DEPARTMENT OF COMMERCE · UNITED STATES OF AMERICA

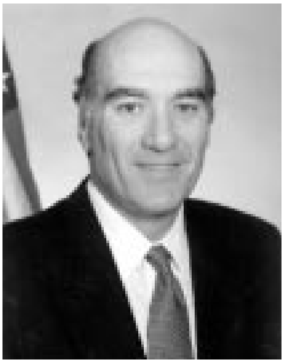
U.S. DEPARTMENT OF COMMERCE
MBDA
MINORITY BUSINESS DEVELOPMENT AGENCY

Minority Exporters:

A Resource Guide '99

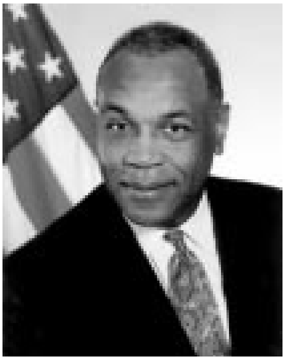
***Minority Business:* Going Global in the 21st Century**

A Quote from
Secretary William M. Daley



Secretary William M. Daley
U.S. Department of Commerce

"While minority-owned firms are growing at double the rate of all firms in the country, they are exporting at half the rate of all U.S. businesses. The U.S. Department of Commerce is committed to working hard to ensure that minority-owned firms are prepared to take full advantage of the wealth of opportunities in the global economy."



Preface

Dear Reader:

Historians will look back on the 1990s as the decade of globalization. Globalization is inevitable and irreversible. Increasingly, minority firms, like all other firms, are being compelled to conduct business outside their own borders. As markets are mutating with frightening speed, allowing billions of dollars to be moved with the click of a key, it is imperative for minority-owned businesses to capitalize on the opportunities globalization presents. To embrace globalization is to embrace the Internet, as the Internet is one of the keys of globalization. Any discussion of exporting must therefore take advantage of the resources and opportunities that are available through the Internet and E-commerce.

This guide for minority exporters is distinguished from other exporting guides by its emphasis on the use of electronic resources, both in the research process and as a tool for penetrating foreign markets. Consistent with the mission of the Minority Business Development Agency (MBDA) to foster the development and growth of minority businesses, this publication is intended to foster minority business export growth. MBDA designed this publication as a roadmap for navigating the maze of electronic resources that are available to assist firms in the exporting process. This guide is one of the first of its kind as a resource that is fully integrated with the latest electronic resources. It will be available in electronic form at MBDA's website (http://www.MBDA.gov), thereby allowing minority firms to "click" on key information to be fully informed about the latest resources available to assist them in going global.

Our goal is that this publication will contribute toward enabling all interested and able minority-owned firms to fully participate in the remarkable ongoing globalization process. It is underscored, however, that the information in this guide will not guarantee success in exporting, nor is it intended to substitute for independently obtained individual legal counsel. Firms are encouraged to seek the advice of counsel and to use this guide merely as a reference to resources for assistance.

Courtland Cox
Director
MBDA

Overview
Minority Exporters: A Resource Guide '99

The Export Imperative

> *...You can no longer rely on your home market because your home market is now an export market for everybody else!*

Aggressive internationalization and the globalization of markets have heightened attention to the export challenge and spawned a growing array of export assistance services designed to help even the smallest businesses become global competitors. Some of these initiatives are new and untested; others are well established. There are so many initiatives it is difficult to navigate through the maze of them to get to what is needed. The *Minority Exporters: A Resource Guide* '99 is a navigational tool to help minority firms identify different resources for different needs. It anticipates some of the critical questions minority-owned firms have about the export process, regardless of their overall development, and provides a comprehensive reference guide of sources of information and assistance for firms.

How This Book Is Organized

There are six chapters in this book. Each chapter presents questions and answers about the export process. Reference materials are included that provide the best answers to the listed questions. Instead of attempting to provide static answers to the export questions of today, this book foresees that nothing in the new millennium will remain the same for very long. Therefore, this book is distinguished from other "export how to" books because it is a tool for navigating through the ever-changing landscape of information and resources. It shows the reader where to look for answers to questions and explains how the various public and private sector providers of export services and programs are woven into a complex mosaic of assistance. While answering important questions, this book delves deeper to demonstrate how to conduct the research that is required to succeed in exporting.

Chapter One: ***The Enabling Environment for Exporters.*** This chapter focuses on six questions that are typically raised by new-to-the-market firms about exporting. They are:

- Why does exporting matter?
- What is the U.S.A. doing to compete for export markets?
- Why do firms engage in exporting?
- What assistance is available to lower entry costs?
- Who are some of the players in the export arena? and
- How do firms determine if they are ready to export?

The answers to these questions give provide a basic understanding of the export environment and will further introduce minority firms to the resources that are available to help them go global.

Chapter Two: ***Ways of Entering the Export Arena.*** This chapter focuses on making a distinction between the market entry research that is needed by different categories of exporters. Attention focuses on the differences between the research needs of indirect exporters, service exporters, and direct exporters. Key initial market research steps are outlined based on how a firm enters into exporting.

Chapter Three: ***Export Planning Insights for Export Market Entry.*** This chapter shows readers how to integrate the market research discussed in the previous chapters into the export planning process by focusing attention on the ten most common mistakes and discussing strategies to help firms avoid these common mistakes.

Chapter Four: ***Export Operations.*** This chapter examines the details and mechanics of export operations, providing guidance on such operational processes as obtaining export licenses, pricing, quotations, and terms, methods of payment, financing, insurance, and shipping.

Chapter Five: ***"Hot" Export-Related Issues.*** This chapter provides a detailed discussion of "hot" export topics, including Intellectual Property Rights (IPR), standards, international, regional, and bilateral agreements, Free Trade Zones, and other topics.

Chapter Six: ***Electronic Commerce and Exporting.*** This chapter focuses on making the connection between the globalization process and the Internet. It provides a step-by-step explanation of E-Commerce and demonstrates its applications for going global.

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Chapter One

The Enabling Environment for Exporters

Exporting matters! It matters to firms that profit from exporting and it also matters to the national economy as a whole. For this reason, the federal government, state and local governments, and other public and private organizations annually devote billions of dollars each year to encourage exporting among firms of all sizes and in all sectors. The purpose of this chapter is to encourage minority firms to take greater advantage of this wealth of resources in order to lower their costs and risks of entering the export arena. Six basic questions are answered in this chapter to encourage greater exporting among minority firms.

Why does exporting matter?	**What is the USA doing to compete for export markets?**	**Why do firms engage in exporting?**	**What assistance is available to lower entry costs?**	**Who are some of the players in the export game?**	**How do I know if my firm is export-ready?**

***Why** does exporting matter?*

*In 1960, total world exports amounted to $629 billion. By 1995, they had risen to more than **$5 trillion**. Why does exporting matter – it's simple: it is about money, jobs, and raising standards of living!*

$670,246 (millions)

Total value of U.S. exports (1998) of which

Capital goods	*$299,612*
Industrial supplies	*$148,266*
Consumer goods	*$ 79,261*
Autos, vehicles, parts, engines	*$ 73,157*
Food, feeds, beverages	*$ 46,397*
Other	*$ 35,444*

The bottom line is that every country, no matter how big or small, wants a portion of the export market. International competitiveness of the firm and the country from which it exports determines who wins and loses in the race for export markets. The factors that influence international competitiveness include:

- ***Macroeconomic dynamism** – which is concerned with the growth rates of nations and with monetary and fiscal policies that influence the quantity and quality of labor, capital, and technology.*

- ***Financial dynamism** – which is concerned with the level of a country's international reserves and the amount of imports their reserves can finance over a given period of months.*

- ***Market dynamism** – which is concerned with the extent to which market conditions support technological development and competition.*

- ***Infrastructure dynamism** – which is concerned with competitive advantage of physical infrastructure (roads, rail, air, telecommunications, power, etc.) and of institutional infrastructure. The latter includes institutions that support the development and diffusion of technology; information, risk-taking, export promotion and other factors that help firms compete.*

- ***Human resources dynamism** – which is concerned with the competitive advantage of the skills, motivation, flexibility, age, and health of a nation's workforce.*

- ***Firm level dynamism** – which is concerned with competitive advantage in labor productivity, quality control, and technological development.*

What is the U.S.A. doing to compete for exports?

The relationship between economic growth and exports has become increasingly important. As export growth has accounted for an increasingly significant portion of our overall economic growth, the U.S. has intensified its efforts to promote exports. In 1993, the U.S. crafted its first comprehensive "National Export Strategy" that examined the export promotion programs of 19 federal agencies that administered more than 100 export promotion programs. The purpose of the strategy was to provide a strategic framework and coordinated approach for increasing U.S. exports. In order to create the strategic framework and to promote coordination among federal government agencies, the U.S. Congress established the Trade Promotion Coordinating Committee (TPCC) and charged it with working together with the 19 federal agencies to develop a strategy for:

- *Increasing the dollar volume of exports;*
- *Increasing the number of export-related jobs;*
- *Increasing the number of firms exporting;*
- *Promoting the spillover benefits to other sectors from increased export activity; and*
- *Promoting the technological advantage for the U.S. from exporting.*

Agency-specific recommendations were developed and implemented to achieve these goals. Since the first National Export Strategy was formulated, U.S. exports have continued to increase – but so has the competition. In order to counter the competition for export markets, the U.S. has remained committed to its export promotion activities. Consistent with the goal of promoting exports, William Daley, the current Secretary of Commerce, is conducting a *National Trade Education Tour* to explain to Americans how trade benefits America.

The bottom line of the message is that international trade is a major driving force in the American economy which creates jobs and wealth and which accounts for a significant percentage of our economic growth.

Why do firms engage in exporting?

There are many reasons why firms engage in exporting. Among them are:

- To increase overall sales volume
- To enlarge the sales base to spread out fixed costs
- To use excess production capacity
- To compensate for seasonal fluctuations in domestic sales
- To find new markets for products with declining U.S. sales
- To exploit existing advantages in untapped markets
- To take advantage of high-volume foreign purchases
- To learn about technical methods used abroad
- To follow domestic competitors who are selling internationally
- To acquire knowledge about international competition
- To test opportunities for overseas licensing or production
- To contribute to the company’s general expansion
- To improve overall return on investment

But if the question is what is the strongest motivation to export, the answer is *to increase profits!* Because profit expectations differ across firms for various reasons, there will always be some firms that view exporting as highly lucrative, some that view it as being extremely unprofitable, while the views of others will fall somewhere in between.

The bottom line is if firms expect exporting profits to be large enough to cover their start-up costs, they will likely enter the export game. Factors that influence the estimates which firms make about start-up costs include:

- ***Market research****: firms factor in the start-up costs associated with undertaking market research to identify buyers, to research foreign prices, to select markets, to adapt to standard and testing requirements, and to obtain legal advice and assistance.*
- ***Product development****: while most new-to-export firms may tend to initiate exporting by selling existing products, some may also factor in the cost of adapting existing products.*
- ***Distribution****: firms also typically factor in the cost of hiring third parties such as agents and distributors to handle distribution.*
- ***Learning Curve****: firms also factor in the costs of learning about such export operations as international customs clearance, documentation, financing, and other operational issues.*

What assistance is available to lower entry costs?

Firms interested in exporting can obtain assistance from six principal sources:

- ***Federal government***
- ***State governments***
- ***Colleges & universities***
- ***Embassies***
- ***Private Sector***

Federal Government Resources for Export Promotion

The bottom line is the U.S. government is spending almost $3 billion a year to help U.S. firms export. Firms can lower their cost of entering the export market by using the programs and services of federal government agencies. These programs provide information, technical assistance, financing, advocacy, procurement opportunities, and policies to support U.S. exporters. The budget allocated for selected export promotion functions of the principal agencies involved in export promotion is shown in Table 1.

Table 1: (15 TPCC Agencies) Expenditures by Classification, FY 98

Principal Export Functions	Agencies	FY 98 Budget
1. FINANCE	Agriculture, Transportation EXIM, OPIC, SBA	$206,503,000
2. INSURANCE	Agriculture EXIM Bank OPIC	$327,676,000
3. COUNSELING	Commerce SBA	$122,782,000
4. INFORMATION	Agriculture, Commerce Energy, SBA, USIA	$101,998,000
5. TRADE EVENTS	Agriculture, Commerce, Energy	$27,729,000
6. DEVELOPING FOREIGN MARKETS FOR U.S. GOODS	Agriculture, Energy, Commerce, USAID	$550,511,000
7. FEASIBILITY STUDIES	TDA	$56,187,000
8. COMBATING FOREIGN EXPORT SUBSIDIES	Agriculture, Transportation EXIM Bank	$840,186,000
9. CHALLENGING UNFAIR TRADE PRACTICES	Commerce, Labor, State, Treasury, USTR	$26,113,000
10. MULTI AND BILATERAL NEGOTIATIONS	Agriculture, Commerce, Labor, State, Transportation, Treasury, USTR	$275,997,000
11. ADVOCACY	Commerce, Energy, State	$30,620,000

Source: National Export Strategy, 1998

■ ***Overview**:* Of the TPCC's 19 members, 15 have programs of assistance for exporters while four have only oversight functions. Of the 15 programmatic agencies – USDA, Commerce, and the EXIM Bank – have historically represented more than 90 percent of federal spending on export promotion. In order to learn more about the export promotion activities of federal government agencies and how they can lower the cost of doing international business for firms, check out the *National Export Strategy* for 1998. A brief description of 10 of the principal federal government agencies involved in promoting exports follows.

The U.S. Department of Commerce (DOC)
Principal Website: http://www.ita.doc.gov
Principal Export Functions: 3, 4, 5, 6, 9, 10, 11

The U.S. Department of Commerce (DOC) is at the center of the federal government's efforts to promote exports. The Secretary of Commerce chairs the TPCC, the interagency group that, since 1992, has been required by statute to develop a government-wide strategy for rationalizing the federal government's nearly $3 billion in federal export programs. These programs include efforts to provide export financing, export-related information such as market research and trade leads, export facilitation services such as business counseling, and other support services such as trade missions and advocacy on behalf of U.S. exporters. A comprehensive listing of the DOC's program is provided on its website (http://www.doc.gov). For those using the web version of this guide, click on any of these program titles to learn more about the details of each program. For those readers using the text version of this book, an overview of some of the most popular Commerce programs follows the list of titles.

- Advocacy Center
- American Business Centers in the Newly Independent States
- Agent/Distributor Service
- Americas (Office of the)
- Asia Business Center
- *Basic Guide to Exporting*
- Bosnia/Balkan Reconstruction Hotline
- Bureau of Export Administration
- Business America
- Business Information Center for Northern Ireland
- Business Information Services for the Newly Independent States (BISNIS)
- Central and Eastern European Business Information Center (CEEBIC)
- Central and Eastern European Commercial Update
- Commercial Centers
- Commercial Service, The U.S. and Foreign
- Commercial Service International Contacts
- *Commercial News USA*
- Consortia of American Businesses in the Newly Independent States (CABNIS)
- Country Directories of International Contacts
- Customized Market Analysis
- Destination Japan
- District Export Councils
- *Eastern Europe Business Bulletin*
- *Eastern Europe Looks for Partners*
- Economic Bulletin Board (EBB)

- European Union Hotline, NIST
- Export Assistance Center Network
- Export License Application and Information Network (ELAIN)
- Export Licensing Voice Information System (ELVIS)
- Export Promotion Calendar
- Export Promotion Coordination (Office of)
- Export Trade Certificate of Review
- Export Trading Company Affairs (Office of)
- *Export Yellow Pages*
- GATT
- GLOBUS
- Gold Key Service
- Infrastructure Division
- Inspection Certification Services for Seafood Exports
- International Buyer Program
- International Company Profile
- International Data Base
- International Economic Policy Country Desk Officers
- International Programs Center
- International Trade Administration (ITA)
- Japan Export Information Center
- Japanese United Aid Program
- Latin America and Caribbean (Office of)
- Market Development Cooperator Program
- Matchmaker Trade Delegations
- Metric Program
- Middle East and North Africa (Office of)
- Multi-State/Catalog Exhibition Program
- Multilateral Affairs (Office of)
- Multilateral Development Bank Operations
- National Institute of Standards and Technology
- National Marine Fisheries Service
- National Technical Information Service
- National Trade Data Bank (NTDB)
- Near East, Africa and South Asia (Office of)
- Native Investment & Trade Association (NITA)
- North Africa (Office of the Middle East and)
- North American Free Trade Agreement (NAFTA)
- Northern Ireland, Business Information Center for
- Product Literature Centers
- Reverse Trade Missions
- Single Internal Market 1992 Information Service

- STAT-USA/Fax
- STAT-USA/Internet
- State of the Nation
- System for Tracking Export License Application
- Trade and Economic Analysis (Office of)
- Trade Development Industry Officers
- Trade Fairs and Exhibitions
- Trade Fair Certification
- Trade Information Center
- Trade Missions
- Trade Opportunities Program
- Uruguay Round Hotline (GATT)
- U.S. and Foreign Commercial Service
- U.S. Commercial Center Jakarta
- U.S. Commercial Center Sao Paulo
- U.S. Commercial Center Shanghai
- WTO/GATT Hotline, NIST

Resources for Export Counseling

- **Export Assistance Centers (EACs)** – The Office of Domestic Operations of the U.S. Department of Commerce operates the Export Assistance Center Network with 19 U.S. Export Assistance Centers (USEACs) connecting 100 Export Assistant Centers (EACs) in a “hub and spoke” network. The mission of the EAC network is to deliver a comprehensive array of export counseling and trade finance services to U.S. firms, particularly small and medium-sized enterprises. As client-driven, bottom-line oriented offices that integrate the export marketing know-how of the DOC with the trade finance expertise of the Small Business Administration (SBA) and Export-Import Bank, EACs have the look and feel of private sector export consulting firms. They have gone beyond being simply a federal partnership by incorporating the resources of state and local export promotion organizations. EAC trade specialists help U.S. businesses identify the best markets for their products, develop market entry strategies, identify and assess distribution channels, understand export operations, access trade finance. Trade specialists are mobile, equipped with laptops, modems, and cell phones that allow them to deliver export services at the client’s place of business wherever and whenever is most convenient for the client.

Resources for Locating Market Research

The resources identified below can be accessed through the U.S. Department of Commerce’s Commercial Service, and through the Export Assistance Centers

(EACs) which are operated by the Commercial Service. The Commercial Service is a global network that is strategically located in more than 220 cities worldwide to assist U.S. exporters. Overseas, the Commercial Service is present in 78 countries, which represent more than 95 percent of the world market for U.S. exports.

- **National Trade Data Bank (NTDB)** – Provides a "one-stop" source of international trade data collected by federal agencies. The NTDB contains more than 190,000 trade-related documents, including market research reports, trade leads, trade contacts, statistical information, country reports, and much more. It is available at federal depository libraries, can be purchased on CD-ROM, or can be accessed through the Internet at STAT-USA's World Wide Website (*http://www.stat-usa.gov*). Call 1(800) STAT-USA to order or for more information.

- **Economic Bulletin Board (EBB)**– Provides on-line trade leads time-sensitive market information, and the latest statistical releases from a variety of federal agencies. To subscribe, call 1(800) STAT-USA, or try the Economic Bulletin Board as a guest user by dialing (202) 482-3870 with your personal computer and modem.

- **Industry Sector Analysis (ISA)** – Provides a structured market research reports produced on location in leading overseas markets. Reports cover market size and outlook, characteristics, and competitive and end-user analysis for a selected industry sector in a particular country. Industry Sector Analyses are available on the National Trade Data Bank and the Economic Bulletin Board.

- **International Market Insights (IMI)** – Provides short profiles of specific foreign market conditions or opportunities prepared in overseas markets and at multilateral development banks. These non-formatted reports include information on dynamic sectors of a particular country. International Market Insights are available on the National Trade Data Bank and the *Economic Bulletin Board*.

Resources for Pinpointing Your Export Prospects

- **Customized Market Analysis (CMA) –** Provides market research made to order. A Customized Market Analysis report assesses the market for a specific product or service in a foreign market. The research provides information on sales potential, competitors, distribution channels, pricing of comparable products, potential buyers, marketing venues, quotas, duties and regulations, and licensing or joint venture opportunities.

- **Trade Opportunity Program (TOP) –** Provides timely sales leads from international firms seeking to buy or represent U.S. products or services. Trade Opportunity Program leads are printed daily in leading commercial newspapers and distributed electronically via the Department of Commerce Economic Bulletin Board.

- **Agent/Distributor Service (ADS)** – Provides customized overseas search for qualified agents, distributors, and representatives for U.S. firms. For each Agent/Distributor Service, DOC commercial officers abroad identify up to six foreign prospects that have examined the U.S. firms' product literature and expressed interest in representing the U.S. firm's products.

- **International Company Profile (ICP)** – Portrays the reliability of prospective trading partners. Information provided in an International Company Profile includes type of organization, year established, size, general reputation, territory covered, sales, product lines, principal owners, financial information, and trade references, with recommendations from on-site commercial officers as to suitability as a trading partner.

- **Country Directories of International Contacts (CDIC)** – Provides the name and contact information for directories of importers, agents, trade associations, government agencies, etc., on a country-by-country basis. Available on the National Trade Data Bank site.

Resources for Promoting Your Products and Services Abroad

- **Commercial News USA** – An export marketing magazine promoting U.S. products and services worldwide. Disseminated in print to screened agents, distributors, buyers, and end-users, and on-line to electronic bulletin board subscribers. Selected portions of Commercial News USA are reprinted in business newsletters in several countries.

- **Gold Key Service** – A custom-tailored service that combines orientation briefings, market research, appointments with potential partners, interpreter service for meetings, and assistance in developing follow-up strategies. Gold Key Service is offered by the Commercial Service in export markets around the world.

- **Matchmaker Trade Delegations** – "Matches" U.S. firms with prospective agents, distributors, and joint venture or licensing partners abroad. For each Matchmaker, the Commercial Service staff evaluates the U.S. firm's products and services, marketing potential, finds and screens contacts, and handles all event logistics. U.S. firms visit the designated countries with the delegation and, in each country, receive a schedule of business meetings and in-depth market and finance briefings.

- **International Buyer Program (IBP)** – Supports selected leading U.S. trade shows in industries with high export potential. DOC offices abroad recruit foreign buyers and distributors to attend the U.S. shows while program staff help exhibiting firms make contact with international visitors at the show. The International Buyer Program achieves direct export sales and international representation for interested U.S. exhibitors.

- **Multi-State/Catalog Exhibitions** – Showcases U.S. company product literature in fast growing markets within a geographic region. During Multi-State/Catalog Exhibitions, DOC staff and representatives from state development agencies present product literature to hundreds of interested business prospects abroad and send the trade leads directly to participants.

- **Trade Fair Certification** – Supports major international industry trade shows providing high-profile promotion of U.S. products. Trade Fair Certification encourages private organizers to recruit new-to-market, new-to-export U.S. exhibitors; to maintain DOC standards for events; and to provide services ranging from advance promotion to on-site assistance for U.S. exhibitors.

Resources for General Export Counseling

- **International Trade Administration (ITA) –** ITA is dedicated to opening markets for U.S. products and providing assistance and information to exporters. ITA units include: 1) 104 domestic Export Assistance Centers and 141 overseas commercial export-focused offices in the *U.S. & Foreign Commercial Service* network, 2) industry experts and market and economic analysts in its *Trade Development* unit, and 3) trade compliance and market access experts in its *Market Access and Compliance* offices. The units perform analyses, promote products, and offer services and programs for the U.S. exporting community, including export promotion, counseling, and information programs listed elsewhere in this booklet ***(http://www.ita.doc.gov)***.

- **Trade Information Center (TIC) –** The TIC is the first stop for companies seeking export assistance from the federal government. TIC trade specialists: 1) advise exporters on how to find and use government programs; 2) guide businesses through the export process; 3) provide country and regional business counseling on standards and trade regulations, distribution channels, opportunities and best prospects for U.S. companies, import tariffs/taxes, customs procedures, and common commercial difficulties; 4) direct businesses to market research and trade leads; 5) provide information on overseas and domestic trade events and activities; and 6) supply sources of public and private export financing. The TIC's Internet home page is: ***(http://www.ita.doc.gov/tic)***.

- **The Export Assistance Center Network (USEACs/EACs) –** Referred to above ***(http://www.ita.doc.gov/uscs/)***.

- **USA Trade Center – U.S. Department of Commerce** – Emphasizing customer service and seamless assistance, the USA Trade Center will bring together key components of the DOC to serve as a single source for a complete range of export related products and information. The USA Trade Center, located in the Ronald Reagan Building at 14th and Pennsylvania

Avenue in Washington, DC, and the USA Trade Center offers general export counseling, country-specific information and counseling covering the globe, access to extensive market research and on-line trade leads, in-depth counseling for local businesses, an export reference center, and an export focused bookstore (***http://www.ita.doc.gov/tic***).

- **District Export Councils (DECs)** – DECs are organizations of leaders from local business communities whose knowledge of international business provides a source of professional advice to the Commercial Service. Closely affiliated with the EACs, the 55 DECs nationwide combine the energies of more than 1,500 volunteers to supply specialized expertise to small- and medium-sized businesses in their local community who are interested in exporting. DECs organize seminars on a host of international trade topics including trade finance. They also host international buyer delegations, design guides to help firms export, put exporters on the Internet, and help build export assistance partnerships to strengthen the support given to local businesses interested in exporting. Consult the DEC website at: (***http://www.ita.doc.gov/dec/***).

- **Minority Business Development Agency** (MBDA) – MBDA provides management and technical assistance, as well as access to domestic and international markets. MBDA's mission is to promote the establishment and growth of minority-owned business enterprises in the U.S.; consequently, it is constantly seeking to create new and innovative ways to engage U.S. minority firms in the international business arena. MBDA assists minority firms in gaining international access in many ways, including: trade missions, matchmaker programs, one-on-one client counseling, seminars, and special international program events ***(http://www.mbda.gov/)***. (*Click on Virtual Centers, and select International Trade Center)*.

Resources for Industry-Specific Export Counseling

- **Trade Development (TD) Industry Officers of the U.S. Department of Commerce** – TD delivers industry analysis and trade policy support to promote the interests of U.S. exporters. They work directly with individual U.S. firms and industry associations to identify overseas trade opportunities and obstacles by product or service, industry sector, and market. To assist U.S. businesses in their export efforts, TD's industry and international trade experts conduct executive trade missions, trade fairs, product literature centers, reverse trade missions, marketing seminars, and business counseling ***(http://www.ita.doc.gov/ita_home/itatdhom.html)***.

- **Major Projects Assistance** – Project managers for major transportation, power, industrial, and other infrastructure projects coordinate government assistance and help U.S. firms to compete for major overseas infrastructure contracts; identify upcoming projects and develop specific information about them; monitor worldwide infrastructure developments; provide one-on-one business counseling to contractors, engineers, constructors, and engineered systems providers; offer guidance on appropriate market business contacts, contract bidding procedures, and strategies; and maintain the *Global Infrastructure Projects Database*, available on the web *(http://www.ita.doc.gov/infrastructure)*.

- **Export Advantage for Textiles and Apparel** – The Export Advantage database, on the Office of Textiles and Apparel (OTEXA) home page, provides information on regulations, policy, and trade statistics specific to exporting textile and apparel products. Export Advantage also has directories listing more than 4,000 overseas buyers and more than 1,500 U.S. suppliers. Contact: (*http://otexa.ita.doc.gov*).

- **National Marine Fisheries Service (NMFS)** – The NMFS Inspection Services Division (ISD) consumer safety officers and trade specialists offer a range of services to assist U.S. fishing industry businesses engaged in the exporting of fish and fishery products. Besides inspecting and certifying products for export, NMFS advises seafood marketers about foreign regulations and maintains contacts with foreign government regulatory agencies to resolve sanitary-hygienic issues. Internet home page: *(http://kingfish.ssp.nmfs.gov/)*.

- **Tourism Industries** – The Tourism Industries office collects, analyzes, and distributes market research data on international travel to and from the U. S. Arrivals to the U.S. are tracked for more than 200 countries, market profiles are maintained for 20 countries and nine world regions, and in-depth research is conducted on the largest inbound and outbound travel markets. In addition, sector-specific information on international travelers is available, such as use of rental cars, mode of transportation, and type of lodging. Non-Resident Arrivals data, air traffic data, and survey data on international travel to and from the U.S. are available and sold through the Tourism Industries office. Customs reports, data tapes, or data files may be purchased as well. Information on the data available can be found on the Tourism Industries website. Internet home page: *(http://tinet.ita.doc.gov)*.

Resources for Country-Specific Export Counseling

- **The Trade Information Center** – Provides country and export information by fax (1-800-872-8723) and provides country-specific counseling *(http://www/ita.doc.gov/tic)*.

- **Business Information Service for the Newly Independent States (BISNIS)** – Serves as the U.S. clearinghouse for business information on Newly Independent States (NIS) through BISNIS online at: *(http://www.mac.doc.gov/bisnis/bisnis.html)*.

- **Central and Eastern Europe Business Information Center (CEEBIC)** – Serves as the U.S. clearinghouse for business information on Central and Eastern European countries online at: *http://www.mac.doc.gov/ceebic/ceebic.html)*.

- **American Business Centers (ABCs) in the NIS** – There are five ABCs located at Commercial Service posts in Vladivostok, St. Petersburg, Tashkent, Almaty, Kiev, and eight other independently operated ABCs. They provide such in-country business services as research, counseling, translation services, and more to help U.S. firms do business in the country.

Other Important Resources and Sources of Data

- **Bureau of Export Administration** – The Bureau of Export Administration (BXA) is responsible for controls of exports for reasons of national security, foreign policy and non-proliferation. The BXA oversees the development, licensing and enforcement of export control laws. Their website includes access to BXA's fact sheets, BXA's programs, and the List of Denied Parties. Fact sheets include information on export licenses, program descriptions, and office location and contact information.

- **Import Administration** – The Import Administration (IA) enforces laws and agreements to prevent unfairly traded imports and to safeguard jobs and the competitive strength of American industry. The website contains information pertaining to exchange rates, free trade zones (FTZ), and antidumping and countervail duties. It also includes the Import Library with a large number of downloadable files.

- **Trade Compliance Center** – Helps U.S. exporters receive benefits from the more than 200 trade agreements the U.S. has concluded.

- **U.S. Census Bureau** – The Census Bureau maintains international trade related statistics and provides trade information. For example, they have a Correct Way to Fill out a Shipper's Export Declaration and Country by Commodity Trade Data.

The Department of Agriculture (USDA)
http://www.usda.gov
Principal Export Functions: 1, 2, 4, 5, 8, 10

The mission of USDA is to enhance the quality of life for the American people by supporting production of agriculture. A comprehensive list of its export programs is given below. If you are viewing this document electronically, please click on the program of interest for further program details.

- AgExport Action Kit
- AgExport Connections
- AGRICOLA
- Agriculture Trade and Marketing Information Centers
- Animal and Plant Health Inspection Service
- *Buyer Alert*
- Commodity Credit Corporation
- Economic Research Service
- Federal Grain Inspection Service (FGIS)
- Food Quality Assurance Program
- Food Safety and Inspection Service (FSIS)
- Foreign Agricultural Service (FAS)
- Foreign Buyer Lists
- Inspection Certificates for Food and Agricultural Exports
- Integrated System For Information Services (ISIS) —Telnet—
- Market Promotion Program, National Agricultural Library
- Rural Business Cooperative Service
- Supplier Lists (U.S.)
- Trade Assistance and Promotion Office
- Trade Leads
- Trade Shows
- Transportation and Marketing Division
- Voluntary Food Quality Certification Service

A brief description is provided below of the Department's "Ag Exporter Assistance" program, which provides a broad range of assistance to exporters. (*http://www.fas.usda.gov/exporter.html)*

- **Are You Ready To Export? –** Helps firms determine if exporting is right for them and identifies their strengths and weaknesses for future exporting.

- **Researching and Identifying Your Market** – Helps firms learn how to conduct market research by classifying their products and by using market and analysis reports to evaluate international demand and to develop competitive pricing strategies.

- **Export and Foreign Country Import Requirements and Certifications** – Helps firms learn to identify and complete the documents needed to export plant, animals, and food.

- **Channels of Distribution** – Helps firms understand import procedures, learn about marketing information, and make useful contacts to help get their products into overseas markets.

- **Finding Customers and Representatives for Your Product** – Helps firms identify potential buyers, sales and promotional opportunities abroad by using FAS services (trade leads, buyer alerts).

- **Foreign Buyer Listings, U.S. Suppliers Listings, AgTrade Opportunities and Trade Shows** – Helps firms identify potential buyers and sellers and upcoming trade shows.

- **Identify marketing programs** – Helps firms promote their product overseas and provides loan and credit guarantee programs to finance their exports.

- **Shipping Your Exports** – Helps firms select transportation, choose freight forwarders and find out about market conditions.

The Export-Import Bank (EXIM Bank)
http://www.exim.gov
***Principal Export Functions:* 1, 2, 8**

The Export-Import Bank of the United States (ExIm) was created in 1934 and established under its present law in 1945 to help finance and facilitate U.S. exports. ExIm Bank is encouraged to supplement, but not compete with, private capital by filling gaps created when the private sector is reluctant to engage in export financing. ExIm Bank programs include:

- Bank Letter of Credit Policy
- City-State Program
- Credit Services
- Engineering Multiplier Program
- Export Assistance Centers
- Export Credit Insurance
- Export Financing Hotline 1-800-565-3946
- Financial Institution Buyer Credit Policy
- Guarantee Program
- Lease Guarantees
- Lease Insurance Policies

- Loan Program
- Medium-Term Single-Buyer Policy
- Multi-Buyer Policy
- New-to-Export Policy
- Operations and Maintenance Contracts Program
- Regional Offices
- Short-Term Single-Buyer Credit Policy
- Umbrella Policy
- Working Capital Guarantee Program

The U.S. Small Business Administration (SBA)
http://www.sba.gov
***Principal Export Functions:* 1, 3, 4**

The U.S. Small Business Administration (SBA), established in 1953, provides financial, technical, and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than $45 billion, SBA is the nation's largest single financial backer of small businesses. Major programs of SBA that can be used by firms "going global" include:

- Business Loan Guarantee Program [7(a)]
- Export Assistance Centers
- Export Legal Assistance Network
- Export Working Capital Program
- International Trade (Office of)
- International Trade Loan Guarantee Program
- SBAtlas (SBA Automated Trade Locator Assistance Service)
- Service Corps of Retired Executives (SCORE)
- Small Business Development Centers (SBDC)
- Small Business Investment Companies

A brief overview of how SBA's international program provides assistance follows.

- **Are You a New-to-Export Small Business?** – The SBA sponsors and supports training conferences, "how to" seminars, and one-on-one counseling through our resource partners, the Service Corps of Retired Executives (SCORE) and the nationwide network of Small Business Development Centers (SBDCs) *(http://www.sba.gov/oit/export/)*.

- **Are You Looking for Export Finance?** – Do you need credit to close that export deal? Many small businesses develop export leads but have trouble when it comes to financing the transaction. You can finance a single export order or multiple deals with the SBA's Export Working Capital Program (EWCP) *(http://www.sba.gov/oit/finance/).*

- **Additional Export Information and Resources** – Are you looking for more once you've *"gone global"*? The SBA has information for experienced exporters looking for general trade information, including Internet links *(http://www.sba.gov/oit/info/).*

- **Are You a Lender?** – Are you a lender seeking to reach a high-growth market, increase profits, reduce risks, respond to clients' needs and invest in your community? Take a look at SBA's information about SBA trade finance programs, contact information, and useful forms *(http://www.sba.gov/oit/lender/).*

Key offices and programs of SBA that are available to assist firms in their efforts to "go global" include:

The Office of International Trade (OIT) – The OIT works in coordination with other federal agencies and public and private sector organizations to encourage small businesses to expand their export activities and to assist small businesses seeking to export. OIT directs and coordinates SBA's export finance and export development assistance. OIT's outreach efforts include regional initiatives with Russia, Ireland, Argentina, Mexico, and Egypt. In addition, OIT develops how-to and market-specific publications for exporters. OIT oversees the SBA's loan guarantee programs to small business exporters, including the Export Working Capital Program, which is available to exporters through the U.S. Export Assistance Centers (USEACs) and SBA field offices across the country. The office also spearheads a program, through the USEAC network, called E-TAP (Export Trade Assistance Partnership), which focuses on a small group of export-ready companies and gives them the assistance they need to develop export markets, acquire orders or contracts, and use export financing in preparation for a trade mission or show overseas. Internet home page: *(http://www.sba.gov/oit).*

Small Business Development Centers (SBDCs) – Small Business Development Centers (SBDCs), located throughout the U.S., provide a range of export assistance, particularly to new-to-export companies. They offer assistance services to small businesses, including counseling, training, and managerial assistance. They provide counseling services at no cost to the small business exporter, but they generally charge fees for export training seminars and other SBDC-sponsored export events. Many SBDCs are involved in the ETAP program. Internet home page: *(http://www.sba.gov/SBDC/).*

Service Corps of Retired Executives (SCORE) – Members of the SCORE program, many of whom have years of practical experience in international trade, provide one-on-one counseling and training seminars. Specialists assist small firms in evaluating export potential and in strengthening domestic operations by identifying financial, managerial, or technical problems. Internet home page: *(http://www.score.org).*

Export Legal Assistance Network (ELAN) – The Export Legal Assistance Network is a nationwide group of attorneys experienced in international trade that provides free initial consultations to new-to-export businesses on export-related matters. The ELAN service is available through SBA district offices, Service Corps of Retired Executives (SCORE) offices, and Small Business Development Centers (SBDCs). Internet home page: *(http://www.fita.org/elan/).*

The U.S. Agency for International Development (USAID)
http://www.info.usaid.gov
Principal Export Function: 6

The United States Agency for International Development (USAID) was established in 1961 as an independent government agency to provide economic development and humanitarian assistance to advance U.S. economic and political interests overseas. Its international programs include:

- Business Development Services
- Center for Trade and Investment Services
- Consultant Registry Information System (ACRIS)
- Environmental Technology Network for Asia (ETNA)
- Export Assistance Centers
- *Guide to Doing Business with the Agency for International Development*
- International Executive Service Corps
- Small and Disadvantaged Business Utilization (Office of)

A brief description of some of the Agency's most popular programs follows.

- **USAID Procurements**
  This site contains information about USAID's procurements, including current solicitation documents, announcements, and resources to help you conduct business with the Agency. Internet home page: *(http://www.info.usaid.gov/procurement_bus_opp/procurement/).*

- **Global Technology Network (GTN)**
  GTN is a trade lead/business matching program that facilitates the transfer of U.S. technology and services to address global development problems. This is accomplished by matching a country's development needs with U.S. firms equipped to provide the appropriate technological solutions. GTN focuses on the following sectors: agricultural technology, communications and information technology, environment and energy technology, and health technology (http://www.usgtn.org/).

- **Office of Small & Disadvantaged Business Utilization (OSDBU)**
  The Office of Small and Disadvantaged Business Utilization/Minority Resource Center (OSDBU/MRC) is the Agency's advocate for U.S. small businesses, small disadvantaged businesses, and women-owned small businesses. One of the most sought out pieces of information at this site is the "Guide to Doing Business with USAID." The Internet home page is: *(http://www.info.usaid.gov/procurement_bus_opp/osdbu/).*

The Overseas Private Investment Corporation (OPIC)
http://www.opic.gov
***Principal Export Functions:* 1, 2**

The Overseas Private Investment Corporation (OPIC) is an independent, self-sustaining government corporation that assists U.S. private investment overseas by providing insurance and financing for their overseas investments. Its international programs include:

- Automated Information Line
- Finance Programs
- Investment Insurance

A brief description of some of the Agency's most popular programs follows.

- **Insurance:** Three political risks are covered by OPIC: currency inconvertibility, expropriation, and political violence. In addition, OPIC offers tailored insurance programs for small businesses.

- **Finance:** OPIC offers two types of direct loans for projects involving U.S. small businesses or cooperatives, the *Corporate Finance Direct Loan* and the *Project Finance Direct Loan*, which are available (on different terms) for U.S. small businesses to fund overseas investment in expansion facilities, permanent working capital, and fixed assets. In addition, OPIC offers the *Finance Contractors Program* that provides an OPIC guaranty for bid bonds, performance bonds, and other guaranties issued by U.S. financial institutions on behalf of U.S. contractors who have operational and financial track records.

The Department of State
http://www.state.gov
Principal Export Functions: 9, 10, 11

The Department of State and its embassies analyze foreign political and economic developments and brief U.S. businesses on the local political and business climate. As experts on host country economies and business practices, State Department officers work closely with their colleagues in the Commercial Service and other agencies to identify opportunities for U.S. firms and to advocate on their behalf. In many overseas markets, State Department officers report and negotiate for the entire spectrum of U.S. government agencies. State Department officers in Washington and abroad play important roles in negotiating economic agreements on trade, investment, intellectual property rights, taxation, civil aviation, telecommunications, and debt, and in ensuring that those agreements are honored. Its international programs include:

- Bureau of Economic and Business Affairs
- Coordinator for Business Affairs
- Defense Trade Controls (Office of)
- Embassies and Consulates (U.S.)
- ITAR (International Trade in Arms Regulations)
- Munitions List
- Overseas Security Advisory Council
- Regional Bureaus

A brief description of some of the Department's programs that are specifically concerned with promoting business interests follows.

- **The Office of the Coordinator for Business Affairs** – This office helps ensure that U.S. business interests are considered in the foreign policy process, that American companies have opportunities to compete fairly for foreign business, and that international trade and investment disputes are resolved. The office coordinates State Department advocacy on behalf of American businesses and offers them problem-solving assistance in opening markets, leveling playing fields, and resolving trade and investment disputes *(http://www.state.gov/www/services.html).*

- **The Office of Procurement** – Companies that are interested in doing business with the State Department also can obtain the latest information on procurement contracts and government acquisitions through the Internet *(http://www.statebuy.gov/home.html).*

- **The Office of Small and Disadvantaged Business Utilization** – This office ensures that a fair share of the Department's acquisitions are placed with small and disadvantaged firms, as well as those owned by women. It serves as advocate, counselor, trainer, and provider of liaison services to the small business community. The office publishes *United States Department of State: A Guide to Doing Business*, which lists useful information concerning the Department's procurement opportunities and points of contact *(http://www.statebuy.gov/osdbu1.htm)*.

- **Country Commercial Guides** – Commercial information compiled by the State Department regarding commercial transactions in practically every country in the world - includes contacts, marketing information, best prospects, and more.

The Department of the Treasury
http://www.treas.gov
Principal Export Functions:

The Treasury's Office of International Affairs advises on and assists in the formulation and execution of U.S. international economic and financial policy. This entails the development of policies with respect to international financial, economic, monetary, trade, investment, bilateral aid, environment, debt, development, and energy programs, including U.S. participation in international financial institutions. Through the Office of International Affairs, the Treasury Department has developed a new *International Trade Resource Center*. The purpose of the center is to assist those in the international trade community by providing basic information on international trade. The center provides information on federal government international procedures, information on the rules and regulations required to import, and information on exporting, export finance, and transportation *(http://www.itds.treas.gov/ITDS/Frames/Build_Frames.cfm?Site=ITRC)*.

Two of the most frequently used programs of the Treasury Department include:

- ATA Carnet
- Foreign Assets Control (Office of)

A brief description of some of the Department's international programs follows.

- **Customs Service** – As the nation's principal border agency, the mission of the U.S. Customs Service is to ensure that all goods entering and exiting the U.S. do so in accordance with all U. S. laws and regulations. The Importing/Exporting section includes extensive resources regarding rules and regulations, informed compliance, export licenses, and automated import/export systems.

- **Office of Foreign Assets Control** – The Office of Foreign Assets Control administers embargoes and trade sanctions against targeted foreign countries based on U.S. foreign policy and national security goals. Many of their regulations covering exports to embargoed countries and entities overlap with the Bureau of Export Administration regulations. In the event that you are considering an export to an embargoed country or entity you should check with both agencies to learn the exact regulations covering your desired transaction. See "Foreign Assets Control Regulations for Exporters & Importers."

The U.S. Trade Representative (USTR)
http://www.ustr.gov
Principal Export Functions: 9, 10

The U.S. Trade Representative (USTR) is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, as well as for leading or directing negotiations with other countries on such matters. USTR provides trade policy leadership and negotiating expertise in its areas of responsibility. These include matters concerning the World Trade Organization (WTO), including the implementation of the Uruguay Round of trade negotiations; trade, commodity, and direct investment matters dealt with by organizations such as the Organization for Economic Cooperation and Development (OECD); export expansion policy; and trade-related intellectual property protection issues. Interagency coordination is accomplished by USTR through the Trade Policy Review Group and the Trade Policy Staff Committee. Useful websites include:

- General Counsel (Office of the)
- National Trade Estimates Report on Foreign Trade Barriers
- U.S. Trade Representative (Office of the)

The Department of Transportation (DOT)
http://www.dot.gov
Principal Export Functions: 1, 8, 10

DOT's Office of International Transportation and Trade leads and oversees development, coordination, and implementation of the DOT's international transportation and trade policies and programs. Among the Office's primary responsibilities are coordinating the development of transportation policies pursuant to Administration trade initiatives in Africa, Asia Pacific (APEC), Western and Eastern Europe, and Latin America. The Office is also involved in U.S.-Canada-Mexico transborder issues, developing U.S. transportation policies and programs in multilateral initiatives in the WTO, OECD, and other international organizations.

In addition to the Office of International Transportation and Trade, the following DOT programs and services are useful for exporters:

- ***Cooperation/Technology Sharing***

- ***Technical Assistance***

- ***Bureau of Transportation Statistics (BTS)***
  The BTS provides information and statistics on different types of transportation. The website includes freight, hazardous material, and aviation information.

- ***Federal Aviation Administration (FAA)***
  In the field of air cargo, the FAA promulgates certain stress standards which must be met in the tiedown of cargo in flight. The website provides information regarding airfreight and hazardous material regulations.

- ***Maritime Administration (MARAD)***
  Promoting the U.S. maritime industry and maintaining the U.S. Merchant Marine, MARAD's website contains international shipping related information.

- ***St. Lawrence Seaway Development Corporation***
  The St. Lawrence Seaway has been a vital transportation link for moving goods between the heartland of North America and international markets. This website provides current toll schedules, port profiles, and annual reports.

In addition to the resources identified above, additional resources for exporters are provided by other agencies. These agencies are identified in Table 2.

Table 2: Other TPCC Agencies involved in Export Promotion

Agency	Principal Functions	Website
U.S. Information Agency (USIA)	"Doing Business" Television Program Office of Citizen Exchanges U.S. Information Service	**http://www.usia.gov**
Department of Energy (DOE)	Office of Fossil Energy - International Program Coordinator Committee on Energy Efficiency Commerce and Trade (COEECT) Committee on Renewable Energy Commerce and Trade (CORECT) Export Assistance Initiative	**http://www.doe.gov**
Department of Labor (DOL)	See Website	**http://www.dol.gov**
Environmental Protection Agency (EPA)	International Technology Cooperation	**http://www.epa.gov**
U.S. Trade Development Agency (TDA)	African Development Bank Business Briefings and Technical Symposia Definitional Missions Feasibility Studies Grants to Multilateral Development Banks International Finance Corporation Reverse Trade Missions Technical Assistance Grants Technical Assistance Trust Funds for U.S. Consultants Technical Symposia and Business Briefs Training Grants World Bank/International Bank for Reconstruction and Development	**http://www.tda.gov**
National Economic Council (NEC)	Oversight—not program delivery	**http://www.nec.gov**
National Security Council (NSC)	Oversight—not program delivery	**http://www.nsc.gov**
Council of Economic Advisors (CEA)	Oversight—not program delivery	**http://www.cea.gov**
Office of Management and Budget (OMB)	Oversight—not program delivery	**http://www.omb.gov**

Non-TPCC AGENCIES OF INTEREST TO EXPORTERS

Federal Maritime Commission (FMC)	Protects shippers, carriers and others engaged in the foreign commerce of the U.S. from restrictive rules and regulations of foreign governments	**http://www.fmc.gov**
International Trade Commission (USITC)	The ITC is an independent U.S. government fact-finding agency that makes recommendations concerning countervailing duty and antidumping petitions submitted by U.S. industries seeking relief from imports that benefit unfair trade practices	**http://www.usitc.gov**
Patent and Trademark Office (USPTO)	Advises on patent, trademark, and copyright protection and on trade-related aspects of intellectual property.	**http://www.uspto.gov**
U.S. Arms Control and Disarmament Agency (ACDA)	Reviews certain dual use export license applications referred by BXA.	**http://www.acda.gov**

State Government Resources for Export Promotion

The bottom line is that exporting occurs at the state level by firms in a given state. More exports translate into more jobs in the state. Accordingly, states are interested in promoting exports. Firms interested in exporting should draw upon the state export promotion resources, just as they draw upon those at the federal level. State programs, like federal programs, are aimed at lowering the costs and risk to the exporter entering the market.

How important is exporting from the state's perspective?

In October of 1998, the U.S. Treasury conducted a study to learn how turmoil in the global financial situation was affecting states. The Treasury Department's report provided a state-by-state analysis detailing declines in exports and specific industry effects in individual states from the global financial situation. The study demonstrated the importance of international trade with both Asia and the world's developing nations to each state. It also analyzed the importance of individual state exports to foreign markets and specific industries within each state. Some of the highlights of the report include:

- Thirty percent of U.S. exports go to Asia, supporting millions of U.S. jobs. For a number of states, including Alabama, Florida, New Mexico, Texas and Virginia, more than 40 percent of exports go to developing countries.

- Forty percent of all U.S. agricultural exports go to Asia, more than to any other region. In 1997, total U.S. exports to Asia decreased by 11 percent.

- Studies have shown that export-related jobs in the U.S. pay an average of 15 percent more than other jobs.

***California (the top exporting state) answers the question of why exports are important to Californian companies*:** – California registered $104.97 billion in exports during 1998, the third consecutive year the state's exports surpassed $100 billion. Exports to Latin America, Canada, and Europe led California's growth sectors. The state's export diversity was exemplified by strong sales to NAFTA partners Mexico ($13.3 billion, up 10.4 percent) and Canada ($12.7 billion, up 10.9 percent).

Exporting matters to states: *The California example is given to underscore the importance of exporting to the states. Individual states have export advertising programs that promote the interests of the firms in their states. One organization promoting states is The National Association of State Development Agencies (NASDA) (http://www.nasda.com). According to NASDA, the export promotion activities of states include:*

1. *Assisting with international procurement opportunities*
2. *Providing market research*
3. *Governor's International Advisory Council*
4. *Trade development training*
5. *Foreign sales corporations*
6. *Export awareness programs*
7. *Trade leads and match making*
8. *In-house counseling*
9. *Seminars, workshops, and conferences*
10. *Newsletters*
11. *Overseas office representation*
12. *Export financing and trade and catalogue shows*

***Top picks for researching state programs*:**

- **The National Export Directory (NED)** – The directory was developed by the Trade Information Center (TIC) *(http://www.ita.doc.gov/tic)* to better inform U.S. exporters about trade contacts at the federal, state, and local levels.

- **The National Association of State Development Agencies** (NASDA) *(http://www.nasda.com)* – It is a membership organization that provides an umbrella for state agencies that are charged with promoting economic development. NASDA has compiled the *State Export Program Database (SEPD)*, which is available in hard copy or on disk for $164.00. It provides information on major export development programs, including industry and regional targets.

- **State and Local Government Procurements (NTDB)** – Trade leads for state and local governments are provided through STAT-USA's National Trade Data Bank, which can be accessed for free from any federal depository library (at universities) or on a subscription basis.

- **State Resources** – A comprehensive directory of state resources is provided by the Treasury Department's International Trade Data System (ITDS) at: (*http://www.itds.treas.gov/ITDS/Frames/Build_Frames.cfm?Site=ITRC*)

College and University Resources for Export Skills

The bottom line is that one must scale the learning curve to become a viable exporter. Colleges, especially community colleges, and universities are at the forefront of imparting skills for conducting exporting and importing operations. Firms that are considering entry into the overseas markets can benefit from these educational programs which will, in the end, help to lower the costs of exporting.

Top pick for Community College export and import training programs:

- **The Minority Business Development Agency's Virtual International Center** (http://www.mbda.gov) – The center provides information on the export training programs of community colleges in the top ten exporting states to better inform U.S. exporters about trade contacts at the federal, state, and local levels. The critical path for finding information about other Community Colleges in your state: Alta Vista keyword search: *"community colleges+export (or international) training programs."*

Embassy Resources for Trade and Investment Facilitation

The bottom line is that foreign embassies in Washington, DC provide a wealth of first-hand information about their countries. Firms that are considering entry into the target overseas markets should contact the embassies of the countries in which they have an interest to obtain valuable information about the business conditions and trading opportunities in the country (*websearch: key word "embassies").*

Top pick for researching foreign embassies in Washington, DC:

- **The Electronic Embassy** *(http://www.embassy.org/)* – Provides information on all of the embassies in Washington, DC. The *International Business Center* of the Electronic Embassy will provide a site to market the products and services of businesses seeking an international audience. The site will also have more than 170 country pages. Visitors to these pages will be able to obtain information to aid them in foreign travel, immigration, importing, and exporting.

Private Sector Resources for Export Services

The bottom line is that private sector firms also provide a wealth of information to help lower the cost of market entry. Private sector firms and organizations provide the full range of assistance that is available in the public sector, plus additional value-added products and services for going global. Table 3 shows the kinds of assistance that is available in the private sector.

Table 3: Categories of Private Sector Assistance

Export Counseling	Market Research	Trade Leads and Buyer and Seller Links	Transportation	Financing	Intermediaries
"How to" information on all aspects of exporting	On firms, industries, markets, etc.	Statistics on buyers and sellers and direct links to both	"How to" transport goods	Financial advice and financing	Export management and trading companies

***Top pick for researching private sector resources**:*

- **The Trade Information Center** (*http://www.ita.doc/tic/*) – Its *Internet Guide to Trade Leads* provides the web addresses for a broad range of trade lead assistance providers in the private sector. This site also provides the web address for the American Export Register, an important resource that contains a list of 45,000 exporting companies and 5,000 product categories.

Who are some of the players in the export game?

The Bureau of the Census, Department of Commerce, reported that in 1992, the latest year for which data are available, that the U.S. exporting community consisted of 112,854 companies that exported $349 billion in merchandise to 226 foreign countries.

Wholesalers

The bottom line is that almost six percent of the nation's 690 thousand manufacturers and 5 percent of the nation's 770 thousand wholesalers exported in 1992.

Manufacturers

The bottom line is manufacturers accounted for the largest portion of exports at $242 billion, followed by "other companies," and wholesalers at $53 billion and $51 billion, respectively. The "other companies" category included freight forwarders and other transportation services firms that often act as agents for the true exporter.

Multiple Location Exporters

The bottom line is that in 1992, about 18 percent (19,967) of all exporters were multiple location companies. These companies accounted for 81 percent of the "known" export value. In contrast, the 92,887 single location companies, although making up 82 percent of the exporting companies, accounted for just 19 percent of the known export value.

Large Exporting Firms

The bottom line is that companies with 500 or more workers were responsible for about 71 percent of the known export value, but represented a little over four percent of all exporters. In fact, the top four firms (ranked by value) accounted for 11 percent of known exports.

Small and Medium-Sized Firms (SMEs)

The bottom line is that although a few large companies dominate exports, there are many active small and medium-sized exporters (those employing fewer than 500 workers). Almost 96 percent, or 108,026 of all exporters, were small or medium-sized companies. These companies exported $103 billion in goods.

Companies with Fewer than 20 Employees

The bottom line is that companies with fewer than 20 employees accounted for roughly 59 percent of all exporters, but were responsible for only 11 percent of the known export value. Such companies make up about one third of exporting manufacturers, 75 percent of wholesalers, and 72 percent of "other companies."

To How Many Countries do Firms Export

The bottom line is that over 91 percent of the exporting community exported to fewer than 10 countries. In contrast, less than 12 percent of all U.S. exporting companies shipped goods to 50 or more countries during 1992, but these companies were responsible for 16 percent of known exports. About 90 percent of all companies exported to at least one of the top 25 partner countries in 1992. More companies (49,131) exported to Canada than any other country, followed by the United Kingdom (23,977), Japan (19,885), and Germany (19,739). Mexico, while ranking only seventh with 12,766 exporters, ranked third in total export value at $41 billion.

***How** do I know if my firm is export-ready?*

In today's digital economy, when an export order can come over the Internet from anywhere in the world, the question is not whether a firm is export-ready; rather, the question is how quickly can a firm get ready to export!

Ultimately, every firm has to decide whether it believes that it is ready to export. In making this decision, firms must realize that selling in the foreign market is more difficult and riskier than selling in the domestic market. Given the difficulty associated with exporting, it is not surprising that there have been many attempts to "quantify" readiness. Such tests of "readiness" examine a number of factors. One example is given below.

Top pick for assessing "Export Readiness:"

- ***TradeCompass*** – A private firm, TradeCompass has developed an export readiness assessment system (ERAS) that enables firms to assess their own readiness by answering selected critical questions. The assessment of readiness is based on answers to 23 questions about a company's present operations, attitudes and products (*http://www.tradecompass.com*).

The ERAS system distinguishes between firm readiness and product readiness and can be taken over the Internet at:
http://www.tradecompass.com/iba/eras/intro.html).

The questions are as follows:

ERAS Company Readiness:

1. *Whether the firm has an established presence domestically?*
2. *Degree of domestic market penetration?*
3. *Methods of selling and distributing in the domestic market?*
4. *Experience in conducting market research and planning?*
5. *Extent of advertising in the domestic market?*
6. *Whether the firm has staff with export experience?*
7. *Whether the firm has received unsolicited overseas inquiries?*
8. *Adequacy of inventory to fill foreign orders?*
9. *Organizational capacity to handle exporting?*
10. *Experience with exporting?*

11. *Level of commitment to exporting?*
12. *Financial resources for supporting export operations?*
13. *Ability to delay export profitability?*
14. *Domestic sales growth in the past three years?*
15. *Product market share?*
16. *Price-competitiveness of product?*
17. *Flexibility to accept a range of payment terms?*
18. *Competitiveness of product in quality?*
19. *Flexibility to adapt products and services?*
20. *Cost to transport products?*
21. *Difficulty in assembling, installing, operating the product?*
22. *Requirement for after-sales supports?*
23. *Adaptability of product to varying environmental conditions?*

Chapter Two discusses ways to enter the export arena.

Chapter Two

Ways of Entering the Export Arena

There are many different ways to enter the export arena. For example, you can enter as a direct exporter of the products that your firm manufactures; as an indirect exporter of products manufactured by others, or as a service exporter of consulting or software services. The initial export planning process is different for each of these modes of operations. This chapter focuses on how to conduct the pre-entry market research process for the different ways of entering into the export business. Three basic questions are answered:



Indirect Exporters	**Service Exporters**	**Direct Exporters**
What are the pre-export entry market research and planning steps?	**What are the pre-export entry market research and planning steps?**	**What are the pre-export entry market research and planning steps?**

The way a company chooses to export its products has an impact on the research it must undertake before export activities begin. While there are two main exporting paths, indirect exporting and direct exporting, there are many indirect approaches. Indirect exporting is often advantageous for minority firms because it provides a way of penetrating foreign markets without the complexities and risks of direct exporting. Several kinds of intermediary firms provide a range of export services. Each type of firm offers distinct advantages for the smaller firm. A brief overview of typical indirect exporting approaches is given below.

- **Commission or Buying Agents:** These entities are finders for foreign firms that want to purchase U.S. products. They are paid a commission for locating the product on the best terms.

- **Export Management Companies (EMCs):** These companies act as the export department for one or several producers of similar goods or services, as they typically specialize by product and foreign markets and have well-established networks of foreign distributors already in place. EMCs solicit and transact business in the names of the producers it represents or in its own name for a commission, salary, or retainer plus commission. Some larger EMCs provide immediate payment for the producer's products by either arranging financing or directly purchasing products for resale.

■ **Export Trading Companies:** These companies, like EMCs can either act as the export department for producers or take title to the product and export for its own account. A special kind of ETC is a group organized and operated by producers. These ETCs can be organized along multiple- or single-industry lines and can represent producers of competing products.

■ **Export Agents, Merchants, or Remarketers:** This organization may purchase products directly from the manufacturer and pack and mark them according to their own label's specifications. They then sell overseas through their contacts in their own names and assume all risks for their own accounts.

■ **Piggyback Marketing:** This is an arrangement in which one manufacturer or service firm distributes a second firm's product or service. The most common piggybacking situation is when a U.S. firm has a contract with an overseas buyer to provide a wide range of products or services. This first company does not produce all of the products it is under contract to provide, and it turns to other U.S. firms to provide the remaining products. The second U.S. firm piggybacks its products to the international market, generally without incurring the marketing and distribution costs associated with exporting. Successful arrangements usually require that the product lines be complementary and appeal to the same customers.

*What steps are involved in the market research and planning process for **Indirect Exporters**?*

Among the various indirect approaches for exporting, minority exporters are typically involved in *buying products for export*. Firms whose owners have extensive overseas links or contacts may also seek to serve as an EMC or ETC. Therefore, this discussion focuses on the research steps involved in identifying the companies in the U.S. that manufacture the products that minority firms may wish to source for subsequent sales overseas and on the initial research process for EMC and ETCs. The initial pre-entry research that should be undertaken by the subject intermediary exporters is discussed below.

- ***Step A: Research domestic suppliers***
- ***Step B: Research EMC and ETC mechanisms***
- ***Step C: Research target markets***
- ***Step D: Research overseas buyers***

STEP A: Researching Domestic Suppliers

METHOD A
For Indirect Exporters who seek to buy products
in the USA and Sell them Overseas

A1: How to classify the product in international terms?

A2: How to identify product manufacturers in the domestic market?

A3: How to assess the competitiveness of the seller's product?

A1: How to classify the product?

Every trade lead that you find from the Internet or from other sources will name the product and also give its harmonized classification number—this system was set up to ensure that there was a commonly accepted international standard of how to classify goods. U.S. exporters are required to provide the Schedule B (harmonized code) commodity number for all export shipments (excluding postal shipments) where the value of the commodity classified is $2,500 or more or for which a validated export license is required. Information on how to classify products according to the Schedule B harmonized code can be found at: *http://www.census.gov/foreign-trade/www/.* In situations where you encounter difficulty in determining the correct export classification number, the Census Bureau's Foreign Trade Division (FTD) will lend assistance.

Bureau of the Census (http://www.census.gov/foreign-trade/www/)

A2: How to identify product manufacturers in the domestic market?

Once you are clear on exactly what product you are looking for, there are a number of ways to identify the manufacturers of the products in the USA from whom you can source the goods to export. Our top pick website for conducting this research is:

Michigan State University Center for International Business Education Research (CIBER) (*http://ciber.bus.msu.edu/busres/compan*

- **Go to United States and select—** GENERAL: Corporate Information *(http://www.corporateinformation.com)*

This site identifies resources that offer information about what a particular company manufactures and other company data. For information about privately held companies, refer to the United States Private Company Information Page. The private company page also has databases that have information on both public and private companies, so even if you're researching a public company, there might be some interesting databases on the private company page. For other countries, go to the Main page. For US regional-based sites, see the US Regional Page or pick a state from the bar at the left, and for sector-specific sites, try the US Sector-specific page or choose a sector at the left. The sector and regional pages may also have information that might be of use if you are researching a public company. Available information includes: Earnings Estimates, Ownership Information, Delayed Quotes, Historical Data, Other Information, Stock Screening, and Comparison to Other Firms

A3: How to Assess the Competitiveness of the Seller's Product:

Once you have identified sources of goods, there are a number of ways to assess the competitiveness of the seller's firm and/or products. Our top pick website(s) for conducting this research are:

The Securities Exchange Commission's EDGAR
(*http://www.sec.gov/edaux/wedgar.htm***)**

EDGAR, the Electronic Data Gathering, Analysis, and Retrieval system, performs automated collection, validation, indexing, acceptance, and forwarding of submissions by companies and others who are required by law to file forms with the U.S. Securities and Exchange Commission (SEC).

Hoover's Online (*http://www.hoovers.com/hoov/about/whoweare.html)*

The company has been dubbed "The Reigning King of Corporate Profiles" by *FORTUNE magazine*. Austin, Texas-based Hoover's provides business information online through its flagship Web site, Hoover's Online. Hoover's Online also features links to news, lists, stock quotes, and other products such as Hoover's Industry Snapshots (global industry overviews). Hoover's offers approximately 14,000 company capsules (brief company descriptions and financials) and approximately 4,000 company profiles (company histories, strategies, market positions, major events, and other information) available via online subscription. The profiles cover U.S. and foreign public and nonpublic companies and are written for executives, investors, job seekers, sales people, consumers, and scholars.

STEP B: Research EMC and ETC Mechanism

METHOD B
For Indirect Exporters who seek to either serve as EMCs/ETCs or retain their services

B

B1: Know where to go for help in the U.S. Government
B2: Understand how to use EMCs and ETCs
B3: Understand how to use the Export Trading Company Certificate
B4: Understand how to team up to maximize the benefits of having an EMC

B1: Know where to go for help in the U.S. Government:

The Office of Export Trading Company Affairs (OETCA) is part of the Trade Development Unit of the U.S. Department of Commerce's International Trade Administration. OETCA promotes the formation and use of export trade intermediaries and the development of long-term joint export ventures by U.S. firms, including joint ventures by U.S. firms that are competitors in the domestic market. OETCA administers two programs available to all U.S. exporters or potential exporters. The *Export Trade Certificate of Review* program provides antitrust protection to U.S. firms for collaborative export activities. The U.S. Department of Commerce's — U.S. Exporters' Yellow Pages™ (USEYP) is designed to assist in matching U.S. trade intermediaries with U.S. producers of exportable goods & services. The USEYP referral service is available worldwide at *(http://www.docexport.com)* and as an annual print directory. Our top pick website for conducting this research is:

The Office of Export Trading Company Affairs (OETCA)
(*http://www.ita.doc.gov/oecta***)**

B2: Understand how to use EMCs and ETCs

This approach involves either engaging the services of EMCs or ETCs to find foreign markets and buyers for its products or becoming an EMC or ETC to handle the export of products manufactured by others. Export management companies (EMCs), export trading companies (ETCs), international trade consultants, and other intermediaries are used to tap into their broad international experience and to lessen the burden of exporting directly.

B3: Understand how to use the Export Trading Company Certificate

Why obtain a Certificate: Joint export ventures undertaken by domestic competitors might raise questions under U.S. antitrust laws. Fortunately, there is a program that enables U.S. exporters to obtain antitrust protection. Under Title 3 of the Export Trading Company Act, any U.S. resident, business association or state and local government entity may apply to the Office of Export Trading Company Affairs in the Department of Commerce for an Export Trade Certificate of Review. A Certificate of Review provides exporters with immunity from federal and state government antitrust suits with regard to all export activities specified in the certificate. The Certificate of Review also reduces an exporter's private action liability from treble to single damages for the certified export conduct, and deters lawsuits of dubious merit by providing for recovery of attorney's fees in cases where the certificate holder prevails.

The Process of obtaining a certificate: Under the ETC Act, when an application for a certificate is received, the DOC, with the concurrence of the Department of Justice, must issue the certificate or deny the application within 90 calendar days. The application form is treated with strict confidentiality and is not subject to disclosure under the Freedom of Information Act. At any time, a firm may withdraw an application, in which case all copies of the documents submitted are returned. No fees are involved. DOC staff will be assigned to work with you during the entire process.

B4: Understand how to maximize the benefits of having an Export Trading Company Certificate

Export joint ventures offer firms the opportunity to reduce costs by capturing economies of scale. Joint ventures also enable participating firms to spread risks. These benefits are likely to be greatest for small and medium-sized firms that are either new to exporting or have limited export experience. However, firms of all sizes and levels of international business experience can use joint exporting to reduce per unit export costs and develop proactive export strategies that may not be feasible for individual exporters. The ability to reduce export costs and risks is especially important when considering entry into a new and complex export market. Specific areas in which gains can be obtained will vary with the nature of the product and the targeted foreign markets. The following examples are suggestive of the kinds of benefits that can be obtained through using the certificate:

- **Market Research:** U.S. firms can join together to share the costs of foreign market research (including hiring expertise), travel, and overseas activities.

- **Market Development:** U.S. firms can reduce the average costs of overseas trade shows and missions through joint activities. Firms with complementary products can offer more attractive "full line" packages to prospective buyers. Cost reductions can also be achieved by jointly conducting generic advertising intended to cultivate or increase demand for American products.

- **Overseas Bidding:** U.S. firms can increase sales and profits through joint bidding. As a group, the joint venture can respond to foreign orders requiring quantities beyond the productive capacity of the individual member firms, and it can accomplish sales while frustrating a foreign buyer's ability to play U.S. sellers off against one another.

- **Non-Tariff Barriers:** Joint exporting agreements can be effective in overcoming some non-tariff trade barriers, such as specific labeling, packaging, and quality control requirements, as well as certification standards imposed by foreign governments. By jointly operating a one-stop facility, firms can reduce average costs of compliance. In addition, by joining together, U.S. firms secure increased leverage to work for the reduction of non-tariff barriers.

- **Transportation and Shipping:** Volume discounts can be negotiated with carriers. Through an export joint venture, firms can guarantee carriers sufficient cargo to make these discounts available. In some cases, longer-term contracts with carriers might be negotiated, enabling export firms to quote delivered prices to foreign buyers with greater certainty.

- **Joint bidding and Selling Arrangements:** Any number of joint venture partners may join together and submit a single bid on a particular project or tender. The partners can use the same overseas representative, agree to sell separate products as a unit, prepare joint catalogs, and allocate among participating partners the sales that result from joint bidding or selling arrangements.

- **Pricing Policies:** Two or more joint venture partners might agree to establish uniform minimum export prices for particular products in order to avoid price rivalry with each other. For some joint ventures, higher profits might be secured through joint negotiations on prices and on terms of sale with foreign buyers.

- **Service and Promotional Activities:** Joint venture partners may jointly engage in a variety of activities that will promote or support their combined export sales. These activities might include establishing joint warranty service and training centers, conducting joint trade shows or missions, and joint advertising. In addition the pooling of credit information may open up new avenues for export financing.

STEP C: Research Target Markets

The National Trade Data Bank provides a one-stop-shop for the most comprehensive collection of research data on international countries. It combines data from most U.S. government agencies such as the State Department, the Treasury, the Commerce Department and the other members of the TPCC. The NTDB can be accessed free of charge from any federal depository library (often at universities throughout the country). A brief description of some of the reports the NTDB provides that can be used for research on target countries follows.

- **Country Reports on Economic Policy and Trade Practices**: These reports are from the Department of State Country Reports to Congress on the Economic Policy and Trade Practices in compliance with Section 2202 of the Omnibus Trade and Competitiveness Act of 1988. Each report contains nine sections, including: key economic indicators; general policy framework; exchange rate policies; structural policies; debt management policies; significant barriers to U.S. exports and investment; export subsidies policies; protection of US Intellectual Property; and, worker rights.

- **International Business Practices Guide**: *International Business Practices Guides* are designed to provide U.S. firms with an overview of legal practices in 117 countries. The aim is to provide basic information to solve practical problems. For each country, the *Guide* reviews issues concerning: foreign corporations, agents and distributors, joint ventures, import duties and restrictions, documentation requirements, commercial policies (free-trade zones, exchange controls, etc.), intellectual property rights, taxation, regulatory agencies, and foreign investment.

- **Country Analysis Briefs**: These briefs are a compilation of country profiles prepared by the Energy Markets and Contingency Information Division (EMCID) of the Office of Energy Markets and End Use. EMCID maintains Country Analysis Briefs (CABS) for specific countries or geographical areas that are important to world energy markets. As a general rule, CABs are prepared for all members of the Organization of Petroleum Exporting Countries (OPEC), major non-OPEC oil producers (i.e., the North Sea,Russia), major energy transit areas (i.e., Ukraine), and other areas of current interest to energy analysts and policy makers. As of January 1995, EMCID maintained over 40 CABS, updated on an annual schedule and subject to revision as events warant.

In addition to the foregoing research reports, the NTDB provides up-to-date market research about current projects and developments in various countries. Its most popular reports include:

- International Marketing Insight (IMI) Reports (Current)
- Industry Sector Analysis Reports (Current)
- Market Research Reports (IMI & ISA Historical)
- Best Market Reports
- Foreign Agricultural Market Reports (AGWorld) (Current & Historical)
- Country Commercial Guides

Finally, the exporters can also take advantage of the Commercial Service's **Customized Market Analysis (CMA)**. This fee-based service can provide your company with the detailed information needed to make the most efficient and beneficial export marketing decisions. Your CMA report will give you an accurate assessment of how your product or service will sell in a given market, at a cost much lower than you will find for comparable customized research.

Once you order your Customized Market Analysis, commercial research specialists in your target country will conduct interviews with knowledgeable local sources, such as importers, distributors, end-users, and manufacturers of products comparable to yours.

STEP D: Research Foreign Buyers

One of the best services in the market to assist exporters in researching their buyers is the DOC Commercial Service's **International Company Profiles**. These thorough background checks on your potential clients will reduce your risk and allow you to enter new business relationships with confidence. Commercial specialists in U.S. embassies and consulates abroad will conduct an investigation for you and deliver the results in 30 to 45 days, at a very reasonable cost. Reports include up-to-date information on your potential clients, such as:

- Bank and trade references
- Principals, key officers and managers
- Product lines
- Number of employees
- Financial data
- Sales volume
- Reputation
- Market outlook

An **International Company Profile** may also include information on:

- Subsidiary/parent relationships
- Recent news items about the firm
- The firms' U.S. customers
- Operational problems
- Activities of prominent owners
- Branch locations

*What steps are involved in the market research and planning process for **Service Exporters?***

The service sector is one of the fastest growing segments of U.S. exports and of world exports. Although it would be very difficult to export some personal services such as waitressing or hairdressing, many other services can be easily exported. The following services have particularly high export potential, as they represent the kinds of services that are being procured by major international funding institutions.

- **Construction, Design, and Engineering:** U.S. firms tend to have competitive advantages in selling these services internationally because of U.S. technological leadership in the construction industry and related specialized fields in electric power utilities, engineering services, and power plant design services.

- **Banking and Financial Services:** U.S. financial institutions are very competitive internationally, particularly when offering account management, credit card operations, collection management, and other services they have pioneered.

- **Insurance services:** U.S. insurers offer services that are in demand internationally including underwriting and risk evaluation, insurance operations and contracts.

- **Legal and Accounting Services:** As many countries are transitioning to a market economy from a command economy, they are interested in U.S. models of legal and accounting systems that underpin the U.S. market economy. Hence, demand for U.S. legal and accounting services has risen significantly in the past decade.

- **Computer and Data Services:** Technological developments involving the computer industry and the expanding digital economy are among the factors that have given rise to increasing global demand for U.S. expertise in computer and data services.

- **Educational Services:** The process of change and development that many countries are undergoing provides an opportunity to restructure and improve their educational systems to support new market economies. This also provides an opportunity for U.S. firms to share their experience in areas such as management, motivation, curricula development, distance learning techniques, and teaching methodologies.

- **Management Consulting Services:** As pioneers of the management consulting field, entities around the world look to U.S. firms to provide advice on management techniques for managing various aspects of modern market economies.

The initial entry export research process for firms selling services should focus on:

- ***Knowing which institutions procure export-related services***
- ***Understanding how the money flows from these institutions***
- ***Reviewing past projects to see if there is a match with your services***

While there are many institutions and private firms that procure export-related services, arguably the "big three" are USAID, the international financial institutions, and the United Nations system.

The discussion below focuses on "the big three" public institutions and on identifying critical research activities that should be undertaken to help service firms make inroads into these institutions.

- ***Step A: U.S. Agency for International Development***
- ***Step B: Multilateral Development Banks***
- ***Step C: The United Nations Systems***

USAID
(http://www.info@usaid.gov)

A

A1: Understand USAID's Mission and Priorities

A2: Understand procurement modalities

A3: Follow the money trail

A4: Know where to go for advice

A1: Understand USAID's Mission and Priorities

Any goods or services procured by USAID are procured for the purpose of enabling the agency to meet its objectives and goals. Therefore, in order to forecast what goods and services will be procured, it is important to understand the mission and priorities of the agency. The primary document that sets forth the objectives and goals is the *Congressional Presentation*—this is USAID's representation to Congress about what it is doing, has done, and will do to meet agency's goals. The primary document for explaining the agency's operational strategy is its *GPRA* document (Government Performance Results Act). The GPRA document explains the strategic direction being taken by the agency as a whole and by its organizational units. As a seller of services, it is imperative to understand these initiatives and to determine how what you are selling may fit into the needs of the agency. Our "top pick" website(s) for conducting this research are:

USAID
(http://www.info.usaid.gov/about/) Mission, goals, accomplishments
(*http://www.info.usaid.gov/pubs/r4workshop/STRATEG/sld017.htm*) GPRA

In addition to the aforementioned documents, USAID's *Annual Program Statement (APS)* provides detailed information on projects in particular countries, regions, and sectors. APS(s) as of July 1999 included:

USAID/West Bank & Gaza Community Services
USAID/West Bank & Gaza Civil Society
Activities to Improve the Delivery of Agricultural Services to Small Farmers in Nicaragua
APS for USAID/South Africa's Housing & Urban Development Strategic Objective
APS for USAID/South Africa's Education Strategic Objective
APS For Democracy and Governance Objective (USAID/Angola)
Critical Ecosystems Conserved to Sustain Biological Diversity and to Enhance Benefits (UPDATE)(USAID/Uganda)
Small Business And Microenterprise Expanding-Small Producers Program
Madagascar Strategic Objective Agreement
The Middle East Regional Cooperation Program (MERC)
The South Africa Annual Program Statement (Strategic Objectives)

A2: Understand Procurement Modalities

USAID has many different ways of retaining services. Success in being retained by USAID will be determined in large measure by how well the bidder demonstrates an understanding not only of the substance of the work but also of the USAID "process" (modis operandi, rules, regulations, and legal constraints). When bidding firms demonstrate knowledge about the "USAID process, " it provides a "comfort factor" to those who select the winners and reassures them that the firms they are choosing "know what they are doing and therefore will not inadvertently get into trouble down the road." Essentially, not only does a firm have to be proficient in its own service area, it also has to be proficient in understanding the operating environment of the agency. The USAID "process" concerning procrurements is detailed in the Federal Acquisition Regulations (the "FAR"). Large firms have staff members who have studied the FAR, who have experience in bidding on and performing work in accordance with the FAR, and who often were former government officials in charge of administering procurements in accordance with the FAR. If you are new to the game, the best way of becoming familiar with USAID's procurement modalities is to study the *Guide to Doing Business with USAID*. The Guide provides information on the different rules that pertain to procuring small purchases and large purchases. Our "top pick" website for conducting this research is:

USAID
(*http://www.info.usaid.gov/procurement_bus_opp/osdbu/guide7.htm)*
Payment procedures

A3: Follow the money trail

If you want to know how the *Congressional Presentation* or the GPRA was acted upon, you have to follow the money trail; this shows you how goals and objectives have been turned into actual projects that have involved the procurement of services. There are two essential research objectives in following this trail: to identify the firms that have been successful in selling their services to an agency, and to identify whether there is a pattern to the services purchased by the agency. In the first instance, the purpose of knowing this information is to be in a position to identify potential strategic alliance partners. Such partners may be large firms that subcontract work to smaller firms. Knowing which firms have which contracts allows minority firms to develop a market strategy for creating strategic alliances and bidding consortia that may be successful in winning bids. Conducting research to identify "project types" enables firms to assess their corporate qualifications to determine whether there is a match between what they have to offer and what the agency is buying. The definitive single source document that provides a list of all of the agency's procurement; it is the *"Yellow Book."* Our "top pick" website for conducting this research is:

USAID
(http://gemini.info.usaid.gov/yellowbook) Yellow Book

A4: Know where to go for advice

After you have done your own homework and have a handle on the basics, you may require further guidance about how to strategize in doing business with USAID. This is where the agency's OSDBU can assist you. Our "top pick" website for conducting this research is:

USAID
(http://www.info.usaid.gov/procurement_bus_opp/osdbu/aboutsdb.htm)
OSDBU

Step B: Multilateral Development Banks(MDBs)

B1: Know the functions of MDBs

B2: Know the MDBs' institutional priorities

B3: Know how MDBs retain consultants

B4: Know the MBDO of Commerce

B5: Know who has been getting the money

B6: Know the procurement rules

B1: Know what MDBs are

Multilateral Development Banks (MDBs) are international lending institutions owned by member countries. They promote economic and social progress in developing member nations by providing loans, technical assistance, capital investment, and helping with economic development plans. In the new millennium, your best business could come from major contracts in developing markets financed by the MDBs. Annual lending from the MDBs totals approximately $45 billion, creating excellent long-term export opportunities for equipment suppliers, contractors and consultants. MDBs mobilize an additional $50 billion for projects in developing markets, further enhancing these opportunities. MDBs support clearly defined projects designed to foster economic and social progress within their specified geographic regions. Projects usually involve development of one or more of the following sectors: agribusiness, investment, industry, municipal development, education and training, and energy. In addition, privatization and financial restructuring are top priorities for the World Bank affiliate, the International Finance Corporation, and the European Bank for Reconstruction and Development. An NTDB primer on how to do business with the MDBs is given in Appendix A. A list of the MDBs and the web addresses follows.

MDB	Website
1. Asian Development Bank (ADB)	*ADB: (http://www.asiandevbank.org)*
2. The European Bank for Reconstruction and Development (EBRD)	*EBRD: (http://www.ebrd.com)*
3. Inter-American Development Bank (IADB)	*IADB: (http://www.iadb.org)*
4. Border Environment Cooperation Commission (BECC)	*BECC: (http://cocef.interjuarez.com/)*
5. North American Development Bank (NADBank)	*NADBank: (http://www.quicklink.com/mexico/nadbank/ning1*
6. World Bank	*WB: (http://www.worldbank.org)*

B2: Know the MDBs' institutional priorities

1. **Asian Development Bank (ADB)**

   In 1995, the Bank adopted *Medium-Term Strategic Framework (MTSF)* (1995-1998), which sets out five strategic development objectives: economic growth, reducing poverty, supporting human development, improving the status of women, and protecting the environment.
   (http://www.asiandevbank.org/About/Objectives/)

2. **The European Bank for Reconstruction and Development (EBRD)**

   The Bank was established in 1991. It exists to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the countries of central and eastern Europe and the Commonwealth of Independent States (CIS).
   (http://www.ebrd.com/english/index.htm)

3. **Inter-American Development Bank (IADB)**

   The Bank is the oldest and largest regional multilateral development institution, established in 1959, to help accelerate economic and social development in Latin America and the Caribbean.
   (http://www.iadb.org/exr/english/ABOUTIDB/about_idb.htm)

4. **Border Environment Cooperation Commission (BECC)**

   (http://cocef.interjuarez.com)

5. **North American Development Bank (NADBank)**

   The (NADB) and its sister institution the (BECC) were created under the auspices of the North American Free Trade Agreement (NAFTA). NADB is a bilaterally-funded, international organization, in which Mexico and the United States participate as equal partners.
   (http://www.nadbank.org/english/about_bank/Overview/Overview_Frame.htm)

6. **World Bank**

   The World Bank offers loans, advice, and customized resources to more than 100 developing countries and countries in transition. The Bank uses its money and staff, and coordinates with other organizations, to individually help each developing country onto a path of stable, sustainable, and equitable growth. The main focus is on helping the poorest people and the poorest countries.
   (http://www.worldbank.org/html/extdr/whatis.htm)

B3: Know how MDBs retain consultants

MDBs hire consultants for sectoral studies, economic feasibility studies, preliminary engineering and design studies, government policy analysis, preparation of bid documents, and evaluation of bidders. Consulting firms may register with the World Bank's automated DACON (Data on Consultants) file, which screens consultants both for the World Bank and for the IDB. The

DACON registration program, which serves the World Bank and the IDB, was revised in July 1998 making it compatible with Windows 95. The new version, written in ACCESS, allows users to import (cut and paste) data from other software, such as Word or WordPerfect. The website for World Bank's DACON registration is given below. Contact the banks directly or contact the MBDO at Commerce for further relevant information.

World Bank
(*http://www.worldbank.org/html/opr/dacon/terms.html)* DACON

B4: Know how Commerce's MDBO can help

The MBDO staff within the International Trade Administration of the DOC, offers counseling and referral services. Specifically, the MBDO:

- Provides data on current projects worldwide
- Provides guidance on doing business with the MDBs
- Assists with pre-award support and procurement disputes
- Provides on-line information relating to projects
- Identifies future opportunities

Commerce
(*http://www.ita.doc.gov/mdbo)* MDBO

B5: Know who has been getting the money

Contact each MDB individually for detailed information on past procurements. Each MDB website has a webmaster to whom you can address your email requests for detailed procurement information.

B6: Know the procurement rules

Contact each MDB individually for detailed information on their procurement rules. Each MDB website has a webmaster to whom you can address your email requests for detailed procurement information.

Step C:
United Nations Development Program (UNDP)
United Nations Industrial Development Organization (UNIDO)

C1: Know their functions

C2: Know their institutional priorities

C3: Know how they retain consultants

C4: Know how the NTDB can help

C5: Know who has been getting the money

C1: Know the function of UNDP and UNIDO

UNDP's mission is to help countries in their efforts achieve sustainable human development by assisting them to build their capacity to design and carry out development programs in poverty eradication, employment creation and sustainable livelihoods, the empowerment of women and the protection and regeneration of the environment.

UNIDO is the United Nations' (UN) specialist agency which helps developing countries and transition economies pursue sustainable industrial development. It provides tailor-made solutions to industrial problems by offering a package of integrated services addressing three key concerns – competitive economy, sound environment, and productive employment at policy, institutional and enterprise level. UNIDO was established by the UN General Assembly in 1966 and became the 16th UN specialized agency in 1985. Our "top pick" website(s) for conducting this research are:

UNDP
(http://www.undp.org)

UNIDO
(http://www.unido.org)

C2: Know their institutional priorities

UNDP

Poverty	Gender	Environment	Governance
Sustainable livelihoods	Gender mainstreaming in programs and institutional processes and (b) women's empowerment	Sustainable energy Public-private partnerships for urban environment	Civil society Democratization and governance

UNIDO

Functions	Competitive Economy	Sound Environment	Productive employment
Policy	Industrial policy formulation Statistics and Networks	Energy and climate policies	SME policy framework Policies for women entrepreneurs
Institutions	Standardization Accreditation Certification Quality management Technology promotion	Energy efficiency Rural energy Cleaner production	Entrepreneurship development Upgrade of industries
Enterprise	—	Pollution control Waste management	

UNDP
(http://www.undp.org/toppages/focusareas/index.htm) Focus Areas
UNIDO
(*http://www.unido.org/doc/What.htmls)* What UNIDO does

C3: Know how they retain consultants

Information for consultants is provided by UNDP on its website. For information about consulting opportunities with UNIDO, contact their webmaster or program area specialists (who are listed on the website) via email to request detailed information on how to identify consulting opportunities.

UNDP
(http://www.undp.org/toppages/undpjobs/index.html) Consultants

C4: Know how the NTDB can help

The National Trade Development Bank (NTDB) can be accessed for free at any federal deposit library (typically at most universities) or on a subscription basis. It provides trade leads from the United Nations system. A sample lead (July 1999) from the NTDB's UN trade lead site is shown on next page.

FF 07/30 DEMAND: [AE] Acitic Acid.
Source: LEADFF (United Nations free format)
Posted: 07-30-99 | 9907 | 990730 | PD9907 | PD990730
7/29/99 15:54 GMT
We required Acetic Acid please quote your best C&F Karachi prices as soon as possible.
Contact: Mr. XXXX
Company: XXX General Trading
P. O. Box XXXX
Dubai, United Arab Emirates
email address
Phone: 00971-xxxx
Fax: 00971-xxxx
This offer has been posted to UNTPDC by the Import-Export Bulletin Board System.

C5: Know who has been getting the money

Contact the webmasters at the UNDP and UNIDO websites and request information on which firms have been successful bidders in prior procurements.

*What steps are involved in the market research and planning process for **Direct Exporters?***

In the direct exporting approach, the manufacturer handles all aspects of the exporting process from market research and planning to foreign distribution and collections. This entails not only a significant commitment of management time and attention, but also quite often, the advice and counsel of others such as the DOC, state trade offices, freight forwarders, international banks, and other service groups, and others who can help the exporter avoid common pitfalls. Although direct exporting is more risky, its advantages include more control over the export process, potentially higher profits, and closer relationships to the overseas buyer and marketplace.

The research steps outlined below follow the format of *The Country Commercial Guides*, available through the NTDB.

Step 1: Determine if you have an exportable product
Step 2: Determine target countries
Step 3: Identify the economic trends of the target countries
Step 4: Understand the political environment
Step 5: Understand marketing factors
Step 6: Identify leading sectors for U.S. exports and investment
Step 7: Understand trade regulations and standards
Step 8: Understand the investment climate
Step 9: Understand trade and project financing situation
Step 10: Know business travel environment
Step 11: Research economic and trade statistics
Step 12: Take advantage of market research and trade events

STEP 1: Determine if you have an exportable product

The best way to determine whether or not a product will be favorably received in a foreign market is to know if competitors are exporting the product. Census data of import and export statistics, country market profiles, and other sources of government data will allow a researcher to gain a strong working knowledge of whether selected products are competitive in selected markets. If a product is successful in the U.S., one strategy for export success may be a careful analysis of why it sells domestically, followed by a selection of similar markets abroad. This limits the requirement for product modification.

If a product is not new or unique, low-cost market research may already be available to help assess its overseas market potential. In addition, international trade statistics (available in many local libraries) can give a preliminary indication of overseas markets for a particular product by showing where similar or related products are already being sold in significant quantities. One of the best sources for U.S. export-import statistics is the National Trade Data Bank (NTDB), which can be accessed at many U.S. Department of Commerce district offices across the country.

If a product is unique or has important features that are hard to duplicate abroad, chances are probably good for finding an export market. For a unique product, competition may be nonexistent or very slight, while demand may be quite high. Finally, even if U.S. sales of a product are now declining, sizeable export markets may exist, especially if the product once did well in the United States but is now losing market share to more technically advanced products. Countries that are less developed than the United States may not need state-of-the-art technology and may be unable to afford the most sophisticated and expensive products. Such markets may instead have a surprisingly healthy demand for U.S. products that are older or that are considered obsolete by U.S. market standards.

STEP 2: Determine Target Countries

After utilizing market research resources identified above, follow these steps to determine target countries:

- Examine trends for company products and factors that could influence demand. Calculate overall consumption of the product and the amount accounted for by imports. *Industry Sector Analyses (ISAs)*, and country marketing plans which are produced by the Commerce Department give economic backgrounds and market trends for each country. Demographic information (population, age, etc.) can be obtained from *World Population* (Census) and *Statistical Yearbook* (United Nations).

- Utilize ISAs to identify sources of competition, including the extent of domestic industry production and the major foreign countries the firm is competing against in each targeted market. Look at each competitor's U.S. market share.

- Analyze factors affecting marketing and use of the product in each market, such as end user sectors, channels of distribution, cultural factors, and business practices. ISAs and the *Comparison Shopping Service (CSS)* offered by the Commerce Department are useful.

- Identify any foreign barriers (tariff or nontariff) for the product being imported into the country. Identify any U.S. barriers (such as export controls) affecting exports to the country. Country information kits produced by the Overseas Private Investment Corporation (OPIC) can also be helpful.

- Identify any U.S. or foreign government incentives to promote exporting of the product or service.

STEP 3: Identify Economic Trends

For this step and subsequent steps, the approach taken in the *Country Commercial Guides* (CCG), which are available on the NTDB, serves as a model to use when assessing the market potential in target countries. The CCG provides information on the economic, political, and market situation in each country. The complete *Country Commercial Guides* are available on **The National Trade Data Bank (NTDB)** on CD-ROM or through the Internet. Please call 1- 800-STAT-USA for more information. CCGs can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

The information provided in the CCG pursuant to identifying economic trends includes:

1. Major Trends and Outlook: The CCG provides information about real economic growth rates, population growth rates, growth in the industrial, service, and agricultural sectors, and information about macro economic factors such as inflation and information on the government's management of the economy.

2. Principal Growth Sectors: This section provides information about growth in leading sectors of the economy and information on new developments in government initiatives to spur growth.

3. Government Role in the Economy: This section focuses on issues pertaining to the extent of the government's involvement in the economy.

4. Balance of Payments (BOP) Situation: This part of the guide reports balance of payments data and analyzes changes in the BOP situation and explains increases and decreases in imports and exports and their causes, changes in net capital flows, and analyzes the foreign exchange situation.

5. Infrastructure Situation: This section provides information on major infrastructure developments pertaining to roads, telecommunication and other vital infrastructure and identifies new development that may have an impact on the future infrastructure situation.

STEP 4: Understand the Political Environment

The CCG approach for helping firms understand the political environment focuses on:

1. Nature of Political Relationship with the United States: provides information about the historical and current political relationship between the country and the U.S.

2. Major Political Issues Affecting Business Climate: identifies political factors that affect the business climate such as government efforts to create a positive enabling environment for business.

3. Brief Synopsis of Political System, Schedule for Elections, and Orientation of Major Political Parties: provides information about existing systems and analyzes prominent features of such systems.

STEP 5: Understand marketing factors

The CCG approach for understanding marketing factors includes:

1. Distribution and Sales Channels: Identifies the channels of distribution available to U.S. suppliers of goods and services in the country such as wholesalers, retail outlets, and agents or distributors. Explains methods suppliers typically use in the country such as selling directly to the government or selling to indigenous associations. Identifies the most important trading centers for U.S. products and the most populous areas of the country. Advises exporters to consider the requirements of the product and potential market before choosing a distribution channel.

2. Use of Agents/Distributors; Finding a Partner: Informs whether there are laws requiring the retention of a local agent or distributors, and advises U.S. firms on the advisability retaining business persons resident in the country to market their products. Provides advice on the qualifications the agent or distributor should possess and pitfalls to avoid in selecting agents and distributors. In advising the U.S. firm to thoroughly check out the country before proceeding, the Commercial Service advises that exporters may wish to use its *International Company Profile* (ICP) service for checking the reputation, reliability and financial status of a prospective trading partner. The information is in the form of a confidential report and provides recommendations from commercial officers at the U.S. Embassy on the suitability of the company as a trading partner.

3. Franchising: Provides information on the level of development of the franchising industry in the country and identifies constraints and opportunities pertaining to its further development.

4. Direct Marketing: Provides information about the concentration of wholesale establishments and retail outlets. Identifies how entities exist in the market such as company headquarters, branch banking, supermarkets, specialty shops, and provides information on strategies these entities have used in business.

5. Joint Ventures/Licensing: Provides information on the legislative framework for joint ventures and licensing and identifies the need for U.S. firms to understand their responsibilities in each arrangement.

6. Steps to establishing an office: Identifies key organizations in the country that can provide advice on setting up an office and identifies key provisions of law that determine how to set up offices.

7. Selling Factors/Techniques: Provides information about historical relationships that have existed between the country, the U.S., and other regions; addresses issues of cultural preferences and protocol for selling; and provides information on competition to U.S. firms selling in the country.

8. Advertising and Trade Promotion: Identifies advertising agencies that exist in the country and provides information about their readership and position in the market; identifies major newspapers and business journals and provides background information about their orientation and position in the market; also provides information on radio and television stations and other points of sell such as sale displays, billboards, and trade fairs. Provides insights about packaging and environmental conditions that affect packaging.

9. Pricing Product: Discusses buying habits, availability of local sources of credit and borrowing practices and their impact on product pricing strategies. Discusses the advisability of extending various credit terms and informs that the Commercial Service's International Company Profile (ICP) program is available to provide specific information on buyers from the country.

10. Sales Service/Customer Support: provides pertinent information about sales and service expectations and customer support traditions in the country.

11. Selling to the Government: Identifies government entities that are responsible for procurement, explains typical procurement practices—including the requirement to pay to obtain bid documents, and identifies international institutions that may be involved in financing the procurement.

12. Protecting your Product from IPR Infringement: explains whether and how IPR are protected in law and whether the country is a member of the World Intellectual Property Organization (WIPO) or other similarly concerned organizations.

13. Need for a Local Attorney: advises whether it is necessary to consult a lawyer pertaining to various aspects of doing business in the country. The Commercial Service maintains a list of attorneys, which is available upon request.

14. Performing Due Diligence/Checking Bona Fides of Banks/ Agents/Customers: advises on how to conduct due diligence.

STEP 6: Identify Leading Sectors for U.S. Exports and Investment

1. The CCG provides information on the best prospects for non-agricultural goods and service exports to various countries. Taking the country of Ghana as one example, the CCG provides the following information (July 1999):

1 - Electrical Power Systems
2 - Telecommunications Equipment
3 - Construction and Earth Moving Equipment
4 - Automobiles/Light Trucks/Vans
5 - Mining Industry Equipment
6 - Computers and Peripherals
7 - Food Processing and Packaging Equipment
8 - Hotel/Restaurant Equipment
9 - Travel and Tourism Services

Detailed information is provided for each of the best prospect industry segments. Using "electrical power systems" in Ghana as an example, the following information was provided in the CCG as of July 1999:

Electrical power system *(Ghana example)*

Ghana, since the beginning of 1998, has been undergoing an energy crisis as a result of the low level of water in the dam of its hydroelectric plants that supply 80 percent of the nation's electric power. Present demand deficit is about 600MW. GOG plans to double generating capacity to 2600MW by 2001, primarily through gas-fired plants financed by independent power producers. Capital investment by the utilities is expected to help stimulate the market for generation, transmission, and distribution equipment. The current power curtailment program had caused a sharp increase in demand for electric generators for industries. Uncertainty about the reliability of supply from the utilities would continue to spur the demand for both new and used electric generators for households and industries.

A similar approach is taken in the CCG to providing "best prospect" information for agricultural products.

2. Significant investment opportunities are also identified in the CCG. Such opportunities may come from recent privatization initiatives in the country, from new planned major developments in infrastructure or other sectors, or from historically productive sectors. The CCG identifies these trends and new developments and provides information of the activities of American firms in different sectors.

STEP 7: Understand Trade Regulations and Standards

The CCG approach for understanding trade regulations and standards requirements includes:

1. Trade Barriers, including Tariffs, Non-Tariff Barriers and Import Taxes:

Commercial Barriers

The CCG identifies existing commercial barriers such as those that pertain to purchasing power, the land tenure system, the cost of financing, foreign competition, bureaucracy, and other barriers.

Tariffs and Import Taxes

The CCG explains how goods are classified (by harmonized code, for instance), and how taxes are assessed on the basis of weight, value, volume, or other systems. The duty system is also explained. Special requirements to make provision for foreign exchange availability are also identified.

2. Customs Valuation

The CCG explains the duty regime and how taxes are assessed and levied. Any special requirements for price verification, through a pre-shipment inspection system, are also discussed. In addition, the CCG provides information about:

- Regulatory agencies that are responsible for regulating business activities
- Detailed information about the import license system
- Information on quotas, if applicable
- Information on export controls, if applicable
- Detailed information on import/export documentation requirements
- Detailed information on temporary entry requirements
- Detailed information on labeling and marking requirements
- Information on prohibited imports

3. Standards

The CCG identifies authorities that are responsible for developing and promulgating standards as well as ensuring the quality of goods imported into the country. Information is provided on whether the country has adopted the ISO 9000 series and other pertinent data on applicable standards.

4. Free Trade Zones/Warehouses

The CCG identifies whether any special Free Trade Zones or warehouse custom regimes exist as a way of lowering the cost to firms that export from the country. Relevant enabling legislation for these regimes is discussed, along with the major benefits of the legislation.

5. Membership in Free Trade Arrangements

Membership in international and regional organizations is discussed and the benefits that such membership affords U.S. exporters or investors are also analyzed.

STEP 8: Understand Investment Climate

Understanding the investment climate may be relevant to the exporter if the exporter is considering a partial assembly operation in a foreign country, typically in a Foreign Trade Zone (FTZ).

1. Openness to Foreign Investment: Reviews provisions of any pertinent investment acts or other legislation that provides the legal framework for foreign investments. Identifies areas of differential treatment with regard to taxation, prices, foreign exchange, imports, credit and other matters. Also identifies requirements, if any, for minimum equity investment by foreigners, investment promotion agencies, and investment opportunities pursuant to any privatization programs.

2. Right to Private Ownership and Establishment: Provides information on whether the laws of the country recognize the right of foreign and domestic private entities to own and operate business enterprises and whether there is a positive history in respect to acquiring and disposing of business interests.

3. Protection of property rights: Discusses the protection of both physical property and the basis in law for such protection and intellectual property rights and its legal foundations.

4. Incentives: Identifies the basis in law for providing investment incentives such as tax holidays, capital allowances, locational incentives and other inducements.

5. Transparency of the Regulatory System: Identifies measures to deregulate and liberalize the economy.

6. Corruption: Identifies the types of corruption that have been reported and the legal remedies to fight against it.

7. Labor: Addresses the issue of availability of labor and key provisions in the Labor Code that affects the hiring, remuneration, and disposition of workers.

8. Efficient Capital Markets and Portfolio Investment: Discusses degree of confidence in the financial sector, interest rates, and recent developments in the banking and non-banking sectors and on the stock exchange.

9. Conversion and Transfer Policies: Identifies whether there are any restrictions on the conversion and transfer of funds or problems that limit access to foreign currency.

10. Expropriation and Compensation: Identifies laws that guarantee protection and compensation, and comments on the experience of American firms in this regard.

11. Dispute Settlement, including Enforcement of Foreign Arbitral Awards: Discusses whether there have been any significant investment disputes in recent years involving U.S. or other foreign investors. Explains how the legal system of the country, or participation in international agreements, provides a foundation for dispute settlement and arbitral awards.

12. Political Violence (as it may affect investment): Provides insights on whether the country offers a relatively stable and predictable political environment for American investors and whether there are indications that the level of political risk in the country will change markedly over the near term.

13. Bilateral Investment Agreements: Identifies major outstanding bilateral agreements the country has with various trading partners.

14. OPIC and other Investment Insurance Programs: Identifies whether such programs as OPIC, the International Finance Corporation, regional facilities of the World Bank, MIGA, EXIM, and others provide insurance coverage to the country.

STEP 9: Understand Trade and Project Financing Situation

1. The Banking System: CCG information analyzes developments in the banking and non-banking sectors, as well as developments in the stock exchange, if applicable.

2. Foreign Exchange Controls Affecting Trade: The CCG identifies and discusses developments concerning the foreign exchange policy regime.

3. General Availability of Financing: The CCG analyzes the financing situation and discusses approaches that have been taken to meet financing needs.

4. How to Finance Exports/Methods of Payment: The CCG reviews trade finance instruments such as Letters of Credit and provides advice on the advisability of various payments and financing methods.

5. Types of Export Financing and Insurance Available (Bilateral, Multilateral and Local Sources): The CCG identifies the types of financing and insurance that are available.

STEP 10: Know Business Travel Situation

The basic information businesspeople should know pertaining to travel in the country to investigate business opportunities is provided in the CCG.

STEP 11: Research Economic and Trade Statistics

1. Country Data: The CCG provides information on geography, population, growth rates, religions, government, languages, work habits, and time zones.

2. Domestic Economy: The CCG provides information on the GDP, real growth rates, GDP per capita, government spending, inflation, unemployment, exports and imports, and other macro economic indicators.

STEP 12: Take advantage of market research and trade events

Historical market reports are available on the NTDB, as well as information about upcoming trade events and about U.S. Embassy contacts.

The next chapter discusses the detailed export planning process.

APPENDIX A

A NTDB PRIMER ON DOING BUSINESS WITH MDBs

U.S. companies interested in doing business with the Multilateral Development Banks (MDBs) for the first time sometimes have questions. The following is a short primer on doing business with the MDBs.

1. Learn how the MDBs work. Familiarize yourself with basic printed materials such as the Bank's organization chart, Bank officer telephone lists, and handouts about the MDBs, and the procurement process. Consulting and engineering design firms should study the *"Guideline for Use of Consultants."* Suppliers of equipment and contractors should go through the *"Rules for Procurement of Goods and Services."*

2. Become familiar with the role of the Bank and the role of the borrower:

a. The borrower, or borrowing agency, implements or executes the project and is frequently the originator of a project. It may be a ministry, a government corporation, or an agency or utility authority under a ministry. The borrower makes the key decisions throughout the project cycle, including recommendations on awarding contracts for engineering, design, project management, works construction, and purchase of capital goods.

b. The Bank monitors the process and the selections made at each stage to ensure that rules and procedures are followed and the decisions are transparent.

3. Determine if your company's equipment or services are needed in MDB projects. You can do this by checking several information resources:

a. Quarterly Operational Summary of the MDBs: This lists projects recently approved and projects which will be presented to the Board in the next few weeks or months, i.e. current projects. It provides the name of the borrowing agency, gives a brief description of the project and the loan amount, indicates whether consultancy services will be required, and gives the Board presentation date.

b. Project Briefs: These are usually two to three pages and provide general information on the borrower, project description, and goods and services to be procured.

c. Project Appraisal Reports: These reports provide the framework for implementation of a project, including a detailed implementation schedule and list of services and commodities to be procured. Interested firms can obtain a copy of an appraisal report once the project has been approved by the MDBs' Board of Directors.

[***NOTE:*** The Quarterly Operational Summary, Project Briefs, and Project Appraisal Reports are available through MDBO.]

d. General Procurement Notices and Tender Notices (invitations to bid): These are published in the publication *UN Development Business*, in international trade magazines, and in national newspapers in the borrowing countries. General Procurement Notices announce the approval of a project and give general information on the nature of goods and services to be procured. General Procurement Notices are a way for companies to find out more about a project's procurement opportunities and pursue prequalification for bidding through the listed executing agency. Tender Notices list the items to be procured for a project, information on where to purchase bid documents, and the deadlines and addresses for submitting proposals.

4. Introduce your company to the MDBs and its borrowers. The MDBO can furnish copies of MDB staff lists which provides names of MDB officers by operational departments, and telephone and fax numbers.

For consultants:

a. Register with the Bank. The DACON form goes to the Central Projects Department (address listed below). MDBO can provide the DACON form as well as a set of instructions for completing the form.

b. Send your firm's General Statement of Qualifications to any country borrowing agencies where there are projects of interest, with an expression of interest and a request to be shortlisted.

For suppliers and contractors:

a. There is no need to register with the Bank, but get to know the project officers in countries in your sector at the Bank.

b. Send your firm's General Statement of Qualifications to the borrowing agencies in countries where there are projects of interest.

5. Find out about current opportunities in your sector. The Quarterly Operational Summary lists these. The MDBO compiles current sectoral project lists. More details can be found in the individual project briefs. Do your homework on projects.

6. Check with your U.S. Department of Commerce District Office. Their specialists can access information on MDB projects from their computer, including alert reports, special topical reports, sectoral project lists, Foreign Government Tenders, industry sector reports, and other market research. These reports are available on the NTDB.

7. Decide where your chances are best in your subsector and focus on those. Target the countries and projects where your capabilities, experience and your local agents give you a comparative advantage over the competition.

8. Check the arrears record of the country. You can do this by contacting MDBO or the MDB's Country Programs Department Officer responsible for the country in question. If a country falls into arrears, sanctions are imposed. You may want to direct your marketing efforts away from countries with a very poor track record with the MDBs. Borrowing countries must continue to repay existing loans in order to borrow again for new projects. If they fall behind on their repayment schedules, new projects will be put on hold.

9. Travel to the country and meet the borrower face to face. Learn about the borrowing agency and let them learn about you. But do not travel before you check on the latest status of the project of interest with the MDB's task manager, or the MDB's Commercial Liaisons, or the U.S. Executive Director's Office at the Bank. Be as well-versed as possible on the projects and the Bank rules and guidelines before making an appointment to see busy officers.

There is no substitute for face-to-face contact with the borrowing agencies and with local representatives in-country. This is particularly true for consulting and engineering firms.

10. When you are visiting the country doing the project, use the opportunity to glean early information on other possible future projects while they are still in the conceptual stage.

11. Check what you learn against the Bank's Indicative Lending Program (for 1995, 1996, etc.). This is the Bank's earliest published notification list. It is a "wish list" of projects that the borrowing countries hope to have financed by the Bank in the future.

12. While you are in a country, check with the U.S. Embassy (the Economic and Commercial Officers). If possible, send them a fax before you go, giving your travel dates and requesting an appointment. They can be a valuable source of information and advice on the local environment, and may later support your interests through their contacts with Ministries and Government agencies.

13. A local agent or representative in the country is useful when pursuing projects. If you need help, get advice from the U.S. Embassy in a given country, or contact the MDBO. Having a local representative on the ground gives you eyes and ears on site and someone who will maintain contact with the borrower and relay information to you. It also enables you to lower your costs.

U.S. companies are generally technically superior, but their financial bids are sometimes priced too high. Use of a local representative helps companies stay competitive in their financial proposals. During a bid competition, if two or more proposals meet the technical requirements of the bid, the one with the lowest financial proposal will be invited for negotiations.

14. Follow the project through each stage of the cycle. A description of the project cycle can be found in the MDB document entitled "Basic Information" which is available at the MDBO.

15. Stay informed. Embassy officers, local representatives, and the borrowing agency are the best sources for ongoing information. MDB loan and project officers can sometimes help when a general status report is needed. The MDBO and the U.S. Executive Director's Office at the Bank are also prepared to assist you.

Chapter Three

Export Planning Insights for Export Market Entry

This chapter provides insights for integrating the market research discussed in the previous two chapters into the export planning process. Additional factors to be considered in the export planning process will be discussed in subsequent chapters. This information is provided to help minority firms avoid the ten most common exporting mistakes made by new-to-export firms.

1. Failure to obtain qualified export counseling and to develop a master international marketing plan before starting an export business.	**Export counseling**
2. Insufficient commitment by top management to exporting.	**Export readiness**
3. Failure to have a solid agent/distributor's agreement.	**Agent/Distributor contracts**
4. Blindly chasing "E-orders" from around the world.	**Accidental exporting**
5. Failure to understand the connection between country risk and securing export financing.	**Export financing**
6. Failure to understand Intellectual Property Rights.	**Intellectual Property Rights (IPR)**
7. Insufficient attention to marketing and advertising requirements.	**Marketing and advertising overseas**
8. Lack of attention to product preparation needs.	**Product preparation**
9. Failure to consider legal aspects of going global.	**Licensing and joint ventures**
10. Failure to know the rules of trade.	**Regulations**

1. Failure to obtain qualified export counseling and to develop a master international marketing plan before starting an export business.	Export Counseling

Chapters One and Two identified many resources in the public and private sectors to help exporters research the export arena. These resources are available because exporting is not easy and firms need help. When firms fail to take advantage of this, they often make mistakes when exporting. The subsequent discussion provides information on how to effectively use some of the previously identified counseling resources to help firms begin exporting on a more solid ground.

1. Using export counseling: As shown in previous chapters, there is no lack of available counseling resources. Each firm must conduct research to learn which resources best meets its needs. The Department of Commerce (DOC) and the Small Business Administration (SBA) offer some of the most comprehensive counseling resources. Firms should fully investigate and utilize these resources. For in-person counseling, firms are encouraged to use the U.S. Export Assistance Center (USEAC) network. These centers offer an assistance program for new-to-export firms called the Export Training Assistance Program (ETAP). Detailed information on the ETAP program can be accessed on the DOC and SBA websites. Information on the extensive in-person counseling network of SBA's resource partners including the Service Corps of Retired Executives (SCORE), Small Business Development Centers (SBDCs), and Small Business Institutes (SBIs), can be accessed through SBA's website. Use of these resources, of course, does not preclude the simultaneous use of other resources in the public or private sectors.

2. Knowing what questions to ask: In the early stages of considering export options, firms may not know what questions to ask export counselors. One of the best ways to learn what to ask is to review the questions others have asked about exporting. Most export-oriented websites have a *Frequently Asked Questions (FAQs)* section. The Trade Information Center (TIC) provides a nationwide call-in service to answer questions about exporting. The ITC receives approximately 80,000 calls per month and has extensive experience in addressing questions being asked by exporters. Firms are advised to review these questions and answers at the TIC website *(http://infoserv2.ita.doc.gov/tic.nsf)* or if using a web version of this manual, click on the questions that follow.

1. What is the Trade Information Center (TIC)?

2. How do I begin an export business?

3. What should I consider when making the decision to begin exporting? How do I begin?

4. **How do I determine if my company is "export-ready"?**

5. **How do I obtain market research for a specific country and/or product?**

6. **Where can I obtain information on foreign markets and trade opportunities for fish and agricultural products?**

7. **How do I locate trade leads for my exporting business? How do I locate potential distributors in overseas markets?**

8. **Does the U.S. federal government have any programs to help advertise my products overseas?**

9. **How can I receive information on foreign regulations, standards, or certification requirements for my product?**

10. **Is a tariff or quota applied to my product in country X? What is a Harmonized Tariff System Classification (Schedule B) Number? How do I determine my Schedule B Number?**

11. **Where can I find statistics?**

12. **How can I find export financing?**

13. **Do I need an export license to ship my product to a particular market? How do I get a license?**

14. **Where can I find information on trade sanctions?**

15. **Do you have lists of American manufacturers and suppliers, U.S. importers and exporters, and export trading/export management companies?**

16. **Where can I find a list of foreign companies in a particular industry or sector?**

17. **How do I find information about a particular overseas company?**

18. **Are there any sources of legal assistance for people who are new to exporting?**

19. **How can I find out about investment practices in a certain country?**

20. **How can I get information on importing products into the United States?**

2. Insufficient commitment by top management to overcome the initial difficulties and financial requirements of exporting	**Export readiness**

Chapter One raised the question of "export readiness" and identified various websites to help minority firms assess their "readiness." The question of export readiness is important because exporting is more difficult than selling in the domestic market and firms have to be ready for the challenges they will face associated with selling in foreign markets. In order to prepare a proper export plan, firms have to plan the personnel that will be allocated to the process; plan how the exporting function will be integrated into the overall operations of the firm; how to establish company procedures; and establish an export budget. A recommended resource for helping firms to assess their "readiness" to export follows.

Michigan State University's Center for International Business Education and Research – CIBER: referred to in Chapter Two, the university has an *Export Academy* that has developed a state-of-the-art system to assess export readiness. Called CORE V™, it is a Windows-based managerial tool for self-assessment of organizational readiness to export. Managers use CORE V™ to identify company strengths and weaknesses in the context of exporting. Based on user-provided information, CORE V™ generates ratings of a company along two dimensions – organization and product readiness. The program was developed for simplicity of use and is user-friendly. Hundreds of users around the world, including the U.S. and Foreign Commercial Service of the Commerce Department, the SBA, the State Department, DOC, World Trade Clubs, SBDCs, Chambers of Commerce, and trading companies use the CORE V™ program (*http://ciber.bus.msu.edu/dss/)*.

3. Failure to have a solid agent and/ or distributor agreement	**Agent/ Distributor Agreements**

The export planning process provides an opportunity to put the basic tools of the export trade in place. One important such tool is a standard agent and distributor agreement. Firms that intend to expand in exporting will probably need an agent or distributor at some point. Key considerations include:

1. **Understanding the Role of Agents:** The NTDB website at (*http://www.stat-USA.gov*) provides information on agent and distributors. As explained on this website, agents receive commission on their sales rather than buying and selling for their own account. As agents do not own the products they sell, the risk of loss remains with the company the agent represents (the principal). They may or may not have the power to accept orders or to otherwise

obligate the principal. This means that they might not have the authority to set a sales price or sales terms, or to bind the principal to a contract. *It is also important to remember that civil code and common law countries treat the agency relationship very differently*.

Some countries do not allow certain types of sales through agents.
Other countries may require contracts with local agents to be registered and certain information be disclosed, such as the amount of the commission. Some countries have limitations on the amount of commissions that may be paid to local agents and some countries require that the agreements be exclusive. There may also be restrictions on the termination of agency agreements.

2. Understanding the Role of Distributors: The difference between agents and distributors is fully explained on the NTDB website. The key legal distinctions between an agent and distributor are:

- A distributor takes title to the goods and accepts the risk of loss. A distributor makes profits by reselling the goods, whereas an agent gets a commission.
- Distributors cannot contractually bind the company producing the goods, whereas an agent can.
- Distributors establish the price and sales terms of the goods, whereas agents do not.

3. Contract Drafting Considerations for Agent/Distributor Agreements: NTDB sources suggest the first and most important consideration when drafting an agreement is to ensure that the agreement clearly states whether there is an agent or a distributor relationship. As discussed above, the rights and duties of the two different relationships are significant. Given this distinction, the agreements should state very plainly and clearly what relationship is being established. The agreement should also clarify the terms and conditions for selling the products, for example:

- Determine whether the relationship is exclusive versus non-exclusive.
- State which geographic regions are to be covered.
- Outline issues of payment and payment schedules for the products (in the case of a distributor) and for payments of commissions (in the case of agents).
- Determine the currency in which payments are to be made and address currency fluctuation issues.
- Provide specific provisions regarding renewal of the agreement, including specific parameters for performance, promotional activity, and notice of desire to renew.
- Establish a specific provision for termination of the agreement and terms for such termination. (Be careful with this provision. Some foreign countries restrict or prohibit termination without just cause or compensation.)

- Outline the termination process for the end of the agreement period.
- Provide for workable and acceptable dispute settlement clauses.
- Assure that the agreement addresses whether or not intellectual property rights are being licensed or reserved.
- Do not allow, without seller's consent, the contract to be assigned to another party (sub-agents or sub-distributors) to be used to fulfill obligations in the contract or the contract to be transferred with a change of ownership or control over the agent/distributor.
- Assure that your contract complies with both U.S. and foreign laws on topics such as: export and import licenses; customs duties and sales taxes; relevant antitrust/competition laws relating to marketing restrictions and pricing methods; relevant laws on bribery (Foreign Corrupt Practices Act); and employment and marketing discrimination (Anti-Boycott Law).

4. Using Commerce's Agent/Distributor Service (ADS): The Commercial Service of the DOC provides this service to identify qualified agents, distributors, and representatives for U.S. firms. For each Agent/Distributor Service, (*http://www.ita.doc.gov/uscs/)* Commercial officers abroad identify up to six foreign prospects that have examined the U.S. firms' product literature and expressed interest in representing the U.S. firm's products.

4. Blindly chasing orders from around the world	**Accidental exporting**

In our increasingly digital economy, any firm with a website has the potential of becoming an "accidental exporter." This means that you may be in your office when suddenly and unexpectedly, someone from a foreign country contacts you electronically and wants to buy a line of your products. What do you do next?

1. Make sure the order is not on the denied list: One of the most important things a firm can do is to ensure that the order is not for an item listed on the denied list. Go to the Bureau of Export Administration's (BXA) website to view the entire list of denied orders *(http://www.bxa.doc.gov/DPL/2_denial.htm)*. The table provided at this site lists orders that currently deny export privileges in whole or in part. Orders are published in full in the *Federal Register* as cited in the column entitled, "Federal Register Citation." New or amended denial orders are published in the *Federal Register* as they are issued, and their issuance announced in Export Administration Bulletins. The *Federal Register* is the authoritative source for denial orders.

2. Check BXA's Entity List: This provides a list of entities that are suspected of being involved in proliferation activities. To make a long story short, you do not want to get involved with any entity on this list. Here is the story:

Since February 1997, the *Federal Register* has published several Commerce Department rules, which added entities to the Entity List, a listing of foreign end users, *involved in proliferation activities*. The Entity List is based on the Enhanced Proliferation Control Initiative (EPCI), which has been implemented in the Export Administration Regulations. General Prohibition Five of the EAR prohibits exports to certain end-users or end-uses without a license. BXA maintains, in the form of Supplement 4 to the Part 744, an "Entity List" to provide notice informing the public of certain entities subject to such licensing requirements.

These end users *have been determined to present an unacceptable risk of diversion to developing weapons of mass destruction or the missiles used to deliver those weapons*. Publishing this list puts exporters on notice that any products sold to these end users may present concerns and will require a license from the Bureau of Export Administration. While this list will assist exporters in determining whether an entity poses proliferation concerns, it is not comprehensive. It does not relieve exporters of the responsibility to determine the nature and activities of their potential customers using BXA's Know Your Customer and Red Flags guidance.

Interagency groups involved in the export control process reviewed the activities of the published entities of concern and determined that exports to these entities would create an unacceptable risk of use in or diversion to prohibited proliferation-related activities. Publishing this entity list allows the U.S. government to identify for U.S. businesses some of the organizations and companies that may be involved in proliferation activities.

The development of a list of entities of concern arises from the EPCI initiative begun in 1990 to stem the spread of missile technology as well as nuclear, chemical, and biological weapons. Under EPCI the Commerce Department can impose licensing requirements on exports and re-exports of normally uncontrolled goods and technology where there is an unacceptable risk of use in or diversion to activities related to nuclear, chemical, or biological weapons or missile proliferation, even if the end user is not primarily weapons-related.

The Bureau of Export Administration requires an export license for otherwise uncontrolled items subject to the Export Administration Regulations before allowing shipments to these end users because of risk in or diversion to prohibited proliferation activities.

3. Business considerations in checking out the firm making the inquiry: Major firms around the world typically have long-established relationships with agents who have the global contacts to source anything their buyer may want to acquire. Opportunities for new companies are limited, but they do exist. Unfortunately, often when new opportunities arise, they do so in order to find firms capable of handling "mission impossible." The mission is deemed impossible if the opportunity entails sourcing a product for a price that is unrealistically low, or for providing products off-season when they are not available, or for providing products according to non-standard specifications. Make sure the opportunity is a reasonable one and involves something that can reasonably be handled by your firm, without spending countless hours researching the requirement or phoning or faxing all over at considerable cost to your firm. Investigate the inquiry and determine whether your firm can complete the request. The DOC Commercial Service has a number of services to help:

- **International Company Profile (ICP)** – The ICP service, referred to in Chapter Two, helps firms investigate the reliability of prospective trading partners. Information provided in an International Company Profile includes type of organization, year established, size, general reputation, territory covered, sales, product lines, principal owners, financial information, and trade references, with recommendation from on-site commercial officers as to suitability as a trading partner.

- **Country Directories of International Contacts (CDIC)** – CDIC provides the name and contact information for directories of importers, agents, trade associations, government agencies, etc., on a country-by-country basis. Available on the National Trade Data Bank. It may also be useful to identify some of these sources that can in turn provide useful information about the firm making the inquiry.

4. Competitive considerations in checking out the market for the product: By reviewing industry sector information, firms can obtain useful data to assess the probability that the inquiry they are investigating is real. One resource that may be helpful is the DOC Commercial Service's *Industry Sector Analysis* report referred to in Chapter Two.

- **Industry Sector Analysis (ISA)** – These are structured market research reports produced on location in leading overseas markets. These reports cover market size and outlook, characteristics, and competitive and end-user analysis for a selected industry sector in a particular country. Industry Sector Analyses are available on the National Trade Data Bank and the Economic Bulletin Board.

5. Contact Commercial Service Officers in the country: Commercial Service Officers are a valuable resource for information about firms overseas, as explained in Chapter Two. Contact them to discuss whether a particular deal sounds legitimate and whether they have any information on the firm making the inquiry. (If you are using the web edition of the manual, click on the list of e-mail addresses of U.S. Commercial Service Officers to be connected directly to them.)

- Abidjan
- Abidjan MLB
- Abu Dhabi
- Alexandria
- Amsterdam
- Anchorage
- Ankara
- Ann Arbor
- Athens
- Atlanta
- Auckland
- Austin
- Baltimore
- Bangalore
- Bangkok
- Barcelona
- Beijing
- Belfast
- Berlin
- Bern
- Birmingham
- Bogota
- Boise
- Bombay
- Bonn
- Boston
- Brasilia
- Bratislava
- Brisbane
- Brussels
- Bucharest
- Budapest
- Buenos Aires
- Buffalo
- Cairo
- Calcutta
- Capetown
- Caracas
- Casablanca
- Charleston,SC
- Charleston,WV
- Chicago
- Cincinnati
- Clearwater
- Cleveland
- Columbia
- Columbus
- Copenhagen
- Dallas
- Denver
- Des Moines
- Detroit
- Dhahran
- Dubai
- Dublin
- Dusseldorf
- Eugene
- Florence
- Frankfurt
- Fukuoka
- Geneva
- Genoa
- Grand Rapids
- Greensboro
- Greenville
- Guadalajara
- Guangzhou
- Guatemala
- Halifax
- Hamburg
- Harlem
- Harrisburg
- Helsinki
- Hongkong
- Honolulu
- Houston
- Indianapolis
- Islamabad
- Istanbul
- Izmir
- Jackson
- Jakarta
- Jeddah
- Johannesburg
- Kansas City
- Kaohsiung
- Karachi
- Kiev
- Knoxville
- Kuala Lumpur
- Kuwait
- Lagos
- Leipzig
- Lima
- Lisbon
- Little Rock
- London
- Long Beach
- Long Island
- Los Angeles
- Louisville
- Lyon
- Madras
- Madrid
- Manila
- Marseille
- Medan
- Melbourne
- Memphis
- Mexico City
- Miami
- Middletown
- Milan
- Milwaukee
- Minneapolis
- Monterrey
- Montpelier
- Montreal
- Moscow
- Munich
- Nagoya
- Naples
- Nashville
- Newark
- New Delhi
- New Orleans
- Newport Beach
- New York
- Oklahoma City
- Omaha
- Ontario
- Oporto
- Orlando
- Osaka Kobe
- Oslo
- Ottawa
- Panama
- Paris
- Perth
- Philadelphia
- Phoenix
- Pittsburgh
- Pontiac
- Port-au-Prince
- Portland,OR
- Portsmouth
- Prague
- Providence
- Quito
- Rabat
- Reno
- Richmond
- Riga
- Rio de Janeiro
- Riyadh
- Rockford
- Rome
- Salt Lake
- San Antonio
- San Diego
- San Francisco
- San Jose,CA
- San Juan
- Santa Clara
- Santa Fe
- Santiago
- Santo Domingo
- Sao Paulo
- Sapporo
- Savannah
- Seattle
- Seoul
- Shanghai
- Shenyang
- Singapore
- Sioux Falls
- Sofia
- Somerset
- St.Louis
- Spokane
- Stockholm
- St.Petersburg
- Strasbourg
- Stuttgart
- Surabaya
- Sydney
- Taipei
- Tallahassee
- Tallinn
- Tegucigalpa
- Tel Aviv
- The Hague
- Tijuana
- Tokyo
- Toledo
- Toronto
- Trenton
- Tulsa
- Vancouver
- Vienna
- Vilnius
- Warsaw
- Wellington
- Westchester
- Wheaton
- Wheeling
- Wichita
- Yekaterinburg
- Zagreb

5. Failure to understand the connection between country risk and the probability of getting export financing	**Export financing**

Many minority firm owners have overseas connections because of their ethnic heritage. These contacts, including friends and family, can often help create trade opportunities. However, if the opportunities are in a country that is having a problem with the U.S., firms might face some difficulty in obtaining financing for the deal. The best source of information about whether a country is in good standing with the U.S. is the U.S. Export-Import Bank's *Country Limitation Schedule*. If the ExIm Bank will not offer its services in this market, the chances are that neither will other government agencies or private financing institutions. Exporters should keep abreast of changes on ExIm's *Country Limitation Schedule (http://www.exim.gov)*.

1. Access the ExIm's Country Limitation Schedule (CLS): The CLS identifies limits, if any, on ExIm's lending to the public and private sectors in the short, medium, and long terms. One of the major reasons for limiting a country's access to ExIm's financing and insurance is default on loan repayment. A negative repayment record tends to make lending to the country a risky proposition; therefore firms would likely find it difficult to obtain financing for deals involving these countries.

2. Access Export Financing Options: The SBA, ExIm, and the Agriculture Department are three of the biggest providers of export financing in the federal government. In addition, selected state governments also provide export financing. A description of their programs and the terms of their financing are given on their respective websites. *Preferred Lenders* (private banks) that participate in the financing programs of ExIm and the SBA should also be contacted directly to discuss their application forms and terms of lending. A list of the strategic banking partners of the ExIm and SBA export financing and credit insurance programs can be obtained from ExIm and SBA.

3. Check out SBA's Export Financing Products: The SBA's Export Working Capital Program (EWCP) provides short-term working capital for up to one year. The EWCP provides transaction-specific financing for loans of $833,333 or less. 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. The EWCP provides repayment guarantees of 90 percent to commercial lenders and offers exporters preliminary commitments (PCs) that encourage lenders to provide credit. To be eligible, the small business concern must have been in operation, though not necessarily exporting, for at least 12 months.

4. Consult the ExIm Bank's Export Financing Products: The ExIm Bank's Working Capital Guarantee Program allows commercial lenders to make working capital loans to U.S. exporters for various export-related activities by substantially reducing the risks associated with these loans. ExIm Bank provides repayment guarantees to lenders on secured short-term working capital loans to qualified exports. The Working Capital Guarantee may be provided for a *single loan* or a *revolving line of credit.* If the exporter defaults on the loan, ExIm Bank will cover 90 percent of the loan and interest up to the date of the claim payment. The exporter may use the program to purchase raw materials and finished goods for export, to pay for materials, labor and overhead to produce goods for export, and to cover stand-by letters of credit, and bid and performance bonds.

5. Access ExIm Bank's Export Credit Insurance: The Export Credit Insurance program provides protection against losses associated with foreign buyers or other foreign debtor default for political or commercial reasons. With an ExIm Bank policy, exporters can also obtain export financing more easily because, with prior approval by ExIm Bank, the proceeds of the policy can be assigned to a financial institution as collateral. The cost of the insurance program is based solely on the actual value of shipments to foreign customers. The cost, or premium, depends on the amount of the credit, the term of the credit, and the type of buyer. For example, the premium for a 90-day credit for a foreign company is 0.94 percent or $940 on a $100,000 order. This premium is commonly added to the buyer's invoice. *It is important to note that ExIm Bank has no minimum transaction size*.

6. Failure to understand Intellectual Property Rights (IPR)	**Intellectual Property Rights**

Intellectual property rights (IPRs) refer to the legal system that protects patents, trademarks, copyrights, trade secrets, and semiconductor mask work registrations. It is important for exporters to understand how and whether intellectual property rights are protected in different countries. In the case of patents, the U.S. is the only country to award patents based on a "first to invent" standard. All other countries with patent laws employ a "first to file" standard. The World Trade Organization ("WTO") Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement") establishes a framework for recognition between countries of intellectual property rights. Exporters are advised to keep abreast of the TRIPS Agreement within the WTO to know the latest developments concerning the protection of IPRs. In addition to the WTO, however, there are also other important conventions and agreements that pertain to different IPRs. Some of these are discussed in Chapter Five.

7. Insufficient attention to marketing and advertising requirements	**Marketing and advertising overseas**

Just as U.S. firms have to compete in the domestic market for market share, they also have to compete for a share of the foreign market they are targeting. While overall competitiveness is ultimately determined by price, quality, and delivery terms, firms can enhance their chances of capturing more market share through marketing and advertising. Marketing and advertising strategies, and their cost, should be developed and factored into the export planning process. Key considerations include:

1. Options for U.S. Firms to Market Overseas: One option is for U.S. businesses to participate in trade shows and trade missions sponsored or supported by the DOC and other agencies. Trade missions target specific countries or groups of countries with promising export opportunities. For a description of the trade shows and trade missions the DOC participates in, consult the *Export Programs Guide*, which you can receive by calling the TIC. For additional information on upcoming trade events, contact the TIC at 1-800-USA-TRAD.

2. Options for Advertising: Exporters can advertise U.S.-made products or services in *Commercial News USA*, a catalog-magazine published 10 times a year to promote U.S. products and services in overseas markets. *Commercial News USA* is disseminated to business readers worldwide via U.S. embassies and consulates and international electronic bulletin boards, and selected portions are also reprinted in certain newsletters. Advertisement fees are based on the size of the listing. For more information, call ABP International at (212) 490-3999, visit the DOC's Export Marketing Magazine, (*http://www.cnewsusa.com*) or contact your local DOC District Office.

U.S. exporters can also advertise through the International Broadcasting Bureau (IBB), which is part of the United States Information Agency. IBB is the umbrella organization which includes Voice of America (VOA), Worldnet TV, and Radio Free Europe/Radio Liberty. VOA broadcasts almost 700 hours of programming to an estimated audience of 86 million each week. The broadcasters can tie a company's ads to different language broadcasts about a particular subject, e.g., science and technology, health and medicine, or target the ads to a specific region or country. For additional information, contact IBB at (202) 260-9052.

8. Lack of attention to product adaptation and preparation needs	**Product adaptation and preparation**

The selection and preparation of a firm's product for export requires not only knowledge of the product, but also knowledge of the unique characteristics of each market being targeted. Considering that the market research recommended in the previous chapters has already been carried out and therefore the target products and target countries have already been identified, the next step is to determine what needs to be done to prepare the product for the foreign chosen market. Key considerations include:

1. Product Adaptation to standards requirements: As tariff barriers (tariffs, duties, and quotas) are eliminated around the world in accordance with the requirements of participation in the World Trade Organization (WTO), other non-tariff barriers, such as product standards, are proliferating. Exporters must understand conformity requirements to operate on an international basis. The DOC's National Center for Standards and Certification Information (NCSCI) provides information on U.S. and foreign conformity assessment procedures and standards for non-agricultural products. The NCSCI also provides a translation service for foreign standards, for which there is a charge. NCSCI staff will respond to requests for information by identifying relevant standards and/or regulations for your product. The requester is referred to the appropriate standards-developing organization or private sector organization for additional technical information and/or copies of the document.

2. ISO 9000 and ISO 14000: A discussion of product adaptation in an international context is not complete without a discussion of "ISO 9000" and "ISO 14000." This subject will be treated in more detail in Chapter Five. The ISO 9000 and ISO 14000 designation are standards and guidelines relating to management systems or standards on terminology and specific tools, such as auditing (the process of checking that the management system conforms to the standard). ISO 9000 is primarily concerned with "quality management" – all those features of a product (or service) which are required by the customer. "Quality management" refers to what an organization does to ensure that its products conform to the customer's requirements. ISO 14000 is primarily concerned with "environmental management" – essentially what steps an organization takes to minimize harmful effects on the environment caused by its activities. Both ISO 9000 and ISO 14000 are processes, and not products. The International Standards Organization (ISO) *(http://www.iso.ch.)* and the American National Standards Institute (ANSI) *(http://www.ansi.org)* provide detailed information about standards.

3. Product Engineering and Redesign: The factors that may necessitate re-engineering or redesign of U.S. products may include differences in electrical and measurement systems. While other considerations in the export planning process may overwhelm these engineering and design issues, they are important nevertheless and have a bearing on costs.

4. Branding, Labeling and Packaging: Cultural considerations and customs may influence branding, labeling and package considerations. For instance, the following questions might arise:

- Are certain colors used on labels and packages attractive or offensive?
- Do labels have to be in the local language?
- Must each item be labeled individually?
- What images should be used for advertising purposes?
- Are name brands important?

5. Installation: Another important element of product preparation is to ensure that the product can be easily installed in the foreign location. The need for specially trained technicians or engineers to help install the product may be problematic. Pre-assembly and/or pre-testing before shipping might be recommended. Payments may be held up contingent on product assembly. Exporters need to know whether they may have to consider providing training or providing manuals that have been translated into the local language along with the product.

6. Warranties: In order to compete with competitors in the market, firms may have to include warranties on their products. Levels of expectation for warranties vary from one country to the next depending upon a country's level of development, the activism of consumer groups, local standards of production quality, and other related factors. The firm's market research should reveal this information so that the export plan can factor in the proper warranty considerations.

7. Servicing: The service that U.S. companies provide for their products is of concern to foreign consumers. Foreign consumers want to know whether they can access spare parts, technicians who can service the product, and distributors of the products in their countries. Exporters have a number of options for addressing these concerns. For instance, they can engage a local organization to service the product, or train local distributors. A more expensive option involves stationing service personnel in the country or entering strategic alliances with other firms operating in the country that have similar servicing needs. These and other options should be carefully considered when formulating an export plan.

9. Failure to obtain legal advice	Legal advice

The export planning process provides an opportunity for firms to consider whether they know how to stay out of trouble and how to optimize their position when formulating contractual agreements before they begin exporting. While it is virtually impossible for any firm, no matter how big or small, to know all of the laws that pertain to exporting from the U.S., as well as the relevant laws of other countries, there are measures that can be taken by firms in the planning process to minimize the probability that they will make unnecessary errors that have grave legal consequences. Firms are advised to retain legal counsel to address their individual concerns. Some of the measures that can also be taken in the planning process are:

1. Utilize SBA's ELAN service: Under the Export Legal Assistance Network (ELAN), your local SBA office can arrange a free initial consultation with an attorney to discuss international trade questions. This service is made possible through an agreement among the Federal Bar Association, the SBA and the U.S. DOC. Questions may include contract negotiation, agent/distributor agreements, export licensing requirements, credit collection procedures, documentation, and much more. A comprehensive list of regional coordinators who can refer you to a participating attorney can be found on the National Export Directory. ELAN also has an internet home page that contains a copy of the SBA brochure, an article on ELAN, the ground rules for consultations, and the names and numbers of all of ELAN's regional contacts.

2. Consult the Commerce/ITA Legal webpage: The DOC, International Trade Administration's (ITA) legal website contains papers, memoranda, speeches, and other materials on international trade and investment law with a focus on export and investment issues such as transborder bribery. A list of the legal documents available on the website is provided. (If you are using a web edition of the manual, click on these to link to the individual topics) *(http://www.ita.doc.gov/legal/).* The exporter should seek the advice of counsel concerning their specific questions.

A. Materials on Transparency and Anti-Bribery

- Anti-Corruption Review - A summary of international anti-bribery initiatives
- Addressing the Challenges of International Bribery and Fair Competition - Remarks by Secretary Daley at the OECD Washington Conference on Corruption, Washington, DC, February 22, 1999
- Link to Materials on Vice President's Anti-Corruption Conference, February 24 - 26, 1999
- Remarks by Secretary Daley to Transparency International/USA Board of Directors, New York, NY, January 19, 1999
- Reporting Cable on West African Legal Conference on Transparency, etc., December 1998
- Foreign Corrupt Practices Act: An Overview
- Foreign Corrupt Practices Act - 1998 Amendments to the Foreign Corrupt Practices Act
- Foreign Corrupt Practices Act Text including 1998 Amendments (unofficial version)
- Summary of OECD Anti-Bribery Convention
- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
- Commentaries on the OECD Convention on Combating Bribery of Foreign Public Officials (Full Text)
- Recommendation of the OECD Council on Combating Bribery in International Business Transactions (1997)
- Inter-American Convention Against Corruption
- Summary of the Inter-American Convention Against Corruption
- APEC Government Procurement Export Group: Non-Binding Principles on Government Procurement
- U.S. Comments on Japan's Proposed Public Comment Procedures Link to the U.S. Department of Justice, Fraud Section
- Link to OECD Anti-Corruption Initiatives web page
- Link to Transparency International - USA web page

B. Materials on Trade and Investment

- Dispute Settlement and the World Trade Organization
- Intellectual Property Rights: A Post-Uruguay Round Overview
- Inter-American Conventions
- Recognition and Enforcement of Foreign Money Judgments
- Section 301 of the 1974 Trade Act
- The U.S. 1994 Prototype Bilateral Investment Treaty
- NAFTA Bibliography

C. Materials on International Transactions

- The Apostille: Authentication of Official U.S. Documents for Use in Foreign Jurisdictions
- Foreign Sales Corporations - A Tax Incentive for U.S. Exporters
- Inward Investment Reporting Requirements
- Outward Investment Reporting Requirements
- Letters of Credit
- The UN Convention on the International Sale of Goods
- International Arbitration
- Primer on Alternative Dispute Resolution
- A.T.A. Carnet - The Merchandise Passport

D. Materials on NAFTA and Private Dispute Settlements

- Background and Establishment
- Article 2022 of the NAFTA
- Terms of Reference of the Committee
- Summary of relevant commercial arbitration statutes for the United States, Canada and Mexico
- Alternative Dispute Resolution in International Contracts
- Enforcing Agreements to Arbitrate and Arbitral Awards in the NAFTA Countries
- November 1996 Advisory Committee Report to the NAFTA Free Trade Commission
- Conference on Alternative Dispute Resolution in the NAFTA Region

E. Materials on Commercial Arbitration in China

- The Ninth Sino - U.S. Commercial Law Seminar, April 7-8, 1998, Beijing, China
- International Arbitration Under the Rules of China International Economic and Trade Arbitration Commission
- An Overview of China's Legislation and Practice on Arbitration
- Chinese Relevant Legislation and Execution of Recognition and Enforcement of Foreign Arbitral Awards

- Experience in Arbitration and Recognition and Enforcement of Arbitral Awards in the P.R.C.
- Dispute Resolution in the People's Republic of China
- Recognition and Enforcement of Arbitration Awards in the U.S.A.

10. Failure to understand export licensing requirements	**Export licensing**

Businesses that are new to the export arena may confuse the local and state rules regarding business taxes, zoning and other issues, i.e., legal registrations, with the federal requirements governing export licenses. The latter is particularly important because the export of technology and computer software could have military applications and may be restricted. The restrictions are placed on the items by the federal government to ensure the nation's security, comply with foreign policy and non-proliferation treaties. In order to export an item that may be on the restricted list, an export license is required. This allows the federal government to control the export of the goods. The license is not required for every item exported. Learn more about the export licensing by reviewing the Export Administration Regulations (EAR) listed in Title 15, Code of Federal Regulations, Parts 730-774. This framework for exporting from the U.S. involves certain procedures and documentation. This will also be discussed in more detail in the next chapter.

The DOC's Bureau of Export Administration (BXA) is the primary licensing agency for dual use exports (commercial items that could have military applications). Other departments and agencies have regulatory jurisdiction over certain types of exports and re-exports. For example, the State Department licenses the export of defense articles and services, while the Nuclear Regulatory Commission (NRC) licenses certain nuclear materials and equipment. Of those exports and re-exports subject to the EAR, a relatively small percentage requires the submission of a license application to the DOC. The requirement for a license is determined by the technical characteristics, the destination, the end-use, and the end-user, and other activities of the end-user. The first step in determining your license requirements under the EAR is to classify your product using the Commerce Control List (CCL). Once the product's classification is determined, the following five questions will determine your obligations under the EAR:

- What is the item you intend to export or re-export?
- Where is it going?
- Who will receive it?
- What will they do with it?
- What are the recipients other activities?

The implications of the answers to these questions and a detailed discussion on export controls and licensing will be discussed in Chapter Four.

Chapter Four focuses on export operations, including discussions of export controls documentation, methods and payments, transportation, financing, and other important operational concerns.

Chapter Four

Export Operations

Export operations, the rules, regulations and procedures of the export process will be examined in this chapter. As soon as your goods and services move from one country to another, your firm and your buyers are no longer the only ones who have an interest in the deal. Every entity along the chain that touches the product or any part of the transaction has its own rules for doing business. The governments of importing countries, financial institutions, and transportation services all have their own set of rules for how the goods must be handled to comply with their processes. Even the language of the terms of the offer or deal has to be specified in accordance with international rules! This chapter contains critical information for minority firms about how to export successfully while following all of the rules and regulations. Critical operational considerations and the rules that provide an orderly framework for conducting these export operations include:

- **Export Licensing & Controls**
- **Export Quotations**
- **Methods of Payments**
- **Export Documentation**
- **Export Financing**
- **Transportation & Cargo Insurance**

***What** are the Export Licensing and Control Rules?*

History of Export Regulations

In September 1774, the First Continental Congress convened in Philadelphia. The following December, the Congress declared the importation of British goods to be illegal. Twelve months later, the Congress outlawed the export of goods to Great Britain, thus establishing the first American export controls. Since then, the U.S. has imposed export controls for a variety of reasons through various pieces of legislation such as the Embargo Act, the Trading with the Enemy Act, *the Neutrality Act, and the Export Control Act. The Export Control Act of 1949 gave the U.S. Department of Commerce (DOC) primary responsibility for administering and enforcing export controls on dual-use items, and for the first time defined three reasons for the imposition of these controls.*

The three primary reasons for U.S. export controls are:

- **National security**
- **Foreign policy**
- **Short supply**

Several unnecessary and ineffective controls have recently been eliminated, streamlining the export process. Since 1993, the value of goods requiring an export license has decreased from $6.1 billion per quarter to $2.7 billion per quarter at the end of FY 1995.

On March 25, 1996, the Federal Register published an interim rule simplifying Export Administration Regulations (EAR). The following information is based on a modified extract from the EAR and is available at the following web address: *(http://www.access.gpo.gov/bxa/ear_faq.html).*

> ***WASHINGTON February 2, 1999*** *— The DOC's Bureau of Export Administration (BXA), which oversees U.S. exports of dual-use commodities, technology and software, today issued a reminder to U.S. exporters about the importance of compliance with export regulations and issued detailed steps it has taken — and will take — to enhance its licensing process and enforcement operations. This action reflects BXA's commitment to ensure U.S. security concerns are met at a time when the worldwide demand for U.S. high technology is stronger than ever. Controlling exports of U.S. technology has become much more difficult since the end of the Cold War. The globalization of technology has brought an increased recognition that our national security depends on controlling exports to entities that could misuse U.S. technologies and products rather than country blocs.*

This message underscores the importance of export controls in an increasingly global economy. The subsequent discussion identifies important considerations to help firms comply with the regulations.

First, it should be noted that references to the Export Administration Regulations (EAR) are references to *15 CFR (Code of Federal Regulations) chapter VII, subchapter C*. The EAR(s) are issued by the DOC, Bureau of Export Administration (BXA), under laws relating to the control of certain exports, re-exports, and activities. In addition, the EAR implements anti-boycott law provisions. These regulations prohibit U.S. citizens from supporting boycotts fostered or imposed by a country against a country friendly to the U.S.

The five questions that you need to ask to determine your obligations under the EAR are:

- ***What is being exported?*** What is the item's (Commerce Control List (CCL) (Part 774 of the EAR) classification?
- ***Where is it going?*** The country of ultimate destination is a factor in determining export licensing requirements using the ***Country Chart*** in Part 738 and the ***CCL***. Consult Part 746 for restrictions on embargoed countries.
- ***Who will receive it?*** There are restrictions on certain end-users, such as persons denied export privileges (discussed in the previous chapter). See General Prohibition Four in Section 736.2(b)(4) and Parts 744 and 764 of the EAR on persons that you may not deal with or who have additional license requirements.
- ***What will they do with the item?*** The ultimate end-use of your item will affect the licensing requirements. See General Prohibition Five in Section 736.2(b)(5) and Part 744 of the EAR for end-use and end-user restrictions on activities related to the proliferation of nuclear, chemical, or biological weapons, and missile delivery.
- ***What else is involved in your transaction?*** You may be restricted from engaging in a transaction based on conduct such as contracting, financing, and freight forwarding in support of a proliferation project described in Section 744.6 of the EAR.

Except for shipments to U.S. territories and possessions, which are treated as part of the U.S., most exports outside the U.S. are subject to the EAR. Several agencies of the U.S. government maintain export controls on items other than dual-use items. The U.S. State Department controls munitions and arms, and the U.S. Department of Agriculture controls the export of livestock, dairy, and poultry items. If an item is subject to the EAR, the exporter must determine whether or not the item requires an export license. The CCL (referred to previously) identifies the items that are subject to the export licensing requirements of the BXA. The CCL is composed of Export Control Classification Numbers *(ECCN)* which identifies the licensing requirements for each item that requires a license. If a license is required, and is approved, that license number and expiration date must be placed on the Shippers Export Declaration (SED*)*. The SED is used to inform the U.S. Customs Service about the type of export authorization being used as an export control document for BXA. Table 4 explains some of the requirements of the SED and the Automated Export System (AES) for filing the SED.

Table 4: SED Requirements and AES Filing

SHIPPERS EXPORT DECLARATION (SED)	AUTOMATIC SHIPPER'S EXPORT DECLARATION (AES)
1. Forms: There are different forms to file depending upon the nature of the export operation, (i.e., such as intransit, re-export, or other).	1. Paper copies of the Shippers Export Declaration (SED) are no longer needed and duplicate reporting to multiple agencies is reduced.
2. Preparation and Signature: There are very strict rules on how to handle the forms and on who has to sign the forms.	2. There are four ways of filing an AES, known as Options 1,2,3, and 4. These are identified below.
3. Separate SEDs are required for each shipment, know the filing rules.	**3. Option One**: For exporters who do not want to file electronically.
4. Presentation of the SED: How, when in the process, and to whom to present the SED are important factors that are explained.	**4. Option Two**: This is for shippers of sensitive goods
5. Correction, amendments, or cancellations of data and how to handle them are explained.	**5. Option Three**: This is for shipments that don't qualify for Option 4, as they only have partial pre-departure information.
6. Exemptions: The circumstances under which SEDs are not required are identified.	**6. Option Four**: This option is for repetitive shipments that pose little or no risk of being used illegally overseas.
7. Retention of Shipping Documents: Exporters or their agents must maintain copies of shipping documents for 3 years after exportation	— —
http://www.customs.ustreas.gov/impoexpo/impoexpo.html **Visit this website for all details on the issues identified above.**	*Http://www.customs.ustreas.gov/impoexpo/impoexpo.html* **Visit this website for all details on the issues identified above.**

Export Controls on Computers:

As many minority-owned firms are in the Information Technology (IT) sector, it is important to review the July 1, 1999 White House Press Release on export controls since computers are of particular interest. Please refer to the following website for details (*http://www.bxa.doc.gov/PRESS/99/HPControl.html*). For a list of the most frequently asked questions about compliance with the EAR go to: *http://www.access.gpo.gov/bxa/ear_faq.html*.

How to offer export Quotations?

In order to develop an export quotation, there are a number of important factors an exporter must consider, including:

A. Incoterms

B. Pricing Factors

C. Pro forma Invoice

What are International Commercial Terms (Incoterms)?

Incoterms represent a codification of international rules for the uniform interpretation of common contract clauses in export/import transactions developed and issued by the International Chamber of Commerce (ICC). These terms should be used in offering your export quotation, as they each have a different impact on the cost and responsibilities at different points in the export transaction. The categories of Incoterms are shown in Table 5.

Table 5: Categories of Incoterms

C Terms	D Terms	E Terms	F Terms
CFR - Cost and Freight **CIF** - Cost, Insurance and Freight **CIP** – Carriage and Insurance Paid To **CPT** – Carriage Paid To	**DAF** – Delivered At Frontier **DDP** – Delivered Duty Paid **DDU** – Delivered Duty Unpaid **DES** – Delivered Ex Ship **DEQ** – Delivered Ex Quay	**EXW** - Ex Works	**FAS** - Free Alongside Ship **FCA** - Free Carrier **FOB** - Free On Board

An explanation of the responsibilities which correspond to the acronyms in the table is explained in Tables 6 (C Terms), Table 7 (D Terms), Table 8 (E Terms), and Table 9 (F Terms). The information provided in these tables can be found on the *U.S. Treasury's International Trade Data System* (ITDS) website at: (*http://www.itds.treas.gov/ITDS/Frames/Build_Frames.cfm?Site=ITRC).*

Table 6: *"C" Terms*

CFR
Cost and Freight

"Cost and Freight" means that the seller must pay the costs and freight necessary to transfer the goods to the named port of destination. However, the risk of loss or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. The CFR term requires the seller to clear the goods for export. This term can only be used for sea and inland waterway transport. When the ship's rail serves no practical purpose, such as in the case of roll-on/roll-off or container traffic, the CPT term is more appropriate to use.

CIF
Cost, Insurance, and Freight

"Cost, Insurance and Freight" means that the seller has the same obligations as under CFR but *with the addition that he has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage*. The seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIF term the seller is only required to obtain minimum insurance coverage. The CIF term requires the seller to clear the goods for export. This term can only be used for sea and inland waterway transport. When the ship's rail serves no practical purposes such as in the case of roll-on/ roll-off or container traffic, the CIP term is more appropriate to use.

CIP
Carriage and Insurance Paid to (destination)

"Carriage and Insurance Paid to..." refers to the seller's obligations as under CPT, but *with the addition that the seller has to procure cargo insurance against the buyer's risk of loss of or damage to the goods during the carriage*. The seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIP term the seller is only required to obtain minimum insurance coverage. The CIP term requires the seller to clear the goods for export. This term may be used for any mode of transport including multimodal transport.

CPT
Carriage Paid to (destination)

"Carriage Paid to..." means that the seller pays the freight for the carriage of the goods to the named destination. The risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier, *is transferred from the seller to the buyer when the goods have been delivered into the custody of the carrier.* "Carrier" refers to any person who, in a contract of carriage, performs or procures the performance of carriage, by rail, road, sea, air, inland waterway or by a combination of such modes. If subsequent carriers are used for the carriage to the agreed destination, when the goods have been delivered to the first carrier, the risk also transfers. The CPT term requires the seller to clear the goods for export. This term may be used for any mode of transport including multi-modal transport.

Table 7: *"D" Terms*

DAF
Delivered at Frontier

"Delivered at Frontier" means that the seller fulfills his obligation to deliver when the goods have been made available and cleared for export, at the named point and place at the frontier, but before the customs border of the adjoining country. The term "frontier" may be used for any frontier including that of the country of export. Therefore, it is of vital importance that the frontier in question be defined precisely by always naming the point and place in the term. The term is used when goods are to be carried by rail or road, but it may be used for any mode of transport.

DDP
Delivered Duty PAID Destination

"Delivered Duty Paid" means that the seller fulfills his obligation to deliver, when the goods have been made available, at the named place in the country of importation. The seller has to bear the risks and costs, including duties, taxes and other charges of delivering the goods cleared for importation. If the parties wish to exclude from the seller's obligations some of the costs payable upon importation of the goods (such as value added tax (VAT)), this should be made clear by adding words to this effect: "Delivered duty paid, VAT unpaid (...named place of destination)." This term may be used irrespective of the mode of transport.

DES
Delivered Ex Ship

"Ex Ship" means that the seller fulfills his obligation to deliver when the goods have been made available to the buyer on board the ship uncleared for import at the named port of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named port of destination. This term can only be used for sea or inland waterway transport.

DEQ

Delivered Ex Quay (duty paid) (port of destination)

"Delivered Ex Quay (duty paid)" means that the seller fulfills his obligation to deliver when he has made the goods available to the buyer on the quay (wharf) at the named port of destination, cleared for importation. The seller has to bear all risks and costs including duties, taxes and other charges of delivering the goods thereto. This term should not be used if the seller is unable, directly or indirectly to obtain the import license. If the parties wish the buyer to clear the goods for importation and pay the duty, the words "duty unpaid" should be used instead of "duty paid." If the parties wish to exclude from the seller's obligations some of the costs payable upon importation of the goods (such as value added tax (VAT)), this should be made clear by adding words to this effect: "Delivered ex quay, VAT unpaid (... named port of destination)." This term can only be used for sea or inland waterway transport.

Table 8: *"E" Terms*

EXW

EX Works

"Ex Works" means that the seller fulfills his obligation to deliver when he has made the goods available at his premises (i.e. works, factory, warehouse, etc.) to the buyer. In particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed. The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. This term thus represents the minimum obligation for the seller. This term should not be used when the buyer cannot carry out, directly or indirectly, the export formalities. In such circumstances, the FCA term should be used.

Table 9: *"F" Terms*

FAS

Free Alongside Ship

"Free Alongside Ship" means that the seller fulfills his obligation to deliver when the goods have been placed alongside the vessel on the quay or in lighters at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. The FAS term requires the buyer to clear the goods for export. It should not be used when the buyer cannot carry out directly or indirectly the export formalities. This term can only be used for sea or inland waterway transport.

FCA

Free Carrier

"Free Carrier" means that the seller fulfills his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. When, according to commercial practice, the seller's assistance is required in making the contract with the carrier (such as in rail or air transport) the seller may act at the buyer's risk and expense. This term may be used for any mode of transport, including multimodal transport. "Carrier" refers to any person who, in a contract of carriage, undertakes to perform or to procure the performance of carriage by rail, road, sea, air, inland waterway or by a combination of such modes. If the buyer instructs the seller to deliver the cargo to a person, e.g. a freight forwarder who is not a "carrier," the seller is deemed to have fulfilled his obligation to deliver the goods when they are in the custody of that person. "Transport terminal" refers to a railway terminal, a freight station, a container terminal or yard, a multi-purpose cargo terminal or any similar receiving point. "Container" includes any equipment used to transport cargo, e.g. all types of containers and/or flats, whether ISO accepted or not, such as trailers, swap bodies, ro-ro equipment, or igloos and all modes of transportation.

FOB

Free on Board

"Free on Board" means that the seller fulfills his obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. This term can only be used for sea or inland waterway transport. When the ship's rail serves no practical purpose, such as in the case of roll-on/roll-off or container traffic, the FCA term is more appropriate to use.

It is essential to have a working knowledge of these terms in order to prepare the export quotation.

B

Pricing Factors

If you are a manufacturer, you know your cost of production and have determined your profit objectives. However, there are many factors that might have an impact on the price at which you should sell your goods in the foreign market. For instance, some of the additional cost factors to consider include:

- ***Costs of modifying the product to comply with standards;***
- ***Non-market costs such as tariffs and customs fees;***

- ***Insurance costs;***
- ***Advertising and promotion costs;***
- ***Cost of supplies and components;***
- ***Cost of training foreign distributors;***
- ***Cost of stocking spare parts in the foreign market;***
- ***Time sensitivity of price, bearing in mind the longer time cycle of export sales;***
- ***Anticipated volume and its incremental effect;***
- ***Pre-determined competitor prices in the market;***
- ***Demand factors;***
- ***Anticipated problems in filling the order;***
- ***Payment terms (Incoterms) and the special risks they impose;***
- ***Packaging, labeling, and shipping costs;***
- ***Telecommunication costs associated with staying in touch with foreign partners;***
- ***Business services (translation, legal, accounting services, sales commissions, other);***
- ***Forwarder's charges;***
- ***Financing costs;***
- ***Consular legalization fees;***
- ***Inspection fees;***
- ***Import duty as a percent of landed cost;***
- ***Export documentation cost; and***
- ***Other factors.***

Despite these considerations, few firms are in a position to determine their prices without considering the pricing policies of competitors. Where a particular market is being serviced by many competitors, the exporter may have little choice but to match the going price or even to go lower than the current price in order to capture market share. This is why the subject of "export readiness" is often discussed – the question is whether new-to-the-market exporters can afford to possibly incur losses in order to gain a foothold in the market. To the extent feasible, "marginal cost" is the preferred pricing method, as it takes direct out-of-pocket expenses of production into consideration, and clearly indicates the minimum price for which the goods can be sold without incurring a loss.

Pricing Summary:

Here are a few points to remember when determining your product's price:

- Determine your objective in the foreign market;
- Compute the actual cost of the export product;
- Compute the final consumer price;
- Evaluate market demand and competition;
- Evaluate the cost of modifying the product;
- Calculate non-market costs; and
- Determine a competitive price considering all relevant factors.

Export Quotations:

Many export transactions begin with the receipt of an inquiry. Such inquiries are often followed by a request for an "export quotation." An export quotation describes the product, lists the price, sets the time of shipment, and specifies the terms of sale and the terms of payment. The export quotation should include:

- Sellers' and buyers' names and addresses;
- Buyer's reference number and date of inquiry;
- List and description of requested products;
- Price of each item (in U.S. dollars);
- Gross and net shipping weights (in metric units);
- Total cubic volumes and dimensions for packing;
- Trade discount (if applicable);
- Delivery point;
- Terms of sale;
- Terms of payment;
- Insurance and shipping cost;
- Validity period of quotation;
- Total charges to be paid by the customer;
- Estimated shipping date; and
- Currency of sale.

It should be noted that when the firm receives an inquiry, it may send an export quotation, and follow it with a Pro forma invoice, or send a Pro forma invoice.

Pro forma Invoice

Pro forma invoices are not used for payment purposes. The Pro forma invoice may follow an export quotation. This document details the price, quantity, quality, and terms and conditions of the deal, eliminating the chance of future misunderstandings. It may also detail the invoicing requirements of the importing country. Price quotations listed in the Pro forma invoice must state explicitly that they are subject to change without notice. The Pro forma invoice should be typed on company letterhead, and state the country of origin of the goods, clearly state that it is a Pro forma invoice, and it should be certified as true and correct by the supplier. This is important because Pro forma invoices are the documents that buyers use when applying for import licenses, opening a letter of credit or arranging for funds.

***What** are Methods of Payment?*

Several methods of payment can be used to complete the sale. The important consideration is – *who is bearing the most risk*? The best position an exporter can be in is to require "cash in advance." However, new-to-export firms are not typically in a commanding position (i.e., in a seller's market). Instead, the buyer may say, "I'll buy your goods if you give me the best terms." The best terms for the buyer often are not the best terms for the seller. A summary of the risk factors associated with various payment methods is listed in Table 10.

Table 10: Risk Factors Influencing Payment Terms:

	Letter of Credit	Cash on Documents	Open Account
Customer Relationship	New	Established	Established
Type of Order	Custom	Production	Production
Political Situation	Unstable	Stable	Strong
Economic Situation	Unstable	Stable	Strong
Competition	No	Yes	Yes
Volatility of Price Changing Downwards for Buyer	Yes	No	No
Cash Flow Timing and Needs	Yes	Adjustable	Adjustable

Source: (*http://www.itds.treas.gov/ITDS/Frames/Build_Frames.cfm?Site=ITRC*).

Methods of Payment for International Transactions

The following common methods of payment are discussed below.

- ***Letter of Credit (L/C)***
- ***Cash in Advance (CIA)***
- ***Draft or Bill of Exchange***
- ***Credit Cards***
- ***Open Account***
- ***Consignment Sales***
- ***Counter-trade or Barter***

The information provided can be found on the *U.S. Treasury's International Trade Data System* (ITDS) website at:
(*http://www.itds.treas.gov/ITDS/Frames/Build_Frames.cfm?Site=ITRC*).

1) Letter of Credit

A Letter of Credit (L/C) document is issued by an issuing bank It is a commitment to pay a seller a stated amount of money on behalf of a buyer, if the seller meets the specific word-for-word terms and conditions outlined on the L/C. Letters of Credit are more formally called documentary letters of credit.

Before paying against the L/C, the bank responsible for making payment on behalf of the buyer verifies that all documents are exactly as required. If an exporter is unfamiliar with the credit risk of the foreign bank, or if there is concern about the political or economic risk associated with the country in which the bank is located, exporters are advised to have the L/C issued by a foreign bank "confirmed" by a U.S. bank. This means that the U.S. bank adds its pledge to pay to that of the foreign bank. There is a fee for this service. L/Cs that are not confirmed are called "advised" letters of credit. The local DOC district office or an international banker can help exporters determine whether a confirmed or advised letter of credit is appropriate for a particular transaction.

Types of Letter of Credit

- **Irrevocable (confirmed)** - A letter of credit that cannot be amended or canceled without prior mutual consent of all parties. Such a letter of credit guarantees payment by the bank to the seller/exporter so long as all of the terms and conditions of the credit have been met. This is the most popular form of letter of credit.

- **Revocable (confirmed)** - A letter of credit that can be canceled or altered by the drawee (buyer) after it has been issued by the drawee's bank. Revocable L/Cs are rarely used because of security concerns.

- **Transferable** - An L/C can be redirected at the sellers request. These are used when an export broker is involved. Once all conditions on the letter of credit are met, the broker's bank receives the payment, takes out the appropriate commission, and completes the transaction as negotiated.
- **Sight** - A letter of credit that requires payment to be made upon presentation of documents.
- **Time Draft** - A letter of credit that states payment is due within a certain time frame, usually 30, 60, 90, or 180 days.

Changes made to an L/C are called amendments. The buyer or the seller may pay the fees charged by the banks to amend the L/C, but the letter of credit should specify which party is responsible. Since changes are costly and time-consuming, every effort should be made to get the letter of credit correct the first time. An exporter is usually not paid until the advising or confirming bank receives the funds from the issuing bank. To expedite the receipt of funds, wire transfers may be used. Bank practices vary and the exporter may be able to receive funds by discounting the letter of credit at the bank. The bank will charge a fee to the bank for this service. Exporters should consult with their international bankers about bank policy on these issues. Payment risks associated with L/Cs are identified in Table 11.

Table 11: Payment and Risks with Letter of Credits:

	Time of Payment	Goods Available to Importer	Risk to Exporter	Risk to Importer
Irrevocable	At sight of presentation of documents to issuing bank; or specified number of days after acceptance by issuing bank	After payment	Risk lies with U.S. confirming bank	None
Revocable	Same as Confirmed	After payment	Risk lies with foreign issuing bank and economic conditions of issuing bank	None
Sight	When shipment is made	After payment	Risk lies with local confirming bank	Assured shipment is made, but relies on exporter to ship goods described in the documents
Time Draft	At maturity of draft, may or may not be discounted	Usually before payment	Risk lies with local confirming bank	Assured shipment is made, but relies on exporter to ship goods described in the documents

Red Clause	A percentage of total amount before shipment. Balance is same as type of L/C	After payment	See irrevocable and revocable	The percentage of payment in advance is at total risk. Balance same as type of L/C
Revolving Letter of Credit	Variable	Variable	See irrevocable and revocable	None
Standby Letter of Credit	At time shipment is received	Usually before payment	Delay in payment. Also see irrevocable	None
Back-to-back	Same as irrevocable	After payment	None	None
Transferable	Same as irrevocable	After payment	Same as irrevocable	None
Assignment of Proceeds	Same as irrevocable	After payment	Same as irrevocable	None

Source: (*http://www.itds.treas.gov/ITDS/Frames/Build_Frames.cfm?Site=ITRC*).

2) Cash in Advance (CIA)

Cash in advance is always the preferred method of payment for any exporter. However, being able to command this payment method is rare. If the seller is in a "seller's market," the buyer has compelling reasons to purchase the goods from the particular seller on the seller's terms. When used, it typically entails a wire transfer into the seller's account before the seller ships the goods. It is usually used only for small purchases or when the goods are built to specific order.

3) Draft (or Bill of Exchange)

An unconditional order in writing from one person (the drawer) to another (the drawee), directing the drawee to pay a specified amount to a named drawer at a fixed or determinable future date. The document may be a date, sight, or time draft.

4) Credit Cards

Credit cards are used in transactions where the dollar value of the items sold is low and shipment is to be made directly to the end user.

5) Open Account

The exporter bills the customer, who is expected to pay under agreed terms at a future date. Some of the largest firms abroad make purchases only on an open account, which is a convenient method of payment if the buyer is well established and has demonstrated a long and favorable payment record.

6) Consignment Sales

Exporter delivers goods to an agent under agreement that the agent sell the merchandise for the account of the exporter. The agent sells the goods for commission and remits the net proceeds to the exporter.

7) Countertrade/Barter

Sale of goods or services that are paid for in whole or in part by the transfer of goods or services from a foreign country.

Payment Problems:

The best solution to a payment problem is to negotiate directly with the customer. If negotiations fail and the sum involved is large enough to warrant the effort, obtain the assistance of your bank, legal counsel, and other qualified experts. If both parties can agree to take their dispute to an arbitration agency, this step is faster and less costly than legal action. The International Chamber of Commerce (ICC) handles the majority of international arbitrations and is usually acceptable to foreign companies because it is not affiliated with any single country. For more information on these issues, contact the U.S. Council for International Business, American National Committee of the ICC, 212-354-4480; American Arbitration Association, 212-484-4000; Trade Remedy Assistance Office International Trade Commission, (202) 205-2200.

What are the Export Documentation Requirements?

There are a number of important documents that must be properly executed and included in the export paperwork. The particular export transaction determines which documents are required. Exporters often contact a freight forwarder to assist with the export. Freight forwarders advise clients about the logistics of transporting goods, have information about import laws of foreign countries, make sure that the exporter's shipment of goods complies with foreign laws, and ensures that the proper authorities certify all paperwork. Freight forwarders also locate the best or less expensive vessel to transport the exporter's shipment of goods and ensure that the goods get from the exporter's location to their destination. In addition, freight forwarders are aware of the constantly changing regulations that affect cargo movements, such as foreign documentation requirements, hazardous materials rules, U.S. government regulations, special packaging or handling restrictions, and any applicable licensing provisions.

As each foreign country has different import regulations, the exporter must be careful to provide proper documentation. The following twelve key documents are commonly used in exporting.

1. Packing List: An export packing list itemizes the material in each individual package and indicates the particular type of packaging used, such as boxes, crates, drums, or cartons. It also shows the individual net, legal, tare, and gross weights and measurements for each package. The packing list should be attached to the outside of a package in a waterproof envelope marked "packing list enclosed." Shipper or forwarding agent confirms the total shipment weight and volume and whether the right cargo is being shipped against the list.

2. Commercial Invoice: The commercial invoice is a bill for the goods from the buyer to the seller. A commercial invoice should include basic information about the transaction, including a description of the goods, the address of the shipper and seller, the delivery and the payment terms. The buyer needs the invoice to prove ownership and to arrange payment. Governments often use the commercial invoice to assess customs duties.

3. Consular Invoice: A consular invoice is a document that is required by some, but not all, countries to control and identify goods. The document describes the shipment of goods and contains information such as the consignor, consignee and the value of goods. The invoice must be purchased from the consulate of the country to which the goods are being shipped. Governments that use this document will specify its form, contents, number of copies, and the language to be used.

4. Certificate of Origin: A Certificate of Origin is required by some countries to certify the country of origin of the goods. Local Chambers of Commerce typically provide the certification for a fee.

5. Bill of Lading: Bills of lading are contracts between the owner of the goods and the carrier. There are two types of bills of lading: the Straight Bill of Lading which is not negotiable, and the Liner Bill of Lading which can be bought, sold, and traded while the goods are in transit. The customer needs an original copy as a proof of ownership to take possession of the goods.

6. Insurance Certificate: If the seller provides insurance, the insurance certificate states the type and amount of coverage. It is used to assure the consignee that insurance will cover the loss of or damage to the cargo during transit. This instrument is negotiable.

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

8. 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.

9. Destination Control Statement: This statement appears on the commercial invoice and ocean or air waybill of lading to notify the carrier and all foreign parties that the item may be exported only to certain destinations.

10. Export License: U.S. export shipments are required by the U.S government to have an export license, either a general license or an IVL. An IVL export license is a government document authorizing the export of specific goods in specific quantities to a particular destination.

11. Shipper's Letter of Instruction: This letter from the shipper instructs the freight forwarder on how and where to send the export shipment. In preparing this form, the shipper also completes most of the information required on the Shipper's Export Declaration, form 7525V. The freight forwarder will complete the remainder.

12. Shipper's Export Declaration (SED): The SED, discussed earlier in this chapter, is a key document used by the U.S. government to control exports and to provide information for statistical purposes. It is an essential part of the export documentation process.

How to obtain financing?

- ***Types of Export Financing***
- ***Sources of Export Financing***
- ***Government Export Financing Programs***

1. Understanding Types of Export Financing

Sellers want to get paid in a hurry and buyers want to delay payment as long as possible. The right kind of financing can help exporters strike a happy medium between these opposing objectives. Financing can be used at different stages in the export deal. For instance, preshipment financing helps exporters produce or purchase the product or to provide a service in order to complete the transaction. Postshipment financing focuses on the resulting accounts or account receivables.

Factors to Consider

To help you decide on the best financing option for your requirements, consider the following factors:

- **The need for financing in order to make (or "close") the sale.**
  In some cases, favorable payment terms make a product more competitive. If the competition offers better terms and has a similar product, a sale can

be lost. In other cases, the exporter may need financing to produce the goods that have been ordered or to finance other aspects of a sale, such as promotion and selling expenses, engineering modifications, and shipping costs. Various financing sources are available to exporters, depending on the specifics of the transaction and the exporter's overall financing needs.

- **The cost of different methods of financing.**
Interest rates and fees vary. The total costs and their effect on price and profit should be well understood before a Pro forma invoice is submitted to the buyer.

- **The length of time financing is required.**
Costs increase with the length of terms. Different methods of financing are available for short, medium, and long terms. However, exporters also need to be fully aware of financing limitations so that they can obtain the financing required to complete the transaction.

- **The risks associated with financing the transaction.**
The greater the risks associated with the transaction, whether they actually exist or are only perceived by the lender, the greater the costs to the exporter, making opportunities for financing more difficult to obtain and more costly.

The creditworthiness of the buyer directly affects the probability of payment to the exporter, but it is not the only factor of concern to a potential lender. The political and economic stability of the buyer's country also can be of concern. To provide financing for either accounts receivable or the production or purchase of the product for sale, the lender may require the most secure methods of payment, a letter of credit (possibly confirmed), or export credit insurance. If a lender is uncertain about the exporter's ability to perform, or if additional credit capacity is needed, a government guarantee program may enable the lender to provide additional financing.

Because of the risks involved in exporting, export financing is different from other types of financing. The seller's situation and the buyer's situation will determine which of the following common types of export financing is needed.

A. Working Capital

B. Trade Financing

C. Pre-Export Financing

D. Accounts Receivable Financing

E. Market Development Financing

A. Working Capital:

General working capital financing is used to subsidize materials for work in process or to acquire inventory used for export processing. A firm's ability to qualify for general working capital financing depends on the strength of the firm's balance sheet and its prospects for generating sufficient earnings over the life of a loan to repay the loan.

B. Trade Finance:

Trade finance refers to financing individual transactions or a series of similar transactions. In addition, trade finance loans are often self-liquidating; the lending bank stipulates that all sales proceeds are to be collected by it, and then the bank applies the proceeds to pay down the loan. The remainder is credited to your account. The self-liquidating feature of trade finance is critical to many small, undercapitalized businesses. Lenders who may otherwise have reached their lending limits for such businesses may finance individual export sales, if the lenders are assured that the loan proceeds will be used solely for pre-export production; and any export sale proceeds will first be collected by them before the balance is passed on to the exporter. Given the extent of control lenders can exercise over such transactions and the existence of guaranteed payment mechanisms unique to, or established for international trade, trade finance can be less risky for lenders than general working capital loans.

C. Pre-Export Financing:

Most small and minority businesses need pre-export financing to help with the expense of gearing up for a particular export sale. Loan proceeds are commonly used to finance three different areas: labor, materials, and inventory. Financing may also be required to fund the construction of new facilities or the expansion of existing facilities to support an export transaction.

D. Accounts Receivable Financing:

If you can't wait for your foreign buyer to make payment, or if you need funds to support your next order, foreign accounts receivable financing can help. With such financing, you can borrow an amount from your bank that is based on the volume and quality of such accounts receivable. Although banks rarely lend 100 percent of the value of the accounts receivable, many will advance up to 80 percent of the value of qualified accounts. Foreign credit insurance (such as EXIM Bank's Export Credit Insurance Program) is often used to enhance the quality of such accounts.

E. Market Development Financing:

Financing for foreign market development activities, such as participation in overseas trade missions or trade shows, is often difficult for small businesses to arrange. Most banks are reluctant to finance such activities because, for many small firms, their ability to repay such loans depends on their success in consummating sales while on a mission. Financing for such activities is typically through the working capital of the firm or, in certain cases, through the use of personal credit cards.

2. Finding Sources of Export Financing

There are many sources of export financing. Some of the sources are familiar, such as commercial banks, but there are many others that are unique to the world of exporting. An overview of some of the sources of export financing follows.

A. Commercial Banks:

The same type of commercial loans that finance domestic activities, including loans for working capital and revolving lines of credit, are often sought to finance export sales until payment is received. However, banks do not usually extend credit solely on the basis of an order. A logical first step in obtaining financing is to approach your local commercial bank. If you already have a loan for domestic needs, then the lender already has experience with your ability to perform. You may have very similar, if not identical, pre shipment needs for both your international and your domestic transactions. Many lenders provide financing for export transactions if there is a reasonable certainty of repayment. By using letters of credit or export credit insurance, you can reduce the lender's risk. When a lender wishes greater assurance than is afforded by the transaction, a government guarantee program may enable a lender to extend credit.

If your company is new to exporting or is a small minority-owned firm, it is important to select a bank that is sincerely interested in serving businesses of similar type or size. If your bank lacks an international department, it will refer you to a correspondent bank that has one. You may want to visit the international department of your own bank or a correspondent bank to discuss your export plans, available banking facilities, and applicable fees. When selecting a bank, ask the following questions:

- What are the charges for confirming a letter of credit, processing drafts, and collecting payment?
- Does the bank have foreign branches or correspondent banks? Where are they located?
- Can the bank provide buyer credit reports? At what cost?
- Does the bank have experience with U.S. and state government financing programs that support small business export transactions? If not, is it willing to consider participating in these programs?
- What other services such as trade leads, can the bank provide?

B. Private Sources:

Entities in the private sector provide different forms of export financing. Some of the ways that private entities can provide export financing include, but are not necessarily limited to, those described.

- **Factoring** - Factoring is the discounting of a foreign account receivable that does not involve a draft. The exporter transfers the title for its foreign accounts receivable to a factoring house (an organization that specializes in the financing of accounts receivable) for cash at a discount of the face value. Although factoring is often done without recourse to you, you should verify the specific arrangements. Factoring of foreign accounts receivable is less common than factoring of domestic receivables.

- **Forfaiting** - Forfaiting is the selling, at a discount, of longer term accounts receivable or promissory notes of the foreign buyer. These instruments may also carry the guarantee of the foreign government. Both U.S. and European forfaiting houses, which purchase the instruments at a discount from you, are active in the U.S. market. Because forfaiting may be done either with or without recourse to you, you should verify the specific arrangements.

- **Confirming** - Confirming is a financial service in which an independent company confirms an export order in the seller's country and makes payment for the goods in the currency of that country. Among the items eligible for confirmation (and thereby eligible for credit terms) are the goods themselves; inland, air, and ocean transportation costs; forwarding fees; custom brokerage fees; and duties. Confirming is a term that means the entire export transaction, from plant to end user, can be coordinated and paid for over time. Although confirming is common in Europe, it is still in its infancy in the United States.

- **Export Intermediaries** - In addition to acting as export representatives, many export intermediaries, such as Export Trading Companies (ETCs) and Export Management Companies (EMCs), can help finance export sales. Some of these companies may provide short-term financing or may simply purchase the goods to be exported directly from the manufacturer, thus eliminating any risks associated with the export transaction as well as the need for financing. Some of the larger companies may make counter trade arrangements that substitute for financing.

- **Buyers and Suppliers** - Foreign buyers may make down payments that reduce the need for financing from other sources. In addition, buyers may make progress payments as the goods are completed, which also reduces other financing requirements. Letters of credit that allow for progress payments after inspection by the buyer's agent, or receipt of a statement from you that a certain percentage of the product has been completed, are not uncommon. In addition, suppliers may be willing to offer terms to you if they are comfortable that they will receive payment. Suppliers may be willing to accept assignment of a part of the proceeds of a letter of credit or a partial transfer of a transferable letter of credit. However, some banks allow only a single transfer or assignment of a letter of credit. Therefore, you should investigate the policy of the bank that will be advising or confirming the letter of credit.

3. Government Export Financing Programs

Several federal, state, and local government agencies offer programs to assist exporters with their financing needs. Some are guarantee programs that require the participation of an approved lender, while others provide loans or grants to the exporter or a foreign government. Government programs generally are aimed at improving an exporter's access to credit. They are not intended to subsidize the cost of credit at below-market levels. With few exceptions, banks are allowed to charge market interest rates and fees. A portion of the fees collected is paid back to the government agency to cover the agencies' administrative costs and default risks. Government guarantee and insurance programs are used by commercial banks to reduce the risk associated with loans to exporters. Lenders, who are concerned with an exporter's ability to perform under the terms of sale, and with an exporter's ability to be paid, often use government programs to reduce the risks that would otherwise prevent them from providing financing. If you are using a web version of the document, click on the links listed for an in-depth overview of the government agencies offering financing assistance:

- Export Import Bank (Ex-Im Bank)
- Department of Agriculture (USDA)
- Overseas Private Investment Corporation (OPIC)
- Small Business Administration (SBA)

A glimpse of the inner workings of the U.S. Export-Import Bank is given in Box 1 below.

Box 1: The U.S. Export-Import Bank
"To gain market share, extend credit to your buyers"
By Robert Kaiser, Vice President, ExIm Bank, August, 1999

This basic business principle, so well understood and used by American companies when dealing with their domestic clients, often stops "at the water's edge" when an opportunity to sell abroad arises. And yet, that shouldn't be. Although extending credit to a foreign buyer may be riskier than extending credit to a domestic customer, there are a variety of programs available to mitigate the perceived risk. *Enter the Export-Import Bank of the United States (ExIm Bank).* ExIm, as it is popularly known, is the export credit agency of the United States. Its mission is to help American companies export more of their goods and services abroad by providing the financing that they, or their foreign buyers, need to successfully conclude international sales opportunities. *There are neither minimums nor maximums at ExIm Bank*. We are presently supporting shipments as small as $2000 per month and have supported exports in the multi-billion dollar range. Since 1983, ExIm Bank has been actively recruiting and supporting small to medium, minority- or women- owned businesses. Last year, ExIm support for these small businesses totaled in excess of $2 billion. A more significant indicator of our support of the smaller exporter is the fact that, of all the individual transactions we supported in Fiscal Year 1999, 81 percent of them were small business transactions.

What programs does ExIm have that are particularly useful to small businesses?
Let's take a look at a couple of the financial issues that confront the successful small business entrepreneur:

Successful small businesses exhibit common characteristics:
Their sales grow faster than the net worth of their business, and as a result they borrow frequently to finance the growth in their sales. Typically, they borrow from commercial banks in order to buy the raw materials or components they need to fulfill their sales opportunities. It is not uncommon for these rapidly growing companies to be told by their banks that they are borrowing too much or are rapidly approaching the point where the commercial bank will become unwilling to extend them any more credit. Yet the sales opportunities continue to come in the door. And, when it comes to international sales opportunities, commercial banks frequently decline to provide working capital.

Another characteristic that we frequently encounter, is the reluctance on the part of a small company to extend credit to foreign buyers.
And that's understandable. You are not familiar with foreign business practices, and you concern yourself with being paid by a foreign buyer, and how you would recover your money if the foreign buyer does not pay. And you also concern yourself with foreign business practices; their way of doing business can be different from the way that you conduct your business. But you also recognize that your lack of interest in extending credit to foreign buyers is impeding your international sales opportunities.

So, given that brief background, let's now discuss ExIm Bank services. All of our programs are open to any exporter, or foreign buyer, that needs them, but two have been found to be particularly beneficial to small businesses: the ***Working Capital Guarantee*** and our ***Insurance policies:***

The ExIm Bank Working Capital Guarantee

This guarantee is a 90 percent full faith and credit guarantee of the United States Government which acts as a powerful inducement for commercial banks to extend working capital loans in support of export opportunities, that, absent the ExIm Bank Working Capital Guarantee, the commercial banks are unlikely to support at their own risk.

How does it work? Well, let's take a look at a very typical scenario:
Your company receives a letter from a Chinese buyer indicating their interest in buying your product and the letter quotes a price the Chinese buyer is willing to pay, a delivery schedule that the buyer needs for this order, and other terms and conditions. You analyze the potential order, and it's a good one. You can manufacture, package and ship the order within the required frame time, and the profit margins are very attractive. The only problem will be that you need another, let's say, $250,000 in order to buy the raw materials in order to fabricate the products. Now, you know that your bank has been making some noises about your borrowing activity, but this is too good an order to pass up, so you go visit your commercial banker to solicit his or her support.

The banker reviews the opportunity and tells you that this loan would put you over the amount of credit that the bank feels comfortable extending you, or you don't have enough acceptable collateral available to support the transaction. Most commercial banks will accept only domestic accounts receivable or finished goods inventory as collateral. Or perhaps the bank may explain that the relationship between your borrowing and your company's net worth, the so-called debt equity ratio will be, as a result of this loan, higher than the ratio with which the bank is comfortable. *However, we hope the banker will say, if you could get me an ExIm Bank Working Capital Guarantee, we, the bank, may be willing to reconsider your loan request. And why would they do that? Because the United States Government will be guaranteeing 90 cents on the dollar, of both interest and loan amount, and because the commercial bank will have to reserve only against 20 percent of the loan, whereas if they extended the credit at their own risk, the bank would probably have to reserve against 100 percent of the loaned amount.*

If you receive a working capital guarantee, the likelihood of your bank lending you the money for your Chinese sale is very good indeed!

Now let's take this transaction one step further and talk about repayment terms that you might extend to the foreign buyer:
Currently, if you are selling abroad, it may be on a cash in advance (CIA) or confirmed, irrevocable letter of credit (L/C) basis. In either case, you're not extending credit to the foreign buyer, and you will be paid either before you ship (CIA) or immediately upon shipment (L/C). If your foreign customers will do business with you on those terms, by all means, do it that way! In such cases, you have no foreign risk; you receive payment quickly and can pay off your working capital loan right away.

However, what will most likely happen is one of two things. First, your foreign buyer may, after doing business with you on a CIA or L/C for perhaps a few months or a year, announce that if you wish to continue to sell your product to them, you must begin extending them credit terms, perhaps, 30, 60, 90 days or longer; whatever is appropriate for your type of product. And the reason for that is because by opening L/Cs in your favor or paying CIA, it ties up the foreign buyers credit facilities at their bank, and reduces the amount of loans that the foreign customer may wish to utilize for other purposes.

The second thing that may happen – and let's go back to the "Chinese buyer" I discussed earlier, is that the foreign buyer in his/her initial approach to you, may state in their letter that they require you to extend them credit terms as a condition of selling to them in the first place. So, in either case, what are you going to do?

Here we will talk about ***ExIm Bank Insurance.***

ExIm Insurance allows you to sell more to your existing foreign customers or begin to do business with a foreign buyer that you have never done business with before, and perhaps even in a country where you have never done business before.

ExIm insurance takes away the political and commercial risk you associate with doing business abroad.

What's "political risk?" War, insurrection, civil war, failure of the foreign government to make foreign exchange available (that is, refusing or failing to convert the local currency into dollars to pay the obligation that the foreign buyer has to you).

What's "commercial risk?" Those business factors that make it impossible for the foreign buyer to meet their financial commitments; bankruptcy, denial of credit, natural disasters that disrupt the companies' operations such as earthquakes, floods, fire, etc., so that they are unable to operate and meet their obligations.

By using ExIm insurance, you can safely extend credit to a foreign buyer, knowing that if they fail to pay for either political or commercial reasons, you can claim against your insurance and be reimbursed. Typically, ExIm's insurance policies cover 100 percent of the political risk and 90 percent of the commercial risk.

What are our most popular policies? The Multi-buyer Policy which covers several foreign buyers in, perhaps, several foreign countries is our most popular policy. Policies are typically written for up to one year, and are renewable. We can also write a single buyer policy for sales to one single foreign buyer. Perhaps you are already doing business abroad on open account terms, and have a potential new customer.

Because you have never done business with that customer before, perhaps it would be wise for you to insure that business with ExIm Bank.

Let me share two additional thoughts with you Perhaps you are already doing business abroad and extending credit to your foreign buyers, and you might also need additional working capital, but your bank will not let you add your foreign accounts receivable to your collateral pool.

You may wish to consider taking out ExIm insurance on your existing foreign receivables and assign the insurance policy proceeds to your commercial bank. Most banks that we deal with will permit you to add the insured foreign receivables to your collateral pool, which may help you get the short term funds from your bank that you need.

The second thought is again you may be doing business on open account terms abroad, but you have limits on how much credit you are prepared to extend to your customers. Suddenly, a good customer to whom you are extending credit, wants to place a big order with you, but the size of the order is greater than the internal credit limit you have set for this customer. Here again, a single buyer insurance policy may solve the problem. You get the big order, and the customer gets the credit terms that they require.

We have been discussing the programs that are specifically designed for, and most commonly used by, smaller exporters. However, ExIm Bank is also a provider of medium and long-term guarantees, and long-term loans to support large transactions, generally in the multi-million dollar range. You may be fortunate as your business expands to receive a 3, 4, 5 million dollar order or more, where you are going to need ExIm Bank's Working Capital Guarantee to fabricate the order and your foreign buyer will need an ExIm Bank medium term guarantee to get the bank loan they need to finance the purchase of your goods or services.

For full information about the wide array of services ExIm Bank can provide to help you in your export efforts, please call our toll free number, 1-800-565-EXIM, visit our website, listed above, or call a United States Export Assistance Center (USEAC), which can be found in the blue pages of your telephone book under "United States Government."

In addition to the federal agency programs referred to above, many state, regional, county, and local governments also have programs to assist a small business in financing exports. Contact your local government agencies for information on export assistance programs in your area. In addition, many state governments provide export financing through their international trade offices. A list of all state trade offices is available in the *National Export Directory*. The Bankers Association for Foreign Trade, a non-profit association of approximately 450 banks, matches exporters in need of trade financing with interested banks. They can be reached by telephone at (202) 452-0952. Also, many regional and local banks provide financing for businesses interested in exporting. Contact your local bank to see what kind of programs they provide. Finally, the TIC produces an *Alternative Finance Guide* that lists other options to pursue for export financing. The guide can be retrieved from the ***TIC web site***, from the ***fax retrieval system*** at 1-800-USA-TRAD, or by calling a trade specialist.

How to arrange transportation and cargo insurance?

The freight forwarder holds the key to sorting out the best transportation and insurance options. Customizing services to fit the clients' operational needs are the forwarder's specialty. Forwarders coordinate arrangements for storage, pick-and-pack operations, consolidations or full-container movements as well as inland transportation to provide clients with true door-to-door service. From assisting with initial quotations or preparation of pro-forma invoices, the banking clients' documents for collection, the full-service, professional freight forwarder is the most reliable partner one can have in international trade.

For more than 100 years, the *National Customs Brokers & Forwarders Association of America, Inc. (NCBFAA)* has been the voice of the customs brokering and freight forwarding industry. Based on its experience, the NCBFAA has recommended Terms and Conditions of service for all of it members, including freight forwarders. These Terms and Conditions list each of the responsibilities of the forwarder and the responsibilities of the client. It may be useful for exporters to examine the NCBFAA's recommended Terms and Conditions of Service. These Terms and Conditions embrace the NCBFAA members' extensive experience and anticipate the types of problems that can arise in exporting and importing. These Terms and Conditions also refer to a large body of laws, regulations, and procedures and brings together the entire exporting process to finally move the goods from here to there!

TERMS AND CONDITIONS OF SERVICE

(as recommended by the NCBFAA)

(Please refer to *http://www.ncbfaa.org*)

All shipments to or from the Customer, which term shall include the exporter, importer, sender, receiver, owner, consignor, consignee, transferor or transferee of the shipments, will be handled by (herein called the "Company") on the following terms and conditions:

1. Services by Third Parties. Unless the Company carries, stores or otherwise physically handles the shipment, and loss, damage, expense or delay occurs during such activity, the Company assumes no liability as a carrier and is not to be held responsible for any loss, damage, expense or delay to the goods to be forwarded or imported except as provided in paragraph 8 and subject to the limitations of paragraph 9 below, but undertakes only to use reasonable care in the selection of carriers, truck men, lightermen, forwarders, customs brokers, agents, warehousemen and others to whom it may entrust the goods for transportation, cartage, handling and/or delivery and/or storage or otherwise. When the company carries, stores or otherwise physically handles the shipment, it does so subject to the limitation of liability set forth in paragraph 8 below unless a separate bill of lading, air waybill or other contract of carriage is issued by the Company, in which event the terms thereof shall govern.

2. Liability Limitations of Third Parties. The Company is authorized to select and engage carriers, truck men, lightermen, forwarders, customs brokers, agents, warehousemen and others, as required, to transport, store, deal with and deliver the goods, all of whom shall be considered as the agents of the Customer, and the goods may be entrusted to such agencies subject to all conditions as to limitation of liability for loss, damage, expense or delay and to all rules, regulations, requirements and conditions, whether printed, written or stamped, appearing in bills of lading, receipts or tariffs issued by such carriers, truck men, lightermen, forwarders, customs brokers, agents, warehousemen and others. The Company shall under no circumstances be liable for any loss, damage, expense or delay to the goods for any reason whatsoever when said goods are in custody, possession or control of third parties selected by the Company to forward, enter and clear, transport or render other services with respect to such goods.

3. Choosing Routes or Agents. Unless express instructions in writing are received from the Customer, the Company has complete freedom in choosing the means, route and procedure to be followed in the handling, transportation and delivery of the goods. Advice by the Company to the Customer that a particular person or firm has been selected to render services with respect to the goods shall not be construed to mean that the Company warrants or represents that such person or firm will render such services.

4. Quotations Not Binding. Quotations as to fees, rates of duty, freight charges, insurance premiums or other charges given by the Company to the Customer are for informational purposes only and are subject to change without notice and shall not under any circumstances be binding upon the Company unless the Company in writing specifically undertakes the handling or transportation of the shipment at a specific rate.

5. Duty to Furnish Information. (a) On an import at a reasonable time prior to entering of the goods for U.S. Customs, the Customer shall furnish to the Company invoices in proper form and other documents necessary or useful in the preparation of the U.S. Customs entry and, also, such further information as may be sufficient to establish, inter alia, the dutiable value, the classification, the country of origin, the genuineness of the merchandise and any mark or symbol associated with it, the Customer's right to import and/or distribute the merchandise, and the merchandise's admissibility, pursuant to U.S. law or regulation. If the Customer fails in a timely manner to furnish such information or documents, in whole or in part, as may be required to complete U.S. Customs entry or comply with U.S. laws or regulations, or if the information or documents furnished are inaccurate or incomplete, the Company shall be obligated only to use its best judgment in connection with the shipment and in no instance shall be charged with knowledge by the Customer of the true circumstances to which such inaccurate, incomplete, or omitted information or document pertains. Where a bond is required by U.S. Customs to be given for the production of any document or the performance of any act, the Customer shall be deemed bound by the terms of the bond notwithstanding the fact that the bond has been executed by the Company as principal, it being understood that the Company entered into such undertaking at the instance and on behalf of the Customer, and the Customer shall indemnify and hold the Company harmless for the consequences of any breach of the terms of the bond. (b) On an export at a reasonable time prior to the exportation of the shipment the Customer shall furnish to the Company the commercial invoice in proper form and number, a proper consular declaration, weights, measures, values and other information in the language of and as may be required by the laws and regulations of U.S. and the country of destination of the goods. (c) On an export or import the Company shall not in any way be responsible or liable for increased duty, penalty, fine or expense unless caused by the negligence or other fault of the Company, in which event its liability to the Customer shall be governed by the provisions of paragraphs 8-10 below. The Customer shall be bound by and warrant the accuracy of all invoices, documents and information furnished to the Company by the Customer or its agent for export, entry or other purposes and the Customer agrees to indemnify and hold harmless the Company against any increased duty, penalty, fine or expense including attorneys' fees, resulting from any inaccuracy, incomplete statement, omission or any failure to make timely presentation, even if not due to any negligence of the Customer.

6. Declaring Higher Valuation. Inasmuch as truckers, carriers, warehousemen and others to whom the goods are entrusted usually limit their liability for loss or damage unless a higher value is declared and a charge based on such higher value is agreed to by said truckers, etc., the Company must receive specific written instructions from the Customer to pay such higher charge based on valuation and the trucker, etc. must accept such higher declared value; otherwise the valuation placed by the Customer on the goods shall be considered solely for export or customs purposes and the goods will be delivered to the truckers, etc. subject to the limitation of liability set forth herein in paragraphs 8-10 below with respect to any claim against the Company and subject to the provisions of paragraph 2 above.

7. Insurance. The Company will make reasonable efforts to effect *marine, fire, theft and other insurance* upon the goods only after specific written instructions have been received by the Company in sufficient time prior to shipment from point of origin, and the Customer at the same time states specifically the kind and amount of insurance to be placed. The Company does not undertake or warrant that such insurance can or will be placed. Unless the Customer has its own open marine policy and instructs the Company to effect insurance under such policy, insurance is to be effected with one or more insurance companies or other underwriters to be selected by the Company. Any insurance placed shall be governed by the certificate or policy issued and will only be effective when accepted by such insurance companies or underwriters. Should an insurer dispute its liability for any reason, the insured shall have recourse against the insurer only and the Company shall not be under any responsibility or liability in relation thereto, notwithstanding that the premium upon the policy may not be at the same rates as that charged or paid to the Company by the Customer, or that the shipment was insured under a policy in the name of the Company. Insurance premiums and the charge of the Company for arranging the same shall be at the Customer's expense. If for any reason the goods are held in warehouse, or elsewhere, the same will not be covered by any insurance, unless the Company receives written instructions from the Customer. Unless specifically agreed in writing, the Company assumes no responsibility to effect insurance on any export or import shipment which it does not handle.

8. Limitation of Liability for Loss, etc. (a) The Customer agrees that the Company shall only be liable for any loss, damage expense or delay to the goods resulting from the negligence or other fault of the Company; such liability shall be limited to an amount equal to the lesser of fifty dollars ($50.00) per entry or shipment or the fee(s) charged for services, provided that, in the case of partial loss, such amount will be adjusted, pro rata; (b) Where the Company issues its own bill of lading and receives freight charges as its compensation, Customer has the option of paying a special compensation and increasing the limit of Company's liability up to the shipment's actual value; however, such option must be exercised by written agreement, entered into prior to any covered transaction(s), setting forth the limit of the Company's liability and the compensation received; (c) In instances other than in (b) above, unless the Customer makes specific written arrangements with the Company to pay special compensation and declare a higher value and Company agrees in writing, liability is limited to the amount set forth in (a) above; (d) Customer agrees that the Company shall, in no event, be liable for consequential, punitive, statutory or special damages in excess of the monetary limit provided for above.

9. Presenting Claims. Company shall not be liable under paragraph 8 for any claims not presented to it in writing within 90 days of either the date of loss or incident giving rise to the claim; no suit to recover for any claim or demand here under shall be maintained against the Company unless instituted within six (6) months after the presentation of the said claim or such longer period provided for under statute(s) of the State having jurisdiction of the matter.

10. Advancing Money. The Company shall not be obliged to incur any expense, guarantee payment or advance any money in connection with the importing, forwarding, transporting, insuring, storing or coopering of the goods, unless the same is previously provided to the Company by the Customer on demand. The Company shall be under no obligation to advance freight charges, customs duties or taxes on any shipment, nor shall any advance by the Company be construed as a waiver of the provisions hereof.

11. Indemnification for Freight, Duties. In the event that a carrier, other person or any governmental agency makes a claim or institutes legal action against the company for ocean or other freight, duties, fines, penalties, liquidated damages or other money due rising from a shipment of goods of the Customer, the Customer agrees to indemnify and hold harmless the Company for any amount the Company may be required to pay such carrier, other person or governmental agency together with reasonable expenses, including attorneys' fees, incurred by the Company in connection with defending such claim or legal action and obtaining reimbursement from the Customer. The confiscation or detention of the goods by any governmental authority shall not affect or diminish the liability of the Customer to the Company to pay all charges or other money due promptly on demand.

12. C.O.D. Shipments. Goods received with Customer's or other person's instructions to "Collect on Delivery" (C.O.D.) by drafts or otherwise, or to collect on any specified terms by time drafts or otherwise, are accepted by the Company only upon the express understanding that it will exercise reasonable care in the selection of a bank, correspondent, carrier or agent to whom it will send such item for collection, and the Company will not be responsible for any act, omission, default, suspension, insolvency or want of care, negligence, or fault of such bank, correspondent, carrier or agent, nor for any delay in remittance lost in exchange, or during transmission, or while in the course of collection.

13. General Lien on Any Property. The Company shall have a general lien on any and all property (and documents relating thereto) of the customer, in its possession, custody or control or en route, for all claims for charges, expenses or advances incurred by the Company in connection with any shipments of the Customer and if such claim remains unsatisfied for thirty (30) days after demand for its payment is made, the Company may sell at public auction or private sale, upon ten (10) days written notice, registered mail (R.R.R.), to the Customer, the goods, wares and/or merchandise, or so much thereof as may be necessary to satisfy such lien, and apply the net proceeds of such sale to the payment of the amount due to the Company. Any surplus from such sale shall be transmitted to the Customer, and the Customer shall be liable for any deficiency in the sale.

14. Compensation of Company. The compensation of the Company for its services shall be included with and is in addition to the rates and charges of all carriers and other agencies selected by the Company to transport and deal with the goods and such compensation shall be exclusive of any brokerage, commissions, dividends or other revenue received by the Company from carriers, insurers and others in connection with the shipment. On ocean exports, upon request, the Company shall provide a detailed breakout of the components of all charges assessed and a true copy of each pertinent document relating to these charges. In any referral for collection or action against the Customer for monies due the Company, upon recovery by the Company, the Customer shall pay the expenses of collection and/or litigation, including a reasonable attorney fee.

15. No Responsibility for Governmental Requirements. It is the responsibility of the Customer to know and comply with the marking requirements of the U. S. Customs Service, the regulations of the U. S. Food and Drug Administration, and all other requirements, including regulations of Federal, state and/or local agencies pertaining to the merchandise. The Company shall not be responsible for action taken or fines or penalties assessed by any governmental agency against the shipment because of the failure of the Customer to comply with the law or the requirements or regulations of any governmental agency or with a notification issued to the Customer by any such agency.

16. Indemnity Against Liability Arising from the Importation of Merchandise. The Customer agrees to indemnify and hold the Company harmless from any claims and/or liability arising from the importation of merchandise which violates any Federal, state and/or other laws or regulations and further agrees to indemnify and hold the Company harmless against any and all liability, loss, damages, costs, claims and/or expenses, including but not limited to attorney's fees, which the Company may hereafter incur, suffer or be required to pay by reason of claims by any government agency or private party. In the event that any action, suit or proceeding is brought against the Company by any government agency or any private party, the Company shall give notice in writing to the Customer by mail at its address on file with the Company. Upon receipt of such notice, the Customer at its own expense shall defend against such action and take all steps as may be necessary or proper to prevent the obtaining of a judgment and/or order against the Company.

17. Loss, Damage or Expense Due to Delay. Unless the services to be performed by the Company on behalf of the Customer are delayed by reason of the negligence or other fault of the Company, the Company shall not be responsible for any loss, damage or expense incurred by the Customer because of such delay. In the event the Company is at fault, as aforesaid, its liability is limited in accordance with the provisions of paragraphs 8-9 above.

18. Construction of Terms and Venue. The foregoing terms and conditions shall be construed according to the laws of the State of ____________________. Unless otherwise consented to in writing by the Company, no legal proceeding against the Company may be instituted by the Customer, its assigns, or subrogee except in the City of _________________________________.
Approved by the National Customs Brokers & Forwarders Association of America, Inc. (Revised 6/94)

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Chapter Five examines *"Hot Export Issues."*

Chapter Five
"Hot" Export-Related Issues

Many of the "hot" export-related issues of the day pertain to trade barriers and trade incentives. These issues are actually mirror images of each other; trade barriers to one side of the trading partnership are trade incentives to the other side, and vice versa. The objective of this chapter is to help minority exporters take advantage of available incentives, while avoiding the trade barriers. Six of the "hot" export-related issues of the day include:

Agreements	Intellectual Property Rights (IPR)	Standards	Foreign Corrupt Practices	Tariffs	Foreign Trade Zones

***What** are the "Hot" Agreements?*

World Trade Organization (WTO)

In November 1999, the United States will host the WTO Ministerial Conference in Seattle, WA. The meeting will bring together the heads of several countries to address such key issues as market access in agriculture, services, and industrial goods. In addition, E-commerce, the environment, trade and labor, institutional reform, accession to the WTO, and dispute settlement will on the agenda.

The U.S. Role in Shaping the Trading System

Since the creation of the General Agreement on Tariffs and Trade (GATT) in 1948, the U.S. has played a leading role in helping to shape the global trading system. Since that time eight successive negotiations were concluded, culminating in the Uruguay Round which created the WTO. The objective of the WTO is to advance the basic principals of the rule of law, transparency, and fair play in the world economy. Despite the accomplishments of the Uruguay Round, *the Ministerial will have many issues for discussion and agreement. The "hot" issues are discussed as follows. For details see: (http://www.wto.org).*

The World Trade Organization (WTO) came into being in 1995. One of the youngest of the international organizations, the WTO is the successor to the **General Agreement on Tariffs and Trade (GATT)** established in the wake of the Second World War. The system was developed through a series of trade negotiations, or *rounds*, held under GATT. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. The latest round, the 1986-94 **Uruguay Round**, led to the WTO's creation. The negotiations did not end there. Some continued after the end of the Uruguay Round. In February 1997 agreement was reached on telecommunications services, with 69 governments agreeing to wide-ranging liberalization measures that went beyond those agreed in the Uruguay Round. In the same year, 40 governments successfully concluded negotiations for tariff-free trade in information technology products, and 70 members concluded a financial services deal covering more than 95% of trade in banking, insurance, securities and financial information. Further negotiations will be held during a WTO Ministerial to be held in Seattle, Washington, in November, 1999.

The "hot" issues identified in recent testimony by U.S. Ambassador Susan Esserman, Deputy U.S. Trade Representative (*http://www.ustr.gov*), before the House Ways and Means Subcommittee on Trade, Aug. 5, 1999. They can be found in a USTR document entitled *"The American Goals in the Trading System."*

1. Compliance with Agreements: A key objective of the WTO Ministerial is to effectively implement existing agreements. WTO members have a Jan. 1, 2000 deadline to meet the Uruguay Round commitments concerning Intellectual Property, TRIMs, subsidies, and customs valuation. In succeeding years, final liberalization commitments under the Agreement on Clothing and Textiles, Uruguay Round tariff commitments are expected to be realized. WTO members that have not ratified the Basic Telecommunications and Financial Services Agreements are also being encouraged to adopt the agreement.

2. Developing an Agenda for the New Round: The core of the agenda will address market access concerns including agriculture, services and industrial goods, with benchmarks to ensure that the negotiations remain on schedule for completion within three years. The agenda will pay special attention to areas in which trade policy can encourage technological progress, notably E-commerce. The agenda will also support efforts to improve worldwide environmental protection, transparency, and citizen access.

3. Key issues: are shown in Table 12.

Table 12: Key WTO Issues for the November 1999 WTO Ministerial in Seattle, WA

- **Market Access in Agriculture**
  - *Eliminate export subsidies*
  - *Reduce trade-distorting supports*
  - *Lower tariffs and "bind" them*
  - *Improve market access for least developed WTO members*
  - *Ensure that trade in agricultural biotechnology products is based on transparent, predictable and timely processes*

- **Market Access in Services**
  - *Liberalize restrictions in a broad range of services sectors*
  - *Ensure GATS rules anticipate the development of new technologies*
  - *Prevent discrimination against E-Commerce and other modes of delivering services*
  - *Develop disciplines to ensure transparency and good governance in the regulation of services*

- **Market Access in Industrial Goods**
  - *Reduce tariff disparities*
  - *Recognize WTO members for tariff liberalization measures*
  - *Address non-tariff issues*
  - *Improve market access*

- **Electronic Commerce**
  - *Ensure that artificial barriers do not delay or block E-commerce developments*
  - *Ensure technological neutrality in the development of WTO rules and capacity building for the Internet*
  - *Ensure that cyberspace is duty and tariff free*

- **Trade and Labor**
  - *Address trade issues relating to labor standards*
  - *Enhance institutional links between the WTO and the International Labor Organization (ILO)*
  - *Utilize the General System of Preferences (GSP) to promote core labor standards*

- **Institutional Reform**
  - *Strengthen transparency and build support for the WTO*
  - *Provide technical assistance and capacity-building programs to ensure that least developed WTO members can implement their commitments*
  - *Ensure that SMEs benefit from market-opening commitments of the Round*

- **Accessions**
  - *Expedite processing of the applications of 31 new WTO members*

- **Dispute Settlement Review**
  - *Involve stakeholders in the process of review*

In addition to visiting the WTO website at *(http://www.wto.org)*, readers are also encouraged to visit the U.S. Department of Commerce Market Access Compliance (MAC) website at *(http://www.mac.doc.gov)* for a comprehensive list of other existing agreements between the U.S. and its trading partners. Readers are further encouraged to learn more about the NAFTA agreement by visiting the MAC website or the NAFTA website at (*http://ww.nafta.org*).

What are the "Hot" IPR Issues?

Intellectual Property Rights (IPR) were briefly discussed in previous chapters. This chapter provides further information about IPR and identifies the "hot" IPR issues within the context of the WTO. An overview of the WTO agreement on *Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)* is provided. For a detailed discussion of these issues, visit the WTO website at: (*http://www.wto.org/wto/intellec/intell2.htm*).

Main features of the TRIPS Agreement

The TRIPS Agreement, which came into effect on 1 January 1995, is the most comprehensive multilateral agreement on intellectual property. The areas of intellectual property that it covers are copyright and related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organizations); trademarks including service marks; geographical indications including appellations of origin; industrial designs; patents including the protection of new varieties of plants; the layout-designs of integrated circuits; and undisclosed information including trade secrets and test data.

The three main features of the TRIPS Agreement are:

(i) Standards. The TRIPS Agreement defines the minimum standards of protection provided by each WTO member. The main elements of protection include the subject matter to be protected; the rights to be conferred and permissible exceptions to those rights; and the minimum duration of protection. The Agreement requires compliance with the substantive obligations of the main conventions of the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention). With the exception of the provisions of the Berne Convention on moral rights, the main provisions of these conventions are incorporated and thus become obligations under the TRIPS Agreement between TRIPS member countries. The TRIPS Agreement adds additional obligations in areas where the pre-existing conventions are absent or inadequate. The TRIPS Agreement is sometimes referred to as a "Berne and Paris-plus agreement."

(ii) Enforcement. The second set of provisions deals with domestic procedures and remedies for the enforcement of intellectual property rights. The Agreement sets certain general principles applicable to all IPR enforcement procedures. In addition, it contains provisions on civil and administrative procedures and remedies; provisional measures; special requirements related to border measures and criminal procedures, which specify in detail, the procedures and remedies that must be available so that right holders can effectively enforce their rights.

(iii) Dispute settlement. Under the Agreement, all disputes between WTO members are subject to the WTO's dispute settlement procedures.

Substantive Standards of Protection

1. Copyright: The Berne Convention provides adequate basic standards of copyright protection. WTO negotiations allow developing countries, under certain conditions, to make some limitations to the right of translation and the right of reproduction. Other important issues include, but are not limited to the following:

- **Computer software programs**, whether in source or object code, shall be protected as literary works under the Berne Convention (1971). This provision confirms that computer programs must be protected under copyright and that those provisions of the Berne Convention that apply to literary works, shall also be applied to computer software. The protection extends to the software regardless of whether it is source code or object code. Only those limitations that are applicable to literary works may be applied to computer programs including coverage up to 50 years. Possible shorter terms applicable to photographic works and works of applied art may not be applied.
- **Databases and other compilations of data or other material** shall be protected under copyright even where the databases include data that are not protected under copyright. The copyright protection for databases includes the selection or arrangement of their contents. The provision also confirms that databases have to be protected regardless of whether they are machine-readable or in some other form. The provision also clarifies that the protection shall not extend to the data or material itself, and that it shall be without prejudice to any copyright subsisting in the data or material itself.
- **The term of protection shall be the life of the author and 50 years after death**.

2. Industrial designs: Article 25.1 of the TRIPS Agreement obligates members to protect independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations.

- **Shorter life cycle of designs:** Article 25.2 contains a special provision aimed at the short life cycle and great number of new designs in the textile sector: requirements for protecting of these designs, in particular in regard to any cost, examination or publication, must not unreasonably impair the opportunity to seek and obtain such protection. Members may meet this obligation through industrial design law or through copyright law.

- **Protection from third parties:** Article 26.1 requires members to grant the owner of a protected industrial design the right to prevent third parties who do not have a license from the design's owner from making, selling or importing articles for sale bearing or embodying a design which is a copy, or substantially a copy, of the protected design.

- **Exceptions:** Article 26.2 allows members to provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties. The duration of protection available shall amount to at least 10 years. The wording "amount to" allows the term to be divided into, for example, two periods of five years.

3. Patents: The TRIPS Agreement requires member countries to grant patents for any inventions, whether products or processes. The patents should be granted under the normal tests of novelty, inventiveness, and industrial applicability. Article 27.1 of the Agreement requires patents be granted and patent rights extended regardless of where the items were invented, imported, or produced. Patents may be denied if the item or process is contrary to public order or morality; if it involves diagnostic, therapeutic and surgical methods for the treatment of humans or animals; or if it involves plants and animals other than micro-organisms and biological processes for the production of plants or animals other than non-biological and microbiological processes. Other key issues include, but are not limited to, the following:

- **Exclusive rights** of protection that extend to the production, use, sale and importation of an item or process.

- **Process patent protection** covers the process and products obtained directly by the process.

- **Patent owners shall also have the right to** assign, or transfer by succession, the patent and to conclude licensing contracts.

- **The term of protection** shall be for a period of not less than 20 years from the filing date.

- **Compulsory licensing and government use without the authorization of the right holder is allowed**, but is subject to conditions aimed at protecting the legitimate interests of the patent holder.

4. Layout-designs of integrated circuits: Article 35 of the TRIPS Agreement requires member countries to protect the layout designs of integrated circuits in accordance with the provisions of the Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC Treaty) of 1989. These provisions define "integrated circuit" and "layout-design (topography)," requirements for protection, exclusive rights, and limitations, as well as exploitation, registration and disclosure. An "integrated circuit" is a group of tiny electronic components and their connections in or on a small slice of materials such as silicon.

A "lay out design" or topography is defined as the three-dimensional drawing or representation depicting an action element and some or all of the interconnections of an integrated circuit. Patent protection extends to original layout designs that are not common to other designs or manufactures of integrated circuits when the designs are created. The owner has exclusive rights to reproduce, import, sell, and distribute the designs.

5. Protection of undisclosed information: The TRIPS Agreement requires members to protect trade secrets and company sensitive process. The protection extends to information that has commercial value because it is secret and the efforts taken to keep it secret. The Agreement does not require undisclosed information to be treated as a form of property. However, it does require that people lawfully in control of secret information keep the information from being disclosed to, acquired by, or used by others. This is to be done in a "manner contract to honest commercials practices," including the breach of contract, breach of confidence and inducement to breach, as well as the acquisition of undisclosed information by third parties who knew or were grossly negligent in failing to know that these practices were used to obtain the information.

6. Control of anti-competitive practices in contractual licenses: Article 40 of the agreement on this issue states that WTO Member countries may adopt licensing practices preventing abusive or anti-competitive intellectual property rights practices. The Agreement provides a mechanism for one country to take action against another member country if that country is involved in abusive or anti-competitive practices. Countries can enter into consultations with other countries and exchange non-confidential information relevant to the abusive or anti-competitive or practices in question. Similarly, a country that companies are subject to such action can consult with those members.

7. Enforcement of intellectual property rights: Five sections in the Agreement cover enforcement. For details refer to the WTO website (http://www.wto.org).

***What** are the "Hot" Standards Issues?*

Standards, Testing, Labeling, and Certification

Standards are intended to help protect consumers, but standards can pose Technical Barriers to Trade (TBTs). As historical trade barriers such as tariffs are abolished, through the World Trade Organization (WTO) forum, TBTs are increasingly taking their place. The latest issues and agreements related to standards follows.

What are standards?

Standards are documented agreements of technical specifications or other precise criteria used consistently to ensure that materials, products, processes, and services are uniform. The format used for credit cards, phone cards, and "smart" cards is an example of an ISO International Standard. Each card is produced to a standard, for example, the card's thickness (0.76 mm), which allows the cards to be used worldwide. International standards contribute to making life simpler, and to increasing the reliability and effectiveness of the goods and services we use. An outline of ISO standards and WTO standards follow.

A. ISO 9000 AND ISO 14000
B. STANDARDS and the WTO

A *ISO 9000 and ISO 14000*

Most firms are familiar with ISO requirements. ISO compliance is one of the "hottest" issues in trade, and in the overall context of a firm's competitiveness. The information provided is summarized from the ISO web site and provides a basic introduction of the main ISO concepts. For detail information, readers are encouraged to visit the ISO website at (*http://www.iso.ch.org*).

Background:
ISO has been developing voluntary technical standards for business, industry and technology since 1947. With the exception of ISO 9000 and ISO 14000, the vast majority of ISO standards are highly specific. They are documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics to ensure that materials, products, processes, and services are uniform. Before ISO 9000 and ISO 14000 standards were in place, standards were principally of concern to engineers and other technical specialists.

What exactly are ISO 9000 and ISO 14000?

Both "ISO 9000" and "ISO 14000" are families of standards. Both families consist of guidelines relating to management systems and related supporting standards on terminology and specific tools, such as auditing (the process of checking that the management system conforms to the standard).

ISO 9000 is primarily concerned with "quality management." The standardized definition of "quality" in ISO 9000 refers to all those features of a product (or service) which are required by the customer. "Quality management" refers to an organization's processes and procedures to ensure that its products conform to the customer's requirements.

ISO 14000 is primarily concerned with "environmental management" or what an organization does to minimize possible harmful effects made to the environment by its activities.

Visit the ISO website for further details *(http://www.iso.ch.org)*.

B

Standards and the WTO

Higher standards of living which boost consumer demand for safe and high-quality products coupled with growing concerns about water, air and soil pollution have fueled the adoption of technical regulations and standards by countries throughout the world. Although it is difficult to provide a precise cost estimate of the impact of these standards on international trade, it is a significant for producers and exporters. The factors contributing to these costs include translation services, additional staff to explain, follow and provide proof that all foreign regulations are met, and adjustments to production facilities needed to comply with the requirements. The high costs may discourage manufactures from entering the export arena. WTO and other international agreements prevent countries from adopting technical regulations and standards strictly to protect domestic industries.

A new WTO Agreement on Technical Barriers to Trade (TBT) has strengthened and clarified the provisions of previous Tokyo Round Standards Code. The TBT Agreement, negotiated during the Uruguay Round, is an integral part of the WTO Agreement. In order to understand the TBT Agreement, it is necessary to define the meaning of "technical regulations," "standards," and "conformity assessment procedures." For detailed information on the terms of the Agreement, which are focused on protection of human safety or health, protection of animal and plant life or health, protection of the environment, prevention of deceptive practices, and other objectives, visit the WTO website at: (*http://www.wto.org*).

1. **Technical regulations and standards in the TBT Agreement:** Technical regulations and standards set out specific characteristics of a product - such as its size, shape, design, functions and performance, or the way it is labeled

or packaged before it is offered for sale. In certain cases, the way a product is produced can affect these characteristics. It may be more appropriate to draft technical regulations and standards in terms of a product's process and production methods rather than its characteristics. The TBT Agreement allows for both approaches when it defines technical regulations and standards.

2. Conformity assessment procedures: Conformity assessment procedures are technical procedures - such as testing, verification, inspection and certification - which confirm that products fulfill the regulations and requirements. Generally, exporters bear the cost, if any, of these procedures. Moreover, non-transparent and discriminatory conformity assessment procedures can become effective protectionist tools.

3. Loss of Economies of Scale: If a firm must adjust its production facilities to comply with diverse technical requirements in individual markets, production costs per unit are likely to increase. This can impose a handicap on small and medium enterprises.

4. Compliance Assessment Costs: Compliance with technical regulations generally needs to be confirmed through testing, certification or inspection by laboratories or certification bodies, usually at the company's expense. In addition, information costs include the costs of evaluating the technical impact of foreign regulations, translating and disseminating product information, and the training of experts.

What are the "Hot" Foreign Corrupt Practices Issues?

Foreign Corrupt Practices

U.S. firms conducting business in foreign markets need to be familiar with the Foreign Corrupt Practices Act (FCPA) of 1977. The FCPA prohibits U.S. nationals and firms from making corrupt payments to foreign officials to obtain or retain business. Investigations by the Securities and Exchange Commission (SEC) in the mid-1970s, led to the enactment of the FCPA. The investigation revealed that more than 400 U.S. companies admitted making questionable or illegal payments in excess of $300 million to foreign government officials, politicians, and political parties. Abuses disclosed ran the "gamut from bribery of high foreign officials to so-called facilitating payments that allegedly were made to ensure that government functionaries discharged certain ministerial or clerical duties." Congress enacted the FCPA to bring a halt to the bribery of foreign officials and to restore public confidence in the integrity of the American business system.

An extensive review of the antibribery provisions of the FCPA is provided at the following website: (*http://www.ita.doc.gov/legal*). The information provided in the manual is from the website and focuses on the antibribery provisions of the FCPA.

Introduction

The FCPA makes it unlawful to bribe foreign government officials to obtain or retain business. The antibribery provisions apply both to certain issuers of registered securities and to their businesses and individuals referred to as "domestic concerns." A "domestic concern" is defined as any individual who is a citizen, national, or resident of the U.S., or any corporation, partnership, association, joint stock company, business trust, unincorporated organization or sole proprietorship which has its principal place of business in the U.S., or which is organized under the laws of a state of the U.S., or a territory, possession, or commonwealth of the U.S. The basic prohibition is against making bribes directly; a second prohibition covers responsibility of a domestic concern and its officials for bribes paid by intermediaries.

A. Basic Prohibition. It is unlawful for a firm and any officer, director, employee, or agent of a firm or any stockholder of a firm acting on behalf of the firm, to use the mails or means or other trade vehicle to offer a bribe or any payment to any foreign official. A bribe includes an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to any foreign official for the purposes of influencing any act or decision. This includes assistance to obtain or retain business with any person. A similar prohibition applies to payments to a foreign political party or official candidates for political office.

B. Payments by Intermediaries. It is also unlawful to give a bribe to any person, knowing that all or a portion of the payment will be offered, given, or promised, directly or indirectly, to any foreign official (or any foreign political party or official thereof, or to any candidate) to influence an act or decision which results in the firm obtaining or retaining business. "Knowing" encompasses "conscious disregard" and "willful blindness."

C. Enforcement. The SEC is responsible for civil enforcement of the accounting provisions and the antibribery provisions. The Department of Justice is responsible for all criminal enforcement and for civil enforcement of the antibribery provisions with respect to domestic concerns.

There are five elements which must be met to constitute a violation of the Act:

1. Who – The FCPA applies to any firm, officer, director, employee, or agent of the firm, and any stockholder acting on behalf of the firm using the mails and any other trade mechanisms. Individuals and firms may also be liable if they aid, abet, counsel, command, induce, procure, or willfully cause another to violate the antibribery provisions or if they conspire to violate those provisions.

2. Corrupt intent – Legislation states that the word "corruptly" "connotes an evil motive or purpose, an intent to wrongfully influence the recipient." Legislation also notes that the FCPA "does not require that the act be fully consummated or succeed in producing the desired outcome." The FCPA prohibits the corrupt use of the mails or means or instruments of interstate commerce, to send a payment that influences any act or decision of a foreign official in his official capacity. The FCPA also prohibits any action to induce such official to act in violation of the lawful duty of such official, or to induce a foreign official to use his influence with a foreign government to affect or influence any act or decision of such government.

3. Payment - The FCPA prohibits paying, offering, promising to pay, or authorizing to pay or offer, money or anything of value.

4. Recipient - The prohibition extends to corrupt payments to a foreign official, a foreign political party or party official, or any candidate for political office. The FCPA defines "foreign official" as any officer or employee of a foreign government or any department, agency, or instrument, or any person acting in an official capacity for or on behalf of such government or department, agency, or instrument.

5. Business Purpose Test - The FCPA prohibits payments made in order to assist the firm in obtaining, or retaining business for or with, or directing business to, any person. The business to be obtained or retained does not need to be with a foreign government or foreign government instrumentality.

In addition, the FCPA is concerned with corruption by third party payments. In particular, the FCPA prohibits the firm and its officers, directors, employees, agents, and stockholders from making corrupt payments through intermediaries. It is unlawful to make corrupt use of the mails or any means of interstate commerce in furtherance of a payment to a third party, knowing that all or a portion of the payment will go directly or indirectly to a foreign official. The elements of an offense are essentially the same as described previously, except in this case the "recipient" is the intermediary who is making the payment to the "foreign official." The "knowledge standard" encompasses the concepts of "conscious disregard" or "willful blindness." The requisite state of mind for this category of offense includes a conscious purpose to avoid learning the truth. The knowledge standard, consequently, covers both prohibited actions that are taken with "actual knowledge" of intended results as well as other actions that, while falling short of what the law terms 'positive knowledge,' show a conscious disregard or deliberate ignorance of known circumstances that should reasonably alert one to the high probability of violations of the Act. For further details please visit the aforementioned website.

What's "Hot" about Tariffs and Taxes?

Tariffs and Taxes

Tariffs and tax issues are always a "hot" issue because they are constantly changing and they have a significant impact on costs. As many minority-owned firms are in the IT sector, an example of how tariffs and taxes would be applied to computer hardware and software exports is provided.

A. TARIFF CATEGORIES

Tariffs are defined as a comprehensive list or "schedule" of merchandise with applicable rates to be paid or charged for each listed article; or a schedule of shipping rates charged, together with governing rules and regulations. There are three categories of rates used for tariffs and taxes on computers. Tariffs and taxes are applied on computer hardware to the cost, insurance, and freight (C.I.F.) value, unless noted otherwise. Tariffs are applied on computer software based on the value of the floppy disk or tape (media) only, or the full market value of the software (content). Computer services such as training and maintenance are uniformly tariff-free.

B. WITHHOLDING TAX ON SOFTWARE ROYALTIES

For taxation purposes, software sales are treated as income from royalties. Income derived from international software sales is subject to foreign income tax laws. Forty-eight countries have tax treaties with the U.S. A number of countries have withholding taxes listed as "exempt," meaning that software sales in that country are subject to tax only in the U.S. Each rate was taken directly from the country-specific Double Taxation Treaty. Countries that have a tax treaty with the U.S. but are not listed in the tables are Malta and Netherlands Antilles/Aruba.

If a country has no bilateral tax treaty with the U.S., the table will read "unknown." In this case, the U.S. company is entitled to a foreign tax credit. For more information on the tax that will be charged in that country, call the individual country's embassy. For more information on bilateral tax treaties or withholding taxes, contact the Internal Revenue Service, Tax Payer Service and Compliance at (202) 874-1460.

C. OTHER TAXES

Value added taxes (VATs) are applied to the C.I.F. value of the item plus the duty charged on the item, unless otherwise noted: [C.I.F. plus (tariff rate times C.I.F.) times VAT rate]. For information on the tax basis of other taxes listed in this column, contact the appropriate U. S. Department of Commerce country desk officer. It is important to remember that tariffs and taxes for IT products will be applied differently. Although a country may have a zero tariff for hardware or software products, taxes may be levied on the merchandise.

Since customs officials will assess tariffs (if applicable) and taxes based on different information, it is important for U.S. companies to include a variety of information on their **Shippers Export Declaration (SED)** to allow these officials to expeditiously process shipments. If information is missing or incomplete, customs may bar entry of the product until they are satisfied that their country's regulations and conditions have been met. It is recommended that U.S. companies include separate information on the invoice for the customer and for customs officials. The following information has proven to be helpful in previous instances: price charged to the foreign customer, quantity, value of the media, value of manuals and other supplementary materials, and the value of the intellectual property on the media. (The value of the media plus manuals plus intellectual property should equal the price charged to the foreign customer.)

Although tariffs (if applicable at all) will most often apply only to the media (i.e. the disk or CD-ROM), taxes are often levied on the total value or on the intellectual property. Understanding the difference between these concepts, and providing customs officials with complete information, can substantially ease potential problems at the border.

DOC Contact List for Tariff and Tax Information

For tariff and tax rates to countries in:

- **Asia, the Western Hemisphere, Africa, the Near East, and Western Europe**, contact the Trade Information Center at 1-800-USA-TRADE (1-800-872-8723) or by fax at 202-482-4473.
- **Russia and the Newly Independent States**, contact the Business Information Service for the Newly Independent States at 202-482-4655.
- **Central and Eastern Europe**, contact the Central and Eastern European Business Information Center at 202-482-2645.
- **For shipments to Puerto Rico**, call 202-482-0704.

TIC Tariff and Tax Information

Contact the Trade Information Center (TIC) at (*http://www.ita.doc.gov/TIC*) for detailed tariff and tax information and for links to sites providing tariff rates for 120 countries.

What are the "Hot" FTZ Issues?

What's "Hot" about Foreign Trade Zones?

Foreign Trade Zones (FTZs) are "hot" because they allow firms to defer tariff and duty payments until the goods enter the regular customs area in the U.S. FTZs are designated sites licensed by the FTZ Board at which special customs procedures may be used. FTZ procedures allow domestic activity involving foreign items to take place as if it were outside U.S. customs territory, offsetting customs advantages available to overseas producers who export in competition with products made in the U.S. Subzones are special purpose zones, usually at manufacturing plants.

What are the benefits to users of foreign trade zones?

- No duties or quota charges on re-exports
- Customs duties and federal excise tax deferred on imports
- Products can be entered at duty rate on product on condition it leaves zone when lower than component rate
- Foreign goods and domestic goods held for export are exempt from state/local inventory taxes

What are the public benefits?

- Attracts offshore activity and encourages retention of existing business
- Creates employment opportunities
- Helps local firms to compete with the foreign competition
- Encourages and facilitates exports

Who is interested in FTZs?

- States, communities, and public agencies sponsor and operate
- Private firms operate FTZs under contract
- More than 2,500 companies use FTZs including such firms as GE, AT&T, Kodak, Xerox, Polaroid, IBM, Apple, Smith-Corona, Caterpillar, SmithKline, DuPont, Dow, Alcoa, Chevron, Shell, Ford, GM, Chrysler, and foreign firms such as Honda, Toyota, Nissan, Bayer, Sharp, Hitachi, and Mitsubishi.

How significant are FTZs?

- 48 states have FTZs
- More than $90 billion in merchandise has been handled in FTZs
- More than 300,000 employees work in FTZs

What are the eligibility criteria for FTZ designation?

- Each U.S. port of entry is entitled to at least one zone
- The need for the proposed zone must be shown in terms of local economy and overall economic development objectives
- Applicants must have a suitable plan including provisions for facilities and financing
- Zone activities must be consistent with "public interest" criteria
- Subzone applicants must demonstrate a positive public benefit

How does the FTZ Board grant FTZs?

- The Board typically grants less than 100 requests annually, which involve expansions of existing zones, sub-zone designations, as well as new zones. "Public interest" criteria are paramount
- 25 percent of the cases involving manufacturing are denied
- Denials are typically associated with operations involving products subject to special import restrictions such as sugar, textiles, and steel

For more information contact the USDOC/ FTZ Office at:
(202) 482-2862, or visit their website at:
(http://www.ita.doc.gov/import_admin/records)

Chapter Six will provide a review of E-commerce.

Chapter Six
E-commerce and Exporting

This manual's final chapter examines developments in electronic commerce (E-commerce) and explores the impact of E-commerce on conducting business globally. E-commerce reduces the distance between buyers and sellers and enables minority businesses to leapfrog over many existing constraints by drastically reducing transaction and search costs. Key questions answered in this chapter include:

- ***What is E-commerce?***
- ***What are the technologies of E-commerce?***
- ***How fast is E-commerce growing?***
- ***What are the economic drivers of E-commerce?***
- ***What are the social implications of E-commerce?***
- ***How connected are minorities to E-commerce?***
- ***Why is E-commerce important for exporters?***
- ***How will E-commerce help minority firms compete for international markets?***
- ***What impact will E-commerce have on intermediaries?***
- ***How can I make my firm "E-commerce ready?"***
- ***What are some Internet resources that facilitate global E-commerce business transactions?***

What is E-commerce?

The World Trade Organization (WTO) defines electronic commerce as products that are bought and paid for over the Internet but are delivered physically, and products that are delivered as digitized information over the Internet. Electronic commerce, or the production, advertising, sale, and distribution of products via telecommunication networks can be divided into three broad categories:

- The research or search stage where producers and consumers, or buyers and sellers, first interact;

- The ordering and payment stage once a transaction has been agreed upon; and
- The delivery stage.

In the business world, four distinct types of E-commerce mingle and interact:

- Information access provides search and retrieve capability for public domain and proprietary data archives;
- Interpersonal communication services provide methods for parties with mutual interests to exchange information, “discuss” ideas, and improve their cooperation;
- Shopping services allow people to seek and purchase goods or services though electronic networks; and
- Virtual enterprises are business arrangements in which trading partners separated by geography and expertise are able to engage in complex joint business activities as if they were a single enterprise.

What are the technologies involved in E-commerce?

While many technologies can fit within the definition of “electronic commerce,” the most important are:

- Electronic data interchange (EDI)
- Bar codes
- Electronic mail (e-mail)
- Internet
- World Wide Web
- Product data exchange
- Electronic forms

1. **EDI** is the computer-to-computer exchange of structured business information in a standard electronic format. Information stored on one computer is translated by software programs into standard EDI format for transmission to one or more trading partners. The trading partners’ computers, in turn, translate the information using software programs into a form they can understand and use.

2. **Bar codes** are used for automatic product identification and scanning. The bar codes are a rectangular pattern of lines of varying widths and spaces. Almost every product offered for sale has a bar code somewhere on the label.

Specific characters are assigned unique patterns, thus creating a “font.” The pattern is designed to be read when a laser light passes across the bar. The pattern is recognized by the computer, which then processes the information.

3. **Electronic Mail** is one or more messages composed and sent in digital form to one or more recipients via the Internet.

4. **The Internet** is a decentralized global network of millions of diverse computers and computer networks. These networks can all “talk” to each other because they use a common communications protocol called *TCP/IP*.

5. **The World Wide Web** is an information center accessible by anyone with a personal computer and a modem. It contains collections of documents written and encoded with the Hypertext Markup Language (HTML). With the aid of software called a “browser,” a user can search and request for any document. The document is displayed on the user’s computer, although the document resides on a computer on a totally different network somewhere else in the world. HTML documents (or “pages,” as they are called) can contain many different kinds of information such as text, pictures, video, and sound. They may have links to take users immediately to other web pages. Because web pages are continually available through the Internet, these pointers may call up pages from anywhere in the world. It is this ability to jump from site to site that gave rise to the term “World Wide Web.” The World Wide Web is by far the most heavily used application on the Internet.

6. **Product Data Exchange**. Product data refers to any data that is needed to describe a product. Sometimes that data is in graphical form, as in the case of pictures, drawings and Computer Aided Drawing (CAD) files. In other cases, the data may be character-based numbers and letters, as in the case of specifications, bills of material, manufacturing instructions, engineering change notices and test results. Product data exchange differs from other types of business communications in two important ways. First, because graphics are involved, users must contend with large computer files and with problems of compatibility between software applications. Second, version control very quickly gets very complicated. Product designs, even late in the development cycle, are subject to a great deal of change, and because manufacturing processes are involved, even small product changes can have major consequences for moving a product into production.

7. **Electronic forms** are a technology that combines the familiarity of paper forms with the power of storing information in digital form. Imagine an ordinary paper form, a piece of paper with lines, boxes, check-off lists, and places for signatures. An electronic form is a digital analogue of a paper form. It is an image which looks like a form but which appears on a computer screen and is filled out using a mouse and a keyboard. Behind the screen are numerous functions that paper and pencil cannot provide. Because the data from electronic forms are captured in digital form, it allows for storage in databases, automatic information routing, and integration into other applications. For more information visit (*http://www.ecommerce.gov*) or go to the NTDB Library and research Electronic Commerce.

How fast is E-commerce growing?

Electronic commerce (business transactions on the web) and the information technology (IT) industries that make "E-commerce" possible are growing and changing at breathtaking speed, fundamentally altering the way Americans produce, consume, communicate, and play. In the *Economic and Social Impact of Electronic Commerce* (1999), the Organization for Economic Cooperation and Development (OECD) provides the estimates of E-commerce sales compared to various benchmarks that are shown on Table 13.

Table 13: OECD Estimates of E-commerce Sales Compared to Various Benchmarks

	Estimated revenue from E-Com (Billions) $	As a % of U.S. catalogue sales	As a % of U.S. credit card purchases	As a % of direct marketing	As a % of G-7 retail sales
Current 1996-1997	$26	37	3	2	.05
Near term 2001-2002	$330	309	24	18	5
Future 2003-2005	$1,000	780	54	42	15

In addition, information extracted from the U.S. DOC's *The Emerging Digital Economy II* (1999), that is available at (*http://www.ecommerce.dov)*, shows that:

- Growth in the available measures of E-commerce (e.g., estimates of the value of E-commerce business transactions) is outpacing last year's most optimistic projections. As a share of the retail portion of the economy, however, E-commerce remains quite small – less than one percent.
- OECD figures indicate that while E-commerce over the Internet is currently at $26 billion, this amount is relatively small and estimated to approach a trillion dollars by 2003-05.
- IT-producing industries (i.e., producers of computer and communications hardware, software, and services) that enable E-commerce to play a strategic role in the growth process. Between 1995 and 1998, these IT-producers, while accounting for only about eight percent of U.S. Gross National Product (GNP), contributed on average 35 percent of the nation's real economic growth.
- In 1996 and 1997 (the last years for which detailed data are available), falling prices in IT-producing industries brought down overall inflation by an average 0.7 percentage points, contributing to the remarkable ability of the U.S. economy to control inflation and keep interest rates low in a period of historically low unemployment.

- IT industries have achieved extraordinary productivity gains. From 1990 to 1997, IT-producing industries experienced robust 10.4 percent average annual growth in Gross Product Originating, or value added, per worker (GPO/W). In the goods-producing subgroup of the IT-producing sector, GPO/W grew at the extraordinary rate of 23.9 percent. As a result, GPO/W for the total private non-farm economy rose at a 1.4 percent rate, despite slow 0.5 percent growth in non-IT-producing industries.

- By 2006, almost half of the U.S. workforce will be employed by industries that are either major producers or intensive users of information technology products and services. Innovation has increased demand for high paid "core IT workers" (e.g., computer scientists, engineers), created new IT occupations, changed skill requirements for some non-IT occupations, and raised minimum skill requirements for many other jobs. Wage gaps between workers in IT industries and all other workers continue to widen.

- The pervasiveness of information technology, the variety of its benefits to producers and consumers, and the speed of economic change in the digital era have tested the limits of established indices of economic performance. Federal statistical agencies have taken steps to improve data collection and analysis, but much remains to be done.

What are the economic drivers of E-commerce?

The Paris-based OECD (*http://www.oecd.org)* states that five broad themes have emerged as important for understanding the economic impact of E-commerce:

1. **Electronic Commerce transforms the marketplace**. E-commerce will change the way business is conducted; traditional intermediary functions will be replaced, new products and markets will be developed, new channels of knowledge diffusion and interactivity will be opened, and more flexibility and adaptability will be needed.

2. **Electronic Commerce has a catalytic effect**. E-commerce will serve to accelerate and diffuse changes that are already underway in the economy such as the reform of regulations, the establishment of links between businesses, and the globalization of the economy.

3. **Electronic Commerce increases interactivity in the economy**. These linkages extend down to small and minority businesses and households and reach out to the world at large. Business can be transacted anywhere, anytime, essentially eroding economic boundaries.

4. **Electronic Commerce alters the relative importance of time**. Many of the routines that help define the "look and feel" of the economy and society are a function of time. E-commerce is reducing the importance of time by speeding up production cycles, allowing firms to operate in close coordination, and enabling consumers to conduct transactions around the clock.

5. **Electronic Commerce promotes strategic alliances and openness**. The widespread adoption of the Internet is a platform for business growth.

What *are the social implications of E-commerce?*

Although primarily an economic phenomenon, E-commerce is part of a broader process of social change, characterized by the globalization of markets, the shift toward an economy based on knowledge and information, and the growing prominence of technology in all realms of life. The major societal transformations that are now under way will continue far into the future. As both a product and manifestation of such transformations, E-commerce is being shaped by, and is shaping, modern society, including domestic and global business. Societal factors merit increasing attention from a public policy viewpoint to ensure that E-commerce reaches its full potential and to ensure that its benefits are realized by society as a whole.

How *connected are minorities to E-commerce?*

Falling Through the Net: Defining the Digital Divide, a report in the DOC's *Falling Through the Net* series is a collection and analysis of wide-ranging data about Internet use by Americans. The report is available at (*http://www.ecommerce.gov)* or at (*http://www.ntia.doc.gov/ntiahome/fttn99/contents.html)***.** These statistics broaden the knowledge base about who, when, where and how people in this country use the Internet.

These data provide concrete evidence that the Internet is being used by an increasing number of Americans. More than one-third of Americans go online from any point, either at home or outside the home. Approximately one-quarter access the Internet at home. For those households with a computer, approximately two-thirds have Internet access. Households that do not have Internet access most frequently explain that they either do not want the service or that it is too expensive; for those households that have dropped off the net, cost is given as the most important reason. However, while Americans are becoming increasingly connected, there are still significant discrepancies in access: Blacks and Hispanics, for example, are less connected anywhere than Whites are at home. Those groups with lower access rates at work or home are much more likely to use the Internet at a public place such as a school, library, or community center. They are also more likely to use the Internet to take courses or to conduct job searches than other groups. While the information provided below (from the DOC website) does not strictly focus on business usage of "the net," it nevertheless provides useful information about overall connectivity by different racial groups – which may spill over into business practices.

1. **The impact of income on Internet access**. Among similarly-situated families (two parents, same race), a family earning more than $35,000 is two to almost six times as likely to have Internet access as a family earning

less than $35,000. The most significant disparity is among Hispanic families: two-parent households earning more than $35,000 annually are nearly **six times** as likely to have Internet access as those earning less than $35,000.

2. **Race/Origin**. As with telephone penetration, race also influences connectivity. Unlike telephone penetration, however, households of Asian/Pacific Island descent have the clear lead in computer penetration (55.0 percent) and Internet access rates (36.0 percent), followed by White households (46.6 percent and 29.8 percent, respectively). Black and Hispanic households have far lower PC penetration levels (at 23.2 percent and 25.5 percent), and Internet access levels (11.2 percent and 12.6 percent). The role of race or ethnic origin is highlighted when looking at similarly situated families. A White, two-parent household earning less than $35,000 annually is nearly **three times** as likely to have Internet access as a comparable Black household and nearly **four times** as likely to have Internet access as Hispanic households in the same income category.

3. **Geography and income influence these trends**. Urban Asians/Pacific Islanders have the highest computer penetration rates (55.6 percent) and Internet access rates (36.5 percent). By contrast, rural Black households are the least connected group in terms of personal computer ownership (17.9 percent) or Internet access (7.1 percent). Black households earning less than $15,000 are also at the opposite end of the spectrum from high income Asians/Pacific Islanders for personal computer ownership (6.6 percent versus 85.0 percent).

Why *is E-commerce important for exporters?*

By virtue of the Internet's architecture, electronic commerce was "**born global**!" Geographical and political boundaries mean little in this networked environment.

E-commerce is growing because it is an excellent tool to deal with forces that are increasingly presenting small and minority firms with new problems and new opportunities. Just as foreign competition for the traditional markets of small and minority firms will increase, so will the opportunities to sell to the overseas markets of both industrialized and industrializing countries.

Developments in global network technologies and graphic-based Internet applications make transmission of all kinds of digitized data fast, cheap, and simple, while at the same time public consumption of computer technologies is increasing. This *environment offers lower barriers to entry for electronic commerce*. Today, for a few thousand dollars, anyone can become a merchant and reach consumers throughout the world. As a result, electronic commerce has expanded from business-to-business transactions between known parties to a complex web of commercial activities that can involve vast numbers of individuals, many of whom may never meet.

Because E-commerce provides a fundamentally new way of conducting commercial transactions, it has potentially far-reaching economic and social implications for many facets of life, including the nature of work, the role of governments, and even the environment. Looking more narrowly at the world of commercial transactions, it is clear that accepted ways of doing business will be profoundly modified: traditional intermediaries will be replaced, new products and markets will be created, and new and more direct relationships will be forged between businesses and consumers. These changes require new procedures for conducting business and questioning both the effectiveness of government policies pertaining to commerce and of traditional commercial practices and procedures, most of which were formed with a much different image of commerce in mind.

***How** can E-commerce help minority firms to compete for international markets?*

A key reason why E-commerce is growing so quickly is its significant impact on business costs. It is less expensive to maintain a cyber-business than a physical one. The cyber business is always open, has a global market, and has fewer variable costs. In addition, E-commerce merchants who maintain one "location" instead of many reduce their inventory costs. A key factor in reducing inventory costs is adopting a "just-in-time" inventory system that forecasts demand more accurately. Additional benefits of E-commerce are that it increases the efficiency of the sales process, facilitates the ordering process, reduces errors in filling small purchase orders, and reduces distribution costs. E-commerce can further benefit firms, especially minority firms, by leveling the competitive playing field. E-commerce allows minority firms to extend their geographical reach and secure new customers in ways formerly restricted to much larger firms. As E-commerce increasingly facilitates the ease of forming business networks and blurs traditional boundaries, the opportunities for minority-owned firms to penetrate the global market place will increase.

***What** impact will E-commerce have on intermediaries?*

The OECD's *Economic and Social Impact of Electronic Commerce* (1999) report states that while E-commerce can dramatically reduce some production costs, it does not offer a "friction-free" environment. Rather, because of new costs associated with establishing trust and reducing risks inherent in E-commerce, it requires new intermediaries. Widespread "disintermediation" (producers selling directly to consumers without the aid of intermediaries) is unlikely to be any more pronounced than what has already occurred through direct mail, telephone, newspapers, TV, and radio. A potentially larger impact involves the ease of access to information previously only possessed by intermediaries. However, rather than eliminating intermediaries, E-commerce will restructure and redefine the role of intermediaries. Opportunities exist for minority firms to get in on the ground floor to add value in the exporting process as intermediaries. Precisely how they will do that is up to their own ingenuity, research, and business acumen.

How can I make my business E-commerce Ready?

The question of how to identify a target of opportunity for electronic commerce is as broad and difficult to answer as the question of how to make a business more competitive. Brainstorming and inspiration are useful methods for answering this question, but the best solution will come from combining these methods with a systematic approach that includes asking:

- What is my competitive advantage?
- How much more or less business is likely to be available from my current markets?
- Are my products and services appealing to markets I have not tapped?
- What economic or technological trends will affect the appeal of my products or services?
- How will demand for my current product change? and
- What business or manufacturing process changes will I need to do to remain competitive?

The more unfamiliar the territory, the greater the importance of system over inspiration. Ultimately, the key to discovering how E-commerce can help your business is to answer two questions.

- How can my business benefit from changes in how information flows between me and my trading partners?
- Which of the changes should I implement?

A useful way to answer these questions is to identify the list of possible changes that E-commerce can have on your business in the following regards:

- Primary business impact implementation;
- Product/process operations;
- Existing customers;
- Developing new markets ability to foresee benefits risk of failure potential payoff;
- Improve established process;
- Enable a new process to be established; and
- Allow a new type of product or service to come into existence.

Firms may also need to address whether technology is applicable to their business and address the issues of funding for equipment, personnel, and training; procedures for the start up process; and plans for future growth. For advice on these issues, refer to the E-commerce primer that is available from the NTDB library and visit Commerce's E-commerce website.

What are some Internet resources that facilitate global E-commerce business transactions?

Some of the resources firms might find useful to help them keep apprised of latest E-commerce developments include, but are not limited to, the following:

1. **Unibex (*http://www.unibex.com*):** Unibex is a creator and operator of electronic marketplaces and exchanges for business communities from around the world. It offers a comprehensive business-to-business (B2B) E-commerce and electronic marketplace service to businesses, in partnership with leading business communities such as vertical trade associations, regional chambers of commerce, and online electronic business communities.

2. **Stern (*http://www.stern.nyu.edu)*:** Papers about E-commerce, including *Getting Complex Products Online in Different Cultural Environments*. Available at: *http://www.stern.nyu.edu/JMIS/rmm/hicss33/emarketing/potential/potential.html.*

3. **Techweb (*http://www.techweb.com*):** Information about the e-strategies of various companies.

4. **Ernst & Young (*http://www.ey.com)*:** Case studies on different aspects of conducting E-commerce. *http://www.eyi.com/int.nsf/web/homepages/Frame?opendocument.*

5. **European Union (*http://www.ispo.cec.be/ecommerce)*:** Comprehensive information on E-commerce developments in the European community and in other regions of the world.

* * *

A comprehensive glossary of international trade terms is provided on the pages which follow.

Glossary

This glossary is extracted from the U.S. Department of Treasury's International Trade Data System (ITDS) glossary. It provides a comprehensive reference of trade terms, including many terms that have not been used in this book but which may be useful to readers. The ITDS trade glossary can be found at:
(*http://www.itds.treas.gov/ITDS/Frames/Build_Frames.cfm?Site_Node=31*)

Abandonment
The act of refusing delivery of a shipment so badly damaged in transit that it is worthless; OR damage to a vessel that is so severe that it is considered a constructive total loss.

Abbrochment
The purchase at wholesale of all merchandise that is intended to be sold in a particular retail market for the purpose of controlling that market.

Absolute Advantage
An advantage of one nation or area over another in the costs of manufacturing an item in terms of used resources.

Absorption
Investment and consumption purchases by households, businesses and governments both domestic and imported.

Acceptance
An unconditional assent to an offer; OR an assent to an offer conditioned on only minor changes that do not affect any material terms of the offer; OR receipt by the consignee of a shipment thus terminating the common carrier liability.

Accepted Draft
A bill of exchange accepted by the drawee (acceptor) by putting his signature (acceptance) on its face. In doing so, he commits himself to pay the bill upon presentation at maturity.

Accepting Bank
A bank who by signing a time draft accepts responsibility to pay when the draft becomes due. In this case the bank is the drawee (party asked to pay the draft), but only becomes the acceptor (party accepting responsibility to pay) upon acceptance (signing the draft).

Acceptor
The party that signs a draft or obligation, thereby agreeing to pay the stated sum at maturity.

Access Control
The process of limiting access to the resources of a system to only authorized programs, processes, or other systems (in a network).

Accession
The process by which a country becomes a member of an international agreement, such as the General Agreement on Tariffs and Trade (GATT).

Accessions
Goods that are affixed to and become part of other goods.

Accessorial Charges
Charges made for additional, special, or supplemental services, normally over and above the line haul services.

Accessorial Services
Services performed by a shipping line or airline in addition to the normal transportation service.

Accommodation
An action by one individual or legal entity that is taken as a favor, without any consideration, for another individual or legal entity.

Accord and Satisfaction
A means of discharging a contract or cause of action by which the parties agree (the accord) to alter their obligations and then perform (the satisfaction) the new obligations.

Account Number
An identifying number issued by a carriers accounting office to identify a shipper and/or consignee.

Accounts Payable
A current liability representing the amount owed by an individual or a business to a creditor(s) for merchandise or services purchased on an open account or short-term credit.

Accounts Receivable
Money owed a business enterprise for merchandise or services bought on open account.

Accrual of Obligation
The time at which an obligation matures or vests, requiring the obligor to perform.

ACE
Automated Commercial Environment: A U.S. Customs electronic data system which when complete, will provide support for enforcing trade and contraband laws, ensuring trade compliance, and providing service and information to the international trade community.

Acquisition
The purchase of complete or majority ownership in a business enterprise, usually by another business enterprise.

ACS
Automated Commercial System: The comprehensive tracking, controlling, and processing system of the U.S. Customs Service. ACS is composed of many different modules or systems.

Act Of God
"An act of nature beyond man's control such as lightning, flood, earthquake or hurricane. Many shipping and other performance contracts include a "force majeure" clause which excuses a party who breaches the contract due to acts of God."

Action Ex Contractu
A legal action for breach of a promise stated in an express or implied contract.

Action Ex Delicto
(a) A legal action for a breach of a duty that is not stated in a contract but arises from the contract. (b) A legal action that arises from a wrongful act, such as fraud.

Ad Valorem Duty.
A U.S. Customs duty assessed as a percentage rate or value of the imported merchandise.

Add
Antidumping duties which are assessed when merchandise is sold to purchases in the U.S. at less than fair value resulting in material injury to a U.S. industry.

Address Of Record
The official or primary location for an individual, company, or other organization.

Adhesion Contract
Contract with standard, often printed, terms for sale of goods and services offered to consumers who usually cannot negotiate any of the terms and cannot acquire the product unless they agree to the terms.

Adjustment Assistance
Financial, training and re-employment technical assistance to workers, and technical assistance to firms and industries, to help them cope with adjustment difficulties arising from increased import competition.

Admiralty
Any civil or criminal issue having to do with maritime law.

Admiralty Court
A court of law that has jurisdiction over maritime legal issues.

Admission Temporaire
The free entry of goods normally dutiable.

Advance Arrangements
The shipment of certain classes of commodities that require arrangements in advance with carriers.

Advice
A form of letter that relates or acknowledges a certain activity or result with regard to a customers relations with a bank.

Advised Credit
A letter of credit whose terms and conditions have been confirmed by a bank.

Advising Bank
The bank which receives a letter of credit or amendment to a letter of credit from the issuing bank and forwards it to the beneficiary.

Affiliate
A business enterprise located in one country which is directly or indirectly owned or controlled by a person of another country.

Affiliated Foreign Group
Equivalent of the foreign parent or any foreign person associated with the foreign parent which is owned more than 50 percent by the person above it.

Affreightment
The hiring or chartering of all or part of a vessel for the transport of goods.

Affreightment Contract
A contract with a ship owner to hire all or part of a ship for transporting goods.

Afloat
Refers to a shipment of cargo which is currently on board a vessel between ports (as opposed to on land).

Aft
Direction toward the stern of the vessel (ship or aircraft).

After Date
A notation used on financial instruments (such as drafts or bills of exchange) to fix the maturity date as a fixed number of days past the date of drawing of the draft.

After Sight
A notation on a draft that indicates that payment is due a fixed number of days after the draft has been presented to the drawee.

Agent
A person or legal entity with the proper authorization to act on behalf of another person or legal entity.

Agent Bank
A bank acting on behalf of a foreign bank.

Aggregated Shipments
Several shipments from various shippers that are consolidated and treated as a single consignment.

Agreed Valuation
The set value of a shipping load that is agreed upon by both the shipper and the carrier to define rate and/or liability.

Agreement
A contract between two entities to buy or sell goods, perform services or exchange information.

AIES
Automated Information Exchange System: A module of ACS which provides an automated method of exchanging information between Field Import Specialist and National Import Specialists.

Air Cargo
Property of any kind that is transported by aircraft (excluding passenger baggage).

Air Express
Expedited air freight service.

Air Parcel Post
Term used to describe priority mail, consisting of first class mail which weighs more than 13 ounces.

Air Waybill
Shipping document used for the transportation of air freight: includes conditions, liability, shipping instructions, description of commodity, and applicable transportation charges.

Alienable
Ability to be transferred or conveyed.

Aliquot
A fractional share.

All-Cargo Aircraft
Any aircraft that is used for the sole purpose of transporting cargo.

Allowance
An amount paid by the seller as restitution or reimbursement if the receiving party was dissatisfied with the shipment for any number of reasons: faulty packaging, late arrival, etc.

Alternative Tariff
A tariff with two or more rates for the same goods, to and from the same points, with the discretion to use the lowest of the charges.

Amendment
An addition, deletion, or change in a document.

Amidships
In the middle of the vessel; often preferred by shippers because of the minimal motion and the benefits to fragile freight.

Amortization
The gradual diminishment of any amount over a period of time.

AMS
Automated Manifest System: A module of ACS designed to control imported merchandise from the time a carriers cargo manifest is electronically transmitted to U.S. Customs until control is relinquished to another ACS module.

Antidumping
The opposite of dumping as defined by the system of laws to remedy dumping.

Any Quantity
A cargo rating that applies to an article without consideration of weight.

Application
A computer program designed to perform a specific function or process for a user. An application is generally used by itself, but may be designed to exchange information with other applications, thus making it sharable. Sharable applications are called services.

Appreciation
An increase in the value of one form of currency as compared to the currency of another nation.

Appurtenance
An accessory connected to a primary property used in conjunction with the primary property; usually permanently affixed (i.e. a crane on a ship).

Apron
Area of the airport where planes are parked for loading and unloading.

Arrivals
Imported goods which have been placed in a bonded warehouse for which duty has not been paid.

As Is
Indicates goods for sale do not include a warranty or guarantee.

Assembly Service
A service under which an airline combines multiple shipments from multiple shippers into one shipment to one receiver.

Assessment
The placement of antidumping duties on imported goods.

Athwartships
Across a vessel from side to side.

Authentication
Process of assuring the identity of the user.

Authorization
Process of confirming whether the user or agent has been sanctioned or has the necessary privileges or rights to perform an operation.

Avoidance Of Contract
The legal cancellation of a contract because an event occurs that makes performance of the contract terms impossible or inequitable and that releases the parties from their obligations.

Back Haul
To haul a shipment back over part of a route which it has traveled.

Back Order
That portion of an order that cannot be delivered at the scheduled time, but will be delivered at a later date when available.

Back-To-Back Borrowing
The process whereby a bank brings together a borrower and a lender so that they agree on a loan contract.

Back-To-Back Loan
Operations whereby a loan is made in one currency in one country against a loan in another currency in another country.

Bad Faith
The intent to mislead or deceive. It does not include misleading by an honest, inadvertent or uncalled-for misstatement.

Bagged Cargo
Goods shipped in sacks.

Bailment
A delivery of goods or personal property by one person (the bailer) to another (the bailee) on an express or implied contract and for a particular purpose

related to the goods while in possession of the bailee, who has a duty to redeliver them to the bail.

Balance Of Payments
A statement identifying all the economic and financial transactions between companies, banks, private households and public authorities of one nation with those of other nations of the world over a specific time period.

Balance of Trade
The difference between a country's imports and exports.

Balanced Economy
A condition of national finances in which imports and exports are equal.

Bale
A large bundle of compressed and bound goods, such as cotton.

Bale Cargo
Bulky cargo shipped in bales, usually of burlap.

Ballast
Heavy material placed on a ship to improve its stability.

Bank Draft
A check drawn by one bank against funds deposited to its account in another bank.

Bank Guarantee
Unilateral contract in which the bank commits itself to pay a certain sum if a third party fails to perform or if any other form of default occurs.

Bank Holding Company
Any company which directly controls, with power to vote, more than five percent of voting shares of one or more other banks.

Bank Holiday
A day on which banks are closed.

Bank Note
Paper issued by a bank, redeemable as money, and considered to be full legal tender.

Bank Release
A document issued by a bank, after it has been paid or given an acceptance, giving authority to a person to take delivery of goods.

Bankers Bank
A bank that is established by mutual consent by independent and unaffiliated banks to provide a clearinghouse for financial transactions.

Bankers Draft
A draft payable on demand and drawn by, or on behalf of, a bank upon itself.

Bankruptcy
The condition of a legal entity that does not have the financial means to pay their incurred debts as they come due.

Bareboat Charter
The charter of a vessel where the character party has the right to use his own master and crew on the vessel.

Barge
A flat bottomed cargo vessel primarily used on rivers and canals.

Barratry
The intentional misconduct of the ship's master or crew; includes theft, intentional casting away of vessel, or breach of trust.

Barter
Trade of goods for other goods without the use of money or a third party.

Baseline
A specification of a product or service that has been formally reviewed and agreed upon, that thereafter serves as the bases for further development.

Basing Point
A location which is used to determine rates between other points.

Basing Rate
A rate which is used for the sole purpose of determining other rates.

Basket of Currencies
A means of establishing value for a composite unit consisting of the currencies of designated nations.

Battens
The protruding fixtures of the inside walls of a vessel's hold which keep cargo away from the walls of the vessel.

Bearer
The person in possession.

Belly Pits or Holds
Compartments beneath the cabin of an aircraft used for the transport of cargo or baggage.

Beneficiary
An individual or company who gains upon the opening of a letter of credit.

Berth
The place beside a docking area where the ship is secured and cargo can be loaded or unloaded.

Bid Bond
Guarantee established in connection with international tenders. Guarantees fulfillment of the offer.

Bilateral Trade
The commerce between two countries.

Bill
A written statement of contract terms.

Bill of Credit
A written statement that authorizes the recipient to receive or collect money from a foreign correspondent.

Bill of Exchange
Draft or bill.

Bill of Health
A certificate issued by customs declaring the proper health of crew or passengers of a vessel or airplane upon arrival or departure from port.

Bill of Lading
A document issued by a carrier to a shipper that provides written evidence regarding receipt of the goods, the conditions on which transportation is made, and the engagement to deliver goods at the prescribed destination to the lawful holder of the bill of lading.

Bill of Parcels
A statement sent with a shipment that gives descriptions and prices for included items; often referred to as a packing slip.

Bill of Sale
A written document by which a party legally transfers ownership of goods to another party.

Bill of Sight
A Customs document which allows a party to see the goods before they pay duties on them.

Bill-To Party
Refers to the party designated on a bill of lading as the one responsible for payment of the freight charges.

Billed Weight
The designated weight shown on the freight bill.

Billing Third Party
The transference of transportation charges to a party other than the shipper or consignee.

Biological Agents
A biologically active material.

Black Market
Buying or selling of products that violate government restrictions.

Blanket Rate
A special single rate applied to multiple articles in a single shipment.

Blockade
Prevention of commercial exchange by physically preventing carriers from entering a specific port or nation.

Bona Fide
In or with good faith, honesty, and sincerity.

Bond
An interest-bearing certificate of debt by which the issuer is obligated to pay the principal amount at a specific time and interest periodically.

Bond of Indemnity
An agreement made with a carrier that relieves them of any liability incurred under stated conditions.

Bond System
A computerized bond control system (part of ACS).

Bonded
Goods stored by customs until the import duties are paid or the goods are exported.

Bonded Terminal
An airline terminal approved by the U.S. Treasury Department for storage of goods until Customs duties are paid or released.

Bonded Warehouse
An approved warehouse used for the storage of goods until duties are paid or the goods are properly released.

Booking
The act of recording arrangements for the movement of goods by vessel.

Border Operations
Functions related to the processing of export and import declarations; collecting duties, taxes and fees; and determining admissibility or exportability of international cargo.

Bounties
Government payments to producers to strengthen their competitive position.

Box
Colloquial term referring to a trailer, semi-trailer, or container.

Box Car
A closed freight car.

Boycott
Refusing to deal commercially with a person, firm, or country.

Breakage
In marine insurance, "breakage" refers to breakage of fragile goods such as glass and china and is excluded from coverage, unless the policy specifically covers breakage.

Breakbulk
Unloading or distributing portions of a consolidated shipment for delivery.

Breakbulk Cargo
Cargo that is shipped as a unit but not containerized.

Bribe
A payment that results in a benefit that would not have been received except for receipt of that money; a bribe is a criminal offense.

Broker
One that acts as an agent for others, as in negotiating contracts, purchases, or sales in return for a fee or commission.

Bulk Cargo
Cargo that is made up of one commodity; examples include grain, oil, and ore.

Bulk Carrier
A vessel designed for the shipment of bulk cargo.

Bulk Freight
Freight not in packages or containers.

Bulk Sale
The transfer of a large amount of inventory in a single transaction not in the usual course of business.

Bulk Solids
Dry cargo shipped loose in containers.

Bunker
A compartment on a ship for storage or fuel.

Bunker Adjustment Factor
An adjustment in shipping charges to offset price fluctuations in the cost of bunker fuel.

Bunker Fuel
The fuel used to power a ship.

Business Function
A group of business activities, which together completely support one aspect of furthering the mission of the organization, describing what is done within the organization independently from the organization's structure.

Business Process
Defined business activity, executions of which may be identified in terms of the input and/or output of entities of specific types or of data about entities of specific types - a process can be executed, a function cannot; or an ordering of work activities across time and place, with a beginning, an end, and clearly identified inputs and outputs.

Buy American Acts
U.S. federal and state government statutes that give a preference to U.S. produced goods in government contracts.

Cabotage
Coast-wide water transportation, navigation or trade between ports of a nation.

Call
A demand of payment on a loan, often because of failure on the part of the borrower to comply with conditions of the loan.

Call Money
Currency lent by banks on a very short-term basis, which can be called the same day, at one day's notice or at two days notice.

Capacity To Contract
Legal competency to make a contract.

Capital Goods
Manufactured goods that are productive industrial use.

Capital Market
The market for buying and selling long term loans, in the form of bonds, mortgages, etc.

Captains protest
A document prepared by the captain of a vessel upon arrival in port that notes any unusual conditions encountered during the voyage; relieves the ship owner of liability.

Cargo
Merchandise hauled by transpiration lines.

Cargo Agent
An agent appointed by an airline shipping line to solicit and process international air and ocean freight for shipments.

Cargo Manifest
A list of a ship's cargo or passengers but without a listing of charges.

Cargo Selectivity System
An ACS module which is used to sort high risk cargo from low risk cargo and to determine the type of examination required.

Cargo Tonnage
The weight of a shipment or of ships total cargo expressed in tons.

Carnet
A Customs document permitting the holder to carry or send merchandise temporarily into certain foreign countries (for display, demonstration, or similar purposes) without paying duties or posting bonds.

Carrier
A legal entity that is in the business of transporting passengers or goods for hire.

Carriers Certificate
A document issued by the shipping company which certifies the ownership of the goods to a named individual.

Cartage Agent
A ground service which provides transport and delivery of freight in areas not directly served by air or ocean.

Cartel
A collection of independent producers formed to regulate production, pricing, and marketing of members to maximize market power and limit competition.

Casus Major
A major casualty that is usually accidental, such as flood or shipwreck.

Category Groups
Groupings of controlled products.

Caveat Emptor
The purchaser buys at his own risk.

CEBB
Customs Electronic Bulletin Board: An electronic bulletin board sponsored by U.S. Customs that provides the trade community with up-to-date information, requirements, and operation instructions.

Cell
The on board storage space for one shipping container on a ship.

Census Interface
An ACS module that captures U.S. Bureau of Census data.

Central Bank
An institution with the sole right to issue bank notes and power to dictate the monetary policy for a currency zone.

Certificate of Inspection
A certificate issued by an independent third party verifying the condition of cargo (or of other property).

Certificate of Weight
A document stating the weight of a shipment.

Certification
Official proof of authenticity.

Cession of Goods
A surrender of goods.

Chargeable Weight
The weight of a shipment used in determining freight charges.

Charter Service
Temporary hiring of an aircraft for the transportation of cargo or passengers.

Chartered Ship
A ship leased by its owner for a stated time, voyage, or voyages.

Chassis
A special trailer or undercarriage on which containers are moved over the road.

City Terminal Service
A service provided by some airlines that involves transporting cargo to in town terminals at lower rates than charged for door to door delivery.

Claim
A demand of payment of money or property.

Classification
The categorization of merchandise.

Claused Bill of Lading
A notation on the bill of lading which denotes a deficient condition of the goods or packaging.

Clean Bill of Lading
A bill of lading received by the carrier for goods delivered in "apparent good order and condition."

Clearance
The completion of customs entry requirements which results in the release of goods to the importer.

Closed-End Transaction
A credit transaction with a fixed amount of time for repayment.

Coastal Trade
Trade between ports of one nation.

Coding Standard
The format in which a specified data element is reported.

Coding Standard Source
The documentation of a coding standard.

Collar
An agreement that puts upper and lower limits on the interest rate of an agreement that is binding even if the market rate falls outside of this range.

Collect Charges
Transportation practice where the receiver of the goods pays the charges.

Collect on Delivery
A service where the purchase price of a good is collected by the carrier upon delivery of the shipment and subsequently paid to the shipper.

Collection
The presentation for payment of an obligation and the payment thereof.

Collection Papers
All the documents given to the buyer in order to receive payments for a shipment; includes invoices, bills of lading, etc.

Collection System
An ACS module that controls and accounts for payments collected by the U.S. Customs Service.

Combination Aircraft
An aircraft capable of transporting both cargo and passengers on the same flight.

Combined Bill of Lading
A bill of lading covering a shipment of goods by more than one mode of transportation.

Combined Transport
Consignment sent by means of various modes of transport.

Comity
Courtesy, respect, and good will.

Command Economy
An economic system where decisions about resources are made by a central government authority.

Commercial Bank
A bank that specializes in accepting demand deposits and granting loans.

Commercial Invoice
A document which identifies the seller and buyer of a shipment; also includes invoice number, date, shipping date, mode of transport, delivery and payment terms, and description of goods.

Commercial Officers
Embassy officials who assist businesses through arranging appointments with local business and government officials and providing counsel on local trade regulations, laws, and customs.

Commercial Paper
Negotiable instruments used in commerce.

Commercial Set
The primary documents required to ship goods; usually includes an invoice, bill of lading, bill of exchange, and certificate of insurance.

Commercial Treaty
An agreement between two or more countries that establishes the conditions under which business may be contracted.

Commingling
The packing or mingling of various goods subject to different rates of duty so that the value of each class of goods cannot be readily determined.

Commission
The amount paid to an agent for their role in the completion of a transaction involving the sale of goods or services.

Commodity Code
The system of identifying a commodity by a certain number to determine its commodity rate for transport.

Commodity Rate
The rate applicable to shipping a given commodity between points.

Common Data Element
Basic requirements that are normally occurring and routinely used, commonly found in commercial level data, for import and export transactions.

Common Point
A location serviced by two or more transportation lines.

Compensatory Trade
A form of countertrade where any combination of goods and services are bartered.

Competitive Rate
Rate determined by one transportation line to compete with the rate of another transportation line.

Complementary Imports
Imports of raw materials or products that a country does not internally possess or produce.

Compradore
An agent in a foreign country employed by a domestic businessman to facilitate transactions with local businesses within the foreign country.

Concealed Damage
Damage to the contents of a package which is not apparent from the condition of the exterior.

Concealed Loss
Damage, loss, or shortage of goods within a package which is not apparent from its exterior condition.

Conditional Data Element
A specific data element required to be reported only under certain conditions specified by an agency or trade entity.

Configuration
The way components of a system are set up - form, fit, and function.

Connecting Carrier
A carrier which has direct physical connection with another carrier or forms a connecting link between two or more carriers.

Consignee
The person or firm named in a freight contract to whom goods have been shipped or turned over for care.

Consignment
Delivery of merchandise from an exporter to an agent for sale by the agent, credited to the exporters account, with a commission earned by the agent.

Consignor
The entity that ships goods to another for care; the exporter in a consignment relationship.

Consolidated Container
A shipping container that contains cargo from numerous shippers for delivery to numerous consignees.

Consolidation
The combining of smaller shipments from a central location into a single shipment that is sent to a destination point at a lower shipping rate.

Consolidator
A company that provides consolidation services.

Consular Invoice
An invoice covering the shipment of goods certified by the counsel of the country for which the merchandise is destined.

Consulate
The offices representing the commercial interests of one country located within the borders of another country.

Consumer Goods
Any goods produced for the expressed use of individuals rather than the production or manufacturing of other goods.

Consumption Entry
A customs entry where the importer pays the applicable dues and the goods are released from customs custody.

Container
A single rigid, sealed, reusable metal “box” in which merchandise is shipped by vessel, truck, or rail.

Container Freight Charge
Charge made for the packing or unpacking of cargo from ocean freight containers.

Container Load
A shipment of cargo that according to weight or volume, will fit any number of standard containers.

Container on Flatcar
A container without wheels put on railcars for transport.

Container Part Load
A shipment of cargo that according to weight or volume, will not fit into any number of standard containers.

Container Vessel
An ocean going vessel designed specifically to handle the loading, storage, and removal of freight containers.

Contraband
Any product that a nation has labeled as unsuitable to possess, produce, or transport.

Contract Carrier
Excluding common carriers, any person who under special contract will transport passengers or goods for agreed upon compensation.

Convertibility
Ease of exchanging one currency for that of another nation or for gold.

Conveyance
Means of transport (e.g., rail, truck, or air vessel).

Cooperative Processing
Computing that requires two or more distinct processors to complete a single transaction; or a client/server configuration in which application components are distributed across different processors.

Core Inflation
The basic level of inflation over a period of time as opposed to temporary fluctuations.

Corporate Dumping
The practice of exporting banned or out of date goods to a foreign market where restrictions on that product are not as severe.

Cost Plus
A pricing method where the purchaser agrees to pay the production cost of the good plus a fixed percentage to the seller for profit.

Cost/Benefit Analysis
An analysis that compares the tangible benefits generated by a system with the costs associated with that system's development and operation.

Country of Departure
The country from which a ship or shipment has or is scheduled to depart.

Country of Destination
The country that is the ultimate destination for a ship or shipment of goods.

Country of Dispatch
The country from which cargo was shipped.

Country of Exportation
Usually the country in which the merchandise was manufactured and produced and from where it was first exported.

Country of Origin
The country where merchandise was grown, mined or manufactured.

Country Risk
The financial risks of a transaction which relate to the political, economic, or social instability of a country.

Courier
Operation characterized by small package delivery or express mail service of a large number of shipments to a variety of deliveries to parties on a single conveyance.

Critical Success Factor
Risk assessment process based upon specific data elements within a transaction.

Critical Success Factor
Identification of a performance measure that must be achieved if the organization is to succeed in its environment.

CUSCAR
This is a type of UN/EDIFACT message that is used to convey data about a U.S. Customs goods declaration.

CUSDEC
This is a type of UN/EDIFACT message that is used to convey data about a U.S. Customs goods declaration.

Custody Bill of Lading
A bill of lading issued by American warehouses as a receipt for goods stored.

Customs
A government authority designated to regulate the flow of goods to/from a country and to collect duties levied upon imports and exports.

Customs House Broker
A person or entity licensed by Customs who acts as an agent for another to clear merchandise through Customs and other agencies.

CVD
Countervailing duties which are accessed when bounties or grants are paid or bestowed on merchandise exported to the U.S. from a foreign country with material injury to a U.S. industry.

Damages
Money compensation for loss or damage.

Dangerous Goods
Goods which are capable of posing a health or safety risk when transported by air.

Data Mart
Subsets of the data warehouse (see below for definition).

Data Warehouse
An organized store of data designed to support access to data in order to enable analyses and decision making.

Date Draft
A draft which matures a specified number of days after the date it is issued, without regard to the date of acceptance.

Dating
Extended credit terms granted by the seller to induce buyers to receive goods in advance of required delivery dates.

DBMS: Database Management System
An integrated collection of programs that enables users to store, modify and extract information from a database. It provides the ability to manage data separately from the application programs that use the data.

Deadweight
The maximum carrying capacity of a ship.

Dealer
An individual or firm who acts as principal in the sale of merchandise.

Debt-For-Nature Swap
Swap arranged by private conservation group to use the proceeds of debt conversions to finance conservation projects relating to park land or tropical forests.

Debtor Nation
A nation that is owed less foreign currency obligations than it owes other nations.

Decision Support
Software-supported process to substantiate a conclusion.

Deck Cargo
Cargo that is shipped on the deck of a vessel rather than in holds below.

Declaration
Legal submission of government-required data by the importer, exporter, broker or carrier that satisfies laws and regulations and meets all import or export requirements.

Deductive Value
A valuation of merchandise that is the resale price of imported merchandise in U.S. with deductions for certain items.

Deferred Air Freight
Air freight with less urgency, delivered over a period of days.

Del Credere Risk
Risk that a counterparty is either unable or unwilling to fulfill his payment obligations.

Deliver to Party
Party who physically receives the shipped merchandise (also known as the ship to party).

Delivery
The act of transferring physical possession of merchandise; or the act of actual or of constructive placement of goods or property within the possession or control of another.

Delivery Carrier
The transport carrier whose responsibility it is to place a shipment at the disposal of the buyer.

Delivery Instructions
Specific delivery instructions for the freight forwarder or carrier stating exactly where the goods are to be delivered, the deadline, and a contact person should problems arise.

Delivery Order
A document from the consignee, shipper, or owner of freight ordering the delivery of freight to another party.

Demise
A lease of property; a demise charter is a bareboat charter.

Demurrage
The detention of a freight car or ship beyond time permitted for loading or unloading.

Design
Arrangement of constituent parts to fulfill the identified purpose according to specifications provided by the user.

Destination
The place to which a shipment is consigned.

Detention
Delay in clearing goods through customs, usually resulting in storage fees and other charges.

Devanning
The unloading of cargo from a container.

Developed Countries
A term used to describe more industrialized nations.

Developing Countries
A term used to describe countries that lack strong amounts of industrialization, infrastructure, and sophisticated technology.

Differential
An amount added to or deducted from a base shipping rate between two given locations to determine a new rate for another location.

Discharge
The unloading of passengers or cargo from a vessel, vehicle, or aircraft.

Discounting
The sale at less than original price value of a commodity or monetary instrument, often for immediate payment.

Discrimination
The preferential rates or privileges granted to some shippers but not to others under similar conditions.

Dispatch
An amount paid by a vessel's operator to a charter if loading or unloading is completed in less time than stipulated in the charter agreement.

Disposition
The determination by the government regarding admissibility of cargo, conveyance, and persons associated with an international transaction. The determination may include release, rejection, refusal, or other action.

Distributed Database
A database that consists of two or more data files located at different sites on a computer network, which can be accessed without interfering with one another.

Distribution License
A license that allows multiple exports of authorized commodities to foreign consignees approved in advance by the U.S. Bureau of Export Administration.

Distribution Service
A service that accepts one shipment from a single shipper and at a point of destination, separates the shipment and distributes it to many receivers.

Distributor
An agent who sells directly for a supplier and maintains an inventory of the suppliers products.

Diversion
Any change in the billing of a shipment once it has been received by the carrier at point of origin and prior to delivery at destination.

DOC
Department of Commerce.

Dock
Loading or unloading platform at an industrial location or carrier terminal.

Dock Examination
A U.S. Customs examination that requires the goods to be opened for a thorough inspection rather than just a visual one.

Dock Receipt
A receipt issued by a port officer that certifies that goods have been received by a shipper.

Dolly
A piece of equipment with wheels used to move freight with or without a tractor.

Domestic Exports
Exports which were grown, produced, or manufactured in the U.S.

Domicile
The place where a draft or acceptance is made payable.

Door-To-Door
Shipping service from shippers door to consignees door.

Double-Column Tariff
A tariff schedule with two rates, one for preferred trading partners and one for imports from non-preferred trading countries.

Download
Copy data (usually an entire file) from a main source to a peripheral device or another computer.

Downstream Dumping
The sale of products by a manufacturer below cost to a secondary producer in its domestic market where the product is then further processed and shipped to another country.

Drawback
A refund of 99 percent of duties (and taxes) paid on imported merchandise which is immediately exported, subjected to manufacture or production, and then exported, or destroyed in the same condition as it was imported.

Drawback System
An ACS module that provides the means for processing and controlling all types of drawback entries.

Dray
A vehicle used to haul cargo or goods.

Drayage
The charge made for hauling freight or carts, drays, or trucks.

Drop Shipment
A shipment of goods from a manufacturer directly to a dealer or consumer, avoiding shipment to the wholesaler.

Dropoff
The delivery of a shipment by a shipper to a carrier for transportation.

Dropoff Charge
A charge made by a transportation company for delivery of a container.

Dry Cargo
Cargo which does not require temperature controls.

Dry-Bulk Container
A container designed to carry any of a number of free flowing dry solids such as grain or sand.

Dry-Cargo Container
Any shipping container designed to transport goods other than liquids.

Dual Exchange Rate
The existence of two or more exchange rates for a single currency.

Dual Pricing
The selling of identical products in different markets for different prices.

Dumping
The sale of a commodity in a foreign market at less than fair value, usually considered to be a price lower than that at which it is sold within the exporting country or to third countries.

Dunnage
Materials placed around cargo to prevent breakage or movement.

DUNS : Data Universal Numbering System
Identification system maintained by Dun & Bradstreet.

Durable Goods
Any product which is not consumed through use.

Dutiable List
Items listed in a country's tariff schedule for which it charges import duty.

Duty
A tax levied by a government on the import, export, or consumption of goods.

Easement
A right to use another persons property.

Edge Act Corporations
Banks that are subsidiaries either to bank holding companies or other banks established to engage in foreign business transactions.

EDI
Electronic Data Interchange.

EDIFACT Record Location
(Electronic Data Interchange for Commerce and Transport) Refers to the specific EDIFACT data segment identifier (see UN/EDIFACT for definition of EDIFACT).

Edit
Evaluate the validity of data in a single data field or a combination of data fields; or a means to specify electronically the requirements for a data element to be accepted by an automated system.

Electronic Commerce
A system of integrated communications, data management, and security services that allows business applications within different organizations to automatically interchange information.

Electronic Funds Transfer
System of transferring funds from one account to another using electronic pulses instead of paper.

ELVIS
Electronic Visa Information System: An electronic data prototype which provides information on non-U.S. issued textile visas.

Embargo
A prohibition upon exports or imports with respect to specific products or specific countries.

En Route
In transit (referring to goods, passengers, or vessels).

Encryption
The process of translating data into an electronic code to achieve data security during data interchange.

Entrepot
An intermediary storage facility where goods are kept temporarily for distribution.

Entrepot Trade
The import and export of goods without the further processing of the goods. Usually refers to a party that buys and sells as a middleman.

Entry
A statement of the kinds, quantities, and values of goods imported together with duties due and declared before a customs officer.

Entry Documents
The documents required to secure the release of imported merchandise.

Entry Summary
Documentation which is necessary to enable U.S. Customs to assess duties, collect statistics, and determine whether other requirements of law or regulations are met upon importation.

Entry Summary System
An ACS module that automates the entry processing cycle.

Equalization
Money allotted to the customer if the goods are picked up at a destination other than the one named on the bill of lading.

Escape Clause
A provision in a bilateral or multilateral commercial agreement permitting a signatory nation to temporarily violate their obligations when imports threaten serious harm to the producers of competitive domestic goods.

ETA
The expected date and time of arrival.

ETD
The expected date and time of departure.

Eurobond
A bond issued in a foreign currency, different than the one in which the bond is sold.

Ex Factory
A sale term where the buyer gains ownership of goods when they leave the vendor's dock.

Exception Rates
Shipping rates set higher because the commodity requires special handling and care (i.e. live animals).

Exchange Rate
The price of one currency expressed in terms of another.

Excise Tax
A selective tax; sometimes referred to as a consumption tax.

Exculpatory Clause
A contractual clause that releases one party from liability in case of wrong doing by the other party involved.

Expiry Date
A foreign exchange term for the last day that options can be executed; an expiration date.

Export
To send or transport merchandise abroad, especially for sale or trade.

Export Broker
A firm that specializes in bringing buyers and sellers together for a fee, but does not participate in the actual business transaction.

Export Control
Retaining control over exports for statistical and strategic purposes.

Export Declaration
A required customs document for exportation from the U.S.

Export Draft
An order for the importing party to pay the seller for the exported goods.

Export Duty
A tax imposed on exports of some nations.

Export License
A government document which gives permission to export a specified quantity of a specified commodity.

Export Management Company
A private firm that serves as the export department for several manufacturers and handles the exporting aspect of the business for a commission or salary.

Export Merchant
A company that buys products directly from manufacturers, then packages and marks the merchandise for resale under its own name.

Export Processing Zone
Industrial parks designated by a government to provide tax and other incentives to export firms.

Export Quotas
Specific restrictions on the value or volume of exports from a nation.

Export Restraints
Restrictions as to the number of exports that are allotted for certain foreign markets.

Export Statistics
The statistics that contain the total volume or value of all exports leaving the U.S.

Export Subsidies
Government payments to induce exportation by domestic producers.

Export Trading Company
A corporation organized for the principal purpose of exporting goods and services.

Exporter
An individual or company that transports goods or merchandise from one country to another in the course of trade.

External Value
The purchasing power of a currency abroad, converted using the exchange rate.

Extradition
The return of an alleged criminal from one country to the country that has jurisdiction.

Extranet
An intranet that allows controlled access by authenticated outside parties.

FACET : Future Automated Commercial Environment Team
Group established by the Deputy Commissioner of Customs in 1993 to develop a concept for redesigning the Customs Automated Commercial System (ACS).

Facilitation
Any program designed to expedite the flow of international commerce.

Factor
An agent who receives merchandise under a consignment or bailment contract, who sells it for the principal or in the factor's own name, and who is paid a commission for each sale.

Factorage
The commission or other compensation paid to a factor.

Factors Lien
The right of a factor to retain the principal's merchandise until the factor receives full compensation from the principal.

Fair Value
The weighted average of a products domestic market prices.

FDA
Food And Drug Administration.

Federal Inspection Site
A location at which international merchandise is processed and inspected by one or more federal agencies.

Federal Reserve System
The central banking system of the U.S.; coordinator of monetary policy.

Feeder Vessel
A vessel which is used to connect to a line vessel which directly services a port.

FEU
Forty foot equivalent units (Two 20 ft containers = 1 FEU).

File Server
Functions to develop information about international trade and transportation through the compilation and analysis of statistical data.

File Server
A computer/storage device dedicated to storing files. Any user on the network can store files on the server.

Filer
The process of issuing a user identification and password along with the other necessary security identifiers (also, unique user identification).

Filer
The entity responsible for submission of data to the government; or name and addresses of parties licensed to act as a representative in the transaction of business (ITDS Standard Data Set).

Financial Instrument
A document which has monetary value or is evidence of a transaction.

Financial Market
Market for the exchange of capital and credit in an economy; it is divided into money markets and capital markets.

Firewall
A protective barrier that is a collection of components configured to enforce a specific access control policy between a trusted network and an untrusted network.

First World Countries
Western, industrialized, non-communist countries.

Five Dragons
Term used to describe the emerging economies of Hong Kong, Singapore, South Korea, Taiwan, and Thailand.

Fixed Charges
Charges which do not increase or decrease with a change in volume.

Fixed Exchange
An administratively fixed exchange rate where no rate fluctuations are possible.

Fixing
Establishing of the official exchange rate of a domestic currency against other negotiable currencies.

Flag
A reference to the country or registry of a vessel.

Flag of Convenience
The national flag flown by a ship that is registered in a country other than that of its owners.

Flight of Capital
The movement of capital to avoid loss or increase gain.

Floating
Free determination of exchange rates based on supply and demand with no intervention on the part of the central bank.

Flotsam
Floating debris or wreckage of a ship and its cargo.

Force Majeure
A superior or irresistible force, such as an "Act of God," that makes it impossible to perform a contract.

Foreign Bond
An international bond denominated in the currency of the country where it is issued.

Foreign Commerce
Trade between individuals or legal entities in different countries.

Foreign Currency
The currency of any foreign country which is the authorized medium of circulation.

Foreign Exchange
Currency of countries exchangeable for other currencies according to their relative values based on supply and demand.

Foreign Exchange Contract
A contract for the sale or purchase of foreign exchange specifying an exchange rate and delivery date.

Foreign Exchange Rate
The rate or price of the currency of country in terms of the currency of another.

Foreign Exports
The U.S. export of foreign merchandise consisting of foreign commodities and goods in Customs bonded warehouses.

Foreign Flag
A reference to a carrier not registered in a country but flies that country's flag.

Foreign Income
Income earned by Americans from work performed in another country.

Foreign Investment
The purchase of assets from abroad.

Foreign Market Value
The price at which merchandise is sold in the principal markets of the country from which it is exported.

Foreign Parent
The first foreign person or entity outside the U.S. in an affiliate's ownership chain that has direct investment in the affiliate.

Foreign Person
A person who resides outside of the United States or is subject to the jurisdiction of a country other than the U.S.

Foreign Remittances
The transfer of any monetary instrument across national boundaries.

Forward Foreign Exchange
An agreement to purchase or sell an amount of foreign currency at a future date at a predetermined price.

Foul Bill of Lading
A receipt for goods with the indication that they were received damaged or short in quantity.

Fractional Currency
Any currency that is smaller than a standard money unit.

Franco
Free from duties, transportation charges and other levies.

Free Domicile
Term to describe when the shipper pays all the transportation charges and applicable duties.

Free In
A pricing term indicating that the loading charges are for the account of the supplier.

Free In and Out
A pricing term indicating that the vessel operator is responsible for the cost of loading and unloading.

Free List
A statement of items that are not liable to the payment of duties.

Free Market
Unrestricted movement of items in and out of a market, unhampered by the existence of tariffs or other trade barriers.

Free Out
A pricing term indicating that unloading charges are for the account of the receiver.

Free Port
An area where imported goods may be brought without payment of duties.

Free Time
The time allowed shippers and receivers to load or unload cars before demurrage or detention.

Free Zone
An area within a country (a seaport, airport, warehouse or any designated area) regarded as being outside its customs territory where importers may bring goods of foreign origin without paying customs duties and taxes, pending their eventual processing, transshipment or re-exportation.

Free-Astray
A shipment dropped off at the wrong location is forwarded to the proper location free of charge.

Freight
All merchandise, goods, products, or commodities shipped by rail, air, road, or water, other than baggage, express mail, or regular mail.

Freight Charge
The charge assessed for transporting freight.

Freight Claim
A demand upon a carrier for the payment of overcharge or loss or damage sustained by shipper or consignee.

Freighter
A ship or airplane used primarily to carry freight.

Front end
A series of initial system events pertaining to data submission. Also used to refer to the user interface portion of a system.

Function
A major work element to accomplish the mission or business of an organization, such as accounting, marketing, etc. A sub-function is defined as a component of a function such as accounts receivable, accounts payable, etc. in the accounting function; or in data processing, a process performed by the computer on data.

Fungibles
Goods that are identical with other goods of the same nature.

Futures Contract
A contract for the future delivery of a specified commodity, currency or security on a specific date at a rate determined in the present.

Gang
A group of stevedores under a supervisor who are assigned to load or unload a portion of a vessel.

Gangway
The opening through which a ship is boarded.

Gantry Crane
A specialized machine for the raising or lowering of cargo mounted on a structure spanning an open space on a ship.

Gateway
A major airport or seaport; or the port where customs clearance takes place; or a point at which freight moving from one territory to another is interchanged between transportation lines.

GATT
General Agreement on Tariffs and Trade.

Geisha Bond
Bond issued on the Japanese market in currencies other than yen.

General Average
An internationally accepted rule of the sea which says when a peril threatens the survival of the ship, there may be sacrificed (thrown overboard) any cargo or supplies or ships furnishings, and any expense incurred necessary to save the ship. If the vessel is saved, all cargo owners, ship owner, and owners of the freight revenue share pro rata in the loss.

General Cargo Rate
The rate a carrier charges for the shipment of cargo which does not have a special class rate or commodity rate.

General Cargo Vessels
A vessel designed to handle breakbulk cargo such as bags, cartons, cases, crates, and drums, either individually or in unitized or palletized loads.

General Commodity Rate
A freight rate applicable to all commodities except those for which specific rates have been filed.

General Imports
The total physical arrivals of merchandise from foreign countries, whether such merchandise enters consumption channels immediately or is entered into bonded warehouses or Foreign Trade Zones under U.S. Customs custody.

General Liability
Unlimited responsibility for an obligation, such as payment of debts of a business.

General License
Authorized licenses by the U.S. Bureau of Export Administration that permit the export of non-strategic goods to specified countries without the need for a validated license.

General Order
Merchandise not entered within five working days after arrival of the carrier and stored at the expense of the importer.

General Order Warehouse
Warehouse where customs sends merchandise that has not been claimed within five days of arrival.

General Partnership
A partnership where all partners have joint ownership and liability.

General Tariff
A tariff that applies to countries that do not enjoy either preferential or most favored nation tariff treatment.

GITS
Government Information Technology Services Working Groups.

Global Bond
A bond that can be traded immediately in any United States capital market and in the Euromarket.

Global Quota
A quota on the total imports of a product from all countries.

Gold Exchange Standard
A monetary system adopted by some countries which did not have enough gold to go onto the gold standard and make their currency freely convertible into gold. Instead, they made their currency freely convertible into the currency of a country which was on the gold standard. This system only lasted about 10 years from 1922.

Gold Reserves
Gold, retained by a nation's monetary agency, forming the backing of currency that the nation has issued.

Gold Standard
A monetary agreement whereby all national currencies 100 percent by gold and the gold is utilized for payments of foreign activity.

Gondola Car
An open railway car with sides and ends, used principally for hauling coal, sand, etc.

Goods
Merchandise, supplies, raw materials, and completed products.

Grantee
A corporation to which the privilege of establishing, operating, or maintaining a foreign trade zone has been given.

Green Card
An identity card (visa) issued by the U.S. Immigration and Naturalization Service entitling a foreign national to enter and reside in the U.S. as a permanent resident.

Grey List
A list of disreputable end users in nations of concern for missile proliferation from the U.S. intelligence community.

Grid
Fixed margin within which exchange rates are allowed to fluctuate.

Gross
Twelve dozen or 144 items.

Gross Domestic Product
A measure of the market value of all goods and services produced within the boundaries of a nation.

Gross National Product
A measure of the market value of all goods and services produced by the labor and property of a nation.

Gross Weight
The full weight of a shipment, including goods and packaging.

Hallmark
An impression made on gold and silverware introduced in the beginning of the fourteenth century in England to identify the quality of the metal used.

Harbor Fees
Charges assessed to users for use of a harbor, used generally for maintenance of the harbor.

Harbor Master
An officer who attends to the berthing, etc. of ships in a harbor.

Hard Loan
A foreign loan that must be paid in hard money.

Hard Money
Currency of a nation having stability in the country and abroad.

Harmonized System (HS)
A multipurpose international goods classification system designed to be used by manufacturers, transporters, exporters, importers, customs, statisticians, and others in classifying goods moving in international trade under a single commodity code.

Harter Act
Legislation protecting a ship's owner against claims for damage resulting from the behavior of the vessels crew, provided the ship left port in proper condition.

Hatch
The opening in the deck of a vessel which gives access to the cargo hold.

Haulage
The local transport of goods. Also the charge(s) made for hauling freight on carts, drays, or trucks. Also called cartage or drayage.

Hazardous Materials
A substance or material which has been determined by the U.S. Secretary of Transportation to be capable of posing an unreasonable risk to health, safety, and property when transported in commerce and which has been so designated.

Heavy Lift
Articles too heavy to be lifted by a ship's tackle.

Heavy Lift Charge
A charge made for lifting articles too heavy to be lifted by a ship's tackle.

Heavy Lift Vessel
A vessel with heavy lift cranes and other equipment designed to be self-sustaining in the handling of heavy cargo.

Hedge
To offset.

Hedge Ratio
The amount of an underlying instrument or the number of options which are needed to hedge a covered option.

High Density
The compression of flat or standard bales of cotton to high density of approximately 32 pounds.

Hitchment
The combination of portions of a shipment with different geographical regions that move under one bill of lading from shipper to consignee.

Hold
The space below deck in a vessel used to carry cargo.

Hold For Pickup
Freight to be held at the carrier's destination location for pickup by the recipient.

Hold Harmless Contract
An agreement by which one party accepts responsibility for all damages and other liability that arise from a transaction, relieving the other party of any such liability.

Honor
To pay or to accept a draft complying with the terms of credit.

House Air Waybill
A bill of lading issued by a freight forwarder for consolidated air freight shipments.

House-To-House
A term usually used to indicate a container yard to container yard shipment.

HTML: Hypertext Markup Language
The coding language used to create hypertext documents for use on the World Wide Web. A block of text is surrounded with codes that indicate how it should appear. Additionally, in HTML you can specify that a block of text, or a word, is linked to another file on the Internet. HTML files are meant to be viewed using a World Wide Web Client Program, such as Netscape™ or Mosaic™.

HTS (of the U.S.): Harmonized Tariff Schedule
An organized numeric listing of goods and duty rates used by the U.S. Customs Service to classify imports, to determine the duty rate of those imports and to assemble statistics. HTS is based on the international Harmonized System Convention.

HTTP: Hypertext Transport Protocol
The protocol for moving hypertext files across the Internet; requires an HTTP client program on one end, and an HTTP server program on the other end. HTTP is the most important protocol used in the World Wide Web.

Hub And Spoke Routing
Aircraft routing service pattern that feeds traffic from many cities into a central hub designed to connect with other flights to final destinations. The system maximizes operating flexibility by connecting many markets through a central hub with fewer flights than would be required to connect each pair of cities in an extensive system.

Hull
The outer shell of a vessel.

Hump
That part of a rail track which is elevated so that when a car is pushed up on “the hump” and uncoupled it runs down the other side by gravity.

Hundredweight Pricing
Special pricing for multiple-piece shipments traveling to one destination which are rated on the total weight of the shipment as opposed to rating on a per package basis.

Hypertext
Generally, any text that contains links to other documents - words or phrases in the document that can be chosen by a reader and which cause another document to be retrieved and displayed.

I.C.P.O.: Irrevocable Corporate Purchase Order
A purchase order completed by a buyer on corporate letterhead that indicates the type and quantity of products being ordered from a supplier.

Identical Merchandise
Used by U.S. Customs in establishing the customs value of merchandise exported to the U.S., identical merchandise is merchandise that is: (1) Identical in all respects to the merchandise being appraised, (2) Produced in the same country as the merchandise being appraised, and (3) Produced by the same person as the merchandise being appraised.

Immediate Delivery
An alternate U.S. Customs entry procedure which provides for immediate release of a shipment in certain cases.

Immigration
The entry of foreign nationals into a country for the purpose of establishing permanent residence.

Implied Conditions
Certain implied conditions are not written into marine insurance policies, but they are so basic to understanding between underwriter and the assured that the law gives them much the same effect as if written. (In many other types of contracts there also may be "implied conditions." For example, a seller of goods implies that they are fit for the purpose they purport to serve.)

Import
To bring in (goods or services) from a foreign country for trade or sale.

Import Substitution
A strategy which emphasizes the replacement of imports with domestically produced goods to encourage the development of domestic industry.

Import Credit
A commercial letter of credit issued for the purpose of financing the importation of goods.

Import Duty
Any tax on items imported.

Import License
A document required and issued by some national governments authorizing the importation of goods.

Import Quota
A protective ruling establishing limits on the quantity of a particular product that can be imported.

Import Quota Auctioning
The process of auctioning the right to import specified quantities of quota-restricted goods.

Import Relief
Any of several measures imposed by a government to temporally restrict imports of a product or commodity to protect domestic producers from competition.

Import Restrictions
Any one of a series of tariff and non-tariff barriers imposed by an importing nation to control the volume of goods coming into the country from other countries.

Importer
The individual, firm, or legal entity that brings articles of trade from a foreign source into a domestic market in the course of trade.

Importer Number
An identification number assigned by the U.S. Customs Service to each importer to track entries and other transactions.

Imports
Commodities of foreign origin as well as goods of domestic origin returned to the producing country with no change in condition, or after having been processed and/or assembled in other countries.

Imports For Consumption
The total of merchandise that has physically cleared through U.S. Customs either entering domestic consumption channels immediately or entering after withdrawal for consumption from bonded warehouses under U.S. Customs custody or from U.S. Foreign Trade Zones.

Impost
A tax, usually an import duty.

Importers Manual USA
A reference book detailing specific requirements for importing 135 different product groups into the U.S. and other important information.

Impound
To seize or hold; or to place in protective custody by order of a court.

In Bond
A procedure under which goods are transported or warehoused under customs supervision until they are either formally entered into the customs territory of the U.S. and duties paid, or until they are exported from the U.S.

In Bond Shipment
An import or export shipment which has not been cleared by U.S. Customs officials.

In-Bond System
A part of U.S. Customs Automated Commercial System, controls merchandise from the point of unloading at the port of entry or exportation.

In-Transit
Refers to an international shipment that passes through the territory of a particular country without entering the commerce of that country.

Incentive
A motivational force that stimulates people to greater activity or increased efficiency.

Income
Money or its equivalent, earned or accrued, arising from the sale of goods or services.

Incoterms
A codification of international rules for the uniform interpretation of common contract clauses in export/import transactions.

Indemnify
To compensate for actual loss sustained.

Indemnity
An agreement to reimburse another individual or legal entity who incurs a loss that is covered by the agreement.

Independent Action
The right of a conference member to depart from the common freight rates, terms or conditions of the conference without the need for prior approval of the conference.

Industrial List
The Coordinating Committee for Multilateral Export Controls industrial list contains dual-use items whose export are controlled for strategic reasons.

Industrial Policy
Encompasses traditional government policies intended to provide a favorable economic climate for the development of industry in general or specific industrial sectors.

Infant Industry Argument
The view that "temporary protection" for a new industry or firm in a particular country through tariff and non-tariff barriers to imports can help it to become established and eventually competitive in world markets.

Inflation
Loss of purchasing power of money caused by growth of the amount of money in circulation.

Informal Entry
A simplified import entry procedure accepted at the option of Customs for any baggage or commercial shipment that does not exceed $2,000.

Information Management
The planning, budgeting, manipulating, and controlling of electronic and paper information throughout its lifecycle as defined by OMB Circular A-130.

Informed Compliance
A term that describes the improved ability of an entity (such as a company) to comply with federal rules and regulations through easy access to up-to-date information.

Infrastructure
The basic structure of a nation's economy.

Inherent Vice
The inherent physical properties of goods which may cause them to suffer deterioration or damage without outside influence. (For example: spontaneous combustion.)

Injury
A finding by the U.S. International Trade Commission that an import is causing harm or going to cause harm to a U.S. industry.

Inland Bill of Lading
A bill of lading used in transporting goods overland to the exporters international carrier.

Inland Carrier
A transportation line which hauls import/export traffic between ports and inland points.

Inspection Certificate
A document confirming that goods have been inspected for conformity.

Instrument
Any written document that gives formal expression to a legal agreement or act.

Integrated Cargo Service
A blend of all segments of the cargo system providing the combined services of carrier, forwarder, handlers, and agents.

Integrated Carriers
Carriers that have multiple varieties of fleets (i.e. air and ground, truck and rail, etc.).

Intellectual Property
An original piece of work that can be copyrighted or trademarked to confirm ownership.

Interbank Dealings
Dealings between the banks.

Interchange Agreement
An agreement that specifically lays out the terms of leasing equipment from a carrier.

Interchange Point
A location where one carrier delivers freight to another carrier.

Interface
A computer program that enables linkage between two or more computer programs; or the boundary between any two systems, especialy where information is transferred.

Interline Shipping
The movement of a single shipment in two or more carriers.

Intermodal Compatibility
The capability of a shipment of goods to be transported from one form of transportation to another.

Intermodal Transport
Coordinated transport of freight using multiple methods of transportation.

International Trade
The business of buying and selling commodities outside of national borders.

Internet
A global, decentralized web that connects more than a million independent computers whose operators choose services for web and local use.

Interoperability
The capability to allow users to use any set of hardware and software to share data readily among applications residing on varying combinations of hardware and software within and between existing networks.

Interstate Carrier
A common carrier whose business extends beyond the boundaries of one state.

Interstate Commerce
Trade between or among several states of the U.S.; includes facsimile across state lines or transport by rail and roads.

Intranet
Intranet is a closed internal network.

Invisible Trade Balance
The balance of trade created by the import and export of services.

Invoice
A document identifying the buyer and seller; includes all relevant information such as number, date, shipping date, mode of transport, etc.

Invoice Line Item
The way of identifying the commodity, price and quantity being sold and/or bought.

ISO Code
Refers to the standardization codes established by the ISO to identify countries, currencies, standard units of measure, and other data elements.

Issuance
The establishment of a letter of credit by the issuing bank based on the buyers application and credit relationship with the bank.

IT06: Information Technology Initiative 6
Refers to the sixth initiative of the National Performance Review calling for the development of an international trade data system sponsored by the U.S. government that will meet the needs of federal agencies involved in international trade as well as the trade information needs of businesses and the general public.

ITC: International Transaction Number
A unique identifier that ITDS will associate with an international trade transaction; or a unique number assigned by the initiating party that identifies an international trade transaction.

ITDS Data Elements
The specific data list used by the International Trade Data System to facilitate the entry, exit and in-transit movement of goods between the U.S. and foreign countries.

Jetsam
Articles from a ship or ships cargo which are thrown overboard, usually to lighten the load in times of emergency or distress and that sinks or is washed ashore.

Jettison
The act of throwing overboard at sea part of a vessels paraphernalia or cargo or hull - usually in hopes of saving the ship from sinking.

JIG
Joint Industry Group.

Joint Agent
A person having authority to transact business for two or more transportation lines.

Joint Rate
A single through-rate on cargo moving via two or more carriers.

Joint Stock Company
An unincorporated business association with ownership interests represented by shares of stock.

Joint Venture
A combination of two or more individuals or legal entities who undertake together a transaction for mutual gain or to engage in a commercial enterprise together with mutual sharing of profits and losses; or a form of business partnership involving joint management and the sharing of risks and profits as between enterprises based in different countries.

Jurat
A statement signed by a person authorized to take oaths certifying to the authenticity of a document or affidavit.

Juristic Act
Action intended to, and capable of having, a legal effect, such as the creation, termination, or modification of a legal right.

Just In Time
The principle of production and inventory control that prescribes precise controls for the movement of raw materials, component parts, and work-in-progress. Goods arrive when needed for production for use rather than becoming expensive inventory that occupies costly warehouse space.

Keelage
The charges paid by a ship entering or remaining in certain ports.

Key Currency
A major currency in the global economy. Key currencies include the U.S. dollar, the British pound sterling, the German mark, the Swiss franc, the French franc, the Dutch gilder, the Japanese yen, and the Canadian dollar.

Kiosk
A small structure which incorporates a computer screen and input devices such as a keyboard or touch screen. Usually found in public places such as libraries or museums, it is used for the dissemination of information to the public.

Knocked Down
An article taken apart and folded or telescoped in such a manner as to reduce its bulk at least 66 2/3 percent from its normal shipping cubage when set up or assembled.

Known Loss
An evident loss (as opposed to a concealed loss or damage to contents within a package). A loss of which the insured and/or the insurer is aware at the time the insurance is effected.

Laissez-Faire
A term used to describe minimal governmental involvement in an economy, allowing market forces and individuals to make their own decisions, with little or no regulation.

Landbridge
The movement of containers from a foreign country by vessel, transiting a country by rail or truck, and then being loaded aboard another vessel for delivery to a second foreign country.

Lanham Act Of 1947
Federal legislation governing trademarks and other symbols for identifying goods sold in interstate commerce.

Lay Order
The period during which imported merchandise may remain at the place of unloading without some action being taken for its disposition.

Legacy System
An existing automated system that continues to function within an agency at the time of transition to a different system.

Legal Entity
Any individual, proprietorship, partnership, corporation, association, or other organization that has, in the eyes of the law, the capacity to make a contract or an agreement, and the abilities to assume an obligation and to discharge an indebtedness.

Legal Tender
Any money that is recognized as being lawful for use by a debtor to pay a creditor, who must accept same in the discharge of a debt unless the contract between the parties specifically states that another type of money is to be used.

Less Than Truckload
A shipment weighing less than the weight required for the application of the truck load rate.

Letter Of Assignment
A document with which the assignor assigns rights to a third party.

Letter Of Credit
A document issued by a bank stating its commitment to pay someone a stated amount of money on behalf of a buyer so long as the seller meets very specific terms and conditions. Letters of credit are more formally called documentary letters of credit.

Letter of Indemnity
A document which serves to protect the carrier/owner financially against possible repercussions in connection with the release of goods without presentation of an original bill of lading.

Letter of Intent
A document that describes the preliminary understanding between parties who intend to make a contract or join together in another action.

License, Permit, Etc.
Abbreviation for License, Permit, Certificate or Visa; refers to data provided when license, permit, etc. is applied for, issued or renewed.

Licensing
Grant of permission to import or export merchandise within a specified time limit, up to defined quantity or through certain location(s)

Licensing Agreement
A contract whereby the holder of a trademark, patent, or copyright transfers a limited right to use a process, sell or manufacture an article, or furnish specialized services covered by the trademark, patent, or copyright to another firm.

Lift Van
A wooden or metal container used for packing household goods and personal effects.

Lighter
A barge towed by a tugboat and used mainly in harbors and inland waterways for the transport of cargo.

Lighter Aboard Ship
A floatable large container (lighter) used in the combined ocean and inland waterway transport of goods.

Lighterage
The loading or unloading of a ship by means of a lighter, especially when shallow waters prevent an ocean going vessel from entering a waterway.

Limitation Period
A maximum period set by statute within which a legal action can be brought or a right enforced. A statute may prohibit, for example, any individual or legal entity from bringing an action for breach of contract more than one year after the breach ccurred.

Limited Appointment
Persons appointed to U.S. and Foreign Commercial Service (or to other foreign services) from the private sector or from the federal government who are non-career officers assigned overseas for a limited time.

Limited Liability
Restricted liability for the obligations of a business.

Limited Partnership
A partnership in which at least one partner has general liability and at least one of the other partners has limited liability.

Line Haul
The direct movement of freight between two major ports by a single ship.

Line Haul Vessel
A vessel which is on a regularly defined schedule.

Line Release System
A part of the U.S. Customs Automated Commercial System that is designed for the release and tracking of shipments through the use of personal computers and bar code technology.

Liner
A vessel carrying passengers and cargo that operates on a route with a fixed schedule.

Liner Terms
Conditions under which a shipping company will transport goods, including the amount payable for freight and the cost both for loading and discharge of the vessel.

Liquidated Damages
A sum of money that a contracting party agrees to pay to the other party for breaching an agreement, particularly important in a contract in which damages for breach may be difficult to assess.

Liquidation
The final review of a U.S. Customs entry, and determination of the rate of duty and amount of duty by Customs.

Liquidation System
A part of U.S. Customs Automated Commercial System, closes the file on each entry and establishes a batch filing number which is essential for recovering an entry, for review or enforcement purposes.

Liquidity
(Economics) (a) A company's ability to meet its obligations at all times. (b) The availability of liquid funds in an economy. (c) The possibility of being able to carry out financial transactions without influencing the market.

Lloyds Of London
An English association of insurance underwriters, the oldest of its kind in the world. Not in itself an insurance company.

Lloyds Registry
An English society, independent of Lloyds of London, which surveys and classifies the ships of the world according to their description, condition, seaworthiness, and compliance with codes and protocols. Also establishes standards for maintenance and construction. (Correct name is: Lloyds Register of Shipping.)

Loading
The physical placing of cargo into carrier's container or onto a vessel.

Local Area Network
(LAN) A user-owned and operated data transmission facility connecting a number of communication devices (e.g., computers, terminals, printers, storage devices) within a single building or campus of buildings.

Longshoreman
A laborer who loads and unloads ships at a seaport.

Lose Of Intent
A document, such as a written memorandum, that describes the preliminary understanding between parties who intend to make a contract or join together in another action, such as a joint venture or a corporate merger.

Lot Labels
Labels attached to each piece of multiple lot shipment for identification purposes.

Lower Deck Containers
Carrier owned containers specially designed as an integral part of the aircraft to fit in the cargo compartments of a wide body aircraft.

Macroeconomics
The study of statistics of the economy as a whole rather than as single economic units.

Mail Entry
A means of shipping and entering goods into the Customs territory of the U.S.

Mala Fide
In bad faith; a seller's representation that goods are usable for a particular purpose when in fact the seller knows that the goods are not.

Manifest
A document giving the description of a ship's cargo or the contents of a car or truck.

Maquiladora
A program which allows foreign manufacturers to ship components into Mexico duty free for assembly and subsequent reexport.

Margin
The difference between the cost of sold items and the total net sales income.

Marginal Cost
The increase in the total cost of production that results from manufacturing one more unit of output.

Maritime
Business pertaining to commerce or navigation by sea.

Market Access
The openness of a national market to foreign products.

Market Disruption
A situation where a surge of imports of a certain product causes a sharp decline in the domestic sales of that product and creates a hardship for domestic producers.

Market Economy
An economic system where resources are allocated and production of products determined by market forces rather than by government decree.

Market Price
The price established in the market where buyers and sellers meet to buy and sell similar products.

Marks
Information placed on outer surface of shipping containers or packages such as address labels, identifying numbers, box specifications, cautions, or directional warnings.

Matador Bond
Bond issued on the Spanish market, denominated in currencies other than the peseta.

Material Contract Terms
Terms in a contract that describe the goods, fix the price, and set the delivery date.

Mates Receipt
A declaration issued by an officer of a vessel in the name of the shipping company stating that certain goods have been received on board his vessel.

Measurement Cargo
A cargo on which the transportation charge is assessed on the basis of measurement.

Medium of Exchange
Any commodity which is widely accepted in payment for goods and services and in settlement of debts.

Memorandum Bill of Lading
The duplicate copy of the bill of lading.

Memorandum Tariff
Publications which contain rule and rate information extracted from official tariffs.

Merchants Credit
A letter of credit issued by the buyer himself with no commitment on the part of a bank.

Merchants Haulage
The inland move from or to a port that has all arrangements made by the exporter.

Merry-Go-Round
The circulation of money through various sources, ending up where it started.

Message
An organized, well-defined set of data that one computer or application sends to another.

Microbridge
A landbridge movement in which cargo originating/destined to an inland point is railed or trucked to/from the water port for a shipment to/from a foreign country.

MID
Originally Manufacture Identification Number: A data element used by Customs.

Minibridge
Movement of cargo from a port over water then over land to a port on an opposite coast.

Minimum Charge
The lowest rate applicable on each type of cargo service no matter how small the shipment.

Mission
General statement of the purpose, nature and functions of an organization. (The reasons to be in business, why the organization exists.)

Mixed Credit
The combining of concessional and market-rate export credit as an export promotion mechanism.

MOD Act
Customs Modernization and Informed Compliance Act: Passage 1992, HR 3935.

Money
Any denomination of coin or paper currency of legal tender that passes freely as a medium of exchange; anything that is accepted in exchange for other things.

Money Creation
The increase in money supply by the central or commercial banks.

Money Market
The market for short term financial instruments (i.e. commercial paper, treasury bills, discount notes).

Money Market Operations
Comprises the acceptance and relending of deposits on the money market.

Money Supply
The amount of domestic cash and deposit money available in an economy.

Moor
To secure a vessel to an anchor, buoy, or pier.

Moorage
Charges assessed for mooring a vessel to a pier or wharf.

Most Favored Nation
A non-discriminatory trade policy commitment on the part of one country to extend to another country the lowest tariff rate it applies to any other country.

Motor Carriers Terminal
The place where loaded or empty shipping containers are received or delivered by a motor carrier.

Multilateral Agreement
An international compact involving three or more parties.

Multimodal Transport
Shipping which includes at least two modes of transport, such as shipping by rail and by sea.

Multinational Corporation
A corporation having subsidiaries in more than one country.

Multiserver
A hardware configuration consisting of multiple computers or devices on a network that manages network resources.

NAFTA
North American Free Trade Agreement.

NATAP
(North American Trade Automation Prototype) A trinational initiative to harmonize government processes and standardize data elements across the North American Free Trade Agreement (NAFTA) countries (i.e., United States, Mexico and Canada) and proof of concept for the International Trade Data System

National Treatment
National treatment affords foreign individuals and firms the same competitive opportunities, including market access, as are available to domestic parties.

Nationalization
Takeover by the government without compensation of a public or private activity.

NCBFAA
National Customs Brokers and Forwarders Association of America.

Negotiable
Anything that can be sold or transferred to another for money or as payments of a debt.

Negotiable Bill of Lading
Bill of lading transferred by endorsement.

Nested
Packed one within another.

Net Cash
Payment for goods sold usually within a short period of time with no deduction allowed from the invoice price.

Net National Product
The market value of the net output of goods and services produced by the nations economy.

Net Price
Price after all discounts, rebates, etc. have been allowed.

Net Weight
The weight of goods without packaging.

Network Server
A computer that manages network traffic.

Neutral Air Waybill
A standard air waybill without identification of issuing carrier.

NII
National Information Infrastructure Task Force.

No Show
Freight that has been booked to a ship, but has not physically arrived in time to be loaded to that ship.

Non-repudiation
To be added at a later time.

Notary Public
A person commissioned by a state for a stipulated period to administer certain oaths and to attest and certify documents.

Notify Address
Address mentioned in the transport document to which the carrier is to give notice when goods are due to arrive.

Notify Party
Name and address of a party in the transport document to be notified by the shipping company of the arrival of a shipment.

NPR
National Performance Review.

NTDB
National Trade Data Bank: A data base used as the central collection point for U.S. government generated export promotion information.

Objective
A measurable result that management has agreed to accomplish within a specific time frame. Strategic objectives generally have time frames of 5 to 10 years.

Ocean Bill of Lading
A receipt for the cargo and a contract for transportation between a shipper and the ocean carrier.

Offer
A proposal that is made to a certain individual or legal entity to enter into a contract, that is definite in its terms, and that indicates the offers intent to be bound by an acceptance.

Offshore
A reference to financial operations transacted outside the country in question.

Offshore Bank
Bank located outside the country in question.

Offshore Banking Center
Financial center where many of the financial institutions have little connection with that country's financial system; usually done for tax purposes.

Old-To-Market
Committed to export, experienced, larger scale firm with export sales volume in excess of 15 percent.

On Board
Notation on a bill of lading indicating that the goods have been loaded on board or shipped on a named ship. In the case of received for shipment bills of lading, the following four parties are authorized to add this "on board" notation: (1) the carrier, (2) the carriers agent, (3) the master of the ship, and (4) the master's agent.

On Deck
Notation on a bill of lading which indicates that the goods have been loaded on the deck of the ship.

On Deck Bill Of Lading
Bill of lading containing the notation that goods have been placed on deck.

Open Account
Credit extended that is not supported by a note, mortgage, or other formal written evidence of indebtedness.

Open Conference
A shipping conference in which there are no restrictions upon membership other than ability and willingness to serve the trade.

Open Economy
An economy free of trade restrictions.

Open System
A software environment consisting of products and technologies which are designed and implemented in accordance with standards - established and de facto - that are vendor independent and commonly available; OR an information processing environment based on application programming interfaces and communication protocol standards, which transcend any one vendor and have sufficient vendor product investment to ensure both multiple platform availability and industry sustainability.

Open-End Contract
An agreement by which the buyer may purchase goods from a seller for a certain time without changes in the price or the contract terms.

Operator
A corporation that operates a foreign trade zone under the terms of an agreement with a foreign trade zone grantee.

Order
A request to deliver, sell, receive, or purchase goods or services.

Order Bill
A bill of lading that states that goods are consigned to the order of the person named in the bill.

Order Notify
A bill of lading term to provide for surrender of the original bill of lading before freight is surrendered.

OSI
(Open Systems Interconnect) A system devised to define standards for all levels of communication. Each layer is aware only of the level above and below it. It takes information from the layer above, adds control information to it, and passes it to the layer below.

Outright
A forward purchase or sale of foreign exchange which is not offset by a corresponding spot transaction.

Outward Swap
Spot purchase of foreign exchange and forward resale of the same currency against domestic currency.

Over the Counter
Securities trading which takes place outside the normal exchanges.

Overnight
Swap from settlement date until the following business day.

Packing List
A document prepared by the shipper listing the kinds and qualities of merchandise in a particular shipment.

Pallet
A platform with or without sides, on which a number of packages or pieces may be loaded to facilitate handling.

Pallet Loader
A device employing one or more vertical lift platforms for the mechanical loading or unloading of palletized freight at planeside.

Pallet Transporter
A vehicle for the movement of loaded pallets between the aircraft and the freight terminal.

Palletizing
The loading and securing of a number of sacks, bags, boxes or drums on a pallet base.

Par Balue
The official fixed exchange rate between two currencies or between a currency and a specific weight of gold.

Par Exchange Rate
The free market price of one country’s money in terms of the currency of another.

Par Of Exchange
The market price of money in one national currency that is exchanged at the official rate for a specific amount in another national currency, or another commodity of value (gold, silver, etc.).

Parcel Post Air Freight
An airline service through which a shipper can consolidate a number of parcel post packages, with destination postage affixed by the shipper, for shipment as air freight to the postmaster at another city for subsequent delivery within local postal zones or beyond.

Parent Bank
A bank in a major industrial country that sets up a subsidiary in a developing country.

Parity
Equality in amount or value.

Parol
Oral expression. A parol contract is one that is verbal only and that has not been put into writing by the parties.

Particular Average
A partial loss of cargo or hull which falls entirely upon the interest concerned. See also “General Average.”

Partnership
An unincorporated business owned and operated by two or more persons, who may have general or limited liability according to the agreement of the partnership.

Patent
A grant by law to an inventor of a device of the right to exclude other persons from making, using, or selling the device.

Payable In Exchange
The requirement that a negotiable instrument be paid in the funds of the place from which it was originally issued.

Payee
The person or organization to whom a check or draft or note is made payable.

Payer
The party primarily responsible for the payment of the amount owned as evidenced by a given negotiable instrument.

Payments Surplus
The excess of the value of a nation’s exports over its imports.

Penalties
The charges assessed or action taken by customs in response to a violation of a customs-enforced regulation or law.

Performance
The proper fulfillment of a contract or obligation.

Peril Point
A hypothetical limit beyond which a reduction in tariff protection would cause serious injury to a domestic industry.

Perishable Freight
Freight subject to decay or deterioration.

Petrodollars
Huge sums of money from oil-producing nations other than the U.S. or United Kingdom.

Pickup Order
An order from a broker to a carrier to pick up freight at a location.

Pier-to-Pier
Shipment of cargo by carrier from origin pier to discharge pier.

Piggyback
The transportation of truck trailers and containers on specially equipped railroad flat-cars.

Pilferage
Taking of property by stealth or clandestine theft, usually in small quantities.

Pilot
A person whose occupation is to steer ships, particularly along a coast, or into and out of a harbor.

Plimsoll Mark
The horizontal line on the outside of a ship which represents the depth to which a vessel may be safely loaded; this mark must stay above the water surface.

Point of Origin
The location at which a shipment is received by a transportation line from the shipper.

Point-to-Point
Represents service and rates for shipments in door-to-door service.

Port
A harbor or haven where ships may anchor and discharge or receive cargo.

Port Charge
A charge made for services performed at ports.

Port of Discharge
The port at which a shipment is off loaded by a transportation line.

Port of Entry
A port at which foreign goods are admitted into the receiving country.

Port of Export
The port, airport, or customs point from which an export shipment leaves a country for a voyage to a foreign country.

Portfolio Investment
In general, any foreign investment that is not direct investment is considered portfolio investment.

Postdated Check
A check bearing a date that has not yet arrived.

Pre-Arrival Data
Data transmitted, processed, and resident on a government computer before the shipment arrives at the port of entry.

Pre-License Checks
Checks that are conducted to determine that a request for a license to export a controlled commodity represents a legitimate order.

Preferences
A creditor's right to be paid before other creditors of the same debtor.

Premium
1) The amount above a regular price, paid as incentive to do something. 2) The price of insurance protection for a specified risk for a specified period of time. Comment: Meaning number 1 above correctly indicates that one meaning of "Premium" is something in addition to the regular price. In meaning number 2, "Premium" is the price.

Prepaid
A notation on a shipping document indicating that shipping charges have already been paid by the shipper to the carrier.

Prepaid Charges
The transportation trade practice under which the shipper pays transportation charges.

Price Support
Subsidy or financial aid offered to specific growers, producers, or distributors, in accordance with governmental regulations to keep market prices from dropping below a certain minimum level.

Priority Air Freight
Reserved air freight or air express service wherein shipments have a priority after mail and the small package services.

Private Corporation
A business corporation with shares that are not traded among the general public.

Procurement and Lead Time
The time required by the buyer to select a supplier and to place and obtain a commitment for specific quantities of materials at specified times.

Product Groups
Commodity groupings used for export control purposes.

Productivity
A measurement of the efficiency of production.

Project License
A U.S. license which authorizes large-scale exports of a wide variety of commodities and technical data for specified activities.

Promotional Rate
A rate applying to traffic under special conditions and usually confined to movement between a limited number of cities.

Proof of Delivery
Evidence that one party has turned over something (cargo) to another. Commonly, in transportation, a signed, dated acknowledgment of receipt.

Proprietor
A person who has an exclusive right or interest in property or in a business.

Proprietorship
A business owned by one person.

Protectionism
The deliberate use or encouragement of restrictions on imports to enable relatively inefficient domestic producers to compete successfully with foreign producers.

Protective Service
Many airlines offer a protective service where shippers can arrange to have their shipments under carrier surveillance at each stage of transit.

Protective Tariff
A duty or tax on imported products to make them more expensive in comparison to domestic products.

Protest
The means by which an importer, consignee, or other designated party may challenge a customs decision.

Public Corporation
A business corporation with shares traded among the general public, such as through a stock exchange.

Published Rate
The charges for a particular class of cargo as published in a carriers tariff.

Purchase Order
A purchaser's written offer to a supplier formally stating all terms and conditions of a proposed transaction.

Quadrilateral Meetings
Meetings involving trade ministers from the U.S., European Community, Canada, and Japan to discuss trade policy matters.

Quantitative Restrictions
Explicit limits, or quotas, on the physical amounts of particular commodities that can be imported or exported during a specified time period, usually measured by volume but sometimes by value. The quota may be applied on a selective basis, with varying limits set according to the country of origin, or on a quantitative global basis that only specifies the total limit and thus tends to benefit more efficient suppliers.

Quarantine
The term during which an arriving ship or airplane, including its passengers, crew and cargo, suspected of carrying a contagious disease, is held in isolation to prevent the possible spread of the disease.

Quay
A structure built for the purpose of mooring a vessel; also called a pier.

Query
Borrowings in a foreign currency where the rate of interest is linked to an agreed scale, and/or the rate of exchange at repayment is linked to an agreed scale.

Query
Note denominated and paying interest in one currency but whose redemption value is linked to an exchange rate for another currency.

Query
A request for information from a database

Queue
A line or group of people waiting for service, such as a line of people waiting in a teller line at a bank; or paperwork in a stack waiting for processing; or items on a waiting list waiting for processing or repair.

Quid Pro Quo
A mutual consideration; securing an advantage or receiving a concession in return for a similar favor.

Quota
A limitation on the quantity of goods that may be imported into a country from all countries or from specific countries during a set period of time.

Quota System
A part of the U.S. Customs Service Automated Commercial System, controls quota levels (quantities authorized) and quantities entered against those levels.

Rail Waybill
Freight document that indicates goods have been received for shipment by rail.

Random Selectivity
Indiscriminate risk assessment process.

Rate Of Exchange
The amount of funds of one nation that can be bought, at a specific date, for a sum of currency of another country.

Real Rights
Rights in real estate or in items attached to real estate.

Realignment
Simultaneous and mutually coordinated re- and devaluation of the currencies of several countries.

Receipt
Any written acknowledgment of value received.

Receiving Papers
Paperwork that accompanies a shipment when it is brought to the dock.

Reciprocity
The process by which governments extend similar concessions to each other.

Reconsignment
A change in the name of the consignor; a change in the place of delivery; or relinquishment of shipment at point of origin.

Redeliver
A demand by U.S. Customs to return previously released goods to Customs custody for reexamination, reexport, or destruction.

Reefer Container
A controlled temperature shipping container (usually refrigerated).

Reengineer
Redesign based on basic process needs.

Reexport
The export of imported goods without added value.

Refund
An amount returned to the consignor as a result of the carrier having collected charges in excess of the originally agreed upon charges.

Relay
A shipment that is transferred to its ultimate destination port after having been shipped to an intermediate point.

Remittance
Funds forwarded from one person to another as payment for bought items or services.

Replevin
A legal action for recovering property brought by the owner or party entitled to repossess the property against a party who has wrongfully kept it.

Request For Quotation
A negotiating approach whereby the buyer asks for a price quotation from a potential seller for specific quantities of goods.

Rescind
To cancel a contract.

Reserved Freight Space
A service by some airlines enabling shippers to reserve freight space on designated flights.

Retaliation
Action taken by a country to restrain its imports from a country that has increased a tariff or imposed other measures that adversely affect its exports.

Reevaluation
The restoration of the value of a nation's currency that had once been devalued in terms of the currency of another nation.

Reverse Preferences
Tariff advantages once offered by developing countries to imports from certain developed countries that granted them preferences.

Risk Assessment
See Selectivity for definition.

Risk Position
An asset or liability which is exposed to fluctuations in value through changes in exchange rates or interest rates.

Road Waybill
Transport document that indicates goods have been received for shipment by road haulage carrier.

Roll-On, Roll-Off
A category of ships designed to load and discharge cargo which rolls on wheels.

Rollover Credit
Any line of credit that can be borrowed against up to a stated credit limit and into which repayments go for crediting.

Route
The course or direction that a shipment moves.

Royalty
Compensation for the use of a person's property based on an agreed percentage of the income arising from its use.

Rule-Based Selectivity
Risk assessment process based upon user-defined criteria and weights assigned according to established regulations or processes as selection factors.

Sales Agreement
A written document by which a seller agrees to convey property to a buyer for a stipulated price under specified conditions.

Sales Tax
A tax placed by a state or municipality on items at the time of their purchase.

Salvage
Compensation paid for the rescue of a ship, its cargo, or passengers from a loss at sea; or the act of saving a ship or its cargo from possible loss; or property saved from a wreck or fire.

Samaurai Bond
Bond issued on the Japanese market in yen outside Japan.

Sanction
An embargo imposed against an individual country by the United Nations or a group of nations in an effort to influence its conduct or its policies.

Seal
A mark or sign that is used to witness and authenticate the signing of an instrument, contract, or other document.

Seaworthiness
The fitness or safety of a vessel for its intended use.

Secured
Guaranteed as to payment by the pledge of something valuable.

Security
Property pledged as collateral.

Seizure
The act of taking possession of property.

Selectivity
Process to identify a commodity, conveyance or persons associated with the conveyance for further inspection based on a set of criteria.

Sellers Market
Exists when goods cannot easily be secured and when the economic forces of business tend to cause goods to be priced at the vendors estimate of value.

Selling Rate
Rate at which a bank is willing to sell foreign exchange or to lend money.

Server
A computer, or a software package, that provides a specific kind of service to client software running on other computers. The term can refer to a particular piece of software, such as WWW server, or to the machine on which the software is running. A single server machine could have several different server software packages running on it, thus providing many different servers to clients on the network.

Service A Loan
To pay interest due on a loan.

Service Commitments
Pickup and/or delivery commitments agreed to by carrier and shipper.

Settlement Date
The date on which payment for a transaction must be made.

Shipment
Cargo tendered by one shipper, on one bill of lading, from one point of departure, for one consignee, to one destination, at one time, via a single port of discharge.

Shipment Record
A repository of information for each shipment that reflects all activity throughout each step of the shipment life cycle.

Shipped On Deck
Annotation in a bill of lading that the goods have been shipped on the deck of a vessel.

Shipper
The company or person who ships cargo to the consignee.

Shipping Order
Instructions of shipper to carrier for forwarding of goods.

Ships Manifest
A list of the individual shipments constituting the ship's cargo.

Ships Papers
The documents a ship must carry to meet the safety, health, immigration, commercial and customs requirements of a port of call or of international law.

Ships Stores
The food, medical supplies, spare parts and other provisions carried for the day-to-day running of a vessel.

Short Form Bill of Lading
A bill of lading on which the detailed conditions of transportation are not listed in full.

Short of Exchange
The position of a foreign exchange trader who has sold more foreign bills than the quantity of bills he or she has in possession to cover sales.

Short Weight
Notation of a shipment's weight as less than noted on the original bill of lading, indicating loss during shipment.

Shortage
A deficiency in quantity shipped.

Signature Service
A service designed to provide continuous responsibility for the custody of shipments in transit, so named because a signature is required from each person handling the shipment.

Sling
A contrivance into which freight is placed to be hoisted into or out of a ship.

Slip
A vessel's berth between two piers.

Small Package Service
A specialized service to guarantee the delivery of small parcels within specified express time limits.

Smuggling
Conveying goods or persons across borders without permission.

Soft Currency
The funds of a country that are controlled by exchange procedures, thereby having limited convertibility into gold and other currencies.

Soft Loan
A loan made with easy or generous terms such as low or no interest and long payback.

Software
A combination of associated computer instructions and computer data definitions required to enable the computer hardware to perform computational, data manipulation, and control functions (to include parameters and procedures associated with software products).

Sovereign Credit
A borrowing guaranteed by the government of a sovereign state.

Sovereign Risk
The risk to a lender that the government of a sovereign state may default on its financial obligations.

Special Rates
Rates that apply to cargo traffic under special conditions and usually a limited number of cities.

Specific Commodity Rate
Rate applicable to certain classes of commodities, usually commodities moving in volume shipments.

Specific Rate of Duty
A specified amount of duty per unit of weight or other quantity.

Spot Cash
Immediate cash payment in a transaction.

Spot Exchange
The purchase and sale of foreign exchange for delivery and payment at the time of the transaction.

Spot Exchange Rate
The price of one currency expressed in terms of another currency at a given moment in time.

Spot Market
The market for a commodity or foreign exchange available for immediate delivery.

Spot Operations
Foreign exchange dealings in which settlement of the mutual delivery commitments is made, at the latest two days after the transaction was carried out.

Spot Price
A price quotation for immediate sale and delivery of a commodity or currency.

Spot Rate
The rate for purchase or sale of a commodity for immediate delivery.

Spotting
The placing of a container where required to be loaded or unloaded.

Standard of Living
The level of material affluence of a nation as measured by per capita output.

Standby Commitment
A bank commitment to loan money up to a specified amount for a specific period, to be used only in a certain contingency.

Steamship Indemnity
An indemnity received by an ocean carrier issued by a bank indemnifying him for any loss incurred for release of goods to the original bill of lading.

Stevedore
A person having charge of the loading and unloading of ships in port.

Storage
The keeping of goods in a warehouse.

Storage Demurrage
A charge made on property remaining on the dock past the prescribed "free-time period."

Storage in Transit
The stopping of freight traffic at a point located between the point of origin and destination to be stored and reforwarded at a later date.

Store-Door Delivery
The movement of goods to the consignee's place of business, customarily applied to movement by truck.

Stowage
The arranging and packing of cargo in a vessel for shipment.

Stowage Instructions
Specific instructions given by the shipper or his agent concerning the way in which cargo is to be stowed.

Stowplan
A diagram showing how cargo containers have been placed on a vessel; also known as stowage plan.

Straight Bill of Lading
A nonnegotiable bill of lading that designates a consignee who is to receive the goods and obligates the carrier to deliver the goods to that consignee only.

Strike Clause
An insurance clause which may be included in policies to cover against losses as a result of strikes, riots, and civil commotions.

Stripping
The unloading of cargo from a container; also called devanning.

Stuffing
The loading of cargo into a container.

Subsidiary
Any organization of which more than 50 percent of whose voting stock is owned by another firm.

Subsidy
A grant paid by a government to producers of goods to strengthen their competitive position.

Supply Access
Assurances that importing countries will, in the future, have fair and equitable access at reasonable prices to supplies of raw materials and other essential imports.

Surcharge
A charge above the usual or customary charge.

Surety
A bond, guaranty, or other security that protects a person, corporation, or other legal entity in cases of another's default in the payment of a given obligation, improper performance of a given contract, malfeasance of office, and others.

Survey
A report by an independent third party, generally a surveyor, who determines the condition of vessels, cargo, or property (often to support an insurance claim).

Sushi Bond
Eurodollar bonds issued by Japanese corporations on the Japanese market for Japanese investors.

Swap (transaction)
A spot purchase of foreign exchange, fixed or floating rate funds, or assets with simultaneous forward sale or vice versa.

Switch Arrangements
A form of countertrade in which the seller sells on credit and then transfers the credit to a third party.

Table Of Denial Orders
A list of individuals and firms which have been disbarred from shipping or receiving U.S. goods or technology. Firms and individuals on the list may be disbarred with respect to either controlled commodities or general destination (across-the-board) exports.

Tare Weight
The weight of a container and/or packing materials, but without the goods being shipped. The gross weight of a shipment less the net weight of the goods being shipped.

Tariff
A comprehensive list or "schedule" of merchandise with applicable rates to be paid or charged for each listed article; or a schedule of shipping rates charged, together with governing rules and regulations.

Tariff Anomaly
A tariff anomaly exists when the tariff on raw materials or semi-manufactured goods is higher than the tariff on the finished product.

Tariff Escalation
A situation in which tariffs on manufactured goods are relatively high, tariffs on semi-processed goods are moderate, and tariffs on raw materials are nonexistent or very low.

Tariff Quotas
Application of a higher tariff rate to imported goods after a specified quantity of the item has entered the country at a lower prevailing rate.

Tariff Schedule
A comprehensive list of the goods which a country may import and the import duties applicable to each product.

Tariff War
When one nation increases the tariffs on goods imported from, or exported to another country, and that country then follows by raising tariffs itself in a retaliatory manner.

Tax Haven
A nation offering low tax rates and other incentives for individuals and businesses of other countries.

TCP/IP
(Transmission Control Protocol/Internet Protocol) A standard set of communications network protocols developed by the U.S. Department of Defense and accepted as a standard network protocol worldwide, especially for UNIX Ethernet systems.

Tender
A small vessel which serves a larger vessel in a port for the purpose of supplying provisions and carrying passengers from ship to shore.

Tenor
The period between the formation of a debt and the date of expected payment.

Terminal
The area at the end of a rail, ship, air, or truck line which serves as a loading, unloading, transfer point, and storage/repair facility.

Terminal Charge
A charge made for services performed at terminals.

Terms of Trade
The volume of exports that can be traded for a given volume of imports.

Third World Countries
Developing countries, especially in Asia, Africa, and Latin America, but excluding communist countries.

Through Bill of Lading
A single bill of lading covering receipt of cargo at the point of origin for delivery to the ultimate consignee.

Through Rate
A shipping rate applicable from point of origin to destination.

Tied Loan
A loan made by a government agency that requires a foreign borrower to spend the proceeds in the lender's country.

To Order
A term on a financial instrument or title document indicating that it is negotiable and transferable.

Tracer
A request upon a transportation line to trace a shipment for the purpose of expediting its movement or establishing delivery.

Tracking
A carriers system of recording movement intervals of shipments from origin to destination.

Trade Community
Importers, exporters, manufacturers, brokers, freight forwarders, freight consolidators and carriers directly involved in the sale and transport of international trade.

Trade Deficit
A nation's excess of imports over exports over a period of time.

Trade Name
The name under which an organization conducts business, or by which the business or its goods and services are identified.

Trade Promotion
Encouragement of the progress, growth, or acceptance of trade.

Trade Surplus
A nation's excess of exports over imports over a period of time.

Trade Terms
The setting of responsibilities of the buyer and seller in a sale including sale price, shipping, insurance, and customs.

Trader
The party who buys, sells, owns, sends, receives or contracts for the shipment of the goods being traded.

Trailor
A vehicle without motor power designed to be drawn by another vehicle.

Tramp Line
A transportation line operating tramp steamers.

Tramp Steamer
A steamship which does not operate under any regular schedule from one port to another, but calls at any port where cargo may be obtained.

Trans-Ship
To transfer goods from one transportation line to another, or from one ship to another of different ownership.

Transaction
Information collected from other government agencies or calculated from data provided to ITDS.

Transaction
Performance or carrying out of a piece of business or the processing of documentation related to that business; OR an event like querying a database or submitting a declaration.

Transaction Value
The price actually paid or payable for merchandise.

Transfer Of Technology
The movement of modern or scientific methods of production or distribution from one enterprise to another.

Transit Zone
A port of entry in a coastal country that is established as a storage and distribution center for the convenience of a neighboring country lacking adequate port facilities or access to the sea.

Transmittal Letter
A list of the particulars of a shipment and a record of the documents being transmitted together with instructions for disposition of documents.

Transparency
The extent to which laws, regulations, agreements, and practices affecting international trade are open, clear, measurable, and verifiable.

Transport Documents
All types of documents evidencing acceptance, receipt and shipment of goods.

Traveler
A person who stays for a period of less than one year in a country of which he or she is not a resident.

Travelers Checks
A form of check especially designed for travelers, including persons on vacation and business trips.

Tri-Temp
A container that can maintain three exact temperature zones in different compartments simultaneously.

Triangular Trade
Trade between three countries, in which an attempt is made to create a favorable balance for each.

Trip
The act of moving cargo from one point to another using a conveyance.

Trip Initiation
An order for transportation services

Tropical Products
Agricultural goods of export interest to developing countries in the tropical zones of Africa, Latin America, and East Asia (coffee, tea, spices, bananas, and tropical hardwoods).

Trust Receipt
A declaration by a client to a bank that ownership in goods released by the bank are retained by the bank, and that the client has received the goods in trust only.

Turnkey
A method of construction whereby the contractor assumes total responsibility from design through completion of the product.

Turnkey Contract
An agreement under which a contractor agrees to complete a product so that it is ready for use when delivered to the other contracting party.

Two-Tier Market
An exchange rate regime which normally insulates a country from the balance of payments effects of capital flows while it maintains a stable exchange rate for current account transactions.

Tying Arrangement
A condition that a seller imposes on a buyer, requiring that if the buyer desires to purchase one product (tying product), the buyer must also agree to purchase another product (tied product), which the buyer may or may not want. The laws of some countries prohibit certain tying arrangements.

Ultimate Consignee
The person who is the true party in interest, receiving goods for the designated end use.

Ultimo Day
The last business day or last stock trading day of a month.

UN/Edifact
United Nations Electronic Data Interchange for Administration, Commerce and Transport: A nationally accepted Electronic Data Interchange standard.

Unconfirmed
A documentary letter of credit where the advising bank makes no commitment to pay, accept, or negotiate.

Unconscionable
Unfair or oppressive.

UNCTAD
(United Nations Conference On Trade And Development) A part of the UN General Assembly which promotes international trade and seeks to increase trade between developing countries and countries with different social and economic systems.

Underdeveloped Country
A nation in which per capita real income is proportionately low when contrasted with the per capita real income of nations where industry flourishes.

Unfair Trade Practice
Unusual government support to firms such as export subsidies to certain anti-competitive practices by firms themselves such as dumping, boycotts or discriminatory shipping arrangements that result in competitive advantages for the benefiting firms in international trade.

Uniform Commercial Code
A set of statutes purporting to provide some consistency among state commercial laws.

Unit Load
The strapping or banding together of a number of individual cargo containers in order to create a single unit.

Unit Load Device
Term commonly used when referring to containers and pallets.

United States Code (USC)
A set of volumes containing the official compilation of U.S. law are also available at local offices of the U.S. Government Printing Office in major U.S. cities.

United States Price
In the context of dumping investigations, this term refers to the price at which goods are sold in the U.S. compared to their foreign market value. The comparisons are used in the process of determining whether imported merchandise is sold at less than fair value.

Unitization
The practice or technique of consolidating many small pieces of freight into a single unit for easier handling.

Unloading
The physical removal of cargo from carrier’s container.

Uruguay Round
The eighth round of multilateral trade negotiations concerning the General Agreement on Tariffs and Trade (GATT). The Uruguay Round (so named because meetings began in Punta del Este, Uruguay in 1987) concluded in December, 1993 after seven years of talks with 117 member nations.

USCS
United States Customs Service.

USDA
United States Department of Agriculture.

Users Fee
Assessments collected by the U.S. Customs Service as part of the entry process to help defray various costs involved in the importation of goods to the United States.

Usuance
The time allowed for payment of an international obligation.

Validated Export License
A document issued by the U.S. Government authorizing the export of commodities for which written export authorization is required.

Validity
The time period for which a letter of credit is valid.

Valuation
The appraisal of the worth of imported goods by customs officials for the purpose of determining the amount of duty payable in the importing country.

Valuation Charges
Transportation charges assessed shippers who declare a value of goods higher than the value of the carriers limits of liability.

Value Added
That part of the value of produced goods developed in a company. It is determined by subtracting from sales the costs of materials and supplies, energy costs, contract work, and so on, and it includes labor expenses, administrative and sales costs, and other operating profits.

Value-Added Tax
An indirect tax on consumption that is assessed on the increased value of goods at each discrete point in the chain of production and distribution, from the raw material stage to final consumption. The tax on processors or merchants is levied on the amount by which they increase the value of items they purchase and resell.

Vendor
A company or individual that supplies goods or services.

Vessel Ton
A unit of measurement in the shipping industry assuming that 100 cubic feet of cargo equals one ton.

Visa
A license issued by the government of an exporting country for the export to a specific importing country of a certain quantity of a quota controlled commodity subject to a voluntary export restriction or a voluntary restraint agreement.

Visa Waiver
A program of selected countries to eliminate their visa requirement on a test basis.

Volatility
The measure of the relative deviation of a price from the mean.

Volume Rate
A rate applicable in connection with a specified volume of freight.

War Clause
A marine insurance provision excluding the liability of an insurer if a loss is caused by war or hostile action. Bills of Lading and charter parties may contain

a "War Clause" giving the vessel options to maintain its safety in case of hostilities.

War Risk
The risk to a vessel, its cargo and passengers by aggressive actions of a hostile nation or group.

War Risk Insurance
Insurance covering loss or damage caused by war or other hostile actions, usually a separate policy from a marine insurance policy, or a special attachment to it.

Warehouse Receipt
A document listing the goods or commodities deposited in a warehouse. It is a receipt for the commodities listed, and for which the warehouse is the bailee. Warehouse receipts may be either non-negotiable or negotiable.

Warranty
A promise by a contracting party that the other party can rely on certain facts or representations as being true.

Warsaw Convention
An international multilateral treaty which regulates, in a uniform manner, the conditions of international transportation by air.

Waybill
A document prepared by a transportation line at the point of a shipment, showing the point or origin, destination, route, consignor, consignee, description of shipment and amount charged for the transportation service, and forwarded with the shipment, or by direct mail, to the agent at the transfer point or waybill destination.

Webb-Pomerene Act of 1918
Federal legislation exempting exporters associations from the antitrust regulations.

Webb-Pomerene Association
Associations engaged in exporting that combine the products of similar producers for overseas sales. These associations have partial exemption from U.S. anti-trust laws but may not engage in import, domestic or third country trade, or combine to export services.

Weight Break
Levels at which the freight rate per 100 pounds decreases because of substantial increases in the weight of the shipment.

Wharfage
A charge assessed by a pier or dock owner for handling incoming or outgoing cargo.

Without Reserve
A term indicating that a shipper's agent or representative is empowered to make definitive decisions and adjustments abroad without approval of the group or individual represented.

World Bank
The International Bank for Reconstruction and Development (IBRD), commonly referred to as the World Bank, is an intergovernmental financial institution located in Washington, DC. Its objectives are to help raise productivity and incomes and reduce poverty in developing countries.

World Bank Group
An integrated group of international institutions that provides financial and technical assistance to developing countries.

World Trade Clubs
Local or regional based organizations in the U.S. and around the world of importers, exporters, customs brokers, freight forwarders, attorneys, bankers, manufacturers, and shippers.

WTO
World Trade Organization.

Zip Code
A numerical code, established by the U.S. Postal Service, used for the purpose of routing and to identify delivery zones. Some U.S. carriers apply this code for freight in the same manner.

Zone
Any one of a number of sections or districts in the U.S. or of the world used for the purpose of establishing proper rates for parcels, mail, pickup, and delivery.

Zone Status
The legal status of merchandise which has been admitted to a U.S. foreign trade zone, thereby becoming subject to the provisions of the Foreign Trade Zone Act (FTZA).

Zone User
A corporation, partnership or party that uses a U.S. foreign trade zone for storage, handling, processing, or manufacturing merchandise in zone status, whether foreign or domestic.