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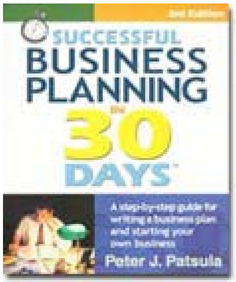

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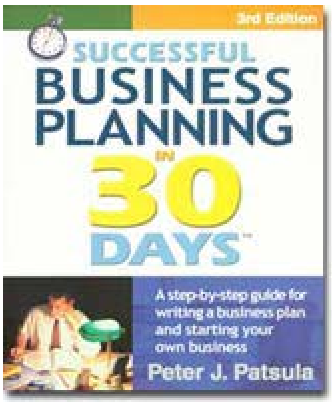

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STARTING & OPERATING AN IMPORT/EXPORT BUSINESS

WITH existing global trade barriers dropping at a faster rate than ever before, and better transportation and communication systems allowing transactions to occur with an efficiency never seen before, it makes sense to get involved in the import/export boom. For many years now, American and Canadian governments have been offering special incentives to entrepreneurs to export their goods to other countries.

And if you'd rather get involved in importing, than the governments of the countries you want to import from will also likely be willing to help you.

Don't become fenced in by regular trade channels. Developing an overseas sales program just a little bit better or more original than your competitors can make an incredible difference in your final sales result.

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STRATEGIES FOR EXPANDING INTO IMPORTING

USE THE following start-up and operating strategies to help you expand into importing.

Importing Start-up Strategies

The world of today is without a doubt a global arena. ***POWERPOINT***

1. **Determine the "market potential" of the product you want to import.** Once a potential import product has been found, numerous factors must be considered to determine its market potential and marketability. You must first consider:

- potential market size
- who your customers are
- who your competition is

In addition, you must consider:

- customs clearance details such as duties, taxes, and import quotas
  - discount policy strategies
  - distribution methods including franchising, warehousing, & consignment opportunities and costs
  - duties, taxes, insurance and warehousing costs
- insurance and warehouse requirements
- landed costs
- local standards, physical conditions & cultural requirements

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- maintenance, warranties, guarantees, after sales service & local legal requirements
- packaging & labeling requirements
- pricing strategies
- promotional & advertising requirements
- shipping & delivery needs
- transportation needs

Other concerns and considerations that are not necessarily as clear cut as the ones already mentioned, but can directly affect a product's cost by requiring alterations or repackaging include:

- cultural aspects of the product and how adaptable it is to the social and physical environment of your country
- language differences and how they may affect the product

Look for importing opportunities of handcrafted items from third world countries. ***SUPERTIP***

2. **Find a foreign source that is willing to export the product you want to import.** Numerous information sources can help you locate suppliers. Help can be obtained from the SBA or Score Offices, Department of Commerce, state export agencies, chambers of commerce, export management and trading companies, banks that have international departments, and international trading associations. In addition, local libraries will have directories that list manufacturers in foreign countries by product line (see Guidebook #15).

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Canadian Importers Association – The Canadian Importers Association is a private non-profit organization. It will charge a modest consultation fee for its information services. The association also briefs members each week with its printed publication on import information "ImportWeek" and sponsors a series of regular meetings on subjects of current and relevant interest to the Canadian importing community.

In 1989, America exported $78.8 billion from Canada and imported $88.0 billion giving it a trade deficit of 9.1 billion. In 1993, it exported $100.2 billion from Canada and imported $110.9 billion increasing its trade deficit to $10.7 billion.

SOURCE

Statistical Abstract of the U.S. 1994, Table No. 1329

NOTE The Canadian Importers Association and the Canadian Chamber of Commerce, regularly receive information on trade opportunities from abroad.

Foreign Consulates – Another excellent source for finding exporters and in general, researching importing opportunities, is to visit foreign consulates and embassies located in your area. Located in most major cities, many foreign consulates have trade commissioners anxious to provide information on goods available from their countries.

Trade Shows – Trade shows are a great way to make sales contacts as both a buyer and a seller. To make sales contacts, attend tradeshows related to the industry you deal with. To make supplier contacts, attend local and national tradeshows in the

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your industry that attracts foreign suppliers looking for importers.

Also, attend large international tradeshows that attract suppliers in a given industry from all over the world. It may also be worthwhile for an importer to travel to tradeshows in foreign countries, where suppliers displaying goods may be eager to pursue export markets (see Guidebook #15 for a list of Tradeshow directories).

3. **Find out the rules for importing as outlined by your nation's Customs Service.** Goods entering Canada or the U.S. must be cleared by *Canada Customs* or the *United States Custom Service*. Both these organizations can inform you about any applicable tariffs, preferential tariff rates for certain countries, and the Free Trade agreement between Canada and United States. They can also tell you about import permit requirement, import quotas, and other import regulations that must be complied with for a particular item.

Goods entering Canada or the U.S. must be cleared by Canada Customs or the United States Custom Service.

U.S. Customs Service – The U.S. Customs Service, employs nearly 15,000 people whose job it is to administer and collect duties, taxes, fees and penalties on imported merchandise and to monitor and penalize those who try to bring contraband goods into the United States. It maintains an extensive network of ports and points-of-entry and issues licenses to brokers who handle the importing of foreign goods. The rules that American im-

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porters and their foreign contacts must know and observe include:

- All information required on customer invoices must be in clear, legible English.
- Each item in a shipment must have an identification number corresponding to the number shown on the customs invoice.
- Each package must indicate the country of origin.
- Rules issued by the Customs Service regarding invoicing, packaging, marking labeling, and so on, are to be forwarded to the shipper by the U.S. importer and must be followed accurately.

NOTE It is also a good idea before bringing a new product into the country that you make sure it complies with Federal Health and Safety Standards.

Before bringing a new product into the country, make sure it complies with Federal Health and Safety Standards.

4. **Figure out your "landed cost" to ensure the product can be sold profitably at a competitive price.** When importing a product, a variety of expenses are incurred that make the product more expensive than the initial price paid to the exporter. These costs plus the original cost are often referred to as the "landed cost." The extent of these extra costs depend on the product, the country it is imported from, and the arrangements made with the exporter. These costs can include:

- bank charges

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- bonds to customs (with merchandise above a certain value
- brokerage fees
- Canadian or U.S. customs duty
- currency exchange costs
- excise tax
- federal sales tax
- insurance
- shipping
- storage fees
- other commissions or miscellaneous charges

Use the form on **page 35** to calculate your "landed cost" for a particular item and to help determine whether it is viable to import the product.

Understand that YOU are ultimately responsible for imported merchandise, not the exporter.

5. **Obtain required permits if necessary.** Although, most goods can be imported into Canada or the U.S. without restrictions, some products, however, and some areas, are restricted. In Canada, The International Trade Centre of the Department of External Affairs & International Trade can be contacted for information on import regulations as well as import permit application forms.

NOTE If you are thinking about importing an exotic animal or plant, or some item made from it, then the onus is on you to obtain the proper import permits and certificates for your goods' entry into your country. Otherwise, your goods can be confiscated at the border and you could be prosecuted. Customs officers are

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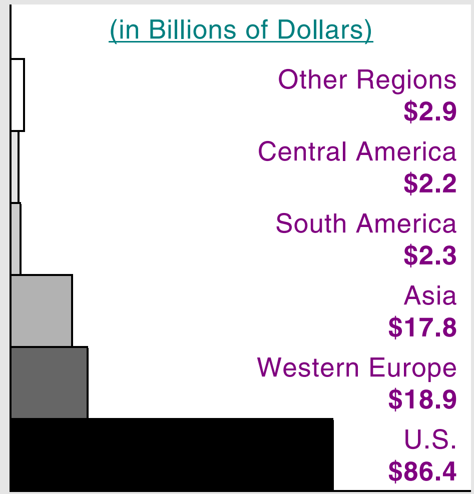
trained to recognize species or products under regulation.

6. **Understand that YOU are ultimately responsible for imported merchandise, not the exporter.** As an importer, you are responsible for the quality and performance of the merchandise not the exporter or original manufacturer, even if the product was tampered with or modified by the original exporter or manufacturer. This may means having extra insurance and more secure and regular safety and quality inspections.

Imports to Canada by Region, 1988



NOTE In 1988, Canada imported goods worth over $131 billion. Most of the imports, approximately 80%, enter Canada duty free while the remaining 20% have average tariffs of approximately 9%.

Source: Canadian World Almanac and Book of Facts, 1990

Importing Operating Strategies

7. **Arrange to get a letter of credit.** The most effective instrument in arranging payment for imported goods is

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the letter of credit. A letter of credit consists of written instructions issued by a bank on behalf of the buyer, promising to pay the seller the agreed amount of money upon receipt by the bank of specific documents related to the sale. The letter enables the seller to obtain payment as soon as possible after the shipment of goods, and enables the buyer to arrange financing of the payment.

"The Exporter's Encyclopedia" (refer to Guidebook #16), offers up-to-date information on the import and export documentation required of various countries. It is highly recommended that you consult this source. SuperTIP

There are several types of letters of credit, the most common being an irrevocable credit, which represents a definite undertaking and can not be amended or canceled without the consent of all parties. Important terms that must be stipulated include the date by which the goods must be shipped and the expiry date of the letter. Documentation must be supplied as stated in the letter and can include such things as bills of lading, invoices for customs purposes, and insurance policies.

After the buyer and seller have agreed on all the terms of the sale, the buyer applies to his or her bank for a letter of credit. The completed letter of credit is forwarded either by airmail, cable, telegram, or facsimile, tot he seller, who prepares and ships the goods as agreed upon. The seller can then take the letter of credit,

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along with the proper documentation, to his or her local bank, which will provide him or her with the funds after examining the documentation. The seller's bank then sends the documentation to the issuing bank, which credits the seller's bank, charges the buyer, and returns the documentation to him.

NOTE Another method of payment involves conducting transactions on an open account basis. This method applies to a situation where credit facilities have been previously arranged, and involves an agreement between buyer and seller for payment to be made, usually monthly, upon receipt of a statement of account.

One of the greatest challenges you will face when expanding into the importing industry is figuring out ways to move your imported goods.

8. **Develop as many ways as possible to move your imports.** One of the greatest challenges you will face when expanding into the importing industry is figuring out ways to move your imported goods. Methods often employed by importers to move their products include:

- displaying them at conventions and fairs
- selling them direct to wholesalers, retailers and mail-order houses
- selling them on consignment
- selling them on the street (after getting the proper vending license from the city)

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NOTE Flea markets should be avoided by importers who wish to distribute their products as customers who visit them are usually hunting for bargains and thus will not pay more than a few dollars for an individual product.

9. **Visit different countries on a regular basis for business and pleasure.** By visiting other countries, frequently and on a regular basis, you are more likely to stumble across unique products you don't have back home as well as special deals and clearances.

By visiting other countries, frequently and on a regular basis, you are more likely to stumble across unique products you don't have back home as well as special deals and clearances.

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STRATEGIES FOR EXPANDING INTO EXPORTING

USE THE following start-up and operating strategies to help you expand into exporting.

Exporting Start-up Strategies

Trade is the mother of money.
PROVERB

10. Evaluate export potential. Exporting is not for everyone. Assess your organization's strengths and weaknesses, and your willingness to commit the time and energy necessary to developing an export market. Also, determine if your production facilities will be able to handle the increased sales abroad.

Other important concerns you'll need to address include:

- Are there any features or benefits of your product or service that will be off special interest to new export markets?
- Can you modify your product or its packaging, if need be, to meet the requirements or preferences of the export market?
- Can your personnel handle the additional administrative burden of exporting?
- Does your company have sufficient financial and human resources to devote to the planning stages of exporting?
- Once exporting, can you wait out the longer collection periods?

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- Will service to your local markets suffer as a result of increased production pressures?

11. **Evaluate foreign markets and their accessibility.** Before you jump on the exporting band wagon (just like undertaking any other business venture), you must research market size and growth rate, income levels in the market population, age distribution, other pertinent geographics (e.g., distance from your place of business), political/social factors that may affect the demand for your product, and competition in the market. To do this you should go on trade missions, attend trade shows, travel to exotic foreign destinations and observe the people. Don't export anywhere until you can

Why Expand into Exporting?

SMALL BUSINESSES are wise to tap into the booming export market. With many Asian economies growing rapidly (despite a current economic slump), and Mexico doing nearly as well, a huge potential market for American and Canadian goods and services has grown up abroad. If your firm has the right product or service, exporting can be a very attractive option. You should also take into consideration the fact that exporting is getting considerable boosts from federal and state governments because of present imbalances in international trade. Officials have especially targeted small entrepreneurs because the majority of them are doing no overseas selling at all.

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prove foreign demand in the markets your are interested.

Other important concerns you'll need to address include:

- How "competitive" is domestic production?
- What is the general receptiveness of the market to new products or service and, in particular, products and services from YOUR country? Has their been any past market acceptance or resistance?
- Will knowledge of who is using your products or services now, help you understand the demographics of new export markets?
- Will market peculiarities, import barriers, or political factors (such as "Buy American") affect the sale of your product?

Will knowledge of who is using your products or services now, help you understand the demographics of new export markets?

12. Evaluate the ease of entering foreign markets. To decide which foreign market will result in the greatest profits and the least amount of red tape, you'll need to assess tariff barriers, government regulations, distribution and transportation systems, business practices and financing support. More specifically, you will need to find answers to questions like:

- Are domestic products protected by tariffs? If so, is it possible that these tariffs are to be eliminated or reduced in the near future under a new or revised

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Free Trade Agreement?

- Are licenses or deposits required of importers?
- Are their internal taxes and/or quotas on imports?
- Are there adequate shipping & warehousing facilities?
- Does your product conform to the measurement system, e.g., metric vs. imperial (centimeters vs. inches)?
- How are products distributed in the market? Through wholesalers, distributors, manufacturers' agents?
- How will you assess the credit standing of potential customers?

Does your product conform to the measurement system, e.g., metric vs. imperial (centimeters vs. inches)?

- Is product liability insurance necessary?
- What are customary terms of payment?
- What are the retailing methods?
- What banking facilities are available?
- What insurance will you have against nonpayment or repudiation of goods?
- What is the customary commission rate?
- Will transportation costs be excessive? Can you negotiate cheaper rates or use alternative approaches for recurring shipments?

13. Evaluate your profit potential.

Even if there is ample demand for your product or service as an export, you

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must figure out whether the costs of exporting will price your product or service out of the market, or significantly lower your profit. Exporting factors affecting price include regulations, package or product modification, tariffs, the costs of the distribution system, shipping insurance & commissions (see form "Calculating Export Pricing" on **page 36**).

Other important concerns you'll need to address include:

- Can you match or beat the pricing of competitors and still maintain a healthy profit margin?
- If your export price is higher than the competition's can that price be justified by non-price aspects such as uniqueness or exclusivity?

In the 1990s, one billion middle-class people will be created in the world. And when people achieve middle class, they want to live like Americans. ***CLARK A. JOHNSON*** *CEO*

NOTE If your calculated price is too high:

- consider launching your product with a smaller profit margin (later you can adjust the price)
- offer temporary reductions or manufacturer's rebates
- use marginal pricing (in marginal pricing the product cost is based only on materials, labor and marketing, all fixed costs are absorbed by the domestic market)

14. **Evaluate your target market firsthand.** A firsthand assessment of the business climate in your specific foreign market is essential. Plan to travel to the market you wish to

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serve early on to reassess demand for your type of product or service, fill in any gaps in your market data, and meet with key players in your "marketing game plan," including your agent/distributor. While visiting your foreign market, you should, size up the competition, reassess you marketing and distribution strategies and verify key information, policies and regulations researched earlier.

Big companies usually favor exporting because overseas trade is often more profitable than domestic business. ***SUPERTIP***

15. **Make contact with trade commissioners.** While visiting your foreign market, it is also vital to establish contact with your country's trade commissioner (if available). American and Canadian trade commissioners are stationed in U.S. and Canadian consulates around the world.

They are an invaluable source of information about the business environment. Commissioners can introduce you to key players and explore with you the best way to penetrate the market. They can also:

- Advise you of the most appropriate way to distribute your product or service.
- Advertise your firm to distributors and customers through local press and the Trade Post's newsletter.
- Advise you on local banking, shipping and warehousing services.
- Furnish information about your competition, import policies and

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restrictions, duties and taxes, potential buyers and local buying practices. They can also inform you about social, cultural, business, market, and political conditions, which affect sales.

- Get information about the credit standing of potential agents and customers.
- Help you participate in trade shows.
- Help you quote in the market.
- Inform you on local advertising and promotion modes and preferences.
- Put you in touch with local market research firms.
- Recommend legal or technical experts.

Find out what kind of changes or modifications you will need to make to your product to suit the market you intend to pursue.

- Recommend local agents qualified to represent you and act as a liaison between you and the agent.

16. Modify your product suit your export markets. Find out what kind of changes or modifications you will need to make to your product to suit the market you intend to pursue. You may have to translate labels and instructions to a different language, rewrite manuals, change voltage inputs, and even change designs and colors to meet local needs and customs.

Other important concerns you'll need to address include:

- Does your product meet the technical specifications and codes, both federal

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and local, as well as the health and safety codes of the target market?

- Will geographic or climatic factors affect the use of the product or service?
- Will special assembly be required? If assembly is to take place in the target market, are there sufficient skilled personnel available to handle the job? What are the costs of assembly?
- Will you offer after-sales servicing? Can repairs be done locally, and will you train people for this? Will parts be easily available? Will you offer a warranty?

In the long run, free trade benefits everyone; in the short run it is bound to produce much pain.
HENRY HOBHOUSE

17. **Modify your marketing strategies to suit your export markets.** Find out what kind of changes or modifications you will need to make to your advertising methods to suit the market you intend to pursue. Your old methods may not work very well or not at all in a foreign market.

18. **Modify your packing for export and prepare appropriate documentation.** Aside from certain markings required by foreign governments, packing to ship a product from one country to the next is usually no more complicated than packing within your own country. The bottom line of all successful packing is that the product arrives to the customer in ideal condition. In general, export packing should:

- accommodate any special needs of the

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product

- be appropriate for the mode of transportation
- be cost-effective
- conform the foreign market's invoicing and marking requirements
- meet marketing needs
- protect against damage (you may have to design better packaging due to greater distance traveled)
- protect against pilferage

Exterior Markings Required – Exterior markings on shipped packages identify your goods and must agree with all notations on the entry documentation. Marking requirements may vary depending on the country you wish to export but generally are more similar than dissimilar. The U.S. government for example requires the following information on shipped packages:

Exterior markings on shipped packages identify your goods and must agree with all notations on the entry documentation.

- buyer's name or symbol
- country or origin, e.g., "Made in Canada"
- gross and net weights stated in kilograms and pounds
- outside measurements of cases (length, width & height in both metric and imperial measures)
- package numbers in sequence if more than one case
- point of entry
- required cautionary markings with their

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international symbols

- special markings as required by various foreign government agencies (e.g., exporters to the U.S. must make sure they meet all requirements of the Food & Drug Administration, the Environmental protection Agency, the IRS, the Federal Trade Commission, and the Consumer Product Safety Commission).

NOTE If an imported article is not properly marked at the time of its entry, the foreign customs may penalize the exporter a marking duty equivalent to a percentage of the customs value (for goods being shipped from Canada to the U.S. this penalty is 10%) unless the article is sent back to its origin, destroyed or properly marked under customs supervision.

In addition to marking your packing as required by the foreign government, you will also have to provide appropriate documentation.

Documentation Required – In addition to marking your packing as required by the foreign government, you will also have to provide appropriate documentation. The most important of these documents, in the case of trade between the U.S. and Canada is the commerical invoice or a pro forma customer invoice and in the "Exporter's Certificate of Origin."

a) Commercial Invoice – Customs agents must be able to identify all goods for country of origin, duty, if any, and quota sanctions.

If a commercial invoice does not clearly identify the type of goods being shipped, clarifying language must be

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added. In general, invoice documents must contain the following information:

- all charges upon the merchandise itemized by name and amount, including freight, insurance, commission, cases, containers, coverings, and cost of packing
- all rebates and bounties, separately itemized
- date of issue
- detailed description of the merchandise (quantities, in imperial and/or metric weights and measure; total weight, total number of packages; shipping marks and numbers)
- port of entry
- purchase price of each item (unit price, total price, discounts and special reductions)
- shipping marks and numbers
  - tariff classification number
  - tax identification number of the importer
  - terms of delivery and payment
  - terms of sale, delivery, and payment
  - time and origin of shipment and names of shipper and receiver
  - time and place of receipt and names and addresses of seller and buyer

b) Certificate of Origin – A Certificate of Origin is required for Canadian and American trade to obtain a free trade

The Free Trade Agreement between the U.S. and Canada has dramatically streamlined the documentation requirements for goods entering these countries. ***FUNFACT***

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ruling for goods. This form requires you among other things to describe the commodity, detail who is sending the shipment and to whom, sign a declaration, and the basis on which the FTA entitlement is claimed. Decisions regarding your goods' fulfillment of rules of origin will ultimately be made by port of entry customs officials.

If you expect complications, it is a good idea to obtain a pre-importation classification and origin opinion from the Canadian or U.S. Customs Service. Once you obtain a customs ruling, enter your goods precisely as classified without further changes. Your freight forwards or customs broker should be able to advise you on these matters.

There is literally a world of exporting opportunities available to you if you are willing to learn how to get started.
SUPERTIP

c) Packing Slip – A packing list is sometimes required to supplement commercial invoices, especially when many units are shipped or when packing cases contain an assortment of different items.

d) U.S. Temporary Admission Carnets – A Carnet is a document which permits commercial materials such as product samples, professional equipment, and advertising literature to enter a U.S. market duty free on a temporary basis. Each Carnet is valid for one year and is good for any number of trips during the year. Carnets save time, effort, and expense. They eliminate the need to prepare entry forms or to pay a security bond at every customs station when entering profes-

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sional materials and equipment. To obtain a Carnet, contact the Carnet Canada Division of the Canadian Chamber of Commerce at one of its issuing offices.

19. **Select a distribution strategy.** Selling on your own in a distant market usually demands considerable resources which new exporters usually don't have. For this reason, using wholesalers, distributors, and sales agents or manufacturers representatives, familiar with the foreign market is recommended.

When a shipment reaches a foreign market, either the importer or the customs broker files entry documents with the appropriate authorities (in the U.S. these are either a district or port director). A bond may be required with entry to cover potential duties, taxes and penalties that may accrue. This bond can be posted by your broker. ***POWERPOINT***

To establish the best distribution system, you'll need to investigate the distribution structures already at work in the marketplace. More specifically, you will need to consider all reliable, cost-efficient methods, and in particular, the system prospective customers are familiar with. This means researching:

- confirming houses
- direct selling
- distributors
- export merchants
- foreign importers or wholesalers
- foreign market resident buyers

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- foreign sales agents & manufacturer's representatives
- licensing agreements
- trading houses (refer to Guidebook #71 for more details on trading houses)

20. Select a transportation strategy. Dependable cost-effective transportation is crucial to exporting. After labor and materials, transportation to market is the single greatest expense for most exporters. Transportation alternatives include trucking, rail and air freight (refer to Guidebook #71 for more information on transportation alternatives).

No nation was ever ruined by trade.
BENJAMIN FRANKLIN

NOTE Hiring freight forwarders or customs brokers is strongly advised, especially for new exporters and smaller firms.

21. Set up financing. Financing for exporting is much more risky and complicated than normal financing. Revenues from global sales usually take longer to register and it's often harder to assess credit risk. Thus, careful preparations will need to be made to avoid cash flow problems. When setting up financing consider the following carefully:

Choosing a Method of Export Payment – When negotiating agreements with customers, one of the main issues to discuss is terms of payments. Export credit can be a powerful marketing tool. Desirable payment terms are an incentive for buyers and have been the catalyst for many a successful business tool.

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Described below are the major methods of export payment:

a) Cash in Advance & CODs – Cash is the ideal, risk-free medium of payment, but a rarity. CODs (Cash on Delivery) can be arranged for small orders; for larger accounts, telegraphic transfer of payment upon receipt of goods is the next best thing to cash.

Cash is the ideal, risk-free medium of payment, but a rarity.

b) Countertrade – Countertrade is a generic name for all transactions in which the seller is compensated for goods through an agreed-on undertaking by the customer instead of with funds. Common types of countertrade include:

- Barter – Barter is the direct exchange of goods of equivalent value. No money changes hands and deliveries are rapid.
- Compensation Trade – Also called buy-back, compensation trade is a complex type of countertrade in which a company sells its equipment, technology, or a turnkey operation to a customer, and in return receives products.
  - Counterpurchase – Counterpurchase is the most common form of countertrade. In return for making a sale, the seller agrees to buy from his customer goods amounting to a fixed value or percentage of the delivered goods.
- Swap – Swap involves exchanging bulk products (e.g., sugar, chemicals, oil) located at distant sites for identical goods closer to the buyer.

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c) Drafts – Drafts are orders requesting payment of a specified amount of money at a certain time.

d) Export Factoring – Export factoring is the discounted sale of accounts receivable to "factors" in exchange for immediate payment.

e) Forfaiting – Forfaiting is a form of fixed rate financing in which a financial institution buys the foreign customer's payment obligations and issues the exporter a guaranteed series of promissory notes.

f) Letter of Credit – A documentary commercial letter of credit, issued by the customer's bank, is an agreement to pay for goods upon presentation of certain documentation. Payment is guaranteed if the terms and obligations contained in the letter of credit are met.

In 1988, 75% or Canada's exports when to the U.S. The two countries are each other's largest trading partners, and in 1988 enjoyed $187 billion of mutual trade.
FUNFACT

g) Open Account – The exporter ships merchandise and title documents to the customer, trusting him or her to pay the contract price at the agreed-upon time.

NOTE This method of payment is the most common in U.S. and Canadian business dealings. It is used in 80% to 90% of trading agreements between the two countries.

Conducting a Credit Check – When dealing with foreign customers unknown to you, you'll want to evaluate their ability to pay before making a commitment. Excellent sources of credit information are:

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- Canadian or American Trade Commissioner
- Canadian Export Development Corporation
- U.S. Trading Divisions of Major Banks
- Dun & Bradstreet International
- U.S. Department of Commerce's
- World Trader's Data Report
- Testimonies of other exporters who have done business with the customer

Preparing a Written Contract – A written contract is absolutely essential to assure payment for foreign receivables. Without a contract, you have not legal recourse in case of non-payment. The contract should contain sufficient information about the goods to avoid misunderstandings or disputes.

A written contract is absolutely essential to assure payment for foreign receivables. Without a contract, you have not legal recourse in case of non-payment.

Working with Banks – International divisions of commercial banks have always been involved in financing foreign trade. Besides lending and collecting money, banks offer a variety of services:

- Advice on the credit status of potential customers
- appraisals of foreign market conditions
- commercial letters of credit
- payment or negotiations of drafts drawn under letters of credits to foreign buyers, providing cash to the exporter
- collection of drafts drawn by exporters

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on foreign importers

- liaison with state/provincial and federal government assistance programs
- loans to cover all aspects of exporting

Working with Canadian and American Federal Governments – Both Canadian and American federal government offer a variety of financial programs, insurance and guarantees to encourage exports. In Canada, you can contact the Export Development Corporation (EDC).

NOTE Export credits are available from the federal government.

Both Canadian and American federal government offer a variety of financial programs, insurance and guarantees to encourage exports.

Exporting Operating Strategies

22. Find a partner. Regardless of your entry strategy, you will need a local partner. While a partner may restrict your freedom of action, partnering can help bring you cultural insights and a network of contacts that are indispensable. Even if your partner has limited responsibilities, he or she or the company they work for is essential. Obviously, you won't be able to fly back and forth to solve every little problem that comes up.

23. Participate in international trade shows in your product sector. Trade shows are well known through-

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out industry as unique resources, not to be missed. By presenting your product line at a trade show, you have everything to gain and nothing to lose. In fact, many new exporters often find trade shows in themselves, an effective way to enter new global markets (refer to Guidebook #69 for more information on trade shows).

24. **Regularly review and revise your marketing strategies.** After an initial try, you will probably have to modify your marketing approach. Some of your proven promotional methods may not work in your new market. Your promotional efforts will need to reflect your growing understanding of the different attitudes of your foreign markets.

FTZs are secured areas outside a nation's legal customs territory in which certain activities are permitted duty free.

Remember that every company makes mistakes. However, the key to succeed is to carefully monitor your experiences and learn from them.

25. **Research Free Trade Zones (FTZs).** For small entrepreneurs who are contemplating exporting or importing, FTZs are very important. FTZs are secured areas outside a nation's legal customs territory in which certain activities are permitted duty free. They allow exporters to keep merchandise an unlimited time in the foreign country free of duty, until it is shipped out to a destination within the country.

While in an FTZ, merchandise can also be assembled, repackaged,

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sorted, graded, advertised, and even exhibited. It can be processed in the zone even if it is to be shipped into a third country later.

In the U.S., FTZs charge a fee, but no customs duties are levied by the United States Customs Service until the foreign merchandise is actually transferred out of the FTZ to an American destination.

The market economy as such does not respect political frontiers. Its field is the world.
MISES

There are more than 100 FTZ facilities in the U.S. A list of them is available to businesses in the export-import field and those planning to handle manufactured, to-be-assembled, or repackaged goods. Write to: Department of the Treasury, U.S. Customs Service, The Foreign Trade Zones Board, Washington, D.C. 20229 and ask for the following publications, "Foreign Trade Zones – U.S. Customs Procedures and Requirements" and "Policies and Procedures Manual, Foreign Trade Zone Operations."

26. Stay abreast of new exporting techniques and government regulations. Exporting has its own techniques and vocabulary that can change as each new government comes and goes. Lots of published material can explain these terms. Organizations also exist to help you through the maze.

NOTE The U.S. Department of Commerce's U.S. and Foreign Commercial

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Service and the SBA can help you explore potential foreign markets for your product or service.

27. **Visit different countries on a regular basis for business and pleasure.** By visiting other countries, frequently and on a regular basis, you will be able to find out what products the locals are really lacking. Perhaps you may find out that local secretaries can't find a decent pair of nylons, a spool of dental floss, or mouthwash?

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Calculating Your "Landed Cost"

Cost in country of origin, in the exporter's currency	
Converted cost of merchandise in Canadian or U.S. $	

ADD

Customs Duty	
Federal Sales Tax	
Excise or Luxury Tax (if applicable)	
Shipping (freight & transport)	
Insurance	
Miscellaneous charges	
–bank charges	
–brokerage fee	
–storage fee	
–bond to customs (if value of goods is above a certain value)	
–commissions	

LANDED COST	

Calculating Export Pricing

Cost to produce the item including materials, labor, % of factory overhead & % of administrative costs	
ADD	
Transportation Costs	
Export Packing Charges	
Customs, Duty, and Brokerage Fees	
Financing Charges	
Warehousing Fees	
Export Advertising & Promotion Costs	
Agent's or Distributor's Commission	
Miscellaneous charges	
–traveling expenses to develop market	
–cost of attending trade fairs	
–telephoning and faxing costs	
PROFIT MARGIN	
FOREIGN PRICE (in Canadian or U.S. $)	
Converted Price (in Foreign Currency)	

Import & Export Associations

THE FOLLOWING is a list of associations, chambers of commerce and councils, as well as trade shows relevant to the import & Export industry:

American Association of Exporters and Importers
11 W. 42nd St.,
New York, NY 10036
(212) 944-2230, Fax (212) 382-2606

Canadian Association of Custom Brokers
121 York Street
Ottawa, Ontario K1N 5 T4
(613) 238-3394

Canadian Chamber of Commerce–
International Affairs Division
55 Metcalfe Street, Suite 1160
Ottawa, Ontario K1P 6N4
(613) 238-4000
In a number of centres, chambers of commerce and boards of trade provide information on export markets and conduct seminars and conferences designed to promote Canadian trade.

Canadian Exporters Association
Suite 250, 99 Bank Street
Ottawa, Ontario K1P 6B9
(613) 238-8888; Fax: (613) 563-9218
The CEA is a nonprofit organization of over 1,000 companies providing valuable contact with peers in the business community. It offers a library of over 5,000 text, periodicals, papers and market reports on international business; contacts with foreign buyers and agents; information about trading houses, freight forwarders, consultants, insurance brokers, banking and countertrade; and three regular newsletters for members ("Export News," "Export U.S.A.," and "Export Digest"). CEA staff are available to consult with businesses on all exporting issues, including documentation and countertrade.

Canadian Importers Association
#700 210 Dundas Street W
Toronto, Ontario M5G 2E8
(416) 595-5333; Fax: (416) 595-8226

Canadian International Freight Forwarders Association Inc.
P.O. Box 787, Station A
Toronto, Ontario M5W 1 G3
(416) 252-7321

Canadian Manufacturers' Association
Export Department
Suite 1400, One Yonge Street
Toronto, Ontario M5E 1J9
(416) 363-7261
The CMA provide information on foreign markets, tariffs customs, Canadian government programs and services export credits, and international trade shows and exhibitions. They also conduct courses in export documentation , offer exporting seminars, and publish "World Trade News" (monthly) and "Canadian Trade Index" (annually), as well as regular "Export Bulletins" and manuals on exporting issues.

Federation of Export Clubs Canada
67 Yonge Street
Suite 1402
Toronto, Ontario M5E 1J8
(416) 364-4112
Export clubs are associations of business people who gather regularly to share experiences and discuss aspects of international trade. Activities of export clubs are coordinated by the Federation of Export Clubs Canada a federally chartered, non-profit organization.

National Customs Brokers and Forwarders Association of America
One World Trade Center,
Suite 1153, New York, NY 10048
(212) 725-3312; Fax: (212) 432-5709

The Standards Council of Canada
350 Sparks Street
Ottawa, Ontario K1R 7S8
(613) 238-322; 800-267-8220

The Growing Importance of ISO 9000 Certification

STRIPPED OF ALL its jargon about "process optimization" and "prevention-based strategies," the ISO (International Standards Organization) offers a system of tight management controls to companies interested in international trade. The standards were agreed to and established in Geneva back in 1987, after seven years of negotiation, by some 70 nations. The standards certify the quality of a firm's managerial system and ensure that a company says what it does and does what it says. Ultimately, the standards make it easier for companies from different nations, despite language, economic and cultural barriers to work with each other more efficiently.

ISO 9000 Facts:

- ISO 9000 certification is done by an outside auditor following criteria organized by the ISO. The ISO is based in Geneva.
- Standards are formal, exhaustive and internationally consistent. There is lots of paperwork.
- There are three levels of ISO 9000 certification, each more rigorous than the next.
- Once you meet ISO criteria and gain certification, you are audited every six months.
- ISO 9000 certification can be expensive. It is not uncommon for a firm to budget more than $20,000 in the form of down-time and other costs to get and keep ISO 9000 certification. However, increased efficiency and sales can easily make up for these costs.
- Worldwide, more than 100,000 companies are ISO 9000 certified; 70 percent of them in Europe. Growth is fastest in North American and Asia.