



INTERNATIONAL TRADE CENTER

...experience the power of



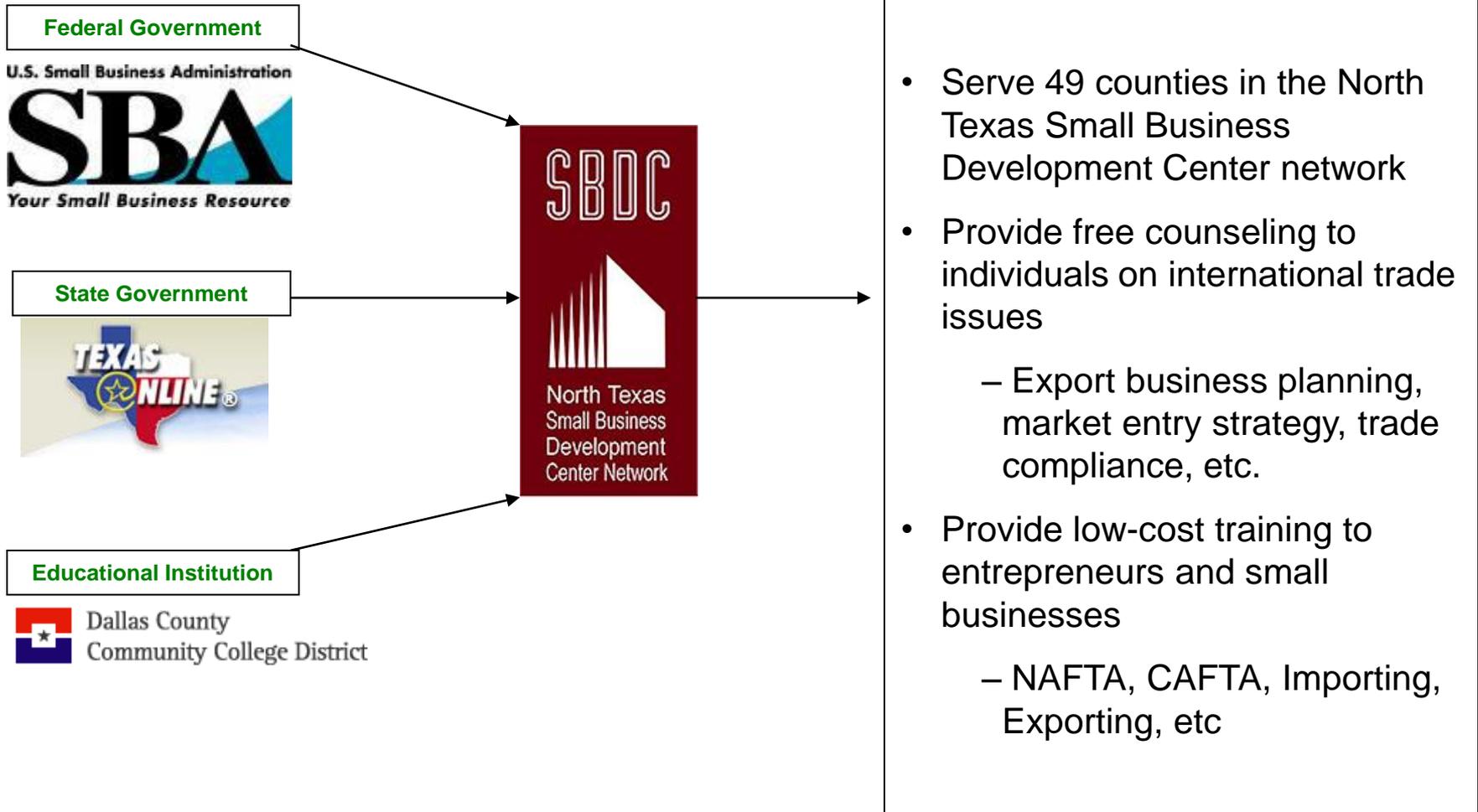
International Trade Basics for Companies Exporting to the United States

Lorraine McCord, CGBP
North Texas International Trade Center SBDC
Tunisia-May 2010

Agenda

- Overview of the International Trade Center SBDC and how we help small businesses
- Describe how companies prepare to successfully export
- Consider payment options and costs in international trade
- Discuss the regulatory environment for trade with the US
- Highlight cultural differences
- Review free internet-based resources
- Question and answer session

North Texas Small Business Development Center Network



Overview of the US Market

United States



Population Profile – US and Texas

People Quick Facts	Texas	USA
Population, 2009 estimate	24,326,974	304,059,724
Foreign born persons, percent, 2000	13.9%	11.1%
Language other than English spoken at home, percent age 5+, 2000	31.2%	17.9%
Median household income, 2007	\$47,563	\$50,740
Per capita money income, 1999	\$19,617	\$21,587
Persons below poverty, percent, 2007	16.3%	13%

Tunisia - US Trade Flow

No.	Exports 2009  → 	USD
1.	15 - Animal Or Vegetable Fats, Oils Etc. & Waxes	\$99.9M
2.	62 - Apparel Articles And Accessories, Not Knit Etc.	\$48.5M
3.	71 -Nat Etc Pearls, Prec Etc Stones, Pr Met Etc; Coin	\$36.8M
4.	27 - Mineral Fuel, Oil Etc.; Bitumin Subst; Mineral Wax	\$34.8M
5.	85 - Electric Machinery Etc; Sound Equip; Tv Equip; Pts	\$25.9M
Total	All Commodities	\$325.8M

No.	Exports 2009  → 	USD
1.	12 - Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc.	\$96.2M
2.	84 -Nuclear Reactors, Boilers, Machinery Etc.,Parts	\$91.4M
3.	15 - Animal Or Vegetable Fats, Oils Etc. & Waxes	\$47.9M
4.	85 -Electric Machinery Etc; Sound Equip; Tv Equip; Pts	\$42.9M
5.	87 -Vehicles, Except Railway Or Tramway, And Parts Etc	\$31.3M
Total	All Commodities	\$502.1M

Preparing Your Company To Export

Question?

You just received an unsolicited order from a new customer in the US (a country in which you never done business) do you:

- a. Rally every able-bodied person into action...we have a sale!
- b. Ignore it. It's the US. We have no desire to deal with the wicked empire.
- c. Let the customer know you've not done business in the US before and you'll need some time to get a quote.

How do you handle these types of inquiries in your company?

Preliminary Steps

- ▶ Form a company and have access to capital
- ▶ Electronic presence – email, website, etc.
- ▶ Have a product available for sale
- ▶ Gain management commitment to export process
- ▶ Narrow down your target market to a select region / countries
- ▶ Become aware of Tunisian export rules and regulations
- ▶ Appoint staff dedicated to the export endeavor



Steps to Export Readiness

- ❑ Identify the Harmonized Tariff Schedule number for your product
 - Obtain duty info, trade statistics
 - Proper classification from online or buyer
- ❑ Research the market – primary vs. secondary
 - Political, environmental, technological, and societal trends
 - Currency issues including exchange rate, currency restrictions
 - Competition – local and foreign
 - Marking or labeling requirements
 - Trade statistics for the product in the countries you select
 - Cultural do's and don'ts of doing business in desired foreign market
 - Legal considerations
 - Transportation methods

Source:

http://dataweb.usitc.gov/scripts/tariff_current.asp

<https://www.uktradeinvest.gov.uk/ukti/appmanager/ukti/countries? nfls=false& nfp b=true& pageLabel=CountryType1&navigationPagelD=/usa>

Steps to Export Readiness

- ❑ Develop a business plan
 - Executive summary of business and if you're seeking financing
 - Overview of your company, its products/services, key management and business model
 - Product/service description with its strengths, weakness, pricing, and after sales service
 - Sales and marketing plan or actions steps with distribution channels, target customer
 - Financial analysis including export budget and pro forma financial statements
 - Risk analysis of what can go wrong and what you do to mitigate
 - Implementation schedule and responsibilities and key deliverables
- ❑ Determine a market entry strategy – direct vs. indirect

Plan Execution

- ❑ Obtain required licenses

- ❑ Make needed product and label modifications
 - Barcode
 - Imperial weights / measures
 - English and/or Spanish translation
 - Electric current

- ❑ Attend selected trade shows

- ❑ Test the market based on your market entry strategy
 - Recruit distributors or agents
 - Take advantage of electronic and social media (eBay, Facebook)

Plan Execution

- ❑ Launch country-based marketing campaign

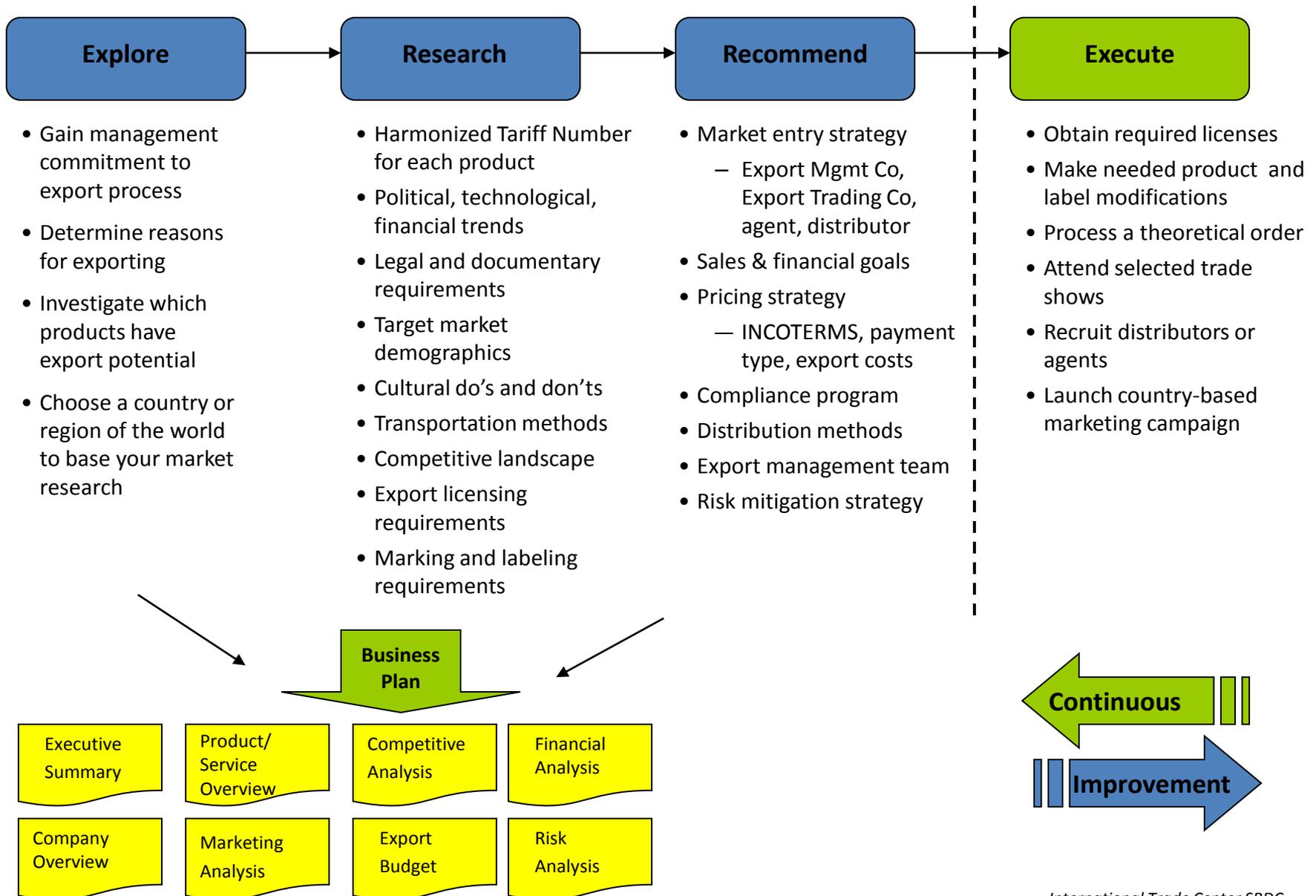
- ❑ Process a theoretical order
 - Proforma invoice
 - Include: cost, INCOTERMS, shipping, currency of payment, payment terms, etc

- ❑ Prepare proper documentation
 - Commercial invoice
 - Certificate of origin
 - Packing list
 - Bill of lading

7 Common Market Entry Mistakes

1. Failing to research planned market sufficiently or leaving it to an inexperienced person
2. Failing to use local experts to create a proper entry plan that addresses legal, financial issues
3. Making assumptions that where things aren't obviously different, then they must be the same
4. Failing to check out the market positioning of local brands
5. Failing to adjust market entry to local conditions
6. Selecting an inexperienced or underfunded partner
7. Not setting up a pilot operation to test market acceptability over a reasonable period before moving forward

Export Business Planning Process



General View of Export Order Process

Request for quote



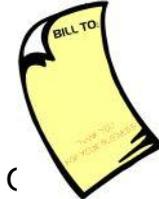
Assess customer credit worthiness



Regulatory check



Prepare proforma invoice or quote



Negotiate terms and conditions



Prepare documents



Pre-shipment inspections as required



inland transportation



Goods clear Customs



Goods shipped to warehouse



Happy customer is a repeat customer



After-sales service as needed



Costs and Payment Terms

Potential Export Costs



- Consultants
- Market Research
- Intellectual Property Protection
- Product Modification
- Translation
- Legal
- Licensing

- Banking Fees
- Performance Bonds
- Credit or Background Check
- Freight
- Insurance – cargo, credit
- Packaging
- Testing
- Documentation
- Freight Forwarder
- Sales Commission
- Volume Discounts

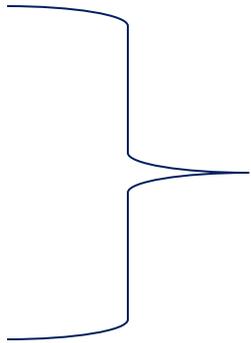
- Business Travel
- Entertainment
- Communications
- Trade Shows
- Marketing
- Training

Potential Import Costs

The importer is using the landed cost calculation to determine the cost to purchase from a foreign supplier.

Product Cost

- + Inspection and Testing Costs
- + Assists
- + Additional Packaging
- + Inland Shipping
- + Ocean and/or Air Shipping Costs
- + Insurance (cargo)
- + Duties
- + Customs Fees
- + Broker Fees
- + Payment Costs (foreign exchange, L/C)
- + Contingency (unexpected costs)
- = **Total Cost/Landed Cost**



These items can be paid by the exporter or importer depending on INCOTERMS used.

Estimated Costs to Import into the US

Nature of Import Procedures ¹	Duration (days)	US\$ Cost
Documents preparation	2	160
Customs clearance and technical control	1	50
Ports and terminal handling	1	400
Inland transportation and handling	1	550
Totals:	5	1160

General Required Documents

- Bill of lading or airway bill
- Commercial invoice
- Packing list
- US Customs entry forms
- Importer Security Filing (ISF)

Marking/Labeling

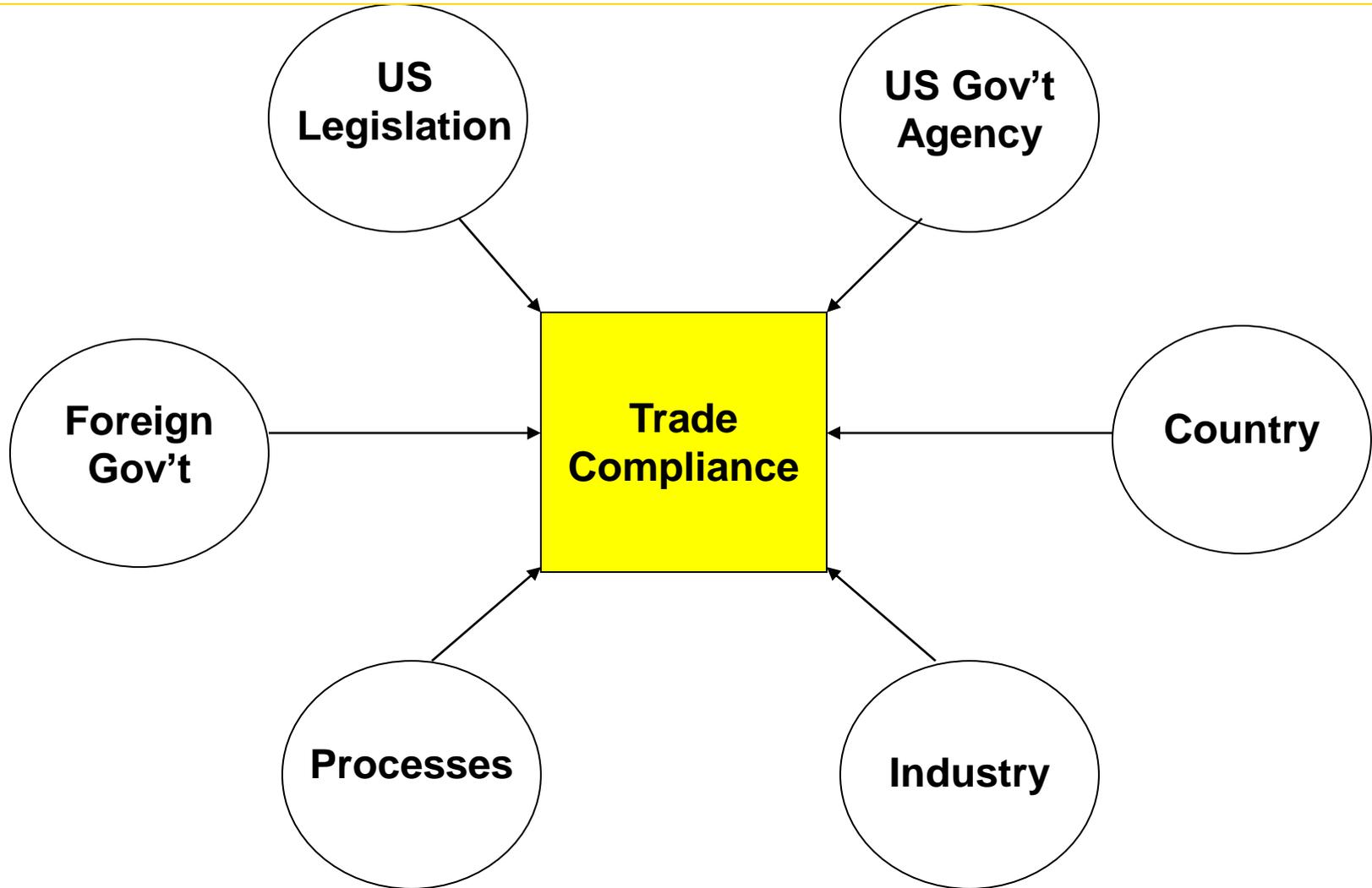
- Country of origin must be on product and/or packaging

Payment Options

METHOD	GOODS AVAILABLE TO BUYER	USUAL TIME OF PAYMENT	RISK TO EXPORTER	RISK TO IMPORTER
Advance Payment	After payment	Before shipment	none	Maximum - Relies on exporter to ship goods as ordered
Letter of Credit *Confirmed *Unconfirmed (Advised)	After payment	When documents are available at shipment	Virtually none	Assured of quantity and also quality at shipment if inspection report is required
Documentary Collection Sight draft Documents against payment	After payment	On presentation or draft to importer	If draft unpaid, good must be returned or disposed of, usually at loss	Assured of quantity, also quality, if goods are inspected before shipment
Documentary Collection Time Draft Documents against acceptance	Before payment	On maturity of draft	Relies on importer to pay draft; if unpaid, goods must be returned or disposed of	Minimal - Can check shipment for quantity and quality before payment
Consignment	Before payment, exporter retains title until goods are sold or used	After use; inventory and warehousing cost to exporter	Substantial risk unless through foreign branch of subsidiary	None
Open Account	Before payment	As agreed	Relies on importer to pay account as agreed – complete risk	None

Regulatory Environment

Trade Compliance Landscape for US Companies



US Customs and Border Protection



MON 9P

AMERICA'S PORT

EPIISODES ▾

Overview Video Photos

BLOG FORUM

America's Port provides an unblinking view of this vibrant and colorful nerve center for global trade — the Port of Los Angeles. Get an inside look at this massive complex and the intrepid individuals charged with keeping it running smoothly and securely 365 days a year. It's a dynamic and dangerous 24/7 operation.

Image: America's Port

The screenshot shows a website interface for 'America's Port'. At the top right, it says 'MON 9P'. Below that is the title 'AMERICA'S PORT' in a stylized font. To the right of the title is a button labeled 'EPIISODES' with a dropdown arrow. Below the title are three tabs: 'Overview' (highlighted in yellow), 'Video', and 'Photos'. To the right of these tabs are two more buttons: 'BLOG' and 'FORUM'. The main content area features a large image of a container ship at a port, with a crane visible. The ship's name 'SHANGHAI MAREN' is visible on its side. A text box on the left side of the image contains a paragraph of text. A small caption 'Image: America's Port' is located at the bottom right of the image area.

http://channel.nationalgeographic.com/series/americas-port/3554/Overview#tab-Videos/05243_00

Cultural Understanding

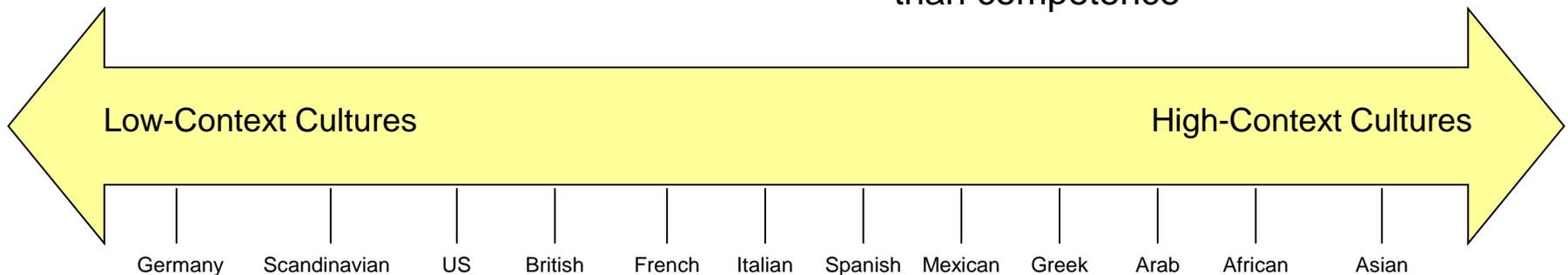
Cultural Differences: Low-Context vs. High-Context

Low-Context Culture

- Information and meaning are explicitly stated in the message or communication
- Strong reliance on verbal communication
- Business and social relationships are discrete
- Competence is valued as much or more than position or status

High-Context Culture

- Individual has internalized meaning and information, so that little is explicitly stated in written or spoken messages
- Strong reliance on nonverbal actions
- Business and social relationships overlap
- Position or status valued more than competence



Cultural Differences: Business Perspective

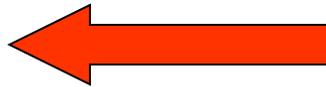
Activity	Low-Context	High-Context
	Punctuality valued. Time is concrete. <i>"Time is money"</i>	Time is continuous, flexible and fluid. <i>"Mañana"</i>
	Decisions are reached quickly and as efficiently as possible. Can be made at the lower levels in organization.	Decision made by consensus. May need to work its way up thru the organization.
	Disagreements settled in court. Written contract is final authority.	Disagreements negotiated between parties. Written contract can be starting point for negotiations.
	Business people may use first names after initial introduction. Use of titles can be seen as vain.	Business people addressed using surnames and titles as a sign of respect.
	Individualism valued. <i>"What's in it for me?"</i> Large personal space. Self-sufficiency prized.	Group is valued over individual. <i>"The nail that sticks up, will be hammered down"</i> .
	Comfortable with doing business with people we don't know via phone, fax, email.	Value relationships, family connections, and loyalty.

Cultural Differences: Challenges

Direct Communication Style thinks

Indirect Communicators:

- Are evasive
- Are dishonest
- Can't take a stand
- Have no opinion
- Increase tension by not dealing with issues directly



Indirect Communication Style thinks

Direct Communicators:

- Are insensitive
- Have no tact
- Are insulting
- Too opinionated
- Increase tension by dealing with issues directly

“He wouldn't look me in the eye. I found it disconcerting that he kept looking all over the room but rarely at me”



Barbara Walters after meeting a middle eastern businessman

Considerations When Doing Business with US Companies

- There's no such thing as a single US market
 - Differences by region, age, gender, race, religion
 - Example: McDonald's menu differs across US
- Familiar factors such as age, gender, or dress don't necessarily denote the decision maker
- Exhibit patience if your US partner doesn't know about your culture
- Remember the US does not use the metric system
- There are six time zones across the 50 states
- Focus on the marketing aspect of your export plan first
- Be prepared to make your product information available in other languages in addition to English
- Seek experienced US legal counsel to understand rules and regulations
- Assess the level of business risks your product poses and consider product liability insurance
- Surround yourself with experienced trade professionals and a good partner in the US
 - Example: Bankers, freight forwarders, agents, etc.

US Importer Concerns

- Quality
- Import Compliance
- Legislation
- US Customs and Border Protection
- Payment
- Capacity
- Intellectual Property
- Financial Stability
- Landed Costs
- Other Government Agencies
- Sourcing (from whom)
- Communication
- “Green” or “Organic”
- Recordkeeping
- Government Anti-terrorism Initiatives
- FTA Compliance

Suggestions to the Exporter For Faster Clearance of Your Merchandise

1. Include all information required on your customs invoices.
2. Prepare your invoices carefully. Type them clearly. Allow sufficient space between lines. Keep the data within each column.
3. Make sure that your invoices contain the information that would be shown on a well-prepared packing list.
4. Mark and number each package so it can be identified with the corresponding marks and numbers appearing on your invoice.
5. Show a detailed description on your invoice of each item of merchandise contained in each individual package.
6. Mark your goods legibly and conspicuously with the country of origin unless they are specifically exempted from country-of-origin marking requirements, and with such other marking as is required by the marking laws of the United States. Exemptions and general marking requirements are detailed in Chapters 29 and 30.
7. Comply with the provisions of any special laws of the United States that may apply to your goods, such as laws relating to food, drugs, cosmetics, alcoholic beverages, radioactive materials, and others. (See Chapters 33, 34 and 35.)
8. Observe the instructions closely with respect to invoicing, packaging, marking, labeling, etc., sent to you by your customer in the United States. He or she has probably made a careful check of the requirements that will have to be met when your merchandise arrives.
9. Work with CBP to develop packing standards for your commodities.
10. Establish sound security procedures at your facility and while transporting your goods for shipment. Do not give narcotics smugglers the opportunity to introduce narcotics into your shipment.
11. Consider shipping on a carrier participating in the Automated Manifest System (AMS).
12. If you use a licensed customs broker for your transaction, consider using a firm that participates in the Automated Broker Interface (ABI).

Internet Resources

US Customs and Border Protection

Where: US Customs and Border Protection

What: Duty rates assessed to products imported into the US

Uses:

- ▶ Import duty rates
- ▶ Guidance for importing into the US

Link:

<http://www.cbp.gov/xp/cgov/trade/>

The screenshot shows the CBP.gov website with the following elements:

- Header:** CBP.gov logo with the tagline "Securing America's Borders". Navigation tabs include "About CBP", "Newsroom", "Border Security", "Trade", "Travel", and "Careers". A search bar is present with a "GO" button.
- Trade Section:** A sidebar menu lists "Automated Systems and Operational Support", "Basic Importing and Exporting", "Cargo Security", "CBP Legal Decisions and Publications", "Priority Trade Issues", "Quicklinks", "Trade Outreach", and "Trade Programs". The main content area is titled "Trade" and contains a paragraph: "U.S. Customs and Border Protection will facilitate about \$2 trillion in legitimate trade this year while enforcing U.S. trade laws that protect the economy, the health and the safety of the American people. We accomplish this through close partnerships with the trade community, other government agencies and foreign governments." Below this is a "Search Trade for:" box with a "GO" button and an RSS feed icon.
- News Item:** A photograph of Sandra L. Bell is shown next to the headline "U.S. Nominates Sandra L. Bell for WCO Director". The text below reads: "Ms. Bell is Executive Director for Regulations and Rulings within CBP's Office of International Trade." A pagination bar shows "1 | 2 | 3 | 4 | 5".
- Resources:** A box containing links for "Locate a Port Of Entry - Air, Land, or Sea" and "Forms".
- References:** A box containing a link for "Trade Publications" and another for "Federal Register Notices 2010 - GPO Access".
- Footer:** A "What's New" section with the text "Report Suspicious Activity to 1-800-BE-ALERT".

Export Development Canada

Where: Export Development Canada

What: US country overview

Uses:

- ▶ Market research on exporting to the US and other countries
- ▶ French/English

Link:

<http://www.edc.ca/countryinfo/countryinformation.aspx?slang=e&target=UnitedStates>

The screenshot shows the EDC website interface. At the top, there is a navigation bar with links for Home, Our Services, Resources, About EDC, Careers, Events, Contact Us, and Français. A search bar and a 'Print Version' link are also present. The main content area is titled 'Country Information' and features a dropdown menu set to 'United States'. Below this, there is a section for 'United States' with a brief overview of the country's economy and trade relations. To the left of the main text, there is a sidebar with key statistics for the United States, including Nominal GDP, Population, Total Trade / GDP, Currency, Merchandise imports from Canada, and Main imports. To the right, there is a 'Contact EDC' section with a phone number and a link to Canadian Trade Offices in the United States, accompanied by a map of the United States. At the bottom right, there is a section titled 'Are You a Canadian Exporter or Investor?' with a link to 'We can help you...' and a list of services, including 'Manage your receivables'.

EDC Export Development Canada

EDC Direct
Login
About EDC Direct

Home Our Services Resources About EDC Careers Events Contact Us Français

Print Version

United States

Country Information

United States

United States

The U.S. has the largest and most technologically powerful economy in the world, with a per capita GDP of \$42,000. In this market-oriented economy, private individuals and business firms make most of the decisions, and the federal and state governments buy needed goods and services predominantly in the private marketplace. U.S. businesses enjoy greater flexibility than their counterparts in Western Europe and Japan in decisions to expand, to lay off surplus workers and to develop new products. At the same time, they face higher barriers to enter their rivals' home markets than foreign firms face entering U.S. markets.

EDC's Position

- Open under all programs, subject to EDC's regular approval criteria

United States

Nominal GDP (2008 Q1)
USD 14.2 trillion

Population (2008)
304 million

Total Trade / GDP (Nominal 2007)
30%

Currency
US Dollar

Merchandise imports from Canada (2007)
USD 31.0 billion

Main imports
Industrial Supplies (36%)
Consumer Goods ex. autos (23%)
Capital Goods ex. autos (22%)
Autos (12%)

Contact EDC

- 1-888-332-7844
- Canadian Trade Offices in the United States

Are You a Canadian Exporter or Investor?

We can help you...

- Manage your receivables

UK Trade and Investment

Where: UK Trade and Investment

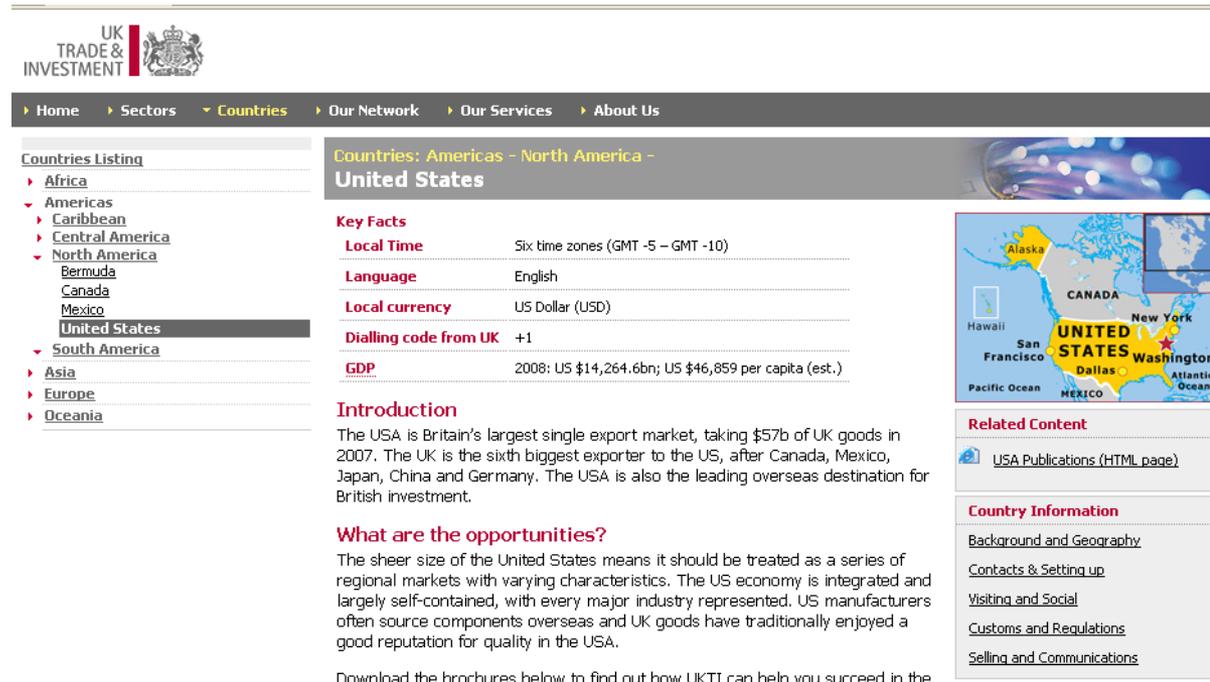
What: US country overview

Uses:

► Market research on exporting to the US and other countries

Link:

<http://www.edc.ca/countryinfo/countryinformation.aspx?slang=e&target=UnitedStates>



The screenshot displays the UK Trade & Investment website's country overview for the United States. The page features a navigation menu at the top with links for Home, Sectors, Countries, Our Network, Our Services, and About Us. A left-hand sidebar lists various regions, with 'United States' highlighted. The main content area is titled 'Countries: Americas - North America - United States' and includes a 'Key Facts' section with details on local time, language, currency, dialling code, and GDP. An 'Introduction' section provides context on the UK's trade relationship with the US. A 'What are the opportunities?' section discusses the US market's size and characteristics. On the right, there is a map of the United States and a 'Related Content' section with links to USA Publications and Country Information.

UK TRADE & INVESTMENT

Home Sectors Countries Our Network Our Services About Us

Countries Listing

- Africa
- Americas
 - Caribbean
 - Central America
 - North America
 - Bermuda
 - Canada
 - Mexico
 - United States**
 - South America
- Asia
- Europe
- Oceania

Countries: Americas - North America - United States

Key Facts

Local Time	Six time zones (GMT -5 – GMT -10)
Language	English
Local currency	US Dollar (USD)
Dialling code from UK	+1
GDP	2008: US \$14,264.6bn; US \$46,859 per capita (est.)

Introduction

The USA is Britain's largest single export market, taking \$57b of UK goods in 2007. The UK is the sixth biggest exporter to the US, after Canada, Mexico, Japan, China and Germany. The USA is also the leading overseas destination for British investment.

What are the opportunities?

The sheer size of the United States means it should be treated as a series of regional markets with varying characteristics. The US economy is integrated and largely self-contained, with every major industry represented. US manufacturers often source components overseas and UK goods have traditionally enjoyed a good reputation for quality in the USA.

Download the brochures below to find out how UKTI can help you succeed in the

Related Content

- USA Publications (HTML page)

Country Information

- Background and Geography
- Contacts & Setting up
- Visiting and Social
- Customs and Regulations
- Selling and Communications

UNCOMTRADE

Where: United Nations COMTRADE

What: Global trade statistics of imports and exports reported by country

Uses:

- ▶ Trade statistics by HS code
- ▶ Competitor nations

Link:

<http://comtrade.un.org/>



United Nations Commodity Trade Statistics Database | [Statistics Division](#)

Home Data Query Data Availability Metadata & Reference Subscription & Support Fast tracks

Home > [Data Query](#) > [Express Selection](#) > [Query Result](#)

Basic Query Results: [help](#)

Statistics: 5 rows returned in 3.77 seconds.

Quick filter Search Clear ? Clear Apply

Selected classification: HS as reported
Selected commodities: TOTAL
Selected reporters: [USA](#)
Selected years: [2009](#), [2008](#), [2007](#), [2006](#), [2005](#)
Selected partners: [Tunisia](#)
Selected trade flows: Export

Sort Order Refresh

[Modify Selection](#) [View Graph & Map](#) [Printable Format](#) [View Explanatory Notes](#) [SDMX Download](#)
[View Not-Available-Data](#)

Period	Trade Flow	Reporter	Partner	Code	Trade Value	NetWeight (kg)	Quantity Unit	Trade Quantity	Flag
2005	Export	USA	Tunisia	TOTAL	\$260,716,592	N/A	1	N/A	0
2006	Export	USA	Tunisia	TOTAL	\$362,817,632	N/A	1	N/A	0
2007	Export	USA	Tunisia	TOTAL	\$403,055,050	N/A	1	N/A	0
2008	Export	USA	Tunisia	TOTAL	\$502,520,071	N/A	1	N/A	0
2009	Export	USA	Tunisia	TOTAL	\$502,110,895	N/A	1	N/A	0

1

Work on IMTS

- > [Methodology IMTS](#)
- > [Analytical Tables*](#)
- > [Int. Coop. & Workshops](#)
- > [Newsletter*](#)

* regularly updated

Search for data help

Go

A world of information

Enter search terms Go

Help / Guideline / FAQ

- > [What is UN Comtrade?](#)
- > [National Compilation and Dissemination Practices](#)
- > [Reported and converted data / conversion issues](#)
- > [SDMX data format](#)
- > [UN Comtrade Web Service](#)

Thomas Register

Where: Thomas Register

What: Database of US manufacturers

Uses:

► Find distributors/buyers of industrial equipment

Link:

<http://www.thomasnet.com/>

The screenshot shows the ThomasNet website interface. At the top, there is a green navigation bar with the ThomasNet logo (CONNECTING INDUSTRY) and a search bar. The search bar has tabs for 'Product/Service', 'Company Name', 'Brand', 'CAD Drawings', 'Industrial Web', 'White Papers', and 'More'. Below the search bar, there is a dropdown menu for 'All States/Provinces' and a 'Search' button. The main content area is divided into two columns. The left column is titled 'Browse Categories' and contains a list of product categories with expandable icons (+). The right column is titled 'Welcome to ThomasNet.com' and contains a welcome message and a 'Sign Up' button.

Sign Up | Log In | Product News | Promote Your Business

CONNECTING INDUSTRY
ThomasNet

Product/Service Company Name Brand CAD Drawings Industrial Web White Papers More

All States/Provinces Search

Browse Categories
Find your supplier; more than 67,000 categories to choose from.

Product/Service Catalogs CAD Drawings

- [+] [Adhesives & Sealants](#)
- [+] [Automation & Electronics](#)
- [+] [Chemicals](#)
- [+] [Custom Manufacturing & Fabricating](#)
- [+] [Electrical & Power Generation](#)
- [+] [Engineering & Consulting](#)
- [+] [Hardware](#)
- [+] [Instruments & Controls](#)
- [+] [Machinery, Tools & Supplies](#)
- [+] [Materials Handling](#)
- [+] [Metals & Metal Products](#)
- [+] [Plant & Facility Equipment](#)
- [+] [Plastics & Rubber](#)
- [+] [Process Equipment](#)
- [+] [Pumps, Valves & Accessories](#)
- [+] [Services](#)
- [+] [Other](#)

Welcome to ThomasNet.com

Search ThomasNet to find manufacturers, distributors and service providers - from Actuators to Zirconium and everything in between.

[Sign Up](#) | [Log In](#)

Thomas Register®, industry's trusted resource, is part of ThomasNet.com.

Thank You!

International Trade Center SBDC

1402 Corinth, Ste. 142

Dallas, TX 75215

214/747-1300

www.iexportimport.com

isbdc@dcccd.edu