Export FAQs

Compiled and written by Maurice Kogon

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Starting Up

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

   The U.S. Government does not require a company to have a license or permit to engage in the import/export business. Contact your appropriate state or local city hall regarding requirements and procedures for obtaining business permits.

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

   Start-up advice and assistance can be obtained from the nationwide network of Small Business Development Centers (SBDCs). To locate the SBDC near you, call 1-800-U-ASK-SBA. In addition, the Small Business Administration web site (**http://www.sba.gov**) covers a range of topics including how to start a business, develop a business plan, and find sources of financing.

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

   Exporting Basics provides step-by-step advice and guidance for novice exporters. The chapter, "**Is Exporting for Me**?" discusses the benefits, costs and risks of exporting; how to get started; and where to go for help. The chapter on "**Developing Overseas Markets**" discusses four key steps to identify, select and enter promising markets, develop ongoing distribution, find customers and generate inquiries and leads. The "**Making Export Sales**" chapter discusses how to respond to inquiries and orders, check out prospects, bill customers, prepare the goods for delivery, insure and ship the goods, and get paid.

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

   As a potential exporter, you have the option to do it yourself (direct selling) or let an intermediary handle your export sales for you. The choice is usually based on the level of involvement and resource you are willing to devote to exporting and how much control you want over the process. In direct selling, you have full control and essentially do all the work, such as identifying and developing export markets, finding customers (buyers, agents or distributors), and dealing directly with the customers. In indirect selling, you cede some control to the intermediary, but avoid the burdens and complexities of doing it yourself. The intermediaries, such as Export Management Companies (EMCs) and Export Trading Companies (ETCs), already have the necessary experience and relationships abroad and will incur some or all of the initial costs to find you customers and generate orders. You mostly pay only when and if any business actually results, usually in the form of a commission based on a percentage of the sale. It is not unusual for novice exporters to start with an intermediary and graduate to direct selling as they gain confidence in their export potential and more familiarity with the process.

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

   Export intermediaries can be found almost anywhere, particularly in port cities, but they may not be interested in working with you. Since they are doing the bulk of the up-front work, they tend to be selective in taking on clients. You should look for intermediaries particularly familiar with products in your industry, but you will also need to satisfy them that you are a worthy client. Here are several sources for locating interested and qualified intermediaries:

- FITA’s Directory of Export Management Companies includes intermediaries searchable by industry category and location.

- Your industry trade association -- Many trade groups have intermediaries as active members, or your association may know of intermediaries experienced in exporting similar products.

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

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

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

You can call the U.S. Department of Commerce Trade Information Center (TIC) hot line for specific questions (1-800-USA-TRAD). In California, you can send questions to the **Help** desk of the Centers for International Trade Development (CITDs). The staff will respond by E-mail or phone.

Assessing Export Readiness

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

You don’t need to be an expert to export, but you will need an exportable product, adequate start-up resources, sound domestic marketing methods, and a committed management.

Product Prerequisites: To have export potential, your product must be needed or wanted somewhere abroad and be able to match or exceed the appeal of competing products -- in meeting needs, in quality, price, service, etc. You may be more export competitive than you think. For example, if your product has sold reasonably well in the domestic market, the chances are it will also sell abroad. Why? Because, to do well domestically, you've already proven you can compete, not only against other domestic products, but imported products as well. The overseas playing field will be different, and you may need to adapt your product, pricing or payment terms somewhat to compete in specific markets.

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

Marketing Methods: Sound methodology is as critical in exporting as in domestic marketing. If you've been successful at home, the chances are that you base your decisions on market research and analysis, have a strong sales and distribution network, effectively promote your company and products, and give priority to customer service. Exporting requires the same sound methodology, but may also need to be adapted to fit a particular foreign market. Marketing and distribution practices vary by country, often dictated by law, custom or necessity. For example, some countries favor certain marketing or distribution methods over others, such as direct sales or use of local agents. Some have better promotional media and higher receptivity to promotion than others.

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

Prospective exporters rarely start with all the necessary attributes, but with reasonable effort and guidance, a company can begin to fill the gaps and reach a point where exporting becomes viable. The **Export Readiness Assessment System** addresses these prerequisites, tells you how you rate in each area, and suggests steps and actions you can take to become more export ready. **Exporting Basics** is also aimed at non-exporting companies thinking about exporting. It deals with the fundamentals of why export, how to get started, and where to go for help.

2. How can I tell if I am export ready

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

Understanding Trade Terms and Codes

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

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) codes used by the United States; and the Standard International Trade Classification (SITC) used by the United Nations.

The HS Codes were developed in 1989 by more than 60 countries to provide a uniform numbering system. The HS system allows everyone to use a single code for a commodity, which helps with duty calculation and statistical reporting. The first 6 digits of an HS number are the same regardless of country. The HS number can be as long as 10 digits (each country can add up to 4 more digits for internal purposes.

The 10-digit Schedule B and HTSUSA codes start with the first 6 digits of the HS codes and are required entries on U.S. export (Shipper’s Export Declaration) and import documents, respectively.

The SITC system was developed by the United Nations in 1950 and is used solely by international organizations for reporting international trade. The SITC has been revised several times; the current version is Revision 3.

2. What's the difference between U.S. Schedule B and HTSUSA codes?

All U.S. export and import are based on the Harmonized Tariff System (HTS). The HTS assigns 6-digit codes for general categories. Countries that use the HTS are allowed to define commodities at a more detailed level than 6-digits, but all definitions must be within that 6-digit framework. The U.S. defines products using 10-digit HTS codes. U.S. export codes (Schedule B) are administered by the U.S. Census Bureau. U.S. import codes are administered by the U.S. International Trade Commission (USITC).

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

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

4. What are SIC and NAICS numbers, and where can find them?

The North American Industry Classification System (NAICS) is the new standard code system to describe 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 **NAICS Translator** to look up specific NAICS or corresponding SIC Codes for specified products.

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

Incoterms are international terms of sale developed by the International Chamber of Commerce. These shorthand terms are used in foreign trade contracts to define which parties incur costs and when. The most frequently used Incoterms are: EXW (ex-works), FAS (free alongside ship), FOB (free on board), CFR (cost and freight), and CIF (cost, insurance and freight). You should specify the appropriate Incoterms in your documentation, such as price quotes, Proforma invoices, Letters of Credit, etc. to specify the way in which title will pass and delivery will be made. See **Incoterms 2000** for a complete list of Incoterms, definitions, and risks and responsibilities of each party.

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

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

Market Analysis & Planning

1. Do I need an Export Market Plan, and what should it cover?

An Export Market Plan provides a structure and step-by-step roadmap for your export operations. Without such a plan, you might not realize your full market potential or, worse, make costly mistakes. The biggest mistake is to assume that all markets can be approached in the same way, or the same way you operate in the domestic market. Foreign markets can differ from your own market and each other in many ways -- in income levels, standards, climates, sizes of people and space, language, religion, cultural preferences and taboos, business practices, etc. These differences often dictate whether your products would be allowed into a market; could be afforded; could tolerate the local physical environment; would "fit" or operate efficiently; or would appeal to or offend potential buyers. To succeed in a market, you must understand its characteristics and plan accordingly.

An Export Market Plan should cover three main areas -- Situation Analysis, Market Development and Market Entry. “Situation Analysis” looks at available company resources, capabilities and potentials. “Market Development” looks at overall strategic objectives and approach, including product and market focus and whether to export directly or through a domestic intermediary. “Market Entry” looks at strategy and actions to effectively penetrate specific target markets, including distribution, promotion, pricing, and market adaptation strategies. See the section on developing an **Export Market Plan** and a sample **outline** and **completed plan** in **Exporting Basics** for more information on developing an Export Market Plan.

2. Where can I find U.S. and foreign trade statistics for market analysis?

Official **U.S. Export-Import Statistics** are compiled by the U.S. Census Bureau and can be obtained on line for any exported or imported product up to the Schedule B 10-digit level. With these statistics, you can readily spot the largest and fastest growing export or source markets for products like yours. You can download individual tables to a spreadsheet for further massaging as you wish (e.g., growth rates, rank ordering, projections, etc.).

International Trade Statistics are compiled by the United Nations and are also available on line by 4-digit HS code or 5-digit SITC code.. Additional sources are specific **Market Research Reports** compiled by U.S. commercial staff abroad. Foreign trade statistics help you “size up” markets of interest, identify the major supplier countries, and compare U.S. and competitor market shares.

3. Where can I find product/country research for market analysis?

The **CITD Web site** provides access to a wealth of product-and country-specific research. The CITD’s **Best Market Reports (BMRs)** are a fast way to pinpoint high potential markets for selected U.S. industries. BMRs are compiled only on the industries considered “best-prospects” worldwide, based on recommendations of experts in each country. BMRs identify the largest/fastest growing markets for U.S. products and give a brief rationale for each country’s selection as a “best prospect.”

Market Research Reports provide more detailed assessments of market potentials for your products in particularly promising countries. ISAs are product-and country-specific market surveys that discuss overall demand trends; best sales prospects within the subsector; key end-user segments; major competitors; and relevant business conditions, practices and market barriers. They also identify useful government and industry contacts, including importers and distributors.

Country Commercial Guides (CCGs) are in-depth analyses of the business, economic and political situation in specific foreign countries and the implications for foreign traders and investors. CCGs provide extensive detail on each country's commercial environment, best export sectors, trade regulations, investment incentives, finance techniques, upcoming trade events, marketing strategies, business travel tips, etc. CCGs also list important government and trade association contacts in each country.

4. What are my market distribution options; how do I determine which is best for me?

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

Most exporting is done through local agents or distributors -- for two good reasons. It's the norm in most markets, and it's more effective. As market "insiders," they speak the language, understand how business is done, and know who the customers are and how to reach them. The end-users generally prefer to deal with them, rather than buy direct from foreign suppliers. Overseas agents typically act as your representative in the market. They develop and send you sales orders, arrange payment in dollars, prepare all required import documents, and clear the goods through customs. They normally work on a commission basis and don't take title to the goods. Overseas distributors generally purchase your goods and resell them at a markup. Many are equipped to stock, install and service the goods. In large, developed markets, agents and distributors often specialize by industry. In smaller, less developed markets, they're more likely to carry many different lines. See **Exporting Basics** for more information on distribution options.

5. What are my market promotion options; how do I determine which are best for me?

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

6. What are my market pricing options; how do I determine my export prices?

Ideally, you want a pricing strategy that covers your costs, meets the competition, attracts buyers, and still makes a profit. That's a tall order, complicated by the fact that your "optimum" price in one market may not work in other markets. Whatever the market, price planning must start with your baseline unit costs. Your baseline export costs include your fixed costs to produce the product for export, plus variable costs to market and deliver the product abroad. Fixed production costs for export could be higher or lower than costs for the domestic market. They might be lower if you're exporting a stripped down or no-frills model; higher if you have to redesign your product to accommodate different sizes and technical standards abroad.

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

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

7. **What are my market adaptation options; what can I do to be more accepted in culturally different markets?**

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

Identifying & Assessing Markets

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

You want to find your best markets, but you also want a manageable number of markets. The world is large. Don’t spread yourself too thin or pursue markets that aren't right for you. What's manageable varies for each firm. Aim for a first cut of 5-10 "promising" markets, then weed these down to your top 3-5 "target" markets. Here are some criteria to help you narrow the search (see **Exporting Basics** for more information and tips on developing a Market Potential Matrix).

- Where are U.S. products like mine mostly exported? Look for the largest and fastest growing export destinations for your product over the past several years.
- Which countries are mostly importing products like mine? Look for countries with the largest and fastest growing imports of your product over the past several years.
- Where would products like mine be most competitive? Look for countries with limited competition from local producers and a strong U.S. market share for products like yours.
- Where are products like mine most welcome and easiest to sell? Look for countries with high receptivity to U.S. products like yours and no significant market barriers.

These four criteria generally apply for any product or industry. You can add your own product-specific indicators as appropriate. Here are some to consider:

- Economic indicators -- for products affected by economic or income levels (e.g., level and growth of GNP/GDP; per capita GNP/GDP; industrial/agricultural production, etc.).

- Demographic indicators -- for products aimed at particular population groups (e.g., level and growth of population by age, sex, race, religion; profession, etc.)

- Sectoral indicators -- for products aimed at particular industry sectors (e.g., number and growth of relevant manufacturers; hospitals; cars, houses, banks; utility companies; etc.

- Infrastructure indicators -- for products that use or require infrastructure support (e.g., level and growth of power, transportation, communications and other facilities.).

- Financial indicators -- for products affected by fiscal and monetary developments (e.g., level and growth of consumer/wholesale/industrial prices; interest rates; foreign exchange reserves; national debt, etc.

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

The “End User Analysis” section in **Industry Subsector Analyses** (ISAs) typically identifies and assesses the intermediate and end-use sectors that buy and ultimately use specified products in a given country, such as the manufacturing sector, utilities, hospitals, retail outlets, government agencies, and the end consumers. With this information, you can better target your marketing and sales effort in the country.

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

The “Competitive Analysis” section in **Market Research Reports** typically identifies and assesses competition in the market, including local, third-country and U.S. competitors. With this information, you can see who the main competitors are, what market shares they have, and whether you have a competitive advantage or fit in the market.

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

A number of sources in Trade Compass identify countries with relatively open or restrictive markets. Generally, any country listed as a “best market” for your industry in the **Best Market Reports** (BMRs) is relatively open to imports. In **Market Research Reports**, a standard “Market Access “ section describes all pertinent import conditions in the country.. Each **Country Commercial Guide** (CCG) also has a standard “Trade Regulations” chapter addressing this issue. Other sources are the annual series of **National Trade Estimate Reports on Foreign Trade Barriers.**

Complying with U.S. Export Regulations

1. Where can I get advice and information about U.S. export controls?

The U.S. Department of Commerce’s **Bureau of Industry & Security** (BIS) administers U.S. export controls. BIS’s Office of Exporter Services can provide general information, including assistance in understanding the **Export Administration Regulations** (EAR), how to obtain forms, electronic services, publications, and information on training programs. You may contact any of the following BXA offices for any such advice and information:

Office of Exporter Services
Outreach and Educational Services Division
14th St. & Pennsylvania Ave., NW
U.S. Department of Commerce
Washington DC 20230
Phone: (202) 482-4811
Fax: (202) 482-2927
Email Inquiries

BIS Western Regional Office
Michael Hoffman, Director
3300 Irvine Avenue, Suite 345
Newport Beach, CA 92660
Phone: (949) 660-0144
Fax: (949) 660-9347
Email Inquiries

BIS Western Regional Office Northern California Branch
Jo Allyn Scott
111 N. Market St., 6th Floor
Room 605
San Jose, CA 95113
Phone: 408-351-3378

2. When does a shipment require an export license? How do I get a license?

The U.S. and many other countries require an export license—written permission to export particular goods—for some or all shipments. Most U.S. exports **do not** need an export license and can be cleared by entering "NLR" (no license required) on the Shipper's Export Declaration. Licenses are generally required for goods that might affect national security or U.S. foreign policy, such as weapons, chemicals, high-technology equipment, avionics, related documentation, etc. The Department of Commerce's **Bureau of Industry & Security** (BIS) administers export licenses and regulations. You may ask BXA for advice on whether a license is required, or is likely to be granted for a particular end-use, end-user, and/or destination. This type of request, along with requests for guidance regarding other interpretations of the **Export Administration Regulations (**EAR), are commonly referred to as "Advisory Opinions". BIS can be reached at (202) 482-4811 on the East Coast, or (949) 660-0144 on the West Coast.

3. Do I need a license to take my laptop and professional equipment overseas?

The U.S. Government typically does not restrict travelers from taking laptops out of the country for personal business use. However, some equipment, including some high-speed or encrypted laptop computers, do require an export license from the Department of Commerce's **Bureau of Industry & Security** (BIS). Also, some technical materials, sophisticated equipment, and goods taken to certain countries will need a license. If you are unsure whether or not an export license is required for your laptop or other materials, we advise you contact BIS (202-482-4811).

4. How do I file a license application? What happens after I file it?

Parts 748 and 750 of the **Export Administration Regulations (**EAR) provide information on license submission and processing. Part 752 of the EAR provides for a Special Comprehensive License that authorizes multiple transactions. If your application is denied, part 756 of the EAR provides rules for filing appeals.

5. How do I obtain an "Advisory Opinion" on export licensing questions?

The Department of Commerce's **Bureau of Industry & Security** (BIS) will advise you whether a license is required or is likely to be granted for a particular end-use, end-user, and/or destination. Requests for such Advisory Opinions must be submitted in writing or electronically to BIS. Both your letter and envelope must be marked "Advisory Opinion". Your letter must contain the following information if you are requesting guidance regarding interpretations of the EAR:

- Contact name, title, telephone and fax numbers and complete mailing address;
- Whether you seek advice on policy for a particular transaction or on the need for a license itself;
- Information on the parties to the transaction and the proposed end-use or end-user;
- The model number for each item, where appropriate;
- The Export Control Classification Number (ECCN), if known, for each item; and
- Any descriptive literature, brochures, technical specifications or papers that describe the items in sufficient technical detail to enable BBIS to verify the correct classification.

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

The Export Control Classification Number (ECCN) categorizes the items covered by the U.S. **Export Administration Regulations** (EAR), based on the type of equipment, technology or software, and the technical capabilities. This number is used to determine if an export license is required or which license exception is applicable. An on-line list of the **ECCNs** is available and can also be found in the Code of Federal Regulations. (15CFR Part 774). For questions about ECCNs and license codes, contact the Department of Commerce's **Bureau of Industry & Security** (BIS) at (202) 482-4811. You may ask BIS to provide you with the correct Export ECCN for your item. BIS will advise you whether or not your item is subject to the EAR. This type of request is commonly referred to as a "Classification Request".

You must submit your Classification Request using Form BXA-748P or its electronic equivalent. Classification Requests must be sent to BIS or submitted electronically. Be certain that your request is complete and does not omit any essential information. Each Classification Request must be limited to 5 items. Exceptions may be granted by BIS on a case-by-case basis for several related items if the relationship between the items is satisfactorily substantiated in the request. Classification requests must be supported by any descriptive literature, brochures, precise technical specifications or papers that describe the items in sufficient technical detail to enable classification by BIS.

7. What are "Denied Persons" and "Denied Entities", and how do I know who they are?

"**Denied Persons**" and "**Denied Entities**" are specific persons or organizations that have been denied export privileges by the U.S. Government in whole or in part. **Export Administration Regulations** (EAR) provides a list of denied persons and entities and a detailed description on the possible export privileges denied. It is advisable to determine whether your transferee, ultimate end-user, any intermediate consignee, or any other party to a transaction, is a person denied export privileges. It is a violation of the EAR to engage in any activity that violates the terms or conditions of a denial order (General Prohibition Four (Denial Orders) (_736.2(b)(4) of the EAR).

The full text of each order denying export privileges is published in the Federal Register as cited in the column entitled, "Federal Register Citation". If you have questions about the scope of a particular denial order, you may contact the **Office of Export Enforcement**, Telephone(202) 482 1208, Fax (202) 482-5889.

8. What are the restricted countries where I may not sell my goods?

You cannot think only of "restricted countries" because some U.S. export controls apply worldwide. Where you may or may not ship your goods varies with each transaction and depends on the nature of the goods, the identity of the proposed recipient of the goods, and the activity or activities in which the recipient is involved. You must determine that information before you can decide whether you need an export license. In some situations, the **Export Administration Regulations** (EAR) require an export license for shipments to any country in the world (even Canada, in rare circumstances). Part 746 of the EAR lists countries that are subject to embargoes or other special controls. Presently, there are seven countries for which shipment of almost all commodities requires a license for export. Those countries are Iran, Iraq, Libya, Serbia, Sudan, North Korea, and Cuba.

9. Where can I find information on trade sanctions?

The **Office of Foreign Assets Control** (OFAC) of the U.S. Department of the Treasury administers and enforces economic and trade sanctions against targeted foreign countries, terrorism sponsoring organizations and international narcotics traffickers based on U.S. foreign policy and national security goals. OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under U.S. jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments. For information, you may contact:

Office of Foreign Assets Control
U.S. Department of the Treasury
Treasury Annex
1500 Pennsylvania Avenue, NW
Washington, DC 20220
800-540-6322

Accessing Foreign Markets

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

Exports are subject to customs duties and taxes in the importing countries. The applicable amounts are published, but if high enough could price your products out of the market. Also, each country has its own policies, laws, regulations and business practices that may or may not be import friendly. These can include import quotas and other quantitative restrictions, licensing and exchange controls, tough health and technical standards, lax treatment of intellectual property rights, and the like. They affect what you're allowed to or should do to protect yourself in the market. It's best to research potential problems in each country and seek counsel from an international law firms if needed.

Trade regulations by country and product are available from several sources, including:

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

FAS Country Import Regulations provide country-specific requirement for agricultural imports.

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

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

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

2. What import duties and taxes might apply to my products in specific countries?

Governments charge duties and taxes on most goods that cross their borders. Duties and taxes provide revenue as well as a means of protecting the nation's industry and ensuring a level playing field against foreign industry. Duty is normally due when goods are entered across a country's border. The duty and tax amount may be based on:

Commodity value
Trade agreements
Country of manufacture
Use of the article
Commodity HS number

To find the current ***official*** duty and tax rates for your products in a specific country, the best source is the country's Customs authority. Tariff and tax information is also available from several Web sources. For rates on agricultural products, see **WTO Tariff Schedules**. For rates in member countries of the Asia Pacific Economic Cooperation (APEC), see the **APEC Tariff Database**. For more information, see the document entitled **Tariff and Import Fee Information,** which contains information on the tariff services available from the federal government and from the private sector, tariff information for countries with a single tariff rate, how to use the Internet websites, and how gifts are handled for several countries.

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

Most importing countries exempt goods from import duties and taxes if they are entering that country only temporarily. Fifty nations currently accept a document known as the **ATA Carnet**. The ATA Carnet is essentially a passport for your goods. If the good can be described as a "tool of the trade", then, upon presentation of the ATA Carnet, the good may be exempt from duties and taxes. "Tools of the trade" are items such as commercial samples, professional equipment and items used for trade shows or exhibitions. Some ordinary goods such as computers (including laptops) or industrial equipment will also qualify as "tools of the trade". Carnets do not cover consumable goods, disposable items or postal traffic. Countries that do not accept the ATA Carnet may have another type of temporary import procedure exempting goods from the normal application of import duties and taxes. Some countries require importers to pay a temporary import bond that is reimbursable if the product leaves the country within a specified period of time (usually one year from the date of importation).

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

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

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

5. What is a Foreign Trade Zone (FTZ)?

A **FTZ**, also referred to as a "free zone", "free port" or "bonded warehouse”, is an area located near a Customs port of entry that is considered outside Customs territory. Merchandise can enter an FTZ for storage, exhibition, assembly, manufacture, and processing, while bypassing duties and customs procedures. However, if the merchandise later enters a Customs territory for consumer use, the importer will be liable for any duties and taxes.

FTZs are the U.S. form of free trade zones. In America a foreign-trade zone is a designated site or area located in the U.S., licensed by the **Foreign Trade Zones Board** under the Secretary of Commerce, but legally recognized as outside of the customs territory of the United States. The public purpose is to increase the use of American labor and increase capital investment in the U.S., by allowing various commercial and industrial activities to be carried out on goods and products in the country prior to applying U.S. customs laws as is done in many other countries.

In practice, there is a **General Purpose Zone** where activities can be carried on by multiple users, and a **Special Purpose Subzone** which is established for a particular user frequently a manufacturing plant.

A business operating in a foreign trade zone may benefit from duty deferral by avoiding payment of duties, and federal excise tax, on imported merchandise until it is moved outside the zone only into regular commerce of the U.S. Lower duty rates may apply to certain kinds of finished products made in the zone from imported components that carry higher duty rates. Import quota restrictions that are based on certain time periods and limited import volume may be avoided by holding merchandise in a zone until restrictions are periodically lifted. Domestic goods moved into a zone may be considered exported although still held there, and this could be advantageous for exporters. Federal jurisdiction over foreign trade zones may help traders avoid various state and local taxes on merchandise inventory and licensing requirements.

Finding Suppliers, Buyers and Distributors

1. Where can I find U.S. exporters by product and location?

The United States is the world's largest exporter, but one of the lowest in percentage of exporting companies. Fewer than 20% of all U.S. manufacturers export. Of the roughly 240,000 exporters in the U.S., nearly two thirds are wholesalers, distributors and other intermediaries, not manufacturers. You could waste valuable time and cost searching in available directories of manufacturers for export-related contacts, because most will not be interested. Instead, you should focus your search on sources of "export-interested" U.S. firms, such as **Thomas Global Register** or **Export Yellow Pages**. Both directories are searchable by company name, industry category, product, State, city, and/or Zip Code.

2. Where can I find U.S. importers by product and location?

Directories of U.S. importers are typically fee-based, such as **PIERS** and **CentradeX.** Both identifyU.S. importers of specific products, by company name, source country, port of load or port of discharge in the U.S. They draw the data from shipper's manifest documents on over 2,500,000 waterborne import shipments into the U.S. Other, lower-cost directories are Web-based, such as **Business Online Directory of U.S. Importers** .

3. Where can I find foreign companies by product and location?

Directories of international companies can be found in **Trade Contacts & Leads** (Foreign Importers and Distributors), including worldwide directories such as **Kompass** and regional directories such as **Europages.**

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

A sales lead is potential money in the bank. You can find specific offers to buy or distribute products in **Trade Leads**, Trade Compass' trade-lead retrieval system that extracts relevant leads from a large database of international "buy" offers. Trade Broker is updated daily and includes "screened" leads reported by U.S. embassies abroad, as well as leads posted through United Nations sources and by individual buyers. You can search for leads of interest by country, industry category, product keyword, type of lead, and/or date range. The leads describe the products wanted and provide the contact information needed to follow up with the buyer.

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

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

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

- Register your company and export products in Trade Compass' **U.S. Exporter Search** and **National Export Offer Service** (NEOS): A company listing in U.S. Exporter Search provides all relevant information to identify you as a supplier in your product category and enable interested customers to contact and communicate with you. A companion listing in NEOS includes the above information, plus details about your company and export products in a virtual catalog setting. Both services have worldwide market exposure and will help draw interested buyers and distributors to your Web site.

- **Post a specific "sell" offer** in Trade Compass' Trade Leads system: Members can post a sell lead that provides details about the product for export. As soon as Trade Compass publishes your lead, it reaches thousands of individuals and businesses worldwide, both directly (over 300,000 page views per month from importers and exporters) and indirectly through such multipliers as the Journal of Commerce (print edition) and The United Nations Trade Point Development Centers.

- **Trade Press Ads:** Many industry magazines have international distribution. Nearly all carry paid ads, and most have sections that announce or evaluate new products. When you advertise in these, or get a favorable mention or review, you're not only getting good domestic press, but quality overseas exposure as well.

- **Overseas Trade Shows:** They're costly, but nothing beats show-and-tell for high quality impact. At a trade show, you're accessible to hundreds, sometimes thousands of interested prospects at once, all able to see you and your products first hand. Trade show venues exist all over the world. Every country has at least one major annual trade show. Many countries have shows throughout the year, often on specific industry themes. Check **Trade Show Central** for names, dates and places of shows in your product category.

6. How do I respond to inquiries about my product?

Most inquiries are either from end users (for purchase) or agents/distributors (for representation). Both will typically ask about your company and product line, price, delivery schedules, shipping costs and payment terms. Treat inquiries like gold. Always remember that you're not the only game in town. It's a buyer's market, and the inquirer has other options. Should you respond to every inquiry? No. Some may be fishing expeditions, and it costs every time you respond. If the request is dubious -- unprofessional, poorly written, boilerplate, etc. – you don't have to respond. However, you can't always distinguish serious from frivolous requests. Err on the side of responding to all or most inquiries, at least with your standard letter. If in doubt, hold off on bulkier product literature that costs more to send. Here are some basic rules for responding to overseas inquiries:

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

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

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

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

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

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

7. How do I respond to a specific trade (offer to buy) lead?

Not all leads merit a response. In some cases, the buyer may be "fishing" for information or samples, with no real intent to purchase. However, many leads are worth a response. If you do decide to respond, you should act quickly. Your competitors can retrieve the same leads, and won't wait for you to respond. In addition, you should respond in the mode preferred by buyer, such as by E-mail or fax; and provide all requested details, such as product specifications, company bona fides and price lists. Often the lead contains the preferred response mode and the details wanted by the buyer, so be sure to read the lead carefully. This is especially important for government tenders, where specific guidelines are laid out and must be followed. See **Exporting Basics**, **Appendix G**, for an illustrative response to a prospective buyer.

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

As inquiries lead to interest, prospects will ask for specific price quotations, or "**Proforma invoices**" as they're known internationally. Proforma invoices are not bills for payment, since a sale has not yet occurred. They're basically quotations in an invoice format. You want your **price quote** to cover all your export costs. The key issue here is, who will pay to get the goods from your factory to their final destination -- you or the buyer. The **Incoterms** most often used to make this distinction are Ex Works (cost at factory), FOB and CIF. For example, if you're paying all the shipping and insurance costs, you'd quote a CIF price. If the buyer wants to arrange the shipping and insurance, you'd quote an FOB price. Although formats can vary, Proforma invoices should be neatly typed on business letterhead and cover at least the following points:

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

9. How can I evaluate prospective agents and distributors?

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

- **Experience –** Who has a solid track record as an agent or distributor; expertise in your product area; and strong connections in the user community?
- **Capabilities --** Who can market and support your products in the way you require (e.g., promote, stock, train users, install and service equipment, etc.)?
- **Motivation** – Who is enthusiastic about your product; able and willing to give it priority; and not so overloaded that you would get short shrift even with good intentions?
- **Loyalty --** Who would not jump to a competitor or carry a competing line?
- **Honesty** – Who has a good reputation in the industry and has positive bank and trade references.

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

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

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

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

- Products covered
- Territory covered (e.g., country)
- Degree of exclusivity
- Minimum sales/purchase obligations
- Responsibilities for marketing, promotion, shipping
- Responsibilities for technical support, training, after-sales service
- On-hand inventory requirement

- Allocation of expenses
- Terms of commission/payment
- Handling of complaints and disputes (e.g., arbitration)
- Conditions of termination

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

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

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

Filing Required Documentation

1. What documents will I need to export my goods?

Exporting involves a lot of paperwork -- some required by the U.S. government, some by the importing country. All documents must be fully and precisely filled out. Even slight discrepancies or omissions could hold up a shipment on departure or arrival; delay payment; or even risk seizure of the goods. Given the burden and risk, most exporters rely on freight forwarders to handle all the required documentation. They’re specialists in this process. They know what’s needed and how to do it. The following documents are most often required in exporting, either for each export shipment or for certain products only:

- <u>Commercial invoice</u>**.** As in a domestic transaction, the commercial invoice is a bill for the goods from the seller to the buyer. A commercial invoice lists the quantity, weight, unit price and total price of each exported, along with other basic information about the transaction. The buyer needs the invoice to prove ownership and to arrange payment. Some governments use the commercial invoice to assess customs duties.

- <u>Shipper's Export Declaration</u> **(SED).** The SED is required by the U.S. to control exports and compile trade statistics. SEDs must be prepared and submitted to the U.S. customs agent for shipments by mail valued at more than $500 and for shipments by other means valued at more than $2,500.

- Export packing list. Considerably more detailed and informative than a standard domestic packing list, an export packing list itemizes the material in each individual package and indicates the type of package: box, crate, drum, carton, and so on. It 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.

- Bill of lading. Bills of lading are contracts between the owner of the goods and the carrier (as with domestic shipments). There are two types. A *straight bill of lading* is nonnegotiable. A *negotiable or shipper's order bill of lading* can be bought, sold, or traded while goods are in transit and is used for letter-of-credit transactions. The customer usually needs the original or a copy as proof of ownership to take possession of the goods.

- Dock receipt **and warehouse receipt.** These receipts are used to transfer accountability when the export item is moved by the domestic carrier to the port of embarkation and left with the international carrier for export.

- Insurance certificate. If the seller provides insurance, the insurance certificate states the type and amount of coverage. This instrument is negotiable.

- Consular invoice. Certain countries require a consular invoice, which is used to control and identify goods. The invoice must be purchased from the consulate of the destination country and usually must be prepared in that country's language.

- Certificate of origin. Certain nations require a signed statement as to the origin of the export item. Such certificates are usually obtained through a semiofficial organization such as a local chamber of commerce. A certificate may be required even though the commercial invoice contains the information. A NAFTA Certificate of Origin is required for shipments to Mexico and Canada.

- Inspection certificate. Some purchasers and countries may require a certificate of inspection attesting to the specifications of the goods shipped, usually performed by a third party. Inspection certificates are often obtained from independent testing organizations.

- **Import License -** Import licenses are the responsibility of the importer. Including a copy with the rest of your documentation, however, can sometimes help avoid problems with customs in the destination country.

2. What documents will I need to import goods into the U.S.?

Within five working days of the date of a shipment's arrival at a U.S. port of entry, entry documents must be filed at a location specified by the port director, unless an extension is granted. These documents consist of:

- Entry Manifest (Customs Form 7533) or Application and Special Permit for Immediate Delivery (Customs Form 3461**)** or other form of merchandise release required by the port director.

- **Evidence of right to make entry**.

- **Commercial invoice** or a pro forma invoice when the commercial invoice cannot be produced.

- **Packing lists** if appropriate.

- **Other documents** necessary to determine merchandise admissibility.

If the goods are to be released from Customs custody on entry documents, an **entry summary for consumption** must be filed and estimated duties deposited at the port of entry within 10 working days of the time the goods are entered. The entry must be accompanied by evidence that bond is posted with Customs to cover any potential duties, taxes, and charges that may accrue.

Following presentation of the entry, the shipment may be examined, or examination may be waived. The shipment is then released provided no legal or regulatory violations have occurred. Entry summary documentation is filed and estimated duties are deposited within 10 working days of the entry of the merchandise at a designated customs house. Entry summary documentation consists of:

- The entry package returned to the importer, broker, or his authorized agent after merchandise is permitted release.

- Entry summary (Customs Form 7501).

- Other invoices and documents necessary for the assessment of duties, collection of statistics, or the determination that all import requirements have been satisfied. This paper documentation can be reduced or eliminated when utilizing features of the ABI.

An alternate procedure, which provides for immediate release of a shipment, may be used in some cases by making application for a special permit for immediate delivery on Customs Form 3461 prior to the arrival of the merchandise.

3. When do I need a Shippers Export Declaration and where do I get one?

The Shipper's Export Declaration (SED or Form 7525-V) is used by the U.S. Census Bureau to compile trade statistics and to help prevent illegal exports. See **Shippers Export Declaration** in Trade Compass for a copy of the form and instructions on how to fill it out. SEDs must be filled out for any shipment valued at $2,500 or above; any shipment to particular countries, such as Eastern Europe, the former Soviet Union, Cuba, Laos, Libya, Mongolia and North Korea; any shipment requiring a validated export license; and any shipments to Puerto Rico, the U.S. Virgin Islands and the former Pacific Trust Territories even though they are not considered exports. Shipments to Canada do not require an SED. The SED for hand-carried "tools of the trade" should be filed directly with U.S. Customs at the airport at least two hours before flight time.

4. What is a proper commodity description?

To avoid delays, provide a detailed description of your commodity on your shipment documentation. This description must be consistent across all documents. List each commodity individually, with a separate description. Include in your description:

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

Be precise! For example, when shipping parts for drilling machinery, instead of "parts," specifically describe the components: "drill bits, 1/4 forged steel." Avoid vague words or references such as Personal items, Promotional materials, Samples, Documents. Gifts, "See Commercial Invoice."

5. What is a Certificate of Origin, and where do I get one if it’s needed?

.The Certificate of Origin verifies your commodity's country of manufacture. The document is notarized and certified by a Chamber of Commerce. Because the country of manufacture is a key element in customs entry (for quotas, etc.), many countries require a Certificate of Origin for some shipments exceeding a certain value. Even though the commercial invoice usually includes a statement of origin, some countries require that a separate certificate be completed. Customs offices will use this document to determine whether or not a preferential duty rate applies on the products being imported.

The data required for a certificate of origin is generally the same as for a commercial invoice. Basic information includes a description of the goods, gross and net weight, and the number of packages. The certificate will also include a brief statement as to the origin of the goods. A few countries require specialized certificates of origin that might include more detailed information and/or require a specific wording for its origin declaration.

While some countries require certificates of origin for all products, others may only require them for certain types of products. Almost all Middle Eastern countries require that certificates of origin accompany all shipments. Most Latin American and European countries, however, only require the certificate for certain products, such as textiles. Certificates of origin are generally unnecessary in Asia unless requested by the importer. African nations run the gamut of requirements. A NAFTA Certificate of Origin is required for U.S. shipments to Mexico and Canada.

General certificates of origin forms can be obtained from the Government Printing Office (202-512-1800); freight forwarders; trade document companies, such as UNZ & Company or Export Forms Co. and some local chambers of commerce. Specialized certificates of origin can often be acquired through embassies or country-specific chambers of commerce. A few countries, such as Spain and Malawi, require that their own certificates of origin be used. These certificates can usually be obtained directly from the embassy of that country. The America-Israel Chamber of Commerce provides copies of the "U.S. Certificate of Origin for Exporting to Israel". Both the

Israel and NAFTA certificates can also be purchased from the Government Printing Office and the various trade documents companies.

6. How do I get my certificate of origin "certified"?

A local chamber of commerce can certify most general certificates of origin. The chamber must have access to the commercial invoice in order to verify that the exporter claims the goods originated in the United States. **Local chambers of commerce should only certify goods that originate in the United States.** Goods from other countries will need to be certified in their country of origin.

Many Middle Eastern countries require that the certificate of origin be certified by specific organizations. Bahrain, Jordan, Kuwait, Lebanon, Oman, Qatar, Sudan, Syria, Tunisia, United Arab Emirates and Yemen all require certification by the U.S.-Arab Chamber of Commerce. Shipments to Egypt must be certified by the American Egyptian Cooperation Foundation. The U.S.-Saudi Business Council certifies goods to Saudi Arabia. Goods to Morocco and Algeria must have certificates of origin certified by the embassies of those respective countries. The American-Israel Chamber of Commerce certifies the "U.S. Certificate of Origin for Exporting to Israel". NAFTA Certificates of Origin do not need to be certified. The declaration of the exporter is sufficient.

7. How do I determine the country of origin/manufacture?

The country of origin/manufacture is the country where a product is manufactured, produced, or grown. 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.

8. When do I need a NAFTA Certificate of Origin and where do I get one?

A NAFTA Certificate of Origin should only be completed for products exported to Canada or Mexico that meet the NAFTA rules of origin of production in the NAFTA countries. Inclusion of products that do not qualify is *illegal* and subject to fines and penalties. Elimination of Canadian and Mexican duties assessed on U.S. products is one of the major ways that NAFTA assists U.S. companies. To ensure that the benefits of tariff removal accrue to NAFTA products, and not to non-NAFTA products, NAFTA includes tough rules of origin. Only products that meet the NAFTA rules of origin are eligible for the preferential duty rates.

Under NAFTA, products that qualify under the rules of origin will have zero duties when traded between the U.S. and Canada, and will have low or zero tariffs when traded between the U.S. and Mexico. An importer must submit to customs a NAFTA Certificate of Origin completed by the exporter in order to be eligible for preferential tariff rates. By filling out a NAFTA Certificate of Origin, a shipper is certifying that the covered goods meet the rules of origin, and therefore, qualify for preferential rates. If the product does not qualify for NAFTA tariff preferences, the Certificate must *not* be completed, as the product is then usually subject to the Most Favored Nation (MFN) tariff rate, rather than the NAFTA rate.

9. Is a NAFTA Certificate of Origin required for shipments to Canada and Mexico?

A NAFTA Certificate of Origin is required for shipments to Mexico or Canada **only if** the product qualifies for preferential tariff treatment under the NAFTA rules of origin. A NAFTA Certificate of Origin is also **not required** for the commercial importation of a good valued at less than US$1,000. However, for goods to qualify for NAFTA preferential duties, the invoice accompanying the commercial importation must include a statement certifying that they qualify as originating goods under the NAFTA rules of origin. The statement should be handwritten, stamped, typed on or attached to the commercial invoice. This exception is valid as long as the shipment does not form part of a series of importations that may reasonably be considered to have been undertaken or arranged for the purpose of avoiding the Certification requirement.

10. When and how do I submit a NAFTA Certificate Of Origin?

Once an exporter determines that the exported good will meet the NAFTA rules of origin, a NAFTA Certificate of Origin must be completed accurately and legibly. The exporter must then send the Certificate to the importer. While the Certificate does not have to accompany the shipment, the importer must have a copy of the Certificate in hand before claiming the NAFTA tariff preference at customs. 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.

11. Who determines if the product qualifies under NAFTA; who must complete the certificate?

The NAFTA Certificate of Origin must be completed and signed by the exporter of the goods. A distributor does not complete a Certificate of Origin for qualifying goods unless the distributor is the exporter. Where the exporter is not the producer, the exporter may complete the Certificate on the basis of: knowledge that the good originates; reasonable reliance on the producer's written representation that the good originates; or, a completed and signed Certificate of Origin for the good voluntarily provided to the exporter by the producer. Exporters who are not producers often request that their producers or distributors provide them with a NAFTA Certificate of Origin as proof that the final good, or an input used in the manufacture of the final good, sold to Mexico or Canada meets the rules of origin. NAFTA does not obligate a producer who is not an exporter to provide the ultimate exporter with a NAFTA Certificate of Origin. However, if the non-exporting producer does complete the NAFTA Certificate of Origin, they are subject to the same obligations regarding record keeping, etc., as is the exporter. Even so, it is the exporter's Certificate, and not the non-exporting producer's Certificate, that must be provided to the importer. The producer's statement should be kept in the files of the exporter as backup for their own Certificate.

Preparing and Shipping the Goods

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

To get your goods overseas, you'll need to pack and label them properly. Some requirements are mandated by law; others are precautionary -- to protect the goods against damage, theft or delay in transit. The requirements are usually very specific, and you must follow them to the letter.

Given the complexities and risks, most exporters use international freight forwarders to perform these critical services.

Packing for export. Exported goods face greater physical risks en route than domestic shipments. They're more vulnerable to breakage, theft and damage by the elements. To avoid potential problems, pack the goods in strong, reinforced containers; sealed and filled with lightweight, moisture-resistant material. Distribute the weight evenly to brace the container. To deter theft, use strapping, seals, or shrink wrapping where possible; and don't list the contents or show brand names on the outside of the packages. If you're shipping by sea, its best to containerize your cargo whenever possible. For air shipments, you can generally use lighter weight packing, but you must still take precautions. Standard domestic packing should suffice, especially if the product is durable. Otherwise, high-test cardboard or tri-wall construction boxes are more than adequate (at least 250 pounds per square inch

Export marking and labeling. Export shipping containers 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.
-- Country of origin (USA).
-- Weight marking (in pounds and in kilograms).
-- Number of packages and size of cases (in inches and centimeters).
-- Handling marks (international pictorial symbols).
-- Port of entry.
-- Labels for hazardous materials

2. What is the harbor maintenance fee? How is it used?

U.S. Customs and Border Protection is authorized by the Water Resources Act of 1986 to assess a harbor maintenance fee on the value of commercial cargo loaded on or unloaded from a commercial vessel at ports covered by the Act. Proceeds of the harbor maintenance fee are made available to the U.S. Army Corps of Engineers for the improvement and maintenance of U.S. ports and harbors. The fee is paid by the importers and exporters of cargoes. The fee is based on .125 percent of the value of the cargo.

3. What is cabotage?

Cabotage is the trade or transport of cargo in coastal waters between two points within a country. U.S. cabotage laws are referred to as the Jones Act. Cabotage laws are common to all countries with waterborne transportation systems. The actual interpretation and enforcement of the Jones Act is the responsibility of U.S. Customs and Border Protection and U.S. Coast Guard. (202)366-4374

4. What are pre-shipment inspections and when are they required?

Pre-shipment inspections are physical inspections of goods to be exported and take place in the exporter's country. Importing countries often require or request such pre-inspections to protect against overcharging by the exporter, prevent substandard goods from entering the country, and to deflect attempts to avoid the payment of customs duties. In most cases, the requirement applies to all imported products, regardless of value. In some instances, however, inspections are only necessary for shipments over a certain value. Pre-shipment inspection requirements are sometimes spelled out in Letters of Credit or other documents. The following countries currently require or request pre-shipment inspections:

> Angola, Argentina, Bangladesh, Benin, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Colombia, Comoros, Republic of Congo, Democratic Republic of Congo, Djibouti, Ecuador, Equatorial Guinea, Ethiopia, Ghana, Guinea, Ivory Coast, India, Indonesia, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mexico, Mozambique, Niger, Nigeria, Paraguay, Peru, Philippines, Rwanda, Senegal, Sierra Leone, Somalia, Suriname, Tanzania, Togo, Uganda, Uzbekistan, Zambia, Zanzibar, Zimbabwe

5. Who carries out the pre-shipment inspection and who pays?

Pre-shipment inspections are performed by contracted private organizations. In most cases, importers can select from a short list of organizations when planning inspections. However, in certain cases, only one company is sanctioned to carry out inspections for that country. The exporter must present the goods for inspection, but is not required to pay for inspections. In some countries, such as Ecuador and Peru, the importer pays, while in other markets, such as Argentina, the government absorbs all costs.

Following are typical steps in the inspection process:

- The importer opens an import license.
- The importer informs the inspection service in the country of import of a pending shipment, and then either pays for the inspection up front or pays a percentage based on the value of the commercial invoice, depending on the terms of the importing country's inspection contract.
- An inspection order is forwarded to the inspection company office in the country of export.
- The inspection company contacts the exporter to arrange date, time and location for inspection.
- The inspection is carried out, and a "Clean Report of Findings," is issued confirming the shipment's value, customs classification and that it can be cleared.
- The goods are shipped onward to the importing country, and the importer uses the inspection report to get goods released from customs.
- If the goods should reach the border of the importing country without inspection, they usually have to be re-exported to a nearby country where the inspection takes place prior to re-entry.

6. Are any special certifications required for food and agricultural products?

Imported food and agricultural products are generally subject to health and sanitary standards in most countries. In many cases, importing countries will accept sanitary and phyto-sanitary certificates for animal, plant and food products issued by approved testing organizations in the exporting country. In the U.S., several Department of Agriculture agencies provide inspection services when certificates are required. For example, The Federal Grain Inspection Service (FGIS) conducts mandatory inspections of rice, peas, beans, lentils, all grains, and grain-based processed products.

The Animal and Plant Health Inspection Service (APHIS) conducts inspections to certify that no pests or mites are present in certain products, such as fruits, vegetables, plants, seeds, lumber and logs.

7. What is Cargo Preference, and where can I find information about it?

Cargo preference applies to all or any portion of ocean-borne cargo sponsored directly or indirectly by the Federal Government. By law, such cargo is reserved for transportation on U.S.-flag vessels. For information on civilian, military and agricultural cargoes falling under cargo preference laws, contact the Office of National Cargo and Compliance, Maritime Administration (MARAD), U.S. Department of Transportation.

8. Where can I find air and ocean carriers and schedules for a specific location?

Consult the list of U.S.-flag liner services and the corresponding list of U.S. carrier telephone numbers and addresses, contact any MARAD transportation specialist.

9. Where can I find freight rates?

You can call the telephone numbers of U.S. -flag liner carriers serving the countries for which you need rates.. Also, you may contact the Federal Maritime Commission in Washington.

10. What cargo insurance do I need and where can I get it?

Cargo insurance offers important protection against delay in transit and losses or damage from bad weather, rough handling by carriers, and other common hazards. Either you or the buyer must insure the goods, depending on the terms of sale. If you're responsible, you can take out your own policy, or insure the cargo under a freight forwarder's policy for a fee. If the foreign buyer has responsibility, don't assume (or even take the buyer's word) that she/he has adequate insurance. You could still suffer losses if the buyer fails to obtain coverage or takes too little. You can't look to the carrier either. 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.

Getting Paid

1. How do I get paid for export sales? What are the risks of different payment methods?

The different export payment methods are described below from the most to the least secure:

Cash in advance. Payment by credit card or wire transfer gives you faster access to your money and avoids collection problems. However, foreign buyers usually won't agree to advance payment, because it creates cash flow problems and increases their risks.

Letter of credit **(L/C).** With an irrevocable, confirmed L/Cs a bank takes on the obligation to pay -- first the buyer's bank (the buyer having pledged the money); then a confirming bank in the seller's country. Your obligation as seller is to comply with all the terms and conditions specified in the L/C. 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). You get paid when the confirming bank receives the funds from the buyer's bank and determines that you've met all the terms and conditions.

Documentary drafts. These are also known as bills of exchange and are analogous to a foreign buyer's check. Like checks used in domestic commerce, drafts sometimes carry risks of default. A **sight draft** is used when you want to retain title to the shipment until it reaches its destination and is paid for. Before the cargo can be released, the buyer must properly endorse the original ocean bill of lading and give it to the carrier, since it's a document that evidences title. Air waybills of lading, on the other hand, do not need to be presented in order for the buyer to claim the goods. Hence, there is a greater risk when a sight draft is being used with an air shipment. Consult with your bank on an appropriate strategy for negotiating drafts.

If you want to extend credit to the buyer, you can use a **time draft** to state that payment is due within a certain time after the buyer accepts the draft and receives the goods (e.g., 30 days after acceptance). By signing and writing "accepted" on the draft, the buyer is normally obligated to pay within the stated time. When this is done the draft is called a *trade acceptance* and can be either kept by you until maturity or sold to a bank at a discount for immediate payment.

A **date draft** differs slightly from a time draft in that it specifies a date on which payment is due, rather than a time period after the draft is accepted. When a sight draft or time draft is used, a buyer can delay payment by delaying acceptance of the draft. A date draft can prevent this delay in payment but still must be accepted. When a bank accepts a draft, it becomes an obligation of the bank and creates a negotiable investment known as a *banker's acceptance*. This can also be sold to a bank at a discount for immediate payment.

Open account. Under open account, you would ship the goods and expect to get paid at an agreed future date. Foreign buyers prefer to buy on open account, as they have access to the goods before having to pay. Open account sales therefore involve more risk to the exporter. The risk can be mitigated by insuring the shipment against default. Such insurance, known as export credit insurance, can be obtained from the U.S. Export-Import Bank. Uninsured open account should be avoided unless the buyers are well established, have solid payment records, or have been thoroughly checked for creditworthiness. Some of the largest firms abroad make purchases only on open account.

2. Where can I find sources of export financing?

The first source for export financing is your regional and local bank. Contact your local bank to see what kind of programs they provide. Other sources include:

The Small Business Administration (SBA) offers loan guarantees through their Export Working Capital Program (EWCP) to help small businesses export. SBA's EWCP provides transaction-specific financing for loans of up to 1.5 million. Exporters may use this program for pre-export financing of labor and materials, financing receivables generated from these sales, and/or standby letters of credit used as performance bonds or payment guarantees to foreign buyers. SBA offices are located throughout the U.S.

The Export-Import Bank of the United States offers a Working Capital Guarantee Program for working capital loans of any amount. The program can be used to purchase raw material and finished products for export, pay for materials, labor and overhead to produce goods and/or provide services for export, and cover standby letters of credit serving as bid bonds, performance bonds or advance payment guarantees. The Exim Bank also has an Export Credit Risk Program to protect against both the political and commercial risks of a foreign buyer defaulting on payment. In addition, Ex-Im guarantees can be obtained on commercial loans to foreign buyers of U.S. goods or services to cover 100 percent of principal and interest against both political and commercial risks of nonpayment. In some cases, Exim also offers direct loans to foreign buyers with competitive, fixed-rate financing for their purchases from the United States.

Many state governments provide export financing through their international trade offices. A list of all state trade offices is available on the **National Export Directory.**