimate Manufacturer Customers and the price or prices quoted for payment by such Manufacturer Customers for Products; (e) that have

been delivered to Manufacturer's principal office located at ____; and, (f) that have been accepted by the Manufacturer in writing prior to the termination or expiration of the Term. Any Order submitted by Representative not in compliance with Section 1.3 will not be qualified as a Commissionable Order, and Manufacturer shall not be obligated to pay Commissions on such an Order. Commissionable Orders shall not include any Products sold to Manufacturer Customers outside the Territory for delivery outside the Territory or any Products that are incorporated into, and become a component of, goods or items that are delivered to or sold within the Territory by a third person. Manufacturer agrees that all bona fide inquiries and Orders received by Manufacturer from persons within the Territory will be referred to Representative and may qualify as Commissionable Orders if other requirements set forth in this Section 1.2 of this Agreement are met. With respect to Orders from Manufacturer Customers within the Territory for delivery outside the Territory or from Manufacturer Customers outside the Territory for delivery within the Territory, if there is no exclusive sales representative for any of the territories involved herein other than the Territory, such orders may qualify as Commissionable Orders if all other requirements set forth in this Section 1.2 of this Agreement are met. If, however, there are one or more exclusive sales representatives for the territories involved other than the Territory, then such orders will not qualify as Commissionable Order, and instead, Manufacturer will divide the commission applicable for such orders equally among the sales representatives involved on a case by case basis.

(The above set forth provision is applicable if the Representative is the exclusive representative for Manufacturer in the Territory. If the Representative is a non-exclusive representative, the following should be used instead.)

1.3 "Commissionable Orders" shall mean any and all Orders for Products: (a) that have been received by Manufacturer through or from the Representative for orders of Products to be delivered to Manufacturer Customers within the Territory; (b) that have been reported by Representative to Manufacturer promptly after the receipt of the order; (c) that have been confirmed in writing signed by the CEO of, or a person designated by, Manufacturer, confirming that such an Order is a Commissionable Order; (d) that disclose the name of the ultimate Manufacturer Customers and the price or prices quoted for payment by such Manufacturer Customers for Products; (e) that have been delivered to Manufacturer's principal office located at _____; and, (f) that have been accepted by the Manufacturer in writing prior to the termination or expiration of the Term. Any Order submitted by Representative not in compliance with Section 1.3 will not be qualified as a Commissionable Order, and Manufacturer shall not be obligated to pay Commissions on such an Order. Commissionable Orders shall not include any orders for Products received by Manufacturer not from Representative.

1.4 "Confidential Information" shall mean information provided by Manufacturer or Manufacturer Customers to Representative (i) that is not known by actual or potential competitors of Manufacturer or is generally unavailable to the public, (ii) that has been created, discovered, developed or otherwise become known to Manufacturer or in which property rights have been assigned or otherwise conveyed to Manufacturer, and (iii) that has material economic value or potential material economic value to Manufacturer's present or future business. Confidential Information, subject to exceptions set forth by laws, shall include trade secrets (as defined under California Civil Code section 3426.1) which include all discoveries, developments, designs, improvements, inventions, formulas, software programs, processes, techniques, know-how, negative know-how, data, research, technical data (whether or not patentable or registrable under patent, copyright or similar statutes and including all rights to obtain, register, perfect and enforce those proprietary interests), customer and supplier lists, customer profile and other customer information, customer and price list, business plans, and any modifications or enhancements of any of the foregoing, and all program, marketing, sales, or other financial or business information disclosed to Representative by Manufacturer, either directly or indirectly, in writing or orally or by drawings or observation, which has actual or potential economic value to Manufacturer.

1.5 "Effective Date" shall mean _____.

1.6 "Initial Term" shall mean the initial term of this Agreement from __ to __.

1.7 "Manufacturer" shall mean _____ and its Affiliates.

1.8 "Manufacturer Customers" shall mean any individuals or entities, who are current or potential customers or business prospects of Manufacturer, or who are introduced from or by Manufacturer to Representative.

1.9 "Net selling price" shall mean the gross amount actually invoiced to Manufacturer Customers, including components, spare parts, accessories and related services, minus any of the following which may have been included in the gross price or contract value, provided that they are stated separately on the applicable invoice: (a) shipping, freight and insurance charges, inland, air and ocean; (b) packing, crating or handling charges; (c) sales, use, value added or similar taxes, customs duties, import or export taxes or levies applicable to Products but excluding any income, withholding or other tax or assessment imposed on Manufacturer or Manufacturer Customers in the normal course of business; and (d) discounts, allowances or other special deductions granted Manufacturer Customers.

- 1.10 “Order” shall mean an order placed by a Manufacturer Customer for Products and received by Manufacturer from or through Representative. Only Orders that meet all terms and conditions set forth in Section 1.4 are Commissionable Orders.
- 1.11 “Party” shall mean Manufacturer or Representative, individually. “Parties shall mean Manufacturer and Representative collectively.
- 1.12 “Products” shall mean the products set forth in Attachment A, which is hereby incorporated by reference as fully set forth in this Agreement.
- 1.13 “Renewal Term” shall mean any renewal term of this Agreement pursuant to Section 8.1 of this Agreement.
- 1.14 “Representative” shall mean _____ and its Affiliates.
- 1.15 “Term” shall mean the term of this Agreement, including the Initial Term and any Renewal Terms, if any.
- 1.16 “Territory” shall mean the following country/countries: _____ (or “_____ types of customers serviced by Representative in _____).

2. APPOINTMENT

2.1 Manufacturer appoints Representative, and Representative accepts the appointment, to act as Manufacturer's exclusive sales representative in the Territory for the sale of the Products during the Term. *(The word “exclusive” is optional.)*

3. RELATIONSHIP OF THE PARTIES

3.1 Independent Contractor. This Agreement shall not be deemed to create a partnership, joint venture or agent-principal relationship between the parties, and Representative or any of Representative’s directors, officers, employees or agents shall not, by virtue of the performance of their obligations under this Agreement, represent themselves as, or be deemed to be, an agent, partner or employee of Manufacturer. The parties agree that Representative is an independent contractor, not an employee, of Manufacturer. Neither party is liable for any acts, omissions to act, contracts, promises, commitments or representations made by the other, except as specified in this Agreement.

3.2 Exclusivity; Most Favored Representative. Representative shall be the exclusive representative for Manufacturer to sell Products in the Territory. If Manufacturer enters into any export sales representative agreement for Product with another sales representative in a different territory in the future, providing that new sales representative more favorable terms, other than commission amount, Manufacturer will immediately amend this Agreement to provide Representative with the benefit of any terms, other than the commission amount, in the new agreement more favorable than those included in this Agreement. *(This Section is optional. Also, the portion after the first sentence is optional, even if this Agreement is an exclusive agreement.)*

4. DUTIES AND RESPONSIBILITIES OF REPRESENTATIVE

4.1 Representative's duties and responsibilities include but are not limited to:

- Obtaining and providing Manufacturer with market forecast information regarding the Products, identifying potential business and contacts, investigating inquiries received by Manufacturer and referred to Representative and making introductions to, and arranging meetings with, potential customers;
- Assisting Manufacturer in preparation and submission of presentations, bids and quotations for Orders and in their negotiation at the time and in the manner reasonably requested by Manufacturer, assisting Manufacturer in arranging and coordinating demonstration of Products, and assisting Manufacturer's installation of Products and the provision of services in connection with the demonstrations;
- Achieving the minimum sales requirements of Products as set forth in Attachment A.
- Providing Manufacturer Customers presales and post-sales customer services, including but not limited to transmitting technical information and providing advice and assistance concerning the implementation of technical and training programs and the provision of Manufacturer’s personnel and other assistance;
- Providing logistical and support services in the Territory, including but not limited to providing assistance necessary to Manufacturer in arranging and providing lodging, office space, equipment, translation, transportation, communications, facilities and other related support activities;
- Providing advice to Manufacturer regarding the probable financing requirements and financing sources for acquisition of Products by potential customers;
- Providing advice and assistance to Manufacturer on compliance with laws, regulations, business and financial practices in the Territory, maintenance of contact, communications and liaison with government officials and obtaining necessary licenses, permits and authorizations in compliance with law, regulations and ordinances;

Providing information and recommendations concerning local subcontractors that might be necessary for construction, installation, maintenance or service of Products; and

Providing other assistance and services as Manufacturer may reasonably request.

(This is a suggested list and should be revised to meet the needs of the parties.)

4.2 With fifteen (15) days from the closing of each calendar ____ (*month or quarter*), or as reasonably requested by Manufacturer, Representative shall submit a written report to Manufacturer setting forth the sales in that quarter, potential sales in the future, information relating to commercial conditions in the Territory, the financial and credit status of Manufacturer Customers and any additional information necessary to enable Manufacturer to manufacture or supply Products to the required specifications, safety codes, regulations and requirements in the Territory. Representative agrees that it is Manufacturer's objective to obtain "sole-source negotiated sales" wherever possible.

4.3 Representative shall not make any representations, warranties or guarantees to any person with respect to Products or related services, other than those representations, warranties or guarantees that Manufacturer has specifically authorized in writing to be given to that person. Representative's authority is limited to the solicitation and forwarding or placing of Orders with Manufacturer and the performance of other functions set forth in this Agreement. Representative shall have no authorities to make or execute any commitment or agreement, accept any Orders or incur any liability on behalf of Manufacturer or bind Manufacturer in any way.

4.4 Except as specified in Section 5, Representative is responsible for all expenses incurred by Representative in connection with the implementation and performance of Representative's duties and obligations under this Agreement, including but not limited to: (a) the expenses incurred in fulfilling its duties and responsibilities as provided in Section 4; (b) costs, expenses and salaries of its personnel associated with establishing and maintaining its sales organization and offices; (c) advertising and promotion expenses; and (d) any and all taxes, duties, tariffs or charges that may be imposed on Representative in the Territory. Subject to prior written approval by Manufacturer for each specific trip, Manufacturer may reimburse Representative for Representative's actual and reasonable travel, room and board expenses incurred while performing services under this Agreement in a country that is not also the place of Representative's principal business or residence, provided that Representative provides reasonable documentation for those expenses. *(The last sentence is optional.)*

4.5 Representative is solely responsible for the performance of its duties.

5. DUTIES AND RESPONSIBILITIES OF MANUFACTURER

5.1 Manufacturer will use its best efforts to deliver Products pursuant to the dates and other requirements stated in Orders delivered to and accepted by Manufacturer.

5.2 From time to time, Manufacturer will supply Representative with a reasonable amount of descriptive materials and literature, including but not limited to sales brochures, installation, operating and maintenance manuals, technical descriptions and other data and information, to enable Representative to promote the sale of Products and to undertake its duties and responsibilities set forth in this Agreement.

5.3 At reasonable requests by Representative, Manufacturer may, at its discretion, make arrangement for meetings to introduce and demonstrate Products to promotion sale and other services performed by Representative, so as to familiarize Representative with the use and applications of Products and to facilitate Representative's performance of its duties under this Agreement. The locations for such meetings shall be determined by Manufacturer. Except as otherwise agreed by the parties in writing, each party shall bear its own costs and expenses for such meetings, including but not limited to costs for its personnel and travel and lodging expenses.

5.4 Manufacturer will provide, or make available, expert personnel and technical assistance, in the manner and at the time Manufacturer considers reasonable and appropriate, to follow up Representative's promotion and sales activities and to fulfill Manufacturer Customer's Order or requirements received and accepted by Manufacturer. Manufacturer is solely responsible for the design, development, supply and production of Products, the performance of its personnel and the furnishing of technical assistance. In no event is Representative entitled to, nor does Representative have any right to, claim any compensation or loss for clientele or sales or for other reason arising from Manufacturer's performance or failure to perform any of its above-stated functions.

(This is only a suggested list and should be revised to meet the needs of the parties.)

5.5 Manufacturer is solely responsible for the performance of its duties.

6. PRICING, COMMISSIONS AND ACCOUNTING

6.1 Pricing. Manufacturer has the sole right to establish and control over all prices, discounts, extension of credit, allowances, refunds, specifications, delivery and other terms governing the sale of Products. Representative shall only quote to Manufacturer Customers the prices and terms of sale for Products provided by Manufacturer and

will in no event alter or change the prices or terms of sale unless authorized by Manufacturer in writing. Prices and terms of sale are subject to change by Manufacturer at any time without advance notice. Manufacturer reserves the right to grant or not to grant any discount or allowance, to accept a return or make a refund, or to extend credit, as Manufacturer in its discretion deems advisable. However, after making any change in prices or terms or canceling any approved Order, Manufacturer shall immediately notify Representative of the changes and/or cancellations.

6.2 Acceptance and Cancellation of Orders. No Order is binding on Manufacturer until accepted in writing by Manufacturer. Manufacturer reserves the right to accept, reject, modify or cancel, in whole or in part, any or all Orders received or accepted by Manufacturer. Manufacturer will bill Manufacturer Customers and carry accounts in its own name as creditor, except in cases where a different procedure is agreed upon by the parties in advance in writing. Following Product shipment, Manufacturer will furnish Representative with a copy of Manufacturer's approval of the Order and the invoice or invoices included in the shipping documents. Notwithstanding Manufacturer's acceptance of an Order, Manufacturer has the absolute right to modify or cancel the Order or to consent to Manufacturer Customer's modification or cancellation of the Order at any time for any reason. Manufacturer is not liable to Representative for a cancellation or modification or Manufacturer's failure to deliver any Product.

6.3 Commissions. Manufacturer will pay Representative Commissions at the rates set forth in Attachment B, which is hereby incorporated by reference as fully set forth in this Agreement, of the Net Selling Price of all Products sold pursuant to Commissionable Orders accepted by Manufacturer under, and during the term of, this Agreement. Unless otherwise agreed by the parties in writing, Commissions for a particular Commissionable Order are deemed earned and payable, pro rata, within fifteen (15) days of Manufacturer's receipt of payment from Manufacturer Customer placing the Commissionable Order. In the event of nonpayment by such Customer for any reason, no Commissions may arise or be deemed to be earned with respect to the unpaid amount, and Representative agrees to relinquish and waive any claims against Manufacturer for all of these Orders. *(Commissions can also be paid on a monthly basis.)*

6.4 Payments of Commissions. Any payment of Commissions will be made in U.S. Dollars, unless the parties agree otherwise in writing, and will be made by check or bank transfer to the order of Representative or by any other means as the parties may agree otherwise in writing prior to such payment. No payment of Commissions may be made to any person or entity other than Representative, except pursuant to a written assignment by Representative approved in advance in writing by Manufacturer. No Commission will be paid for any Commissionable Orders placed with Manufacturer for the specific purpose of repairing or replacing defective or damaged Products. If a Product ordered by a Manufacturer Customer is returned by that Customer, Commissions paid by Manufacturer to Representative for such Products will be deducted from future Commissions to be paid by Manufacturer to Representative until the amount is deducted in full. If no future Commissions will be paid to Representative, then Representative shall immediately pay the unpaid balance of such amount to Manufacturer in full.

6.5 Payment of Commissions Following Termination or Expiration. Subject to Sections 6.2 and 6.4, following termination or expiration of this Agreement, within thirty (30) days from the date of termination or expiration, Manufacturer will pay Representative Commissions on Products under Commissionable Orders accepted by Manufacturer and paid by Manufacturer Customers on or before the date of termination or expiration. No Commissions will be paid with respect to any Orders accepted after the termination or expiration date, except that Manufacturer will pay Commissions on the following Order: (a) Any Orders received by Manufacturer prior to the date of termination or expiration but accepted and paid in whole or in part thereafter; and (b) any Order received and accepted by Manufacturer and paid by Manufacturer Customers within ___ days of the termination or expiration date if the Term is ___ years or less at the time of termination or expiration; or within ___ days of the termination or expiration date, if the Term is ___ year or less; or within ___ days of the termination or expiration date if the Term is ___ or more. *(The second half of Section 6.6, starting from "except, (a) . . ." to the end of the Section is optional – the parties can use (a), (b) or both.)*

6.6 Audit Rights. During the Term and for a period of one (1) year following the termination expiration of the Agreement, each party shall maintain complete, accurate and detailed books and records with respect to the determination of its revenues and other matters associated with the performance of this Agreement. Each Party (the "requesting party") shall have the right, at its expense and upon prior written notice given to the other party (the "responding party") at least fifteen (15) days prior to the inspection date requested by the requesting party, to inspect and audit all of the responding party's records associated with the performance of this Agreement, and the responding party agrees to reasonably cooperate with and provide access to the requesting party and its financial advisors as may be necessary and appropriate for such inspection and audit.

7. COMPLIANCE WITH LAW

7.1 Representative agrees that in rendering services and in carrying out its duties under this Agreement, Representative will neither undertake nor cause or permit to be undertaken any activity which to Representative's knowledge is illegal under the laws of the Territory or of the U.S. It is a condition of this Agreement that, within ___ (specify number, such as: 30) days from execution of this Agreement and prior to the initiation of any activities with respect to any Order, Representative will submit to Manufacturer an opinion of Representative's counsel, provided that such counsel and the form and substance of the opinion shall be to Manufacturer's satisfaction, that nothing in this Agreement prevents Representative from carrying out its duties in accordance with laws, decrees, rules and regulations of the Territory, and that Representative may act as representative and sales agent for all Products to any government ministries, agencies and departments, including the armed forces. The submission of this opinion is a condition precedent to the effectiveness of this Agreement. In addition to this opinion, or as an alternative, Manufacturer may require Representative to disclose this relationship to any Manufacturer Customer and, either to provide satisfactory evidence of the disclosure or to secure, prior to, and as a condition of, any Order being accepted pursuant to Section 1.3, Manufacturer Customer's authorization or acknowledgment in writing, in a form acceptable to Manufacturer, of this relationship as to the specific Products involved. If Manufacturer, at its own discretion, considers that Representative fails to do so within a reasonable period of time, Manufacturer may conclude such Order for its own account, and Representative shall not be entitled to any Commissions for such an Order.

7.2 Representative understands and agrees that Manufacturer may comply with any legal provision requiring disclosure, or any request from the U.S. Government or the Government of the Territory to disclose, by affidavit or otherwise, the identity of Representative, as well as the identities of Representative's principal and the amount of any payment made or to be made to Representative under this Agreement.

8. TERM AND TERMINATION

8.1 Term. The term of this Agreement will commence on the effective date of this Agreement and will continue for a period of _ () years unless earlier terminated by either party accordance with Section 8.2. At the end of each Term, including at the end of the Initial Term and the Renewal Terms, this Agreement will be automatically renewed for an additional _ () year period, unless either party give the other party a written notice _ () days prior to the expiration of the Initial Term or any Renewal Term. All the terms and conditions contained in this Agreement will remain the same during any renewals beyond the Initial Term, unless this Agreement is amended or modified in written pursuant to Section 15.4 of this Agreement. *(The automatic renewal portion of the provision is optional. Also, restrictions or conditions may be required, such as sales quota, before there will be a renewal term.)*

8.2 Termination. In the event of any of the following, this Agreement, and the rights and licenses granted hereunder, will terminate.

If either party defaults in the performance of or compliance with any provision contained in this Agreement or breach any provisions set forth in this Agreement (except as otherwise provided in this Section 8) and such default or breach is not cured within fifteen (15) days after written notice thereof is received by the defaulting party, the party giving such notice may then give further written notice to the defaulting party terminating this Agreement, in which event this Agreement, and the rights and licenses granted hereunder, will terminate on the date specified in such further notice.

If either party discontinues its primary business for more than fifteen (15) days, either party may terminate this Agreement upon fifteen (15) days' prior written notice to the other party. If the primary business is continued by an Affiliate, the primary business will be deemed continued by the party for purposes of Section 8.2.2.

Either party may terminate this Agreement by written notice to the other party and may regard the other party as in default of this Agreement, if the other party becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or permits the appointment of a receiver for its business or assets, or becomes subject to any proceedings under any bankruptcy or insolvency law, which is not dismissed within ninety (90) days, or has wound up or entered liquidation, voluntarily or otherwise. In the event that any of the above events occur, the defaulting party will immediately notify the other party of its occurrence.

In the event of a breach of Representative's obligations under Sections 7, 11, 12, 13 and 14, Manufacturer may immediately terminate this Agreement in writing without providing any cure period.

If one party is unable to perform its obligations under the Agreement by reason of any law, rule, regulation or order of any municipal, state or federal or foreign authority, including, but not limited to any regulatory authority that has

jurisdiction over that party's business, then the either party may terminate this Agreement by given the other party a thirty (30) day written notice.

If the performance of this Agreement becomes impracticable because of the change of situation in the U.S. or Territory, or if the trade between the U.S. and Territory becomes impracticable because of the change in the currency exchange, then either party may terminate this Agreement by given the other party a _ () days' prior written notice. (*Optional.*)

Either party may terminate this Agreement without cause upon __ () days' prior written notice to the other party. (*Optional.*)

8.3 Termination of the Agreement for any reason does not affect (a) obligations that have accrued as of the date of termination; and (b) the obligations under those sections identified in Section 15.12 of this Agreement. Further, in the event of termination, Representative shall return Manufacturer the Confidential Information as provided in Section 12.4 (*or 12.1*) of this Agreement, and Representative's limited license to use Manufacturer' intellectual property shall cease immediately.

9. REPRESENTATIONS AND WARRANTIES

9.1 Each party represents and warrants that:

9.1.1 It has the authority to enter into this Agreement and the rights and license necessary to enter into, and perform its obligations under, this Agreement.

9.1.2 It is free to enter into this Agreement and is not bound by any agreements, including but not limited to nondisclosure agreement, noncompetition agreement, documents or obligation that may infringe on its ability or in any manner prevent it from performing any of the duties that may be required of it during the Term, or that may result in liability to it in any manner, action, or proceeding.

9.1.3 It has full power and authority to execute and deliver this Agreement, and this Agreement has been duly executed and delivered by or on behalf of itself and constitutes a legal, valid and binding obligation enforceable against it in accordance with its respective terms. Neither the execution, delivery, nor performance of this Agreement violates or conflicts with any applicable laws, decrees, rules, regulations, requires any notice, consent or other action by a third party or creates a default or breach or give rise to any right of termination, cancellation or acceleration of any right or obligation or to lose any benefit to which it is entitled under any agreement or other instrument binding upon it. It will not take any action that would have the effect of causing the other to be in violation of any laws, decrees, rules or regulations.

9.2 Manufacturer represents and warrants that it has all rights, title and interest in and to all copyrights, patents, trademarks and other intellectual property rights associated with Products or otherwise has the right to allow the use thereof which are necessary to use, sell, market and distribute Products, and to manufacture and sell Products without infringing any rights; and that, as of the Effective Date, Manufacturer is not aware of any basis for third party claims of infringement of any patents, trademarks, or trade names with respect to Products. In the event that any action, claim or suit is brought against Representative alleging that the manufacture, use, sale or transfer of any Product or the use of the trademarks or trade names constitutes infringement of any proprietary rights of any third party, Manufacturer shall indemnify Representative pursuant to Section 10.1 of this Agreement, provided that Representative gives written notice of such actions or claims brought against Representative within five (5) days from the receipt of notice of such actions or claims, and that Representative takes reasonable steps as may be requested by Manufacturer to assist in the defense of such action. (*The last sentence, starting with "In the event that . . ." is optional.*)

9.3 Representative represents and warrants that any fees or Commissions paid or to be paid to Representative under this Agreement are for Representative's own account, and that except as appropriate to carry out Representative's duties in this Agreement, Representative has not, has no obligation to and will not, directly or indirectly, give, offer, pay, promise to pay or authorize the payment of money or thing of value to any other person in connection with transactions for which Commissions under this Agreement are to be paid. Representative agrees not to take any actions that would cause Manufacturer to violate section 103 of the Foreign Corrupt Practices Act of 1977 (15 U.S.C.A. § 78dd-1). Representative warrants that none of its officer, director, employee or agent is an

"official" of ___ (name of country) Government as that term is defined in section 103, nor will Representative employ an "official" of that government.

9.4 Representative represents and warrants that it will make and keep books, records and accounts that, in reasonable detail, accurately and fairly reflect the transactions performed by Representative under this Agreement and the dispositions of the Commissions paid Representative pursuant to this Agreement. Representative specifically agrees that Manufacturer may inspect such books, records and accounts upon reasonable requests made by Manufacturer to Representative.

10. INDEMNIFICATION AND LIMITATION OF LIABILITY

10.1 Indemnification. Each party (the "First Party") hereby indemnifies and agrees to hold the other party (the "Second Party") and its affiliates, and its and their successors and assigns, and its and their directors, officers and employees harmless against any and all claims, causes of actions, loss, demands, penalties, damages, costs, judgments, attorney's fees or any other expenses incurred in connection with, caused by or relating to the First Party's actions or failure to act or any breach by the First Party of the terms, covenants, representations or warranties set forth in this Agreement.

10.2 Limitation of Liability. REGARDLESS OF THE BASIS ON WHICH ANY PARTY (THE "FIRST PARTY") MAY BE ENTITLED TO RECOVER DAMAGES FROM THE OTHER PARTY (THE "SECOND PARTY"), INCLUDING BUT NOT LIMITED TO, BREACH OF WARRANTY, CONTRACT OR FIDUCIARY DUTY, FRAUD, NEGLIGENCE, MISREPRESENTATION, OTHER TORT OR INDEMNITY, THE SECOND PARTY'S AGGREGATE LIABILITY UNDER THIS AGREEMENT OR RELATED TO PRODUCTS OR THE USE THEREOF IS LIMITED TO ACTUAL, DIRECT DAMAGES THAT CAN BE PROVEN UP TO AN AMOUNT NOT TO EXCEED THE AGGREGATE OF COMMISSIONS PAID BY MANUFACTURER TO REPRESENTATIVE FOR THE SIX-MONTH PERIOD PRIOR TO THE DATE WHEN SUCH PROBLEM OCCURRED. THE PARTY SUFFERING SUCH DAMAGES OR LOSSES MUST FIRST EXHAUST ANY AVAILABLE LEGAL AND EQUITABLE REMEDIES AGAINST PARTIES OTHER THAN THE SECOND PARTY. THE SECOND PARTY SHALL IN NO EVENT BE LIABLE TO THE FIRST PARTY OR ANY THIRD PARTY FOR ANY SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS, SAVINGS, REVENUES, BUSINESS OPPORTUNITIES OR BUSINESS ADVANTAGES) UNDER THIS AGREEMENT OR IN ANY WAY IN CONNECTION WITH PRODUCTS OR THE USE THEREOF WHATSOEVER, EVEN IF SECOND PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, THE LIMITATIONS OF LIABILITY SET FORTH ABOVE IN THIS SECTION 10.2 SHALL NOT APPLY TO LOSSES AGAINST WHICH THE PARTIES HAVE AGREED TO INDEMNIFY EACH OTHER PURSUANT TO THE TERMS AND PROVISIONS OF THIS AGREEMENT OR THE DAMAGES INCURRED BY MANUFACTURER BECAUSE OF REPRESENTATIVE'S BREACH OF SECTIONS 11, 12, 13 AND 14 OF THIS AGREEMENT BY REPRESENTATIVE. *(Optional.)*

10.3 Disclaimer. EXCEPT OR AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY DISCLAIMS ALL OTHER WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO THE IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OF THE SERVICES OR PRODUCTS, QUIET ENJOYMENT, AS WELL AS IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE.

10.4 Some jurisdictions do not allow the exclusion or limitation of incidental or consequential damages, so the above limitation or exclusion may not apply.

(The sections on limitation of liability will limit the liability for both parties. If the parties or either party does not want to set a limitation on liability, then please delete Sections 10.2 to 10.4 and delete the reference of limitation of liability in the header. If the limitation is applicable as to one party only, then revise these sections accordingly.)

11. OWNERSHIP OF INTELLECTUAL PROPERTY

11.1 Manufacturer shall at all times own and retain all respective right, title and interest in and to, and is the sole and exclusive owner of, any intellectual property rights in Products. Such right, title and interest include, but are not limited to, all patents, copyrights, trademarks, trade names, trade dress and trade secrets, names and marks now and subsequently used to identify Products, any proprietary information used in or applying to Products, rights of privacy or publicity, rights to the graphical user interface, source code, object code and other intellectual property rights. Representative agrees that (a) the intellectual property rights in Products are Manufacturer's property and contain valuable proprietary materials of Manufacturer; (b) Manufacturer hereby grants a limited license to

Representative to use the names and trademarks of Manufacturer and Product and manuals in order to market and sell Product in strict conformity with this Agreement; and (c) Representative shall not have any rights in and to the intellectual property rights in Products, except as otherwise explicitly stated in this Agreement. If requested by Manufacturer, Representative shall assist Manufacturer or Manufacturer's designees at Manufacturer's expense to file any application for registration of a patent, trademark, trade name, service mark or other trade-identifying symbol used in connection with the Products and to establish any right of prior use by Manufacturer that may be required for the registration or protection of the patent, trademark, tradename, service mark or other symbol under the laws of the Territory. Upon expiration or sooner termination of this Agreement, Representative's limited license to use Manufacturer's intellectual property shall cease immediately.

12. **CONFIDENTIALITY**

12.1 **Confidential Information.** In the course of performing its obligations hereunder, it may be necessary for Manufacturer or Manufacturer Customers to disclose Confidential Information. Manufacturer shall be the sole owner of the Confidential Information. Such Confidential Information is considered by Manufacturer to be commercially valuable, confidential and proprietary including information furnished by a third party. Manufacturer makes no representations or warranties, express or implied, with respect to any Confidential Information. Manufacturer will not be liable for any damages arising out of use of Confidential Information by Representative. Any use of Confidential Information is at Representative's own risk. Also, nothing in this Agreement will be construed as granting or conferring any rights by license or otherwise in Confidential Information, except for the use as expressly provided in this Agreement.

12.2 **Notice to Manufacturer re Disclosure.** If, at any time, Representative become aware of any unauthorized access, use, possession or knowledge of any Confidential Information, or if Representative receives any request of a governmental agency or third party pursuant to operation of law, regulation or court order, Representative shall (1) give Manufacturer sufficient prior written notice of such proposed disclosure to enable Manufacturer to obtain an appropriate protective order, if it so desires; and (2) take such reasonable steps as are available to Representative to prevent disclosure of such Confidential Information until the Manufacturer has been informed of such requested disclosure and Manufacturer has an opportunity to take any necessary action to respond to such requested disclosure. In addition, Representative shall provide all reasonable assistance to Manufacturer to protect the confidentiality of any such Confidential Information that Representative may have directly or indirectly disclosed, published, or made available to third parties in breach of this Agreement, including reimbursement for any and all attorney fees and costs that Manufacturer may incur to protect the rights in such Confidential Information.

12.3 **Nondisclosure.** Representative: (1) shall hold and maintain the Confidential Information in strictest confidence and in trust for the sole and exclusive benefit of Manufacturer; (2) shall not, without the prior written approval of Manufacturer, use for its own benefit, publish or otherwise disclose to others, or permit the use by others for their benefit or to the detriment of Manufacturer, any of the Confidential Information; and (3) shall only disclose the Confidential Information to its employees and/or consultants with a need to know, and only if such employees and/or consultants have executed agreements that impose on them substantially the same duty with respect to confidentiality as is imposed hereunder.

12.4 **Effect of Termination.** Upon the expiration or termination of this Agreement, Representative shall immediately cease the use of the Confidential Information and shall have thirty (30) days from the expiration or termination date of this Agreement to return any Confidential Information received from Manufacturer. Representative shall not reproduce or permit the reproduction of any such Confidential Information, nor circulate such to any individual or entity. If it is physically impossible to return any Confidential Information received by Representative, Representative shall delete such undeliverable files and data items transferred from Manufacturer.

12.5 **Injunctive Relief.** Representative understands and acknowledges that any disclosure or misappropriation of any Confidential Information in violation of this Agreement may cause Manufacturer irreparable harm, the amount of which may be difficult to ascertain, and agrees that Manufacturer shall have the right to apply to a court of competent jurisdiction for an order restraining any such further disclosure or misappropriation and for such other relief as Manufacturer shall deem appropriate, and Representative expressly agrees that Manufacturer shall be entitled, in addition to any other remedy provided by law, to obtain an injunction or other equitable remedy respecting such violation or continued violation. Such right is to be in addition to the remedies otherwise available to Manufacturer at law or in equity.

(This section is a long version with complete protection of intellectual property rights. Below is a shorter version of "Confidentiality.")

12.1 In the course of performing its obligations hereunder, it may be necessary for Manufacturer or Manufacturer Customers to disclose Confidential Information to Representative. Manufacturer is the sole owner of

the Confidential Information. Representative shall hold and maintain Confidential Information in strictest confidence and in trust for the sole and exclusive benefit of Manufacturer and shall not, without the prior written approval of Manufacturer, use for its own benefit, publish or otherwise disclose to others or permit the use by others for their benefit or to the detriment of Manufacturer, any of Confidential Information. Any disclosure of Confidential Information to Representative's employees and/or consultants shall be on a need to know basis. If, at any time, Representative become aware of any unauthorized access, use, possession or knowledge of any Confidential Information, or if Representative receives any request of disclosure by a governmental agency or third party pursuant to operation of law, regulation or court order, Representative shall (1) give Manufacturer sufficient prior written notice of such proposed disclosure to enable Manufacturer to obtain an appropriate protective order, if it so desires; and (2) prevent disclosure of such Confidential Information until Manufacturer has an opportunity to take any necessary action to respond to such requested disclosure. Representative shall also provide all reasonable assistance to Manufacturer to protect the confidentiality of such Confidential Information. Upon the expiration or sooner termination of this Agreement, Representative shall have thirty (30) days from the expiration or termination date of this Agreement to return Confidential Information received from Manufacturer or delete Confidential Information, which cannot be returned physically. Representative shall not reproduce or permit the reproduction of any such Confidential Information, nor circulate such to any individual or entity. Representative understands and acknowledges that any disclosure or misappropriation of any Confidential Information in violation of this Agreement may cause Manufacturer irreparable harm, the amount of which may be difficult to ascertain, and agrees that Manufacturer shall have the right to apply to a court of competent jurisdiction for an order restraining any such further disclosure or misappropriation and for such other relief as Manufacturer shall deem appropriate, and Representative expressly agrees that Manufacturer shall be entitled, in addition to any other remedy provided by law, to obtain an injunction or other equitable remedy respecting such violation or continued violation. Such right is to be in addition to the remedies otherwise available to Manufacturer at law or in equity.

13. **NO CONFLICT DURING TERM**

13.1 **No Representation of Competitor.** During the Term, Representative shall not act as a representative for products competitive in substantial respects, or bearing substantial similarities with Products or other products produced by Manufacturer, except as otherwise agreed upon by the parties in writing. Representative agrees that at the end of each calendar year, or from time to time at Manufacturer's reasonable requests, it will provide Manufacturer, in writing, with the identity of Representative's other principals.

14. **NO UNFAIR COMPETITION AND NON-INTERFERENCE WITH BUSINESS** *(These subsections are optional and should be revised to fit the specific situation for each matter.)*

14.1 **General.** Representative understands that during the Term, Representative will receive from the Manufacturer or Manufacturer Customers Confidential Information belongs to Manufacturer and/or Manufacturer Customers. This Section 14 in no way unnecessarily restricts Representative from continuing to undertake and perform all activities and functions, which Representative is undertaking and performing as of the execution of this Agreement. Representative specifically agrees that this Section 14 is an essential incentive to induce Manufacturer to enter into this Agreement, and that this Section 14 shall be specifically enforceable by Manufacturer, its related entities and its and their successors and assigns. Representative acknowledges that the limitations as to time, geographical area and scope of activity restrained as set forth herein are reasonable and do not impose a greater restraint on Representative than is necessary to protect the integrity of the Confidential Information, the goodwill and other business interests of Manufacturer, as well as the competitive benefit of Manufacturer. As one of the considerations for Manufacturer to enter into this Agreement and without in any way limiting any other provisions herein, Representative agrees to be bound by Section 14.

14.2 **No Unfair Competition.** Representative shall not (1) during the Term and for one (1) year after the expiration or termination of this Agreement, including but not limited to using Confidential Information, directly or indirectly engage or participate in services for, work for, involved in, engaged in, own, manage or operate any business competitive with, or similar to, that of the Manufacturer in the Territory, so long as the Manufacturer carries on a like business in the Territory; (2) engage in unfair competition with Manufacturer, including but not limited to doing so by using Confidential Information; (3) aid others in any unfair competition with Manufacturer, including but not limited to doing so by using Confidential Information; (4) in any way breach the confidence that Manufacturer placed in Representative during the Term; (5) misappropriate any Confidential Information; or (6) breach any of the provisions of this Section 14 of the Agreement.

14.3 **Non-Interference with Business.** During the Term of this Agreement and for one (1) year after the expiration of the Agreement, Representative shall not, including but not limited to by using Confidential

Information, (1) influence or attempt to influence any Manufacturer Customers to divert their business to any individual or entity then in competition with Manufacturer; (2) disrupt, damage, impair or interfere with the business of Manufacturer by disrupting its relationships with Manufacturer Customers or prospects or Manufacturer's Customers' agents, representatives or vendors; or (3) solicit, contract with or join in with any Manufacturer Customers or prospects without the involvement of Manufacturer for any purpose without first applying for and receiving the express written consent of Manufacturer.

14.4 Non-Solicitation of Employees. Representative acknowledges and agrees that Manufacturer has made a substantial investment in bringing qualified and professional employees, contractors, agents and/or representatives and would suffer a loss if they are hired by others due to the conduct by Representative. Representative agrees that, during the Term of this Agreement and for one (1) year after the expiration or sooner termination of the Agreement, Manufacturer shall not disrupt, damage, impair or interfere with the business of Manufacturer by interfering with Manufacturer's relationship with its employees by directly or indirectly soliciting Manufacturer's employees who earned _____ (\$_____) or more on an annual basis to work for any individual or entity then in competition with Manufacturer.

14.5 Non-Circumvention. Representative and Manufacturer mutually agree not to directly or indirectly circumvent, avoid, bypass or obviate each other in any way, including but not limited to entering into any separate business transactions in any manner with Manufacturer's or Representative's Customers without first applying for and receiving each other's express written consent. Such "business transactions" shall include, but not be limited to any transactions, purchases, sales, manufacturing, joint ventures, investment, mergers, acquisitions, projects, any loans or collateral, or other transaction involving any products, transfers or services or addition, renewal extension, rollover, amendment, renegotiations, new contracts, parallel contracts/agreements or third party assignments thereof.

14.6 Application of this Section. Representative agrees that Section 15.6 shall apply to any transaction between the parties and/or between Representatives and any and all Manufacturer Customers, which makes use of, or involves, Confidential Information, or relates to any sources, introduced by, or disclosed by or from, Manufacturer.

14.7 Injunctive Relief. Representative agrees that a breach of Representative's obligations under this Agreement shall result from any efforts of the Representative or its associates, including but not limited to any of Representative's agents, representatives, employees, affiliates, solicitors, bankers, buyers or sellers, who directly or indirectly, attempt to conduct business of or in any manner, to the exclusion of Manufacturer based upon, or pertaining to, Confidential Information or relating to Manufacturer Customers.

15. MISCELLANEOUS

15.1 Binding Effect. This Agreement shall be binding upon both parties and their permitted successors and assigns from the Effective Date.

15.2 Governing Law. This Agreement shall be construed, interpreted and governed as to procedural and substantive matters according to the laws of _____ (*such as the State of California, United States of America,*) without regard to its choice of law, conflict of law's provisions.

15.3 Arbitration; Choice of Forum.

15.3.1 All claims, disputes, controversies, or disagreements of any kind whatsoever ("claims"), including any claims arising out of, relating to or in connection with this Agreement, shall be submitted to final and binding arbitration before _____ (*name of an arbitration agency*) in _____ (*name of location*) in accordance with the rules and procedures of _____ (*specify governing rules and provider such as American Arbitration Association*) then existing. The arbitration shall be held before one arbitrator mutually agreed by the parties. Either party may request to submit any claims to arbitration and make a written request to the other party to select an arbitrator within ____ (__) days. If the parties cannot agree on one arbitrator within ____ (__) days from the first written request to select an arbitrator by either party, then each party shall select one arbitrator, those two arbitrator shall select a third mutual arbitrator, and the arbitration shall be held before these three arbitrators. If parties fail to select any arbitrator within ____ (__) days from the first written request to select an arbitrator by either party, then an arbitrator shall be appointed by _____ (*specify governing rules and provider such as American Arbitration Association*), and the arbitration shall proceed in _____ (*name of location*) before the arbitrator so appointed. The arbitration must be conducted in the English language. The parties agree that the arbitration award is final and binding, and that the judgment on any arbitration award may be entered in any court of competent jurisdiction, and either party may file an action to compel arbitration with any court of competent jurisdiction. This Agreement is a waiver of all rights the parties may have to a civil court action on any dispute outlined by this Agreement. The fees and costs of the arbitration shall be borne equally by the parties, except that each party shall each pay for their own attorney fees or costs of representation for purposes of the arbitration unless otherwise provided by law.

15.3.2 The parties agree that the following claims may be excluded from this arbitration provision: (1) claims relating to Representative's violations or breach of Sections ____ of this Agreement; and (2) claims that are expressly excluded by applicable laws. Either party may choose to file any actions concerning disputes or controversies arising out of such claims or the interpretation of any provisions contained therein with _____ (*specify name of court, such as the Los Angeles County Superior Court in Los Angeles, California*). (*This Section is optional.*)

(*The parties may choose to use the following arbitration clause instead.*)

15.3 Arbitration; Choice of Forum.

Arbitration. All claims, disputes, controversies, or disagreements of any kind whatsoever ("claims"), including any claims arising out of or in connection with this Agreement, shall be submitted to final and binding arbitration before _____ (*name of an arbitration agency*) in _____ (*name of location*) in accordance with the rules and procedures of (*if applicable, add: the supervision of _____ (specify appointing authority) and*) the Rules of the United Nations Commission on International Trade Law ("UNCITRAL") in effect on the date of this contract (the "Rules"). In the event of any conflict between the Rules and this Section, the provisions of this Section govern. Arbitration under this Agreement is the parties' exclusive remedy, and no party to any arbitration is required to exhaust any local administrative or judicial remedy first.

Arbitrator. Each party must appoint one arbitrator within ____ (*specify time period, such as: 30 days*) after receipt by the respondent of the notice of arbitration. The two arbitrators appointed by the parties must, within ____ (*specify time period, such as: 30 days*) after their appointment, appoint a third, presiding arbitrator, who may not be a citizen or resident of ____ (*specify country*) or ____ (*specify country*). If either party fails to nominate an arbitrator, or the two arbitrators appointed by the parties are unable to appoint a presiding arbitrator within the stated periods, the arbitrator or arbitrators will be appointed by the _____ (*appointing authority*) according to the Rules. All arbitrators must be fluent in ____ (*specify language, such as: English*) and must _____ (*specify desired expertise, if any*).

Procedure. The arbitrators will hold hearings where written, documentary and oral evidence may be presented. Evidence may not be accepted except in the presence of both parties. All witnesses may be questioned by both parties. Unless the parties otherwise agree, or a witness is dead, ill, or unavailable for other good reasons, the arbitrators may not accept a witness' written statement unless the other party has an opportunity to question the witness in the arbitrators' presence. All proceedings must be conducted in the _____ (*specify language, such as: English*) language.

Award. The arbitrators must, by majority vote, render a written decision, stating reasons for their decision, within ____ (*specify number*) months after the respondent receives the request for arbitration. Any cash award must be payable in U.S. Dollars through a bank in the US and determined, to the extent necessary, on the basis of the rate of exchange in effect at the time the claim arose, as published in the Wall Street Journal. Each party must bear its own costs and attorney's fees (*or the prevailing party is entitled to recover its costs of arbitration and reasonable attorney's fees, as determined by the arbitrators*). The award is deemed an award issued in _____ (*specify nation*).

Enforcement. The award is final and enforceable and may be confirmed by the judgment of, or enforced by, a court of competent jurisdiction. To the extent that an award or confirming judgment is unsatisfied, it may be enforced in the manner provided by law in all countries. The prevailing party is entitled to recover its costs and attorney's fees in any proceedings to enforce the award or confirming judgment.

Reservation of Rights. The right to refer a claim or dispute to arbitration under this Agreement is not affected by the fact that a claimant or respondent has received full or partial compensation from a third party for the loss or injury that is the object of the claim or dispute, and any third party may participate in these proceedings by right of subrogation.

The parties agree that the following claims may be excluded from this arbitration provision: (1) claims relating to Representative's violations or breach of Sections 11, 12, 13 and 14 of this Agreement; and (2) claims that are expressly excluded by applicable laws. Either party may choose to file an action concerning disputes or controversies arising out of such claims or the interpretation of any provisions contained therein with _____ (*specify name of court, such as the Los Angeles County Superior Court in Los Angeles, California*).

(*The parties may choose to use the following "Choice of Forum" clause instead.*)

15.3 Choice of Forum. The parties further agree that any actions concerning disputes or controversies arising out of this Agreement or the interpretation of any provisions contained therein shall be filed with the _____ Court in _____ (*specify location*).

15.4 Entire Agreement; Language; Amendments. This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter of this Agreement and supersedes and cancels any other prior agreements or understandings whether written, oral or implied relating to the subject of this Agreement. There are no restrictions, promises, representations, warranties covenants or undertakings other than those expressly set forth

or referred to in this Agreement. The parties further agree that neither they nor anyone acting on their behalf made any inducements, agreements, promises, or representations other than those set forth in this Agreement. This Agreement is written in English only, which is the controlling language in all respects. Any version in any other language is for accommodation only and is not binding upon the parties. All formal notices given pursuant to this Agreement must be in English. This Agreement may be amended, modified, and supplemented only by written agreement signed by the parties' authorized personnel hereto.

15.5 Waiver of Breach. The waiver by either party of a breach or violation of any provision of the Agreement shall not operate as, or be construed to be, a waiver of any prior, concurrent or subsequent breach hereof. No waiver or purported waiver will be valid or enforceable unless it is in writing and signed by the party against whom it is sought to be enforced.

15.6 Assignment. No portion of this Agreement or any right or obligation under this Agreement can be transferred or assigned, in whole or in part, whether by operation of law or otherwise, by either party without the prior written consent of the other party, except that Manufacturer may freely transfer and assign its rights and obligations under this Agreement to any of Manufacturer's wholly owned subsidiaries, provided that Manufacturer provides guarantees of the obligations of the wholly owned subsidiaries in form and substance satisfactory to Representative.

15.7 Force Majeure. If either party fails to perform its obligations hereunder (except for the obligation to pay money) because of fires, floods, earthquakes, riots, civil unrest, war, epidemics, shortages, labor unrest, strikes, accidents, acts of God, weather conditions, or action or inaction of any government body or other proper authority, delays caused beyond its reasonable control, then such failure to perform will not be deemed a default hereunder and will be excused without penalty until such time as such party is capable of performing and will not be liable to the other party for any loss, cost or damages arising out of, or resulting from, such failure to perform.

15.8 Notice. All notices which are required or permitted to be given pursuant to this Agreement shall be in writing and shall be sufficient in all respects if delivered personally, by facsimile, by email, by overnight courier using a nationally recognized courier company, or by registered or certified mail, postage prepaid, addressed to a party as indicated below: Manufacturer: _____; and, Representative: _____. Notice shall be deemed to have been received upon delivery thereof as to communications which are personally delivered, are sent by facsimile or by email; on the third (3rd) day after mailing as to communications which are sent by overnight courier; and on the seventh (7th) day after mailing as to communications made by mail. The above addresses may be changed by giving written notice of such change in the manner provided above for giving notice.

15.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision or other provision hereof in any other jurisdiction.

15.10 Attorney's Fees. The prevailing party in any arbitration or litigation brought by either party to this Agreement in connection with this Agreement will be entitled to recover from the other party all reasonable costs, attorney's fees, and other expenses incurred by the prevailing party in such arbitration or litigation.

15.11 Third Parties. Nothing herein expressed or implied is intended or will be construed to confer upon or give to any person or entity other than the parties hereto and their successors or permitted assigns, any rights or remedies under or by reason of this Agreement.

15.12 Survival. The provisions of Sections 1, 6.5, 7, 8.2, 9, 10, 11, 12, 13, 14 and 15 of this Agreement will survive any expiration or termination of this Agreement.

15.13 Headings. The headings of the Sections of this Agreement are inserted for convenience of reference only and do not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement.

15.14 Dollar Amount. Any dollar amount in the Agreement is in U.S. dollars.

15.15 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Each party hereto acknowledges and agrees that the other party may rely on electronic facsimile signatures as conclusive evidence of the valid and binding execution of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

Dated: _____ MANUFACTURER

By: _____

Name: _____

Title: _____

Dated: _____ REPRESENTATIVE

By: _____

Name: _____

Title: _____

ATTACHMENT A

LIST OF PRODUCTS

(Manufacturer may retain the right to change Products during the Term. Manufacturer may grant the right of approval or first right of refusal to Distributor for such change of Products during the Term.)

ATTCHMENT B

COMMISSION RATES

Appendix D Matchmaking Aids

5. Sample Foreign Representation Agreement

DISCLAIMER

This sample agreement is provided by Y.F. Chou, Prof. Corp., (this "Firm") as a service and does not constitute legal advice. A sample agreement does not constitute legal advice and does not create an attorney-client relationship. This Firm makes no claims, promises, representations, warranties or guarantees concerning the accuracy, completeness, adequacy, currency, suitability, legal effect, appropriateness of the provisions and/or information contained in the agreements, including but not limited to the warranties of merchantability and fitness for a particular purpose. The sample agreement is provided "as is," "as available," and with "all faults," and its use is entirely at user's own risk. The sample agreement may be inappropriate for particular circumstances, and different jurisdictions may require different or additional provisions to ensure the desired result. Some provisions contained herein might not be enforceable in various jurisdictions. As legal advice must be tailored to the specific circumstances of each case or matter, and laws are constantly changing, nothing provided herein shall be used as a substitute for the advice of competent counsel. Users should not act or rely on the sample agreement without seeking the advice of competent counsel licensed to practice in user's jurisdiction. Users should obtain professional assurances and determine the appropriate provisions and agreements applicable to their particular transactions. Further, the sample agreement is provided on a non-exclusive license basis only for user's personal one-time use for non-commercial purposes, without any right to re-license, sublicense, distribute, assign or transfer such license.

THIS DISTRIBUTION AGREEMENT (this "Agreement") is made and entered into on ____ (date) (the "Effective Date"), by and between ____ ("Manufacturer"), a California corporation with principal offices located at ____ (address), USA, and ____, ("Distributor") having its principal offices at ____ (complete address of Distributor's office).

RECITALS

- A. Manufacturer is in the business of manufacturing and export _____;
- B. Distributor is in the business of importing ____ (types of products) into ____ (name(s) of country/countries); and
- C. Manufacturer desires to retain Distributor to sell Manufacturer's ____ (types of products) in ____ (name(s) of country/countries) pursuant to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, the Manufacturer and Distributor agree as follows:

1. DEFINITION

1.1 "Affiliate" means an entity which, directly or indirectly, controls, is controlled by, or is under common control of a parent company with a party to this Agreement. For purposes of this paragraph, "control" means owning or controlling at least 30% of the voting stock entitled to vote for elections of the members of the board of directors (or, if none, persons performing similar functions) or, in the case of entities not having voting stock, equivalent ownership or control thereof.

1.2 "Confidential Information" shall mean information provided by Manufacturer or Manufacturer Customers to Distributor (i) that is not known by actual or potential competitors of Manufacturer or is generally unavailable to the public, (ii) that has been created, discovered, developed or otherwise become known to Manufacturer or in which property rights have been assigned or otherwise conveyed to Manufacturer, and (iii) that has material economic value or potential material economic value to Manufacturer's present or future business. Confidential Information, subject to exceptions set forth by laws, shall include trade secrets (as defined under California Civil

Code section 3426.1) which include all discoveries, developments, designs, improvements, inventions, formulas, software programs, processes, techniques, know-how, negative know-how, data, research, technical data (whether or not patentable or registrable under patent, copyright or similar statutes and including all rights to obtain, register, perfect and enforce those proprietary interests), customer and supplier lists, customer profile and other customer information, customer and price list, business plans, and any modifications or enhancements of any of the foregoing, and all program, marketing, sales, or other financial or business information disclosed to Distributor by Manufacturer, either directly or indirectly, in writing or orally or by drawings or observation, which has actual or potential economic value to Manufacturer.

1.3 “Distributor” shall mean _____ and its Affiliates.

1.4 “Effective Date” shall mean _____.

1.5 “Initial Term” shall mean the initial term of this Agreement from __ to __.

1.6 “Manufacturer” shall mean _____ and its Affiliates.

1.7 “Manufacturer Customers” shall mean any individuals or entities, who are current or potential customers or business prospects of Manufacturer, or who are introduced from or by Manufacturer to Representative.

1.8 “Order” shall mean orders placed by Distributor for Products, which are received by Manufacturer and accepted by Manufacturer in writing.

1.9 “Party” shall mean Manufacturer or Distributor, individually. “Parties” shall mean Manufacturer and Distributor collectively.

1.10 “Products” shall mean the products set forth in Attachment A, which is hereby incorporated by reference as fully set forth in this Agreement.

1.11 “Renewal Term” shall mean any renewal term of this Agreement pursuant to Section 8.1 of this Agreement.

1.12 “Term” shall mean the term of this Agreement, including the Initial Term and any Renewal Terms, if any.

1.3 “Territory” shall mean the following country/countries: _____ (or “_____ types of customers serviced by Distributor in _____”).

2. GRANT OF DISTRIBUTORSHIP

2.1 Manufacturer hereby grants Distributor, subject to the terms and conditions of this Agreement, the exclusive right to sell, distribute and service Products in Territory during the Term. *(The word “exclusive” is optional. Also, the right to sell can also be limited to selling Products to specified types of customers.)*

3. RELATIONSHIP OF THE PARTIES

3.1 Independent Contractor. This Agreement shall not be deemed to create a partnership, joint venture or an agent and principal relationship between the parties, and Distributor or any of Distributor’s directors, officers, employees or agents shall not, by virtue of the performance of their obligations under this Agreement, represent themselves as, or be deemed to be, an agent, partner or employee of Manufacturer. The parties mutually agree that Distributor is an independent contractor, not an employee, of Manufacturer. Neither party is liable for any acts, omissions to act, contracts, promises, commitments or representations made by the other, except as specified in this Agreement.

3.2 Exclusivity. Distributor shall be the exclusive distributor for Manufacturer to sell Products in Territory and shall not act as a distributor or a sales representative for, or design, manufacture, sell, distribute, service or market, any products in competition with any products manufactured by Manufacturer. Distributor shall disclose to Manufacturer the identities of all products and manufacturers, which it distributes or represents, and notify, and obtain prior written consent from, Manufacturer of any future products or manufacturers that it will distribute or represent prior to making such commitment to do so. *(Optional.)*

3.3 Most Favorable Terms. If Manufacturer enters into any other export distribution agreement for Product with another distributor in a different territory in the future, which provides that new distributor more favorable terms, other than pricing for Products, Manufacturer will immediately amend this Agreement to provide Distributor with the benefit of any terms, other than the pricing for Products, in the new agreement more favorable than those included in this Agreement. *(Optional.)*

4. DUTIES AND RESPONSIBILITIES OF DISTRIBUTOR

4.1 Distributor's duties and responsibilities include but not be limited to:

- a. Using its best effort to market, offer, sell, promote and develop a market for Products within Territory, referring all inquiries regarding Products or other products manufactured by Manufacturer to Manufacturer and maintaining qualified sales distribution organization and channels within Territory;

- b. Engaging in sales promotion activities, in which designate Products with its correct name and identify Products as being manufactured by Manufacturer and marketed and sold by Distributor as an independent contractor;
- c. attached to this Establishing and maintaining place of business in Territory with display of Products for demonstration, a staff of trained technicians and a stock of spare parts and technical literature in order to provide technical support and services to customers; and providing technical support and services to customers;
- d. Purchasing the minimum dollar amounts of Products as set forth in Attachment A, a copy of which is Agreement and is hereby incorporate by reference as fully set forth herein; and maintaining an inventory of products sufficient to satisfy customer Orders as they are received.
- e. Providing reports concerning inventory, sales and potential sales with fifteen (15) days from the closing of each calendar __ (month or quarter), or as reasonably requested by Manufacturer, and forecasts of anticipated sales over __ month period on a __ (quarter or yearly) basis to assist Manufacturer in planning production activities; and assisting Manufacturer in assessing customer requirements for Products and developing modifications and improvements of Products;
- f. Providing logistical and support services in Territory concerning the sale or service of Products, including but not limited to providing assistance necessary to Manufacturer in arranging and providing lodging, office space, equipment, translation, transportation, communications, facilities and other related support activities;
- g. Conducting its business at all times in a manner, which shall reflect favorably on Manufacturer and Products, and which is not deceptive, misleading, illegal or unethical, and providing advice and assistance concerning compliance of laws, regulations, business and financial practices in Territory, maintenance of contact, communications and liaison with government officials and obtaining necessary licenses, permits and authorizations in compliance with law, regulations and ordinances;
- h. Obtaining all necessary export and import licenses and permits, paying all customs duty and other charges and fees and taking all other actions required to accomplish the export and import of Products;
- i. Providing advice and assistance to Manufacturer on compliance of laws, regulations, business and financial practices in Territory, maintenance of contact, communications and liaison with government officials and obtaining necessary licenses, permits and authorizations in compliance with law, regulations and ordinances;
- j. Providing Manufacturer, upon reasonable notice by Manufacturer and during regular business hours, access to Distributor's place of business and inventory stock to ascertain Distributor's compliance with this Agreement;
- k. Providing Manufacturer with a copy of all Distributor's sales, advertising and promotion materials mentioned Products, and a copy of any translation of materials relating to Products prior to the use of such materials and translations; and
- l. Providing other assistance and services as Manufacturer may reasonably request.

(This is a suggested list and should be revised to meet the needs of the parties.)

4.2 Distributor shall not advertise, market, sell or distribute Products outside Territory or to establish or maintain a warehouse located outside Territory for the distribution of Products outside Territory.

4.3 Distributor shall have no authorities to make any representations, warranties or guarantees or make or execute any commitment or agreement, accept any Orders or incur any liability on behalf of Manufacturer or bind Manufacturer in any way.

4.4 Distributor is responsible for all expenses incurred by Distributor in connection with the implementation and performance of Distributor's duties and obligations under this Agreement, including but not limited to: (a) the expenses incurred in fulfilling its duties and responsibilities as provided in Section 4; (b) costs, expenses and salaries of its personnel associated with establishing and maintaining its sales organization and offices; (c) advertising and promotion expenses; and (e) any and all taxes, duties, tariffs or charges that may be imposed on Distributor in Territory.

4.5 Distributor is solely responsible for the performance of its duties.

5. DUTIES AND RESPONSIBILITIES OF MANUFACTURER

5.1 Manufacturer will use its best efforts to deliver Products pursuant to the dates and other requirements stated in Orders delivered to and accepted by Manufacturer, however, Manufacturer is under no obligation to sell or continue to product any model or type of any Products, whether or not listed on Attachment A beyond __ (__) days of notice of discontinuation sent by Manufacturer to Distributor, and Manufacturer reserves the right to make

substitutions and/or modifications to Products if such substitutions or modifications will not materially adversely affect overall performance of Products. In addition, Manufacturer will keep Distributor informed of changes in Products, specifications and deliveries.

5.2 Manufacturer will provide Distributor, from time to time, advertising matter, price lists and technical assistance when Manufacturer deems necessary

5.3 Manufacturer, from time to time, may, at Manufacturer's sole discretion, make special purchase offers and/or quantity discounts available to Distributor.

5.4 Manufacturer may, from time to time, send representatives to consult with Distributor concerning the promotion and increase of market of Products and technical support and service of Products and provide training to Distributor's personnel as reasonably requested by Distributor.

5.5 Manufacturer shall make repair or replacement parts available to Distributor. Further, during the Term and during a period of ___ (*months, years*) after the expiration or termination of the Agreement, Manufacturer will sell Distributor repair and replacement parts necessary to maintain Products in good and serviceable condition at all times, unless the parts have been discontinued by Manufacturer. Manufacturer shall provide Distributor __ () day prior notice of any discontinuance.

5.6 Manufacturer shall not make any direct sales within Territory, except for accommodation sales or as otherwise agreed upon by the parties. In those cases, commissions shall be credited to Distributor on a case by case basis.

5.7 Manufacturer is solely responsible for the performance of its duties.
(*This is a suggested list and should be revised to meet the needs of the parties.*)

6. **PRICING, ORDER, PAYMENT, SHIPMENT AND ACCOUNTING**

6.1 **Pricing.** The initial pricing for Products is provided in Attachment A. However, the pricing is subject to change by Manufacturer at its sole discretion at any time. Such changes shall be effective upon sending notice by Manufacturer to Distributor pursuant to Section 15.8 of this Agreement (*or by email, facsimile or other means*). All pricing is quoted FOB _____ (*name of city and country.*) and shall include the cost of packaging and crating for export.

6.2 **Orders.** Any Order placed by Distributor shall be submitted to Manufacturer. An Order shall designate the delivery date for at least __ days from the day such Order is submitted to Manufacturer. The Order shall not contain a shipment date fewer than __ () days from the date that such Order is submitted to Manufacturer. After receiving the Order, Manufacturer shall either reject or accept the Order in writing within ___ hours and notify Distributor of its decision pursuant to Section 15.8 of this Agreement. Manufacture has sole discretion to determine if it will accept such an Order. Prior to receiving an acceptance of the Order, Distributor may cancel the Order without further obligations. Upon acceptance of any Order, it shall become a binding agreement between Distributor and Manufacturer, wherein Distributor agrees to purchase Products set forth on the Order pursuant to the terms and conditions in this Agreement. Should Distributor intend to either cancel or change an Order after such Order has been accepted by Manufacturer, Manufacture has the sole discretion to determine if Manufacturer will (1) allow such a cancellation or change, (2) impose a cancellation or change order charge, or (3) declare that Distributor has breached the Agreement and terminate the Agreement pursuant to Section 8.2.1 of this Agreement. Furthermore, Distributor shall meet the minimum dollar amount set forth in Attachment A. Otherwise, Manufacturer may declare that Distributor has breached this Agreement and terminate the Agreement pursuant to Section 8.2.1 of this Agreement.

6.3 **Payments.** For each Order, Distributor shall establish an applicable irrevocable letter of credit in favor of Manufacturer's bank within __ days after receipt of the acceptance of the Order from Manufacturer. The letter of credit must be confirmed by a United States bank and for the entire amount of each shipment of the Order when made. The letter of credit shall allow negotiation time of ___ days from the day of the Order's confirmed shipment date. The Order shall be paid, upon presentation of shipping documents to Distributor's bank in ___ (*name of city, country*), net cash in U.S. currency.

6.4 **Shipment.** Distributor is liable to pay for all costs and expenses associated with the shipment of Products. At Distributor's request, Manufacturer may arrange for shipment of Products, with all costs and expenses associated with the shipment paid by Distributor in accordance with Section 6.3 of this Agreement. Title and risk of loss or damage of Products shall pass from Manufacturer to Distributor upon delivery of Product to the shipping company or Distributor's representative for shipment, regardless of which party makes the shipping arrangements. After the acceptance of an Order by Manufacturer, if Distributor requests delay in shipment, any storage, insurance or other costs incurred because of the delay shall be paid by Distributor pursuant to Section 6.3 of this Agreement. If any

Product is not correctly shipped due an error by Manufacturer, Manufacturer will replace such Product as promptly as possible free of charge and freight prepaid to Distributor's destination. *(Last sentence is optional.)*

6.5 **Inspection of Products.** Manufacturer shall inspect all Products prior to shipment to confirm that such Products are in first-class condition. Distributor shall have the right to inspect the Products dockside in __ (name of city, country). Manufacturer has the right to appoint a third party for inspection purpose. If Distributor discovers any damaged or defective Products, Distributor shall notify Manufacturer within __ () days of such discovery. Upon a written confirmation of an independent merchandise surveyor and a written confirmation from Manufacturer, Distributor shall have damaged and defective merchandise repaired in __ (name of city, country) at Manufacturer's expense.

6.6 **Payments Following Termination or Expiration.** Following termination or expiration of this Agreement, Distributor shall pay Manufacturer for Products ordered by Distributor and accepted by Manufacturer prior to the termination or expiration within __ () from the date of termination or expiration, even though such Products have not been shipped by Manufacturer.

6.7 **Audit Rights.** During the Term and for a period of one (1) year following the termination or expiration of the Agreement, each party shall maintain complete, accurate and detailed books and records with respect to the determination of its revenues and other matters associated with the performance of this Agreement. Each Party (the "requesting party") shall have the right, at its expense and upon prior written notice given to the other party (the "responding party") at least fifteen (15) days prior to the inspection date requested by the requesting party, to inspect and audit all of the responding party's records associated with the performance of this Agreement, and the responding party agrees to reasonably cooperate with and provide access to the requesting party and its financial advisors as may be necessary and appropriate for such inspection and audit.

7. COMPLIANCE WITH LAW

7.1 Distributor agrees that in carrying out its duties under this Agreement, Distributor will neither undertake nor cause or permit to be undertaken any activity which to Distributor's knowledge is illegal under the laws of the Territory or of the United States. It is a condition of this Agreement that, within __ (specify number, such as: 30) days from execution of this Agreement and prior to the initiation of any activities with respect to any Order, Distributor will submit to Manufacturer an opinion of Distributor's counsel, provided that such counsel and the form and substance of the opinion shall be to Manufacturer's satisfaction, that nothing in this Agreement prevents Distributor from carrying out its duties in accordance with laws, decrees, rules and regulations of the Territory, and that Distributor may act as Distributor for all Products to any government ministries, agencies and departments, including the armed forces. The submission of this opinion is a condition precedent to the effectiveness of this Agreement.

7.2 Distributor understands and agrees that Manufacturer may comply with any legal provision requiring disclosure, or any request from the U.S. Government or the Government of the Territory to disclose, by affidavit or otherwise, the identity of Distributor, as well as the identities of Distributor's principal and the amount of any payment made or to be made to Distributor under this Agreement.

8. TERM AND TERMINATION

8.1 **Term.** The term of this Agreement will commence on the effective date of this Agreement and will continue for a period of __ () years unless earlier terminated by either party accordance with Section __. At the end of each Term, including at the end of the Initial Term and the Renewal Terms, this Agreement will be automatically renewed for an additional __ () year period, unless either party give the other party a written notice __ () days prior to the expiration of the Initial Term or any Renewal Term. All the terms and conditions contained in this Agreement will remain the same during any renewals beyond the Initial Term, unless this Agreement is amended or modified in written pursuant to Section __ of this Agreement. *(The automatic renewal portion of the provision is optional. Also, restrictions or conditions may be required, such as sales quota, before there will be a renewal.)*

8.2 **Termination.** In the event of any of the following, this Agreement, and the rights and licenses granted hereunder, will terminate.

If either party defaults in the performance of or compliance with any provision contained in this Agreement or breach any provisions set forth in this Agreement (except as otherwise provided in this Section 8) and such default or breach is not cured within fifteen (15) days after written notice thereof is received by the defaulting party, the party giving such notice may then give further written notice to the defaulting party terminating this Agreement, in which event this Agreement, and the rights and licenses granted hereunder, will terminate on the date specified in such further notice.

If either party discontinues its primary business for more than fifteen (15) days, either party may terminate this Agreement upon fifteen (15) days' prior written notice to the other party. If the primary business is continued by an Affiliate, the primary business will be deemed continued by the party for purposes of Section 8.2.2.

Either party may terminate this Agreement by written notice to the other party and may regard the other party as in default of this Agreement, if the other party becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or permits the appointment of a receiver for its business or assets, or becomes subject to any proceedings under any bankruptcy or insolvency law, which is not dismissed within ninety (90) days, or has wound up or entered liquidation, voluntarily or otherwise. In the event that any of the above events occur, the defaulting party will immediately notify the other party of its occurrence.

In the event of a breach of Distributor's obligations under Sections 7, 11, 12, 13 and/or 14, Manufacturer may immediately terminate this Agreement in writing without providing any cure period.

If one party is unable to perform its obligations under the Agreement by reason of any law, rule, regulation or order of any municipal, state or federal or foreign authority, including, but not limited to any regulatory authority that has jurisdiction over that party's business, then the either party may terminate this Agreement by given the other party a thirty (30) day written notice.

If the performance of this Agreement becomes impracticable because of the change of the situation of the U.S., or if the trade between the U.S. and the Territory becomes impracticable because of the change in the currency controls renders, then either party may terminate this Agreement by given the other party a _ () days' prior written notice. (*Optional.*)

Either party may terminate this Agreement without cause upon _ () days' prior written notice to the other party. (*Optional.*)

8.3 Termination of the Agreement for any reason does not affect (a) obligations that have accrued as of the date of termination; and (b) the obligations under those sections identified in Section 15.12 of this Agreement. Further, in the event of termination, Distributor shall return Manufacturer the Confidential Information as provided in Section 12.4 (*or 12.1*) of this Agreement, and Distributor's limited license to use Manufacturer' intellectual property shall cease immediately.

9. REPRESENTATIONS AND WARRANTIES

9.1 Each party represents and warrants that:

It has the authority to enter into this Agreement and the rights and license necessary to enter into, and perform its obligations under, this Agreement.

It is free to enter into this Agreement and is not bound by any agreements, including but not limited to nondisclosure agreement, noncompetition agreement, documents or obligation that may infringe on its ability or in any manner prevent it from performing any of the duties that may be required of it during the Term, or that may result in liability to it in any manner, action, or proceeding.

It has full power and authority to execute and deliver this Agreement, and this Agreement has been duly executed and delivered by or on behalf of itself and constitutes a legal, valid and binding obligation enforceable against it in accordance with its respective terms. Neither the execution, delivery, nor performance of this Agreement violates or conflicts with any applicable laws, decrees, rules, regulations, requires any notice, consent or other action by a third party or creates a default or breach or give rise to any right of termination, cancellation or acceleration of any right or obligation or to lose any benefit to which it is entitled under any agreement or other instrument binding upon it. It will not take any action that would have the effect of causing the other to be in violation of any laws, decrees, rules or regulations.

9.2 Manufacturer represents and warrants that it has all rights, title and interest in and to all copyrights, patents, trademarks and other intellectual property rights associated with Products or otherwise has the right to allow the use thereof which are necessary to use, sell, market and distribute Products, and to manufacture and sell Products without infringing any rights; and that, as of the Effective Date, Manufacturer is not aware of any basis for third party claims of infringement of any patents, trademarks, or tradenames with respect to Products. In the event that

any action, claim or suit is brought against Distributor alleging that the manufacture, use, sale or transfer of any Product or the use of the trademarks or tradenames constitutes infringement of any proprietary rights of any third party, Manufacturer shall indemnify Distributor pursuant to Section 10.1 of this Agreement, provided that Distributor gives written notice of such actions or claims brought against Distributor within five (5) days from the receipt of notice of such actions or claims, and that Distributor takes reasonable steps as may be requested by Manufacturer to assist in the defense of such action. *(The last sentence, starting with "In the event that . . ." is optional.)*

9.3 Manufacturer further represents and warrants that Products shall conform in all material aspects with Manufacturer's written specifications for Products and are free of defects in material or workmanship. This representation and warranty will extend for __ *(months or years)* from the shipment date of Products. Manufacturer's obligations for breaching this representation and warranty shall be limited to replacing or repairing defective Products at Manufacturer's choice. However, Manufacturer is not liable for any defects in Products, if Products were used to operate in manner inconsistent with use intended by Manufacturer, or if there were modifications or repairs made to Products by party other than Manufacturer's personnel in manner that adversely affects Products' operation or reliability, or if Products were damaged because of accident, neglect or misuse by party other than Manufacturer's personnel.

9.4 Distributor represents and warrants that except as appropriate to carry out Distributor's duties in this Agreement, Distributor has not, has no obligation to and will not, directly or indirectly, give, offer, pay, promise to pay or authorize the payment of money or thing of value to any other person in connection with transactions under this Agreement are to be paid. Distributor agrees not to take any actions that would cause Manufacturer to violate section 103 of the Foreign Corrupt Practices Act of 1977 (15 U.S.C.A. § 78dd-l). Distributor warrants that none of its officer, director, employee or agent is an "official" of __ *(name of country)* Government as that term is defined in section 103, nor will Distributor employ an "official" of that government.

9.5 Distributor represents and warrants that it will make and keep books, records and accounts that, in reasonable detail, accurately and fairly reflect the transactions performed by Distributor under this Agreement and the dispositions of Products. Distributor specifically agrees that Manufacturer may inspect such books, records and accounts upon reasonable requests made by Manufacturer to Distributor.

10. INDEMNIFICATION AND LIMITATION OF LIABILITY

10.1 Indemnification. Each party (the "First Party") hereby indemnifies and agrees to hold the other party (the "Second Party") and its affiliates, and its and their successors and assigns, and its and their directors, officers and employees harmless against any and all claims, causes of actions, loss, demands, penalties, damages, costs, judgments, attorney's fees or any other expenses incurred in connection with, caused by or relating to the First Party's actions or failure to act or any breach by the First Party of the terms, covenants, representations or warranties set forth in this Agreement.

10.2 Limitation of Liability. REGARDLESS OF THE BASIS ON WHICH ANY PARTY (THE "FIRST PARTY") MAY BE ENTITLED TO RECOVER DAMAGES FROM THE OTHER PARTY (THE "SECOND PARTY"), INCLUDING BUT NOT LIMITED TO, BREACH OF WARRANTY, CONTRACT OR FIDUCIARY DUTY, FRAUD, NEGLIGENCE, MISREPRESENTATION, OTHER TORT OR INDEMNITY, THE SECOND PARTY'S AGGREGATE LIABILITY UNDER THIS AGREEMENT OR RELATED TO PRODUCTS OR THE USE THEREOF IS LIMITED TO ACTUAL, DIRECT DAMAGES THAT CAN BE PROVEN UP TO AN AMOUNT NOT TO EXCEED THE AGGREGATE OF AMOUNT PAID BY MANUFACTURER TO DISTRIBUTOR FOR THE SIX-MONTH PERIOD PRIOR TO THE DATE WHEN SUCH PROBLEM OCCURRED. THE PARTY SUFFERING SUCH DAMAGES OR LOSSES MUST FIRST EXHAUST ANY AVAILABLE LEGAL AND EQUITABLE REMEDIES AGAINST PARTIES OTHER THAN THE SECOND PARTY. THE SECOND PARTY SHALL IN NO EVENT BE LIABLE TO THE FIRST PARTY OR ANY THIRD PARTY FOR ANY SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS, SAVINGS, REVENUES, BUSINESS OPPORTUNITIES OR BUSINESS ADVANTAGES) UNDER THIS AGREEMENT OR IN ANY WAY IN CONNECTION WITH PRODUCTS OR THE USE THEREOF WHATSOEVER, EVEN IF SECOND PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, THE LIMITATIONS OF LIABILITY SET FORTH ABOVE IN THIS SECTION 10.2 SHALL NOT APPLY TO LOSSES AGAINST WHICH THE PARTIES HAVE AGREED TO INDEMNIFY EACH OTHER PURSUANT TO THE TERMS AND PROVISIONS OF THIS AGREEMENT OR THE DAMAGES INCURRED BY MANUFACTURER BECAUSE OF THE BREACH OF SECTIONS 11, 12, 13 AND 14 OF THIS AGREEMENT BY DISTRIBUTOR.

10.3 Disclaimer. EXCEPT OR AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY DISCLAIMS ALL OTHER WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO THE IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OF THE SERVICES OR PRODUCTS, QUIET ENJOYMENT, AS WELL AS IMPLIED WARRANTIES ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE.

10.4 Some jurisdictions do not allow the exclusion or limitation of incidental or consequential damages, so the above limitation or exclusion may not apply.

(The sections on limitation of liability will limit the liability for both parties. If the parties or either party does not want to set a limitation on liability, then please delete Sections 10.2 to 10.4 and delete the reference of limitation of liability in the header. If the limitation is applicable as to one party only, then revise these sections accordingly.)

11. OWNERSHIP OF INTELLECTUAL PROPERTY

11.1 Manufacturer shall at all times own and retain all respective right, title and interest in and to, and is the sole and exclusive owner of, any intellectual property rights in Products. Such right, title and interest include, but are not limited to, all patents, copyrights, trademarks, trade names, trade dress and trade secrets, names and marks now and subsequently used to identify Products, any proprietary information used in or applying to Products, rights of privacy or publicity, rights to the graphical user interface, source code, object code and other intellectual property rights. Distributor agrees that (a) the intellectual property rights in Products are Manufacturer's property and contain valuable proprietary materials of Manufacturer; (b) Manufacturer hereby grants a limited license to Distributor to use the name of Product to market and sell Product in strict conformity with this Agreement; and (c) Distributor shall not have any rights in and to the intellectual property rights in Products, except as otherwise explicitly stated in this Agreement. If requested by Manufacturer, Distributor shall assist Manufacturer or Manufacturer's designees at Manufacturer's expense to file any application for registration of a patent, trademark, tradename, service mark or other trade-identifying symbol used in connection with the Products and to establish any right of prior use by Manufacturer that may be required for the registration or protection of the patent, trademark, tradename, service mark or other symbol under the laws of the Territory. Upon expiration or sooner termination of this Agreement, Distributor's limited license to use Manufacturer's intellectual property shall cease immediately.

12. CONFIDENTIALITY

12.1 Confidential Information. In the course of performing its obligations hereunder, it may be necessary for Manufacturer or Manufacturer Customers to disclose Confidential Information. Manufacturer shall be the sole owner of the Confidential Information. Such Confidential Information is considered by Manufacturer to be commercially valuable, confidential and proprietary including information furnished by a third party. Manufacturer makes no representations or warranties, express or implied, with respect to any Confidential Information. Manufacturer will not be liable for any damages arising out of use of Confidential Information by Distributor. Any use of Confidential Information is at Distributor's own risk. Also, nothing in this Agreement will be construed as granting or conferring any rights by license or otherwise in Confidential Information, except for the use as expressly provided in this Agreement.

12.2 Notice to Manufacturer re Disclosure. If, at any time, Distributor become aware of any unauthorized access, use, possession or knowledge of any Confidential Information, or if Distributor receives any request of a governmental agency or third party pursuant to operation of law, regulation or court order, Distributor shall (1) give Manufacturer sufficient prior written notice of such proposed disclosure to enable Manufacturer to obtain an appropriate protective order, if it so desires; and (2) take such reasonable steps as are available to Distributor to prevent disclosure of such Confidential Information until the Manufacturer has been informed of such requested disclosure and Manufacturer has an opportunity to take any necessary action to respond to such requested disclosure. In addition, Distributor shall provide all reasonable assistance to Manufacturer to protect the confidentiality of any such Confidential Information that Distributor may have directly or indirectly disclosed, published, or made available to third parties in breach of this Agreement, including reimbursement for any and all attorney fees and costs that Manufacturer may incur to protect the rights in such Confidential Information.

12.3 Nondisclosure. Distributor: (1) shall hold and maintain Confidential Information in strictest confidence and in trust for the sole and exclusive benefit of Manufacturer; (2) shall not, without the prior written approval of Manufacturer, use for its own benefit, publish or otherwise disclose to others, or permit the use by others for their benefit or to the detriment of Manufacturer, any of Confidential Information; and (3) shall only disclose Confidential Information to its employees and/or consultants with a need to know, and only if such employees and/or consultants

have executed agreements that impose on them substantially the same duty with respect to confidentiality as is imposed hereunder.

12.4 Effect of Termination. Upon the expiration or termination of this Agreement, Distributor shall immediately cease the use of the Confidential Information and shall have thirty (30) days from the expiration or termination date of this Agreement to return any Confidential Information received from Manufacturer. Distributor shall not reproduce or permit the reproduction of any such Confidential Information, nor circulate such to any individual or entity. If it is physically impossible to return any Confidential Information received by Distributor, Distributor shall delete such undeliverable files and data items transferred from Manufacturer.

12.5 Injunctive Relief. Distributor understands and acknowledges that any disclosure or misappropriation of any Confidential Information in violation of this Agreement may cause Manufacturer irreparable harm, the amount of which may be difficult to ascertain, and agrees that Manufacturer shall have the right to apply to a court of competent jurisdiction for an order restraining any such further disclosure or misappropriation and for such other relief as Manufacturer shall deem appropriate, and Distributor expressly agrees that Manufacturer shall be entitled, in addition to any other remedy provided by law, to obtain an injunction or other equitable remedy respecting such violation or continued violation. Such right is to be in addition to the remedies otherwise available to Manufacturer at law or in equity.

(This section is a long version with complete protection of intellectual property rights. Below is a shorter version of "Confidentiality.")

12.1 In the course of performing its obligations hereunder, it may be necessary for Manufacturer or Manufacturer Customers to disclose Confidential Information to Distributor. Manufacturer is the sole owner of the Confidential Information. Distributor shall hold and maintain Confidential Information in strictest confidence and in trust for the sole and exclusive benefit of Manufacturer and shall not, without the prior written approval of Manufacturer, use for its own benefit, publish or otherwise disclose to others or permit the use by others for their benefit or to the detriment of Manufacturer, any of Confidential Information. Any disclosure of Confidential Information to Distributor's employees and/or consultants shall be on a need to know basis. If, at any time, Distributor become aware of any unauthorized access, use, possession or knowledge of any Confidential Information, or if Distributor receives any request of disclosure by a governmental agency or third party pursuant to operation of law, regulation or court order, Distributor shall (1) give Manufacturer sufficient prior written notice of such proposed disclosure to enable Manufacturer to obtain an appropriate protective order, if it so desires; and (2) prevent disclosure of such Confidential Information until Manufacturer has an opportunity to take any necessary action to respond to such requested disclosure. Distributor shall also provide all reasonable assistance to Manufacturer to protect the confidentiality of such Confidential Information. Upon the expiration or sooner termination of this Agreement, Distributor shall have thirty (30) days from the expiration or termination date of this Agreement to return Confidential Information received from Manufacturer or delete Confidential Information, which cannot be returned physically. Distributor shall not reproduce or permit the reproduction of any such Confidential Information, nor circulate such to any individual or entity. Distributor understands and acknowledges that any disclosure or misappropriation of any Confidential Information in violation of this Agreement may cause Manufacturer irreparable harm, the amount of which may be difficult to ascertain, and agrees that Manufacturer shall have the right to apply to a court of competent jurisdiction for an order restraining any such further disclosure or misappropriation and for such other relief as Manufacturer shall deem appropriate, and Distributor agrees that Manufacturer shall be entitled, in addition to any other remedy provided by law, to obtain an injunction or other equitable remedy respecting such violation or continued violation. Such right is to be in addition to the remedies otherwise available to Manufacturer at law or in equity.

13. **NO CONFLICT DURING TERM**

13.1 No Representation of Competitor. During the Term, Distributor shall not act as a distributor for products competitive in substantial respects, or bearing substantial similarities with Products or other products produced by Manufacturer, except as otherwise agreed upon by the parties in writing. Distributor agrees that at the end of each calendar year, or from time to time at Manufacturer's reasonable requests, it will provide Manufacturer, in writing, with the identity of other manufacturers for whom Distributor has been granted distributorship. *(This Section is optional. If the parties agree that Distributor may represent other manufacturer, then use the following Section instead.)*

14. **NON-EXCLUSIVITY**

13.1 **Non-Exclusivity.** The parties agree that Distributor is not the exclusive distributor for Manufacturer in the Territory, that Distributor is free to act as a distributor for other manufacturers, and that Manufacturer may retain other distributor to distribute Products in the Territory.

15. **NO UNFAIR COMPETITION AND NON-INTERFERENCE WITH BUSINESS** (*NOTE: These subsections are optional.*)

15.1 **General.** Distributor understands that during the Term, Distributor will receive from the Manufacturer or Manufacturer Customers Confidential Information belongs to Manufacturer and/or Manufacturer Customers. This Section 14 in no way unnecessarily restricts Distributor from continuing to undertake and perform all activities and functions, which Distributor is undertaking and performing as of the execution of this Agreement. Distributor specifically agrees that this Section 14 is an essential incentive to induce Manufacturer to enter into this Agreement, and that this Section 14 shall be specifically enforceable by Manufacturer, its related entities and its and their successors and assigns. Distributor acknowledges that the limitations as to time, geographical area and scope of activity restrained as set forth herein are reasonable and do not impose a greater restraint on Distributor than is necessary to protect the integrity of the Confidential Information, the goodwill and other business interests of Manufacturer, as well as the competitive benefit of Manufacturer. As one of the considerations for Manufacturer to enter into this Agreement and without in any way limiting any other provisions herein, Distributor agrees to be bound by this Section 14.

15.2 **No Unfair Competition.** Distributor shall not (1) during the Term and for one (1) year after the expiration or termination of this Agreement, including but not limited to using Confidential Information, directly or indirectly engage or participate in services for, work for, involved in, engaged in, own, manage or operate any business competitive with, or similar to, that of the Manufacturer in the Territory, so long as the Manufacturer carries on a like business in the Territory; (2) engage in unfair competition with Manufacturer, including but not limited to doing so by using Confidential Information; (3) aid others in any unfair competition with Manufacturer, including but not limited to doing so by using Confidential Information; (4) in any way breach the confidence that Manufacturer placed in Distributor during the Term; (5) misappropriate any Confidential Information; or (6) breach any of the provisions of this Section 14 of the Agreement.

15.3 **Non-Interference with Business.** During the Term of this Agreement and for one (1) year after the expiration of the Agreement, Distributor shall not, including but not limited to by using Confidential Information, (1) influence or attempt to influence any Manufacturer Customers to divert their business to any individual or entity then in competition with Manufacturer; (2) disrupt, damage, impair or interfere with the business of Manufacturer by disrupting its relationships with Manufacturer Customers or prospects or Manufacturer's Customers' agents, Distributors or vendors; or (3) solicit, contract with or join in with any Manufacturer Customers or prospects without the involvement of Manufacturer for any purpose without first applying for and receiving the express written consent of Manufacturer.

15.4 **Non-Solicitation of Employees.** Distributor acknowledges and agrees that Manufacturer has made a substantial investment in bringing qualified and professional employees, contractors, agents and/or Distributors and would suffer a loss if they are hired by others due to the conduct by Distributor. Distributor agrees that, during the Term of this Agreement and for one (1) year after the expiration or sooner termination of the Agreement, Manufacturer shall not disrupt, damage, impair or interfere with the business of Manufacturer by interfering with Manufacturer's relationship with its employees by directly or indirectly soliciting Manufacturer's employees who earned ____ (\$__) or more on an annual basis to work for any individual or entity then in competition with Manufacturer.

15.5 **Non-Circumvention.** Distributor agrees that it shall not, directly or indirectly, circumvent, avoid, bypass or obviate Manufacturer in any way, including but not limited to entering into any separate business transactions in any manner with Manufacturer Customers without first applying for and receiving the express written consent of Manufacturer. Such "business transactions" shall include, but not be limited to any transactions, purchases, sales, manufacturing, joint ventures, investment, mergers, acquisitions, projects, any loans or collateral, or other transaction involving any products, transfers or services or addition, renewal extension, rollover, amendment, renegotiations, new contracts, parallel contracts/agreements or third party assignments thereof.

15.6 **Application of this Section.** Distributor agrees that Section 15.6 shall apply to any transaction between the parties and/or between Distributors and any and all Manufacturer Customers, which makes use of, or involves, Confidential Information, or relates to any sources, introduced by, or disclosed by or from, Manufacturer.

15.7 **Injunctive Relief.** Distributor agrees that a breach of Distributor's obligations under this Agreement shall result from any efforts of the Distributor or its associates, including but not limited to any of Distributor's agents,

Distributors, employees, affiliates, solicitors, bankers, buyers or sellers, who directly or indirectly, attempt to conduct business of or in any manner, to the exclusion of Manufacturer based upon, or pertaining to, Confidential Information or relating to Manufacturer Customers.

16. MISCELLANEOUS

16.1 Binding Effect. This Agreement shall be binding upon both parties and their permitted successors and assigns from the Effective Date.

16.2 Governing Law. This Agreement shall be construed, interpreted and governed as to procedural and substantive matters according to the laws of _____ (*such as the State of California, United States of America,*) without regard to its choice of law, conflict of law's provisions.

16.3 Arbitration; Choice of Forum.

16.3.1 Arbitration. All claims, disputes, controversies, or disagreements of any kind whatsoever ("claims"), including any claims arising out of, relating to or in connection with this Agreement, shall be submitted to final and binding arbitration before _____ (*name of an arbitration agency*) in _____ (*name of location*) in accordance with the rules and procedures of _____ (*specify governing rules and provider such as American Arbitration Association*) then existing. The arbitration shall be held before one arbitrator mutually agreed by the parties. Either party may request to submit any claims to arbitration and make a written request to the other party to select an arbitrator within ____ () days. If the parties cannot agree on one arbitrator within ____ () days from the first written request to select an arbitrator by either party, then each party shall select one arbitrator, those two arbitrator shall select a third mutual arbitrator, and the arbitration shall be held before these three arbitrators. If parties fail to select any arbitrator within ____ () days from the first written request to select an arbitrator by either party, then an arbitrator shall be appointed by _____ (*specify governing rules and provider such as American Arbitration Association*), and the arbitration shall proceed in _____ (*name of location*) before the arbitrator so appointed. The arbitration must be conducted in the English language. The parties agree that the arbitration award is final and binding, and that the judgment on any arbitration award may be entered in any court of competent jurisdiction, and either party may file an action to compel arbitration with any court of competent jurisdiction. This Agreement is a waiver of all rights the parties may have to a civil court action on any dispute outlined by this Agreement. The fees and costs of the arbitration shall be borne equally by the parties, except that each party shall each pay for their own attorney fees or costs of representation for purposes of the arbitration unless otherwise provided by law.

16.3.2 The parties agree that the following claims may be excluded from this arbitration provision: (1) claims relating to Distributor's violations or breach of Sections ____ of this Agreement; and (2) claims that are expressly excluded by applicable laws. Either party may choose to file any actions concerning disputes or controversies arising out of such claims or the interpretation of any provisions contained therein with _____ (*specify name of court, such as the Los Angeles County Superior Court in Los Angeles, California*).
(*The parties may choose to use the following arbitration clause instead.*)

16.3 Arbitration; Choice of Forum.

Arbitration. All claims, disputes, controversies, or disagreements of any kind whatsoever ("claims"), including any claims arising out of or in connection with this Agreement, shall be submitted to final and binding arbitration before _____ (*name of an arbitration agency*) in _____ (*name of location*) in accordance with the rules and procedures of (if applicable, add: the supervision of _____ (*specify appointing authority*) and) the Rules of the United Nations Commission on International Trade Law ("UNCITRAL") in effect on the date of this contract (the "Rules"). In the event of any conflict between the Rules and this Section, the provisions of this Section govern. Arbitration under this Agreement is the parties' exclusive remedy, and no party to any arbitration is required to exhaust any local administrative or judicial remedy first

Arbitrator. Each party must appoint one arbitrator within ____ (*specify time period, such as: 30 days*) after receipt by the respondent of the notice of arbitration. The two arbitrators appointed by the parties must, within ____ (*specify time period, such as: 30 days*) after their appointment, appoint a third, presiding arbitrator, who may not be a citizen or resident of ____ (*specify country*) or ____ (*specify country*). If either party fails to nominate an arbitrator, or the two arbitrators appointed by the parties are unable to appoint a presiding arbitrator within the stated periods, the arbitrator or arbitrators will be appointed by the ____ (*appointing authority*) according to the Rules. All arbitrators must be fluent in ____ (*specify language, such as: English*) and must ____ (*specify desired expertise, if any*).

Procedure. The arbitrators will hold hearings where written, documentary and oral evidence may be presented. Evidence may not be taken except in the presence of both parties, and all witnesses may be questioned by both parties. Unless the parties otherwise agree, or a witness is dead, ill, or unavailable for other good reasons, the arbitrators may not accept a witness' written statement unless the other party has an opportunity to question the

witness in the arbitrators' presence. All proceedings must be conducted in the _____ (*specify language, such as: English*) language.

Award. The arbitrators must, by majority vote, render a written decision, stating reasons for their decision, within ____ (*specify number*) months after the respondent receives the request for arbitration. Any cash award must be payable in U.S. Dollars through a bank in the US and determined, to the extent necessary, on the basis of the rate of exchange in effect at the time the claim arose, as published in the Wall Street Journal. Each party must bear its own costs and attorney's fees *or* the prevailing party is entitled to recover its costs of arbitration and reasonable attorney's fees, as determined by the arbitrators. The award is deemed a _____ (*specify nationality*) award.

Enforcement. The award is final and enforceable and may be confirmed by the judgment of a court of competent jurisdiction. To the extent that an award or confirming judgment is unsatisfied, it may be enforced in the manner provided by law in all countries. The prevailing party is entitled to recover its costs and attorney's fees in any proceedings to enforce the award or confirming judgment.

Reservation of Rights. The right to refer a claim or dispute to arbitration under this Agreement is not affected by the fact that a claimant or respondent has received full or partial compensation from a third party for the loss or injury that is the object of the claim or dispute, and any third party may participate in these proceedings by right of subrogation.

The parties agree that the following claims may be excluded from this arbitration provision: (1) claims relating to Distributor's violations or breach of Sections 11, 12, 13 and 14 of this Agreement; and (2) claims that are expressly excluded by applicable laws. Either party may choose to file an action concerning disputes or controversies arising out of such claims or the interpretation of any provisions contained therein with _____ (*specify name of court, such as the Los Angeles County Superior Court in Los Angeles, California*).

(*The parties may choose to use the following "Choice of Forum" clause instead.*)

16.3 **Choice of Forum.** The parties further agree that any actions concerning disputes or controversies arising out of this Agreement or the interpretation of any provisions contained therein shall be filed with the _____ Court in _____ (*specify location*).

16.4 **Entire Agreement; Language; Amendments.** This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter of this Agreement and supersedes and cancels any other prior agreements or understandings whether written, oral or implied relating to the subject of this Agreement. There are no restrictions, promises, representations, warranties covenants or undertakings other than those expressly set forth or referred to in this Agreement. The parties further agree that neither they nor anyone acting on their behalf made any inducements, agreements, promises, or representations other than those set forth in this Agreement. This Agreement is written in English only, which is the controlling language in all respects. Any version in any other language is for accommodation only and is not binding upon the parties. All formal notices given pursuant to this Agreement must be in English. Except as provided in Section 6.1, this Agreement may be amended, modified, and supplemented only by written agreement signed by the parties' authorized personnel hereto.

16.5 **Waiver of Breach.** The waiver by either party of a breach or violation of any provision of the Agreement shall not operate as, or be construed to be, a waiver of any prior, concurrent or subsequent breach hereof. No waiver or purported waiver will be valid or enforceable unless it is in writing and signed by the party against whom it is sought to be enforced.

16.6 **Assignment.** No portion of this Agreement or any right or obligation under this Agreement can be transferred or assigned, in whole or in part, whether by operation of law or otherwise, by either party without the prior written consent of the other party, except that Manufacturer may freely transfer and assign its rights and obligations under this Agreement to any of Manufacturer's wholly owned subsidiaries, provided that Manufacturer provides guarantees of the obligations of the wholly owned subsidiaries in form and substance satisfactory to Distributor.

16.7 **Force Majeure.** If either party fails to perform its obligations hereunder (except for the obligation to pay money) because of fires, floods, earthquakes, riots, civil unrest, war, epidemics, shortages, labor unrest, strikes, accidents, acts of God, weather conditions, or action or inaction of any government body or other proper authority, delays caused beyond its reasonable control, then such failure to perform will not be deemed a default hereunder and will be excused without penalty until such time as such party is capable of performing and will not be liable to the other party for any loss, cost or damages arising out of, or resulting from, such failure to perform.

16.8 **Notice.** All notices which are required or permitted to be given pursuant to this Agreement shall be in writing and shall be sufficient in all respects if delivered personally, by facsimile, by email, by overnight courier using a nationally recognized courier company, or by registered or certified mail, postage prepaid, addressed to a party as indicated below: Manufacturer: _____; and, Distributor: _____. Notice shall be deemed to have been received upon delivery thereof as to communications which are personally delivered,

are sent by facsimile or by email; on the third (3rd) day after mailing as to communications which are sent by overnight courier; and on the seventh (7th) day after mailing as to communications made by mail. The above addresses may be changed by giving written notice of such change in the manner provided above for giving notice.

16.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision or other provision hereof in any other jurisdiction.

16.10 Attorney's Fees. The prevailing party in any arbitration or litigation brought by either party to this Agreement in connection with this Agreement will be entitled to recover from the other party all reasonable costs, attorney's fees, and other expenses incurred by the prevailing party in such arbitration or litigation.

16.11 Third Parties. Nothing herein expressed or implied is intended or will be construed to confer upon or give to any person or entity other than the parties hereto and their successors or permitted assigns, any rights or remedies under or by reason of this Agreement.

16.12 Survival. The provisions of Sections 1, 6.6, 7, 8.2, 9, 10, 11, 12, 13, 14 and 15 of this Agreement will survive any expiration or termination of this Agreement.

16.13 Headings. The headings of the Sections of this Agreement are inserted for convenience of reference only and do not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement.

16.14 Dollar Amount. Any dollar amount in the Agreement is in U.S. dollars.

16.15 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Each party hereto acknowledges and agrees that the other party may rely on electronic facsimile signatures as conclusive evidence of the valid and binding execution of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

Dated: _____ MANUFACTURER

By: _____
Name: _____
Title: _____

Dated: _____ DISTRIBUTOR

By: _____
Name: _____
Title: _____

ATTACHMENT A

LIST OF PRODUCTS AND PRICING

A. Names of Products and Pricing:

(Manufacturer may retain the right to change Products during the Term. Manufacturer may grant the right of approval or first right of refusal to Distributor for such change of Products during the Term.)

B. An initial Order for Products in the amount of \$_____ shall be placed within ____ (__) days from the Effective Date of this Agreement.

C. Minimum Dollar Amounts of Products to Be Purchased by Distributor During the Term (*Optional*):

The minimum purchase of _____ (*name of the Product*) shall be \$_____.

Any Order placed by Distributor shall be credited against the minimum purchase amount at the time of placing of such Order. Any Order subsequently cancelled by Distributor shall not be given any credit against the minimum purchase amounts.

(*Or, the following section can be used.*)

C. Minimum Dollar Amounts of Products to Be Purchased by Distributor During the Term (*Optional*):

For the period from _____ to _____, the minimum purchase of _____ (*name of the Product*) shall be \$_____;

For each year subsequent to _____ (*date*), Distributor shall purchase a minimum dollar amount equal to _____% of the actual amount purchased by Distributor during the immediate preceding year.

Any Order placed by Distributor shall be credited against the minimum purchase amount at the time of placing of such Order. Any Order subsequently cancelled by Distributor shall not be given any credit against the minimum purchase amounts.

D. Manufacturer reserve the right to sell less than the minimum amount of Products if the capacity of its factory is unable to meet the demands of all of its distributors, both domestic and foreign.

Appendix E Sales Aids

1 .Sample Responses to Inquiries from Prospective Buyers

Responses to

Letter #1: For buyers not familiar enough with the line to ask about a specific model

Dear _____:

Thank you for your inquiry about our company and products. We appreciate your interest. Our products are now being sold throughout the United States [and in __ countries around the world]. We are very proud of this widespread product acceptance. We are prepared to fill orders from international customers and comply with all reasonable regulatory requirements.

After you have examined our Web site (www.xxxxxxxx.com) [attached descriptive literature], please let us know which model would best meet your requirements. We will prepare a Proforma invoice with a price quote ranging from ex works to CIF, as you require.

Please let us know if you have further questions. We look forward to hearing from you soon.

With kind regards,

Letter # 2: For buyers that ask about a specific model or requirement. This letter requires a quotation on a Proforma invoice

Dear _____:

Thank you for your inquiry about MNC's products. We appreciate your interest. Our products are now being sold throughout the United States [and in __ countries around the world]. We are very proud of this widespread product acceptance. We are prepared to fill orders from international customers and comply with all reasonable regulatory requirements.

We believe that the models selected on the attached Proforma invoices may be the best suited for your requirements. The standard equipment and optional equipment are listed on our Web site (www.xxxxxxxx.com) [the attached specification data sheets for each of these models.].

Please let us know if you require further Proforma invoices or have any questions about our company or products, or concerning delivery, inland freight, insurance, shipping ports, or freight.

With kind regards

Appendix E Sales Aids

2. Sample Responses to Inquiries from Prospective Agents/Distributors

Letter #3: For agents/distributors not familiar with the line and do not ask about a specific model

Dear _____:

Thank you for your inquiry about MNC's products. We appreciate your possible interest in representing MNC in [Country]. Our products are now being sold throughout the United States [and in __ countries around the world]. We are very proud of this widespread product acceptance. We are prepared to fill orders from international customers and comply with all reasonable regulatory requirements.

After you have examined our Web site (www.xxxxxxxx.com) [attached descriptive literature], please let us know which products you feel would offer the most potential in your country if distributed through you. The attached Dealer Confidential Net Price Schedule will provide you with F.O.B. Los Angeles costs on all models, optional equipment, and spare parts. If you wish to be considered as our representative in [Country], please provide information about your organization that would help us assess your qualifications.

Please let us know if you have further questions. We look forward to hearing from you soon.

With kind regards,

Letter #4: For agents/distributors that ask about a specific model or requirement. This letter requires a quotation on a Proforma invoice

Dear _____:

Thank you for your inquiry about MNC's products. We appreciate your possible interest in representing MNC in [Country]. Our products are now being sold throughout the United States [and in __ countries around the world]. We are very proud of this widespread product acceptance. We are prepared to fill orders from international customers and comply with all reasonable regulatory requirements.

We believe that the models selected on the attached Proforma invoices may be of most interest to you. The standard equipment and optional equipment are listed on our Web site (www.xxxxxxxx.com) [the attached specification data sheets for each of these models.]. The attached Dealer Confidential Net Price Schedule will provide you with F.O.B. Los Angeles costs on all models, optional equipment, and spare parts.

If you wish to be considered as our representative in [Country], please let us know why you see a market potential for our products if distributed through you. Please also provide information about your organization that would help us assess your qualifications.

We look forward to hearing from you soon.

With kind regards,

Appendix E Sales Aids

3. Template for Responding to a Foreign Request for Quote (RFQ)

Thank you for your interest in our products. For a Request for Quotation, please provide the following information:

Quantity	Product(s)
<input type="text"/>	<input style="width: 95%;" type="text"/>
<input type="text"/>	<input style="width: 95%;" type="text"/>
<input type="text"/>	<input style="width: 95%;" type="text"/>
<input type="text"/>	<input style="width: 95%;" type="text"/>
<input type="text"/>	<input style="width: 95%;" type="text"/>
<input type="text"/>	<input style="width: 95%;" type="text"/>

Include quote for **on-site installation and training**? Yes No

Include quote for a **maintenance contract**? Yes No

Include quote for one-year **spare parts kits**? Yes No

All quotations are Ex Works (at factory) unless you specify other INCOTERMS, in which case additional costs for shipping, handling and insurance will be included. Our normal payment terms are: [specify terms, e.g., L/C, D/P, D/A, open account, etc.]

Comments (If you have any questions or need special terms or conditions):

Your Contact Information:

Name:	<input style="width: 85%;" type="text"/>
E-Mail	<input style="width: 85%;" type="text"/>
Phone:	<input style="width: 85%;" type="text"/>
Fax:	<input style="width: 85%;" type="text"/>

Appendix E Sales Aids

4. Sample Export Quotation

01: FROM (SELLER)		05: QUOTE NO _____			
02: TO (BUYER)		06: QUOTE DATE _____			
03		07: DELIVERY _____			
04: SHIP TO (ADDRESS)		08: TERMS _____			
		09: SHIP VIA <input style="width: 150px; height: 20px;" type="text"/>			
15.ITEM		17.UNIT OF	18.	19.	20.
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
				21. SUBTOTAL	\$0.00
25. AUTHORIZED SIGNATURE				22. TAX	\$0.00
26. REMARKS				23.FREIGHT	\$0.00
				24. TOTAL	\$0.00

Appendix E Sales Aids

5. Export Quotation Worksheet (Costs to be Provided by Freight Forwarder)

I. Export Unit Price

	<u>AMOUNT</u>
a. Export Unit Price	\$0.00
b. Multiply by X Number Units	\$0.00
EXW [EX Works] Subtotal	<u>\$0.00</u>

II. Financing and Inland Fees (if applicable)

a. Financing Fees	\$0.00
b. Labeling & Marketing Costs	\$0.00
c. Export Packing Fees	\$0.00
d. Electronic Export Information (EEI) Fee	\$0.00
e. Bank Draft Fees	\$0.00
f. Certificates of Origin Fees	\$0.00
g. Export License Fees	\$0.00
h. Freight Forwarder Fees	\$0.00
i. Domestic Shipping Insurance Costs	\$0.00
j. Inland Freight (Pre-carriage) Costs	\$0.00
k. Other (Name)	\$0.00 <u>\$0.00</u>

III. Port Charges

a. Unloading (Heavy Lift) Charges	\$0.00
b. Terminal Service Fees	\$0.00
c. Other (Name)	\$0.00 <u>\$0.00</u>
FAS [Free Along Side] Subtotal	<u>\$0.00</u>
d. Loading (Onto Aircraft or Vessel)	\$0.00
FOB [Free On Board] Subtotal	<u>\$0.00</u>

IV. International Air, Sea or Land Freight Charges

a. Freight Charge (Main-Carriage)	\$0.00
b. Bunker Surcharge	\$0.00
c. Port Congestion Surcharge	\$0.00
d. Country Landing Charge	\$0.00
e. Other	\$0.00 <u>\$0.00</u>
CFR [Cost and Freight] Subtotal	<u>\$0.00</u>

VI. International Cargo Insurance

	\$0.00 <u>\$0.00</u>
CIF [Cost, Insurance & Freight] Subtotal	<u>\$0.00</u>

Appendix F Trade Finance Aids

1. Sample Letter of Credit (L/C)

**THE MOON BANK
INTERNATIONAL OPERATIONS
5 MOONLIGHT BLVD.,
EXPORT-CITY AND POSTAL CODE
EXPORT-COUNTRY**

OUR ADVICE NO.
MB-5432

ISSUING BANK REF. NO. & DATE
SBRE-777 January 26, 2001

TO: UVW Exports
 88 Prosperity Street East, Suite 707
 Export-City and Postal Code

Dear Sirs:

We have been requested by [The Sun Bank, Sunlight City, Import-Country] to advise that they have opened with us their [irrevocable] documentary credit number [SB-87654] for account of [DEF Imports, 7 Sunshine Street, Sunlight City, Import-Country] in your favor for the amount of [not exceeding Twenty Five Thousand U.S. Dollars (US\$25,000.00)], available by your draft(s) drawn on [us] at [sight] for [full] invoice value, accompanied by the following documents:

1. Signed commercial invoice in five (5) copies indicating the buyer's Purchase Order No. DEF-101 dated January 10, 2001.
2. Packing list in five (5) copies.
3. Full set 3/3 clean on board ocean bill of lading, plus two (2) non-negotiable copies, issued to order of The Sun Bank, Sunlight City, Import-Country, notify the above accountee, marked "freight Prepaid", dated latest March 19, 2001, and showing documentary credit number.
4. Insurance policy in duplicate for 110% CIF value covering Institute Cargo Clauses (A), Institute War and Strike Clauses, evidencing that claims are payable in Import-Country.

Covering: 100 Sets 'ABC' Brand Pneumatic Tools, 1/2" drive, complete with hose and quick couplings, CIF Sunny Port

Shipment from: [Moonbeam Port, Export-Country] to [Sunny Port, Import-Country]
Partial shipment: Prohibited
Transshipment: Permitted

Special conditions

1. All documents indicating the Import License No. IP/123456 dated January 18, 2001.
2. All charges outside the Import-Country are on beneficiary's account.

Documents must be presented for payment within [15] days after the date of shipment.

Draft(s) drawn under this credit must be marked

Drawn under documentary credit No. SB-87654 of The Sun Bank,
Sunlight City, Import-Country, dated January 26, 2001

We confirm this credit and hereby undertake that all drafts drawn under and in conformity with the terms of this credit will be duly honored upon delivery of documents as specified, if presented at this office on or before [March 26, 2001]

Very truly yours,
[Authorized Signature]

Appendix F Trade Finance Aids

2. Sample L/C Instructions

1. The letter of Credit shall be IRREVOCABLE.
2. The credit shall be directly advised thru:
[Name, address, telex, fax, etc. of exporter's bank]
3. The credit shall be **Confirmed**.
4. The credit shall be "**available with any bank**" and **expire** in country of beneficiary (USA).
5. The credit shall show as the beneficiary: [Name, address, etc. of exporter].
6. The credit shall be payable in **U.S.A. currency** in the amount exactly as the invoice.
7. The credit shall be payable **15 days** from Air Waybill Date.
8. **All Fees/Charges** are for the account of Applicant (importer).
9. Partial shipments **allowed**.
10. The credit shall allow for required transport documents not later than _____(this date will be determined upon receiving your (importer's) purchase order.)
11. The credit shall allow for a minimum of 21 days after the required transport document date for presentation of documents at the counters of the Bank stated above.
12. The required documents should include:
Commercial Invoice Totaled Ex-Works Bradford, Massachusetts U.S.A.
Commercial invoice shall cover the following: _____(description of merchandise)
Air Waybill consigned to the Issuing Bank

Appendix G Regulatory Aids

1. U.S. Trade Regulatory and Enforcement Agencies

Automated Export System (AES)	<u>USDOC U.S. Census Bureau</u>
Automated Commercial Environment (ACE)	<u>U.S. Customs & Border Protection</u>
National security export controls - military	<u>U.S. State Dept. Directorate of Defense Trade Controls (DDTC)</u>
National security export controls – non-military	<u>USDOC Bureau of Industry & Security (BIS)</u>
Foreign Assets Control regulations	<u>U.S. Treasury Dept. Office of Foreign Assets Control (OFAC)</u>
Food & agricultural export controls	<u>USDA Animal and Plant Health Inspection Service (APHIS)</u> <u>U.S. Food & Drug Administration (FDA)</u>
Foreign Corrupt Practice Act	<u>USDOJ Fraud Section (FCPA Enforcement)</u>
Patents & trademarks	<u>U.S. Patent & Trademark Office (USPTO)</u>
Copyrights	<u>U.S. Library of Congress Copyright Office</u>
U.S. international ocean transportation system	<u>U.S. Maritime Administration (MARAD)</u>

2. U.S. Agencies that Regulate/Enforce Product-Specific Exports

For further details on these regulations and enforcement agencies, see the [International Trade Compliance Institute \(ITCI\)](#) Website's [Regulatory Database](#) and [Regulatory FAQ Database](#).

Alcoholic beverages	<u>Bureau of Alcohol, Tobacco, Firearms & Explosives (ATF): Wholesaler's Basic Permits</u>
Animals and animal by-products and plants and unprocessed plant products	<u>USDA-Animal and Plant Health Inspection Service (APHIS): Phytosanitary Certificates, Veterinary Animal Health Certificates</u>
Meat, poultry and egg products	<u>USDA-Food Safety Inspection Service (FSIS): Certificates of Wholesomeness</u>
Dairy products, fresh and processed fruits, vegetables, cotton, poultry, tobacco	<u>USDA-Agricultural Marketing Service (AMS)</u>
Grain	<u>USDA-Grain Inspection, Packing and Seed Administration (GIPSA)</u> and occasionally issued by States: Grain Quality Certificates
Biotechnology-products and irradiated products	<u>USDA-Foreign Agricultural Service</u> : Biotechnology Certificates; Irradiation Certificates
Processed foods containing ingredients other than just meat or poultry; seafood and aquaculture products; dietary supplements, infant formulas, medical foods, food additives, drugs, and cosmetics	<u>Food & Drug Administration-Center for Food Safety and Applied Nutrition (CFSAN)</u>
Hazardous materials	<u>U.S. Pipeline & Hazardous Materials Safety Administration (PHMSA)</u>

