



“HOW-TO” GUIDE FOR EXPORTING





TABLE OF CONTENTS

Introduction	Page 3
Detailed Export Plan	Page 4
Marketing	
The Product — Assess Its Export Potential	Page 5
The Price — Can You Sell It Profitably Globally	Page 6
The Place — Where Are You Going To Sell	Page 6
Promotion — Identify How You Will Reach The Market	Page 7
Step-By-Step Approach to Market Research	
Screening Potential Markets	Page 8
Assessing Targeted Markets	Page 9
Determine Your Market Entry Strategy	Page 11
Get the Most Out of Trade Shows	Page 14
Take Advantage of Trade Leads	Page 15
Pricing Your Product	
Export Pricing Strategy	Page 16
Determining Tariff & Taxes in a Specific Country	Page 17
INCOTERMS	Page 17
Pricing Example	Page 18
Choosing Your Service Providers	
Freight Forwarders	Page 19
Customs Brokers	Page 20
Getting Paid	
International Methods of Payment	Page 20
Export Finance	Page 22
International Buyers	
What You Want From An International Buyer/Representative	Page 24
Distributors And Distribution Contracts	Page 24
Understand Cultural Differences	Page 25
Export Control Requirements	
The Harmonized System – HS Codes	Page 27
Export Control Classification Numbers	Page 27
Export Licenses	Page 28
Export Documentation and Compliance	
Certificates of Origin and Free Sale	Page 31
Food and Agriculture Products	Page 32
Additional Sources for Export Assistance and Market Research	Page 34

This document is intended to provide general guidance for businesses to gain a better understanding in the basic concepts of international trade. Material contained in this publication is in the public domain and may be reproduced fully. While the information compiled in this guide was gathered from sources believed to be authoritative and reliable, no responsibility is assumed or implied by the Idaho Department of Commerce or the Idaho State Department of Agriculture as to the accuracy, completeness, or factual representation contained herein. Where legal or other expert assistance is required, the services of a competent professional should be sought. The information herein is meant to be a guide and readers should be aware that all information that is contained herein is subject to change without notice.

INTRODUCTION

The Idaho Department of Commerce and the Idaho State Department of Agriculture have developed the “How-To Guide for Exporting” to:

- Help Idaho businesses navigate the process of doing international business;
- Help Idaho business people find the appropriate resources to aid them in their export efforts as a viable extensions of their domestic operations; and
- Help Idaho business people evaluate potential opportunities in the international marketplace as viable extensions of their domestic operations; and
- Support those Idaho firms to become exporters of Idaho products and services.

An increasingly global economy provides opportunities for Idaho businesses to enter international markets, adding an important dimension to achieving business objectives. Exporting can be a means of enhancing bottom-line profits for companies of all sizes, including small- and medium-sized businesses.

There are a number of benefits in becoming an established exporter of Idaho products and services in the international marketplace.

With 96% of the world’s population and 80% of the world’s wealth residing outside of the United States, a large overseas market exists for Idaho products and services. Export sales help drive economic growth and support jobs across the state. Therefore, the State of Idaho has established an aggressive export development program to help Idaho companies tap into global markets.

The Idaho Departments of Commerce and Agriculture work as a team to connect Idaho companies with foreign buyers and partners through a variety of export programs and initiatives. We can help you identify customers in international markets, help shape your strategy, walk you through logistics, find financing resources that may be able to support new aspects of your business, and support your export development efforts through targeted export promotions.

The following guide outlines resources useful to Idaho companies who are looking to start or expand their export efforts. There are two additional resource guides available titled Exporter Documentation & Education and Idaho Exporter’s Resource Guide that you will want to review for additional information after reading through this booklet.

Qualities of Export-Ready Companies

Have ownership commitment to fund and pursue exporting

Understand or are willing to learn about the added demands international business can place on company resources

Have realistic expectations

Are prepared to modify products or services to meet the needs of the market

Willing to provide training and after-sales service, if necessary



Benefits of a Written Plan

They are less likely to be overlooked or forgotten

Written plans more clearly show your company strengths and weaknesses

They assign responsibilities and timelines to keep your company on track

They can be more easily shared with new employees as your business grows

DETAILED EXPORT PLAN

Creating an export plan is a critical step for defining your company's present status, internal goals and commitment, but is also required if you plan to seek export financing assistance. It helps you to analyze your current situation while helping you to assemble facts, develop goals, identify constraints and create an action plan for entering the global marketplace. It should also set forth specific objectives, an implementation timetable and milestones to gauge success.

First, conduct an “audit” of your company to determine how exporting will impact your operations. Make sure to understand the key components of an effective, actionable export plan. Have a clear idea of the information you need to collect and where you might find that information.

Have ownership or Executive Management answer these questions:

- Are we successful and well established enough in the local market to divert some effort to new markets?
- Do we have enough production capability to service a new market?
- What personnel and company resources will be dedicated to exporting?
- What will be the cost in time and money for each element?
- Which countries are targeted for sales development?
- How will your product's export sales price be determined?
- What will be the time frame for implementing each element of the plan?
- How will results be evaluated and used to modify the plan?



MARKETING

THE PRODUCT — ASSESS ITS EXPORT POTENTIAL

There are several ways to determine the export potential of your product or service. One of the most popular ways is to assess your product's success in the domestic market. If your product is successful in the U.S. market, it may be successful in a foreign market with characteristics similar to the domestic market as well. When assessing the potential of your product, you must consider factors such as environmental factors, social and cultural, local availability of raw materials or product alternatives, lower wages, lower purchasing power, the availability of foreign exchange, government import controls and other factors that affect the success of your product.

It is up to your company to determine the realistic potential of your product or service in the targeted market. Take sufficient time to determine if your product is a fit for the foreign market, and if necessary, modify the product to suit market preferences. This is very important. Do not expect to sell snow blowers in Africa!

If your product is successful in the United States, one strategy for evaluating export potential is to analyze why the product is successful in the domestic market and why your product has potential to be sold abroad.

For a unique product, competition may be non-existent or limited, while demand can be quite high. Identifying market characteristics may be very difficult but not impossible. Even if your product is not as successful domestically because it is losing market share to more technically advanced products, your product may still be state-of-the-art in a less developed country.

Take the time to describe your product and its function in writing. While this may seem simple, it will be helpful when you begin to explore target industries and markets. A clear description in non-technical language will make it easier for state trade offices, the U.S. Commercial Service, or the Foreign Agricultural Service (FAS) to assist you. Once you complete these steps, describe why your product is ready to be exported.

The following questions should be answered:

- What products are being selected for export development?
- What, if any, modifications must be made to adapt them for overseas markets?
- What are the product's main selling features?
- What competitive advantage does the product have over the competition?
- Is an export license needed and are there any U.S. export restrictions on my product?
- Are there any import restrictions to my target markets on my product?

Advantages to "Made in the USA"

Innovative, cutting-edge ideas, processes and technologies

Willing to modify products and services

High quality, durability and safety

Positive brand awareness and values

Reputation for warranty coverage and service

Easier to contact and communicate with than some other regions



“How-To” Guide for Exporting

Finally, provide a brief description of your industry structure. Include such information as competition, distribution channels and demand. This information is used in the following section.

THE PRICE — CAN YOU SELL IT PROFITABLY GLOBALLY

Establishing export retail and wholesale pricing can be a difficult and involved process. You need to determine how much product will realistically sell overseas, at what price, and over what period of time. Make sure that you look at what your competitors are doing in this market and do a thorough financial analysis. Set the price too high, and you will lose the sale; set it too low, and you will lose potential profits.

In many instances, it may be inappropriate to base your export price on domestic price plus the addition of “x-amount” in order to arrive at a competitive price for a foreign country. There are other costs of doing business when exporting to another country that need to be added such as: export documentation, domestic freight, international freight (ocean or air), shipping insurance, import tariff/duty, local taxes, importers/distributors mark-up, etc. Please refer to the section in this guide, *“Develop an Export Pricing Strategy”*, for more information on this subject.

THE PLACE — WHERE ARE YOU GOING TO SELL

Market research is the foundation of international business. It includes several areas, such as evaluating the potential of customers, industries and foreign markets. This exercise, performed as part of an international marketing plan, will help you carefully identify and evaluate areas that hold the most promise for your company.

First, understand your customer. While this may be your first international business transaction, chances are you have developed such an understanding from your domestic business. Remember the type of customer can vary based on the market and the nature of the product. As part of the international marketing plan, draw up a short customer profile which will help target your efforts in industries and countries that will be successful.

If your product has potential applications in more than one industry, then target specific industries. Make a list of industries where products may be used. Evaluate each based on industry growth trends, size, and demand. Focus your efforts on the top one or two industries. Once you are in the market, expand to other industries.

Based on your customer profile and target industries, look at potential foreign markets. Each country is different, with its own culture, resources, regulations, and political and economic conditions.

Factors to Consider When Choosing Target Markets:

- What is the potential market size?
- In each country, what are the basic customer profiles, and what marketing and distribution channels should be used to reach customers?
- What special challenges pertain to each market (for example, competition, cultural differences, documentation requirements, labeling requirements, and import and export controls), and what strategy will be used to address them?
- What are the selected country's characteristics such as languages, living standards, customs, climates and culture?
- What are the country's political relations and trade agreements with the United States?
- What economic factors could influence my success?
- How do local business procedures differ from the United States?
- Is transportation to the area available and reasonably priced?
- Are there specific insurance requirements?
- Is export financing available?

The decision of which market to pursue depends on where your product can be most profitable and competitive. When your decision is complete, adapt your sales literature into the appropriate language and cultural context. If this is not economically feasible, consider a low-cost alternative of attaching a page in the appropriate language that highlights your product's main selling points.

PROMOTION — IDENTIFY HOW YOU WILL REACH THE MARKET

There are a number of ways to reach potential markets, but it is best to proceed slowly at first. A great way to test markets, without being exposed to too much risk, is to participate in trade opportunities offered through the Idaho Department of Commerce, the Idaho State Department of Agriculture and federal agencies such as the [U.S. & Foreign Commercial Service](#), the Foreign Agricultural Service ([FAS](#)), and the Western United States Agricultural Trade Association ([WUSATA](#)). Some of their activities include:

1. **Industry Trade Shows** – This is an ideal activity for a new-to-market company. Trade shows present a range of valuable opportunities for companies that participate, including meeting potential customers, finding new and better ways of doing business and building a more impressive reputation within an industry. The positive impact of exhibiting at a trade show isn't confined just to the event, as a large percentage of attendees will pass along some of the information they obtained at the show to others in their organization. Additionally, you can join state and federal agencies at industry trade shows sometimes with a reduced fee or supported with grant funding.
2. **Visit your Target Market** – Idaho's overseas trade offices in SE Asia, Mexico, and China; the U.S. & Foreign Commercial Service; the Foreign



Agricultural Service; and WUSATA can help you find qualified sales leads and/or in-country distribution partners through a variety of programs and services that take you to your target market for one-on-one meetings.

3. **Participate in a Trade Mission** – For companies that have already been exposed to international markets, trade missions are a great way to strengthen existing partnerships and seek new customers and markets. Trade missions include inbounds (where prospective buyers visit Idaho), outbounds (where you go with a trade group to meet with potential buyers in-country), or Governor’s trade missions (that give you access to higher level meetings and government officials within a country).

STEP-BY-STEP APPROACH TO MARKET RESEARCH

To successfully export your product, you should research foreign markets. Both primary and secondary research will help to determine marketing opportunities and constraints overseas, which foreign markets have the best potential for your products, as well as to identify prospective buyers and customers. Results of this research will tell you:

- The largest markets for your product and the fastest-growing markets
- Market trends and future outlook
- Market conditions and practices
- Competing companies and products

SCREENING POTENTIAL MARKETS

STEP 1: Obtain Export Statistics

Published statistics that indicate product exports to various countries provide a reliable indicator of where U.S. exports are currently being shipped. The U.S. Census Bureau provides these statistics in a published format at www.census.gov/foreign-trade/index.html.

STEP 2: Identify Potential Markets

First, you should identify 5 to 10 large and fast-growing markets for your firm’s product. Look at trends over the past three to five years. Has market growth been consistent year to year? Did import growth occur even during periods of economic recession? If not, did growth resume with economic recovery?

Then, take a look at some smaller, fast-emerging markets that may provide ground floor opportunities. If the market is just beginning to open

up, there may be fewer competitors than in established markets. To qualify as up-and-coming markets, these countries should have substantially higher growth rates. Libya (which recently opened its economy after years of economic sanctions) and Morocco (which entered into a free trade agreement with the United States in 2005) are good examples of such markets.

Look also at groupings of countries such as those the United States has free trade agreements with in Latin America. Or look at regions within large countries such as western Canada or far eastern Russia. The U.S. Commercial Service and the Foreign Agricultural Service have regional services that will help you find buyers in multiple countries in, for example, East Asia. If you're targeting Hong Kong and the Pearl River Delta area, why not stop in nearby Thailand or Singapore?

STEP 3: Target the Most Promising Markets

Of the markets you have identified, select three to five of the most statistically promising for further assessment. Consult with a representative at a U.S. Commercial Service Export Assistance Center (www.export.gov/eac), or in-country experts with the [Foreign Agricultural Service of the USDA](#), business associates, freight forwarders, and others to further evaluate targeted markets.

ASSESSING TARGETED MARKETS

STEP 1: Examine Product Trends

Look not only at company products but also at related products that could influence demand. Calculate overall consumption of the product and the amount accounted for by imports.

The U.S. Commercial Service (at www.export.gov/Market-Intelligence) offers market research reports that provide economic background and market trends by country and industry.

The Global Agricultural Information Network provides information affecting food, beverage and other agricultural products at <http://gain.fas.usda.gov/Pages/Default.aspx>

Demographic information (such as population and age) can be obtained from the U.S. Census Bureau at (census.gov/population/international) and from the United Nations Statistics Division at (unstats.un.org/unsd/databases.htm).

STEP 2: Research the Competition

Sources of competition include the domestic industry in each targeted market and competitors from other foreign countries. Look at each



competitor’s U.S. market share as well as its share in the targeted market. U.S. Commercial Service market research reports and other competitive assessments are available at www.export.gov/Market-Intelligence.

STEP 3: Analyze Marketing Factors

Analyze factors affecting the marketing and use of your product in each market, such as end-user sectors; channels of distribution; cultural idiosyncrasies (for example, does your product’s name, when translated into the local language, mean something undesirable?); and business practices.

STEP 4: Identify Any Barriers

Foreign barriers to imports can be tariff or non-tariff. U.S. barriers could include export controls for commerce products or customized lab analysis/certificates for agricultural products. If you make a product that may have dual use (civilian and military), you may be required to have an export license. The U.S. Commercial Service can help you determine whether a license is necessary. Most applications are approved. Call (800) USA-TRADE (800-872-8723) for more information. Also read the section on Export Control Requirements later in this guide for a more detailed description of export licenses and their associated Export Control Classification Number (ECCN).

STEP 5: Identify Any Incentives

The U.S. or foreign government may offer incentives that promote exporting of your particular product or service.

DRAWING CONCLUSIONS

After analyzing the data, your company may conclude that your marketing resources would be applied more effectively to a few select countries. In general, if your company is new to exporting, then efforts should be directed to fewer than 10 markets. Exporting to a manageable number of countries allows you to focus your resources without jeopardizing your domestic sales efforts. Your company’s internal resources should determine what choices you make. The U.S. government, though, has export promotion programs that can assist you with exporting to multiple markets in the same region. The U.S. Commercial Service, for example, has regional export promotion programs in Asia, Europe, the Middle East, and the Americas in addition to country- and industry-specific resources.

DETERMINE YOUR MARKET ENTRY STRATEGY

Once you choose the top two or three markets, you must decide on a market entry strategy. Your product and the type of domestic channel will influence international distribution channels. The customary business method and established distribution channel may affect your choice of distribution system. The way you choose to export your products can have a significant effect on your export plan and specific marketing strategies. The various approaches to exporting relate to your company's level of involvement in the export process.

There are at least four approaches that may be used alone or in combination:

1. **Passively filling orders from domestic buyers, who then export the product.** These sales are indistinguishable from other domestic sales as far as the original seller is concerned. Another party has decided that the product in question meets foreign demand. That party assumes all the risks and handles all the exporting details, in some cases even without the awareness of the original seller. (Many companies take a stronger interest in exporting when they discover that their product is already being sold overseas.)
2. **Seeking out domestic buyers who represent foreign end users or customers.** Many U.S. and foreign corporations, general contractors, foreign trading companies, foreign government agencies, foreign distributors, retailers, and others in the United States purchase for export. These buyers constitute a large market for a wide variety of goods and services. In this approach, your company may know that its product is being exported, but the domestic buyer still assumes the risks and handles the details of exporting.
3. **Exporting indirectly through intermediaries.** With this approach, your company engages the services of an intermediary firm that is capable of finding foreign markets and buyers for your products. Export Management Companies (EMCs), Export Trading Companies (ETCs), international trade consultants, and other intermediaries can give you access to well-established expertise and trade contacts, but you retain considerable control over the process and can realize some of the other benefits of exporting, such as learning more about foreign competitors, new technologies, and other market opportunities. A variation on this channel is the use of e-commerce platforms. They offer to handle the logistics in return for fees. As your product sells via their e-commerce site, you get notification to restock and they send you payment.
4. **Exporting directly.** This approach is the most ambitious and challenging because your company handles every aspect of the exporting process from market research and planning to foreign distribution and payment collections. A significant commitment of management time and attention is required to achieve good results.



However, this approach may also be the best way to achieve maximum profits and long-term growth. With appropriate help and guidance from the U.S. Department of Commerce, U.S. Department of Agriculture, state trade offices, freight forwarders, shipping companies, international banks, and others, even small or medium-sized firms can export directly. The exporting process today is easier and has fewer steps than ever before. For those who cannot make that commitment, the services of an EMC, ETC, trade consultant, or other qualified intermediary can be of great value.

THE DIRECT EXPORTING APPROACH

The advantages of the direct exporting approach include the convenience of dealing directly with the purchaser and the full control retained over all aspects of the transaction. This system is particularly recommended for the sale of technology or sophisticated, expensive equipment with a high degree of engineered design that has limited sales volume and requires specialized servicing.

When a company chooses to export directly it usually makes internal organizational changes to support more complex functions. Larger companies at advanced stages of exporting may choose to establish an international division and designate staff for international operations.

Direct exporting has disadvantages in the high cost of adequately servicing a distant market, and countries require representation even when the U.S. firm has a direct sales marketing plan. In all situations, choose your partner carefully and encourage his or her efforts. This can be done through frequent communication, visits and granting exclusive territories. In sum, there are advantages and disadvantages to direct exporting, whether through a distributor or direct sales.

Disadvantages of Direct Exporting

- Increased risk
- Sales returns may take longer than expected
- Requires additional staff time and training

THE INDIRECT EXPORTING APPROACH

Indirect exporting is another option. There are several types of intermediary companies that provide a range of export services. Each type of company can offer distinct advantages to your company.

Confirming Houses – Confirming houses or buying agents represent foreign companies that want to purchase your products. They seek to obtain the desired items at the lowest possible price and are paid a commission by their foreign clients.

Advantages of Direct Exporting

Maintain proprietary information

Maintain greater control over your company's name, reputation and image

Learn how to succeed in international markets

Potential for maximum profits and long-term growth

Export Management Companies (EMCs) – Act as the exporting department for one or several producers. EMCs solicit and perform business in the name of the producers it represents or in its own name for a commission or salary. Some EMCs provide immediate payment to the producer by arranging financing, or taking title of the product or direct purchase. EMCs specialize by product group, foreign market or both. Because of their specialization, good EMCs know the products and markets they function in, and have well-established networks of foreign distributors in place.

Export Trading Companies (ETCs) – The ETCs facilitate the export of U.S. goods and services. Like an EMC, the ETC either acts as the export department for producers or takes title to the product and exports it under its own name.

Export Agents, Merchants, or Remarketers – Export agents, merchants, or remarketers purchase products directly from the manufacturer, packing and labeling the products according to their own specifications. They then sell these products overseas through their contacts in their own names and assume all risks. In these types of transactions, your company relinquishes control over the marketing and promotion of your product. Future export sales can be adversely affected if the product is priced or positioned incorrectly.

Export Consultants – Advise companies on how to enter international markets and can perform some export-related services.

Again, choose your export partner carefully. Ask prospective companies about their experience, talk to their clients, and consider their knowledge of your industry, key markets and fees.

Disadvantages of Indirect Exporting

- Middlemen handle many product lines, including yours
- Middlemen may not have extensive knowledge of your company's product
- Product servicing is often inefficient

GET THE MOST OUT OF TRADE SHOWS

Trade shows are an excellent way to introduce products to a new market and maintain a presence in an existing market, but manage your costs carefully to determine your return-on-investment. Consider trade show participation as either a one-time expense to attain a specific goal or as a long-term investment to create awareness and establish brand recognition in a market.

For beginning exporters, it is often good to start by exhibiting at a domestic show with a large number of international attendees. Usually before a trade

Advantages of Indirect Exporting

Provides a way to penetrate a foreign market without the complexities and risks of direct exporting

Risk is minimal

Middlemen handle all export operations, minimizing burden on your staff



“How-To” Guide for Exporting

show, each attendant receives a packet of information including the names of all companies participating in the show. Research and identify potential customers, distributors and competitors before the show begins by reading the packet of information or searching through online trade show resources. Generate as much knowledge about participants before you attend to set goals and objectives to your advantage. When you attend the trade show, visit tables or booths of competitors and examine other products. An introduction of yourself and your company as a competitor is not necessary and avoids negative reactions while examining their products and booth set-up.

An important factor of your trade show presentation is the use of engaging or interactive tools. An engaging tool can be anything that tests and demonstrates the functions and qualities of your product. This can be a powerful marketing presentation for your product that, if executed creatively, can attract attention to your company instead of to your competitor.

When planning your trade show schedule and strategy, take a number of factors into consideration:

- What are your objectives? Do you want to sign up a new distributor or sell directly to end-users?
- What is your engaging tool? Have you customized your product to fit tastes in the foreign market?
- What is your level of sophistication? New-to-export, new-to-market, or market expansion?
- What industries do you want to target?

Remember, when you return home from the trade show, the majority of the work needs to be done. After qualifying the leads, it is important to follow-up on each prospect's interest by contacting each prospect individually, perhaps with a personalized email, letter or brochure.

Trade show listings are available in industry journals, the United States Department of Commerce, Idaho Department of Commerce and the Idaho State Department of Agriculture. Following are some additional online resources for global trade show listings by country or industry:

- www.export.gov/eac/trade_events.asp — U.S. Commercial Service endorsed trade shows can be searched by a variety of parameters
- <http://www.fas.usda.gov/topics/trade-shows> — USDA endorsed international or domestic trade show listings by year
- www.tsnn.com — Trade Show News Network searchable database of global events
- www.eventseye.com — Searchable trade show database by name, location, industry, organizer, date or keywords

TAKE ADVANTAGE OF TRADE LEADS

Responding to trade leads is a vital method of finding new customers and business partners. Your recipients will likely receive responses from many similar companies. Hence, you must convince them your product(s) will best meet their needs. Your company may receive a request for information as a simple test. When your company follows-up, it indicates to the customer you are serious.

Be wary of companies that quickly offer to be your representative or distributor. They may do a fine job, but evaluate their qualifications before entrusting a potentially lucrative market to their care.

Trade leads are available from various sources such as trade shows where your product is represented by the Idaho Department of Commerce or the Idaho State Department of Agriculture. You can also find trade leads through one of the Idaho International Trade Offices in SE Asia, China and Mexico.

Additionally, periodicals such as the *Journal of Commerce*, *Export Today*, *Commercial News USA* and industry publications contain such listings and are also available on the Internet and through United States government agencies.

The U.S. Department of Commerce and the Foreign Agricultural Service can help exporters identify and qualify direct leads for potential buyers, joint ventures, etc., from private or public sources. By contacting one of these agencies, your company can receive international contact information, trade opportunity program, Gold Key Service, country and company profiles, etc.

When making contact, you should:

- Respond to trade inquiries or trade leads within 48 hours
- Write a personalized sales letter or email. English is generally acceptable
- Keep your language simple and clear
- Clearly explain what you are selling
- Establish the reputation of your product and company
- Explain what you are seeking. Are you wishing to sell direct or to establish a distributor or agent
- Propose a personal meeting. International travel indicates your commitment
- Request a response or order
- List your fax and telephone numbers, e-mail and company website. Access to a 24-hour automatic fax machine and e-mail is an essential prerequisite to doing business internationally
- Consider translating your materials into the language of your target market
- Check your brochure's message and make sure it clearly states your product information



- Send necessary material only
- Do not send a warmed-over domestic sales letter
- Sign your letters personally

PRICING YOUR PRODUCT

After completing initial market research and determining the best entry strategy, the next step is to develop an export pricing strategy. Proper pricing, complete and accurate quotations containing terms of sale and payment are critical elements in selling a product or a service internationally.

EXPORT PRICING STRATEGY

Establishing an export price is a difficult and involved process. Many exporters recommend domestic marketing costs, such as sales and advertising expenses, be eliminated in determining overseas prices. The reason is to avoid calculating sales and advertising expenses two times for the same item, once for the domestic market and a second time when the good is sold or advertised in the foreign market. Eliminating cost overhead will allow you to keep your prices at reasonable levels and competitive. There are important principles that should be followed when pricing a product for export:

- Calculate your factory overhead costs proportionally over the output and determine the amount of overhead chargeable to your proposed export order.
- Deduct any charges not attributable to the export operation (e.g., domestic marketing costs, domestic legal expenses). This is especially true if export sales represent only a small part of total sales.
- Keep your price competitive. In calculating your export price, you will want to look at what your competitors are doing. Set the price too high, and you will lose the sale; set it too low, and you will lose potential profits.

When quoting a price, make it meaningful. A price for goods quoted, “F.O.B. Rexburg, Idaho, not export packed,” would be ignored by prospective buyers. Such buyers would have no way of determining inland freight costs or packaging sufficient in bringing the goods to market. International exports require the use of specific international shipping terms called INCOTERMS. (Review the INCOTERMS section later in this guide as well as in the [Exporter Documentation & Education](#) guide.)

You will be asked for a more formal price quotation, called a “Pro Forma Invoice,” which is a quotation in an invoice format. A foreign firm will ask for a “Pro Forma invoice” because it wants to know, in detail and writing, what the total amount for your product will be. Total cost, including packaging, U.S. domestic charges (from your factory to the port), spare parts, sometimes ocean freight and marine insurance, etc. need to be included. Contact your freight forwarder and banker to determine fees, to be included in the cost figure.

Your “Pro Forma” should be marked with a unique number for internal control and reference with an expiration date on any price quote. It should also include the terms of the sale as well, in this case, the International Commercial Terms (INCOTERMS). One such recommended term to quote is C.I.F. (cost, insurance and freight) because this shows the foreign buyer what it costs to get your product to a port in or near a desired country. The quote should also include payment terms and routing information.

All price quotes should have an expiration date because this requires the purchaser to act within a reasonable time and protects you during price fluctuations. Some payment instruments, such as International Letters of Credit (which will be discussed later), are issued on the basis of a “Pro Forma invoice” where changes are not permitted without a fee.

DETERMINING TARIFF and TAXES IN A SPECIFIC COUNTRY

A tariff, also known as a duty, is a tax levied by governments on the value of the shipment of imported products including freight and insurance. Different tariffs are applied on different products by different countries. National sales taxes and local taxes, and in some instances customs fees, will often be charged in addition to the tariff. The tariff, along with the other assessments, is collected at the time of customs clearance in the foreign port.

Tariffs and taxes increase the cost of your product to the foreign buyer and may affect your competitiveness in the market. So knowing what the final cost to your buyer is can help you price your product for that market. In addition, your buyer may ask you to quote an estimate of these costs before making the purchase.

The first step in determining tariff and tax information is to identify the product classification number (HS Code) for your product(s). Your goods will not ship without this number on key shipping documents. To learn how to find your HS Code, please go to the section in this guide titled “The Harmonized System – HS Codes”.

Once you’ve determined your HS Code, you will be able to find your product’s applicable tariff and tax rates for a specific country. You can search the Customs Info database for free (registration is required) at <http://export.customsinfo.com>. You can also go to http://www.export.gov/logistics/eq_main_018130.asp for a list of several online resources as well as in the *Idaho Exporter’s Resource Guide*.

Additionally, your shipper, broker or freight forwarder should be able to assist you with your search.



INCOTERMS

International Commercial Terms (INCOTERMS) are internationally-recognized, standard shipping terms used frequently in international contracts in order to clearly define which party is responsible for the product at specific points during the shipping process. INCOTERMS are more clearly defined including a chart that is provided for reference in our [*Exporter Documentation & Education*](#) guide.

PRICING EXAMPLE:

	Domestic Sale	Export Sale
Factory Price	\$7.50	\$7.50
Domestic Freight	0.70	0.70
Sub-total	8.20	8.20
Export Documentation \$.50		0.50
Sub-total		8.70
Ocean Freight and Insurance		1.20
Sub-total		9.90
Import tariff/duty (12% x price of prod- uct + all transportation fees to destination + insurance)		1.19
Landed Cost*		11.09
Wholesaler markup (15 percent)	1.23	
Sub-Total	9.43	
Importer/distributor markup (22%)		2.44
Sub-Total		13.53
Retail Mark-Up (50%)	4.72	6.77
FINAL CONSUMER PRICE	\$14.15	\$20.30

* Landed cost = the original price of the product, all transportation fees (both inland and ocean), customs, duties, taxes, insurance, currency conversion, crating, handling and payment fees.

CHOOSING YOUR SERVICE PROVIDERS

(For a list of Idaho’s local service providers, please review the [Idaho Exporter’s Resource Guide](#)).

After choosing a market entry strategy and pricing structure, you need to address logistics: how will your products be transported and how will you be paid?

Today, the international freight forwarder, customs broker and international banker facilitate movement of goods from one nation to another. Due to each being an essential link in the export cycle, choose your partners wisely.

FREIGHT FORWARDERS

For a fee, the freight forwarder can complete export paperwork, book space on a ship or airplane, arrange for cargo insurance, and give export advice regarding transportation of goods from the seller to the buyer. A freight forwarder is the “travel agent for freight.” While a larger company acts as its own freight forwarder by using internal shipping departments, smaller companies can benefit from a good freight forwarder’s contacts and experience. This could save you time and money. It is important that everything is done correctly the first time to eliminate hardships. Like airlines, however, rates can vary widely for the same service. For this reason, it is a good idea to “shop around” and obtain several quotes for the same shipment. Go to the [Idaho Exporter’s Resource Guide](#) for a list of local freight forwarders or shippers. When choosing a freight forwarder, does the freight forwarder:

- Have an office near your shipping port?
- Have experience handling your type of product?
- Have experience with the type of carriers you require?
- Have a good credit rating?
- Have favorable shipping rates and delivery schedules?
- Receive good recommendations from carriers?
- Belong to a professional association or organization?
- Have expertise shipping to your buyer’s country?
- Have a reputation for friendliness, competence, efficiency, reliability, cost effectiveness, trustworthiness and using fair business practices?
- Is the forwarder bonded and licensed by the Federal Maritime Commission or Cargo Network Services?

CUSTOMS BROKERS



Companies that export goods may require the services of a customs broker. Customs brokers are professionals licensed by the U.S. Treasury Department and have all the regulations concerning exportation of goods at their fingertips. They are excellent sources of technical information, domestically and abroad, concerning transportation, documentation and customs regulations.

Whether you use a customs broker or not, it is always a good idea to contact a specialist of the U.S. Customs Service at your port of entry to avoid any possible conflict with regulations before the goods are shipped.

The web site for the Customs Bureau is <http://www.cbp.gov>. U.S. Customs and Boarder Protection in Boise can be contacted directly at:

U.S. Customs Service—Idaho
4655 S Enterprise Street
Boise, ID 83705
Tel: (208) 334-9062

GETTING PAID

As in the domestic market, there are risks to doing business internationally. The usual risks are compounded in the international market by a number of factors, including currency exchange rates and differing cultural, economic and legal systems.

It is important that you carefully choose an international banker. They are your means of getting paid, so be sure to develop a good relationship! The banker can advise you on the forms of payment that could be best for your company as well as any finance options. When choosing an international banker, consider the following questions:

- Does the banker have experience in all types of international payments from cash in advance to International Letters of Credit?
- Can the banker advise you on export finance options?
- Does the banker have favorable references from other customers?
- Is the banker familiar with the business practices of the country to which you are selling?
- Is the banker willing to explain how the international payment process works and answer your questions?

Payment terms for export sales are generally longer than domestic terms. This means your cash flow may be temporarily interrupted while you wait for your payment to be processed. There are ways exporters counter the risk of doing business internationally:

1. **Consult your banker** to determine the best payment method. Be aware of country risk factors that impede payment. These include political instability, distance, cultural and legal differences and the relationship of the importing country to the United States.

2. **Evaluate your company’s currency risk.** It is usually easier to quote first in U.S. dollars. If the importing country’s currency is unstable or foreign exchange is difficult to obtain, it will be more difficult for you to do business in that country. If your products are priced in U.S. dollars, you will be protected against currency exchange rate fluctuations, but your customers will not. On the other hand, if you price your products in the local currency, you will be subject to significant risk, but these can be mitigated with forward and option contracts. Make sure to discuss payment options with your international banker to see what’s best for your company.
3. **Research the importing company’s credit rating, past payment history and reputation with other sellers.** Ask for bank and trade references and be sure to check them. This is a normal business practice worldwide and will not be offensive to a potential buyer.

Some banks in Idaho have established international banking departments staffed by experienced personnel. For a listing of contacts, go to the [Idaho Exporter’s Resource Guide](#).

Export services available from these departments typically include:

- Consulting Services
- International payment options
- International collections
- Foreign exchange
- Export financing
- Referrals/information

INTERNATIONAL METHODS of PAYMENT

Methods of payment used in international transactions vary somewhat from what is used in the domestic market. Here are some of the most common methods of payment.

Cash in Advance – This is the least risky option for the exporter, but be very wary of accepting checks, even from neighboring countries. Many buyers will be hesitant to accept these terms since it gives them little recourse against substandard goods.

International Letters of Credit – Letters of Credit are one of the most versatile and secure instruments available to international traders. This payment instrument is a commitment by a bank on behalf of the importer (foreign buyer) that payment will be made to the exporter provided that the terms and conditions stated in the Letter of Credit have been met, as evidenced by the presentation of specified documents. A Letter of Credit is useful when reliable credit information about a foreign buyer is difficult to obtain or if the foreign buyer’s credit is unacceptable, but the exporter is satisfied with the creditworthiness of the importer’s bank.



Documentary Collections (D/Cs) – Usually less expensive than a Letter of Credit, a documentary collection is a transaction whereby the exporter entrusts the collection of payment to the exporter’s bank (remitting bank), which sends documents to the importer’s bank (collecting bank), along with instructions for payment. Funds are received from the importer and remitted to the exporter through the banks in exchange for those documents. Although banks do act as facilitators (agents) for their clients under collections, D/Cs offer no verification process and limited recourse in the event of non-payment.

Open Account Terms – An open account transaction in international trade is a sale where the goods are shipped and delivered before payment is due, which is typically in 30, 60 or 90 days. Obviously, this option is advantageous to the importer in terms of cash flow and cost, but it is consequently a risky option for an exporter. To offset this risk, several companies settle open account terms with foreign receivable insurance in place.

EXPORT FINANCE

Export finance falls into two categories: pre-export, from production to shipping, and post-export, from shipment to receipt of payment. Exporters should be aware of the many financing options open to them so that they choose the most acceptable one to both the buyer and the seller.

In seeking export financing, it is recommended you contact your local banking institution or an experienced finance company with international expertise to determine what options would be available for structuring any export financing you may need. Finance options may be structured entirely within the bank or finance company, or in cooperation with additional sources such as private insurers, the Small Business Administration or the EXIM Bank.

Small Business Administration – Since its founding in 1953, the U.S. Small Business Administration (SBA) has delivered millions of loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses. For exporters, the SBA provides a number of loan programs specifically designed to help develop or expand international trade. For more information on counseling, loan programs and other assistance the SBA has to offer, contact the Boise District Office or visit www.sba.gov

EXIM Bank – The Export-Import Bank of the United States (EXIM Bank) is the official export credit agency of the federal government that has the authority to finance and insure foreign purchasers of U.S. goods facilitating the export of U.S. goods and services. When private sector lenders are unable or unwilling to provide financing, EXIM fills in the gap by equipping American businesses with the financing tools necessary to compete for global sales. For more information on available services and to determine eligibility, please visit www.exim.gov.

PRE-EXPORT FINANCING

Pre-export financing provides the exporter with enough liquidity to buy, prepare and/or produce the goods to be exported. Funds are commonly used to finance three different areas: (a) materials, (b) labor, and (c) inventory. An unexpected large export order or many incremental export orders can place challenging demands on working capital. Pre-export financing, helps to ease and stabilize the cash flow problems of exporters while they fulfill export sales and grow competitively in the global market.

POST-EXPORT FINANCING

Post-export financing allows the exporter to give better financing terms to his buyers. Exporters naturally want to get paid as quickly as possible, while importers usually prefer to delay payment until they have received or resold the goods. Because of the intense competition for export markets, being able to offer attractive payment terms customary in the trade is often necessary to make a sale. Post-export financing options include: receivables insurance, SBA and EXIM Bank programs (including insurance) or other structured programs offered by experienced banks or finance companies.



INTERNATIONAL BUYERS ¹

WHAT YOU WANT FROM AN INTERNATIONAL BUYER/ REPRESENTATIVE

This checklist is more suggestive than complete. Different products require different questions, especially with regard to technical know-how. And perhaps the candidate's ability, willingness, and desire to make a success of a new product outweigh all other criteria.

1. Reputation with suppliers, banks, and customers
2. Overall experience
3. Experience with single manufacturer
4. Experience with product line similar to evaluator's
5. Sales organization and quality of sales force
6. Lines handled at present and in the past
7. Sales volume and growth record
8. Share of market
9. Geographical areas covered, past and present
10. Financial strength: D & B type reports, Bank references
11. Analysis of his or her costs
12. Physical facilities (size, location, warehouses, etc.)



“How-To” Guide for Exporting

13. After-sales servicing facilities
14. Knowledge of U.S. business methods, accounting and measurement standards
15. Knowledge of efficient promotion techniques (advertising, packaging, point of sales)
16. Knowledge of English and other languages
17. Number and type of outlets
18. Stocking or purchasing minimum acceptable to distributors
19. Reputation among marketing and credit staff of other U.S. principals represented

DISTRIBUTORS AND DISTRIBUTION CONTRACTS

If a distributor is the best option for your company, the next step is to locate the right distributor. The following steps will provide some guidance for this crucial decision:

- Find out about the local laws that apply to the kind of agreement you seek
- Ask about the firm’s experience in handling product lines similar to your own
- Check with the U.S. and Foreign Commercial Service or the Foreign Agricultural Service regarding unique requirements for the country or countries in question
- Identify and qualify potential agents or distributors through the commercial or agricultural officers at the U.S. Embassies or Consulates in the importing countries or through Idaho’s International Trade Office locations
- Meet your distributor in person during an overseas business trip

Once you select a distributor, it is critical to put the relationship in writing; this protects both of you should disagreements arise. International distribution agreements should be in writing and available in the distributor’s language. Also, all contract terms should be clearly defined to guard against misinterpretation of words between two languages due to differences in spelling or meaning. When negotiating an international distribution contract, the following basic elements are normally included:

- Names and addresses of both parties
- Date the agreement goes into effect
- Duration of the agreement – typically one year based on sales goals, although parties can arrange for automatic annual renewal unless either gives notice in writing of intent not to renew
- Provisions for extending or terminating the agreement
- Descriptions of product lines included
- Definition of sales territory
- Establishment of discounts and/or commission schedules and determination of when and how the representative will be paid
- What law applies to the agreement (e.g. U.S. Law; or the United Nations Convention on Contracts for the International Sale of Goods (CISG, or the Vienna Convention))

Depending on your particular situation, your legal counsel may also recommend the following clauses be included in your distribution contract. Countries differ on what is legally binding and appropriate, consult with an attorney experienced in international trade.

Exclusivity
Returns & Warranties
Service, Training & Inventory
Patents, Trademarks & Copyrights
Termination
Jurisdictional Clause
Non-Competition Clause
Agreement Clause

Pricing
Advertising & Promotion
Foreign Law Compliance
Performance Evaluation
Force Majeure Clause
Arbitration Clause
Confidentiality Clause
Inquiry-Territory Clause

OTHER ISSUES TO CONSIDER

It is important to note that when negotiating international distribution agreements, it is advisable for exporters to consult legal counsel experienced in international business transactions. Such counsel can notify companies of new developments in international law and can help guard against potential problem areas. Another option to consider is to retain legal counsel within the foreign country in which the business is being conducted. At times, local law exists which the American company must be aware of prior to entering into any agreements in order to shield the company from potential liabilities. For a listing of Idaho attorneys specializing in international law, please review the [Idaho Exporter's Resource Guide](#).

UNDERSTAND CULTURAL DIFFERENCES

At some point during your market research or business negotiations, you will likely visit your target markets or interact by telephone, fax or e-mail with potential foreign partners. While this section does not require any action in your marketing plan, it does present the concepts essential for international success.

Familiarity with some of the basic social customs, business practices, and etiquette of the country in which you do business is absolutely essential. A disregard for local cultural norms may cause embarrassment or misunderstanding; it may even break a deal.

While countries of the same world region – such as Asia, Latin America or Europe – may share similar cultural practices, they often differ. For this reason, it is important for you to do research on each country you visit or do business with, including business and cultural practices.



EXPORT CONTROL REQUIREMENTS

Every international shipment must identify its product(s) by HS Code, and for some products, they also need an Export Control Classification Number (ECCN).

THE HARMONIZED SYSTEM – HS CODES

The international Harmonized Commodity Description and Coding System, known as the Harmonized System (HS), is an internationally standardized system of names and numbers to classify traded products. The HS System, which is updated approximately every five years, is maintained by the World Customs Organization. The year 2012 marked the most recent HS revision, meaning the next revision will not be due until 2017.

Both the U.S. import and U.S. export classification systems rely on the international HS codes for their 4- and 6-digit headings and subheadings.

The U.S. import classification system, known as the [Harmonized Tariff Schedule](#) (HTS), is administered by the U.S. International Trade Administration Commission (USITC). To find a product's HS code through the Harmonized Tariff Schedule search engine, visit <https://hts.usitc.gov/>. HS numbers and Schedule B numbers will be the same up to the first 6 digits as the importing country's classification code.

Schedule B numbers

The U.S. export classification system, titled Schedule B, is administered by the U.S. Census Bureau, Foreign Trade Division to classify physical goods for export to another country. Since greater commodity details are needed beyond the 4- and 6-digit HS codes found under the Harmonized Tariff Schedule (HTS), Schedule B classifications expand their scope to a 10-digit Schedule B number.

You can find your Schedule B number using the free online Schedule B Search tool accessible through <https://uscensus.prod.3ceonline.com/>. If you need export classification assistance, email ftd.scheduleb@census.gov or call Toll-Free (800) 549-0595, Menu Option #2.

Schedule B is revised once annually with new codes usually effective January 1st. Schedule B numbers are used to collect and publish U.S. export statistics and are required to be reported in the Automated Export System (AES) when shipments are valued over \$2,500 or the item requires a license.

To get a duty rate for importing products into a foreign country, one needs to have the complete classification number used by the importing country. Since this is sometimes difficult, companies can use the Schedule B number to approximate.

THE EXPORT CONTROL CLASSIFICATION NUMBER (ECCN)

For non-agricultural products, the Department of Commerce’s Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administrative Regulations (EAR), which regulate the export and re-export of most commercial items. If your item is subject to the jurisdiction of the U.S. Department of Commerce, you must then determine if your item has a specific Export Control Classification Number (ECCN) found on the Commerce Control List (CCL). Keep in mind that items subject to the Export Administration Regulations (EAR) that are not listed on the CCL are designated EAR99.

There are three ways to determine the Export Control Classification Number (ECCN) for your product:

1. Go to the Source—If you’re exporting an item that’s manufactured, produced or developed by another company, contact them directly to see if they can provide you with the ECCN.
2. Self-Classify—You need to have a technical understanding of your product and also need to be familiar with the structure and format of the Commerce Control List (CCL).
3. Request an Official Classification from BIS.

Go to <http://www.bis.doc.gov/index.php/licensing/commerce-control-list-classification> for details on the process.

What if my product is not listed?

After careful review of your item against the CCL, if you are convinced your item does not fit into the parameters of any ECCN, your item may be designated as EAR99, and keeping in mind it is not controlled by another agency. If this is the case, your item may be exported using the license exception NLR—which means “No License Required”, as long as all of the following criteria are met:

- The item is not being shipped to a [sanctioned destination](#)
- The item is not being shipped to a [denied person](#), **sanctioned entity**, or **prohibited end-user**
- The item will **not be used for a specific end-use**, subject to higher controls.

For further details on these and other export restrictions, read Parts 736, 742, 744, and 746 of the EAR. Downloadable files can be found at <https://www.bis.doc.gov/index.php/regulations/export-administration-regulations-ear>. If you still need guidance, you may contact the Bureau of Industry and Security within the U.S. Department of Commerce, Outreach and Educational Services Division at (202) 482-4811 or the Western Regional Office at (949) 660-0144.

EXPORT LICENSES

About five percent of total U.S. exports and re-exports require an export license from the BIS. License requirements are dependent upon an item’s technical



characteristics, the destination, the end-user, and the end-use. You, as the exporter, are responsible to determine whether your exports require a license. If you ship an item without the required license, there are severe consequences for non-compliance.

An export license is a government document that authorizes the export of specific goods in specific quantities to a particular destination. This document may be required for most or all exports to some countries or for other countries only under special circumstances. Please read about potential product licensing below for additional assistance to determine if these apply to your product. You can also review several online seminars regarding these subjects. For a Resource List of Seminars, go to <http://www.bis.doc.gov/index.php/compliance-a-training/current-seminar-schedule>.

POTENTIAL PRODUCT LICENSING

STEP 1: Determine which agency has jurisdiction over your product, technical data or service:

EAR (U.S. Department of Commerce) Export Administrative Regulations (EAR) regulates the export and re-export of most commercial items. A key in determining whether an export license is needed from the Department of Commerce is finding out if the item you intend to export has a specific Export Control Classification Number (ECCN). ECCNs are five character alpha-numeric designations used on the Commerce Control List (CCL) to identify dual-use items, which are those having both commercial and military proliferation applications, for export control purposes. An ECCN categorizes items based on the nature of the product, i.e. type of commodity, software, or technology and its respective technical parameters. <http://www.bis.doc.gov/index.php/licensing/commerce-control-list-classification/export-control-classification-number-eccn>

EAR99 (U.S. Department of Commerce) if your item falls under the jurisdiction of the U.S. Department of Commerce and is not listed on the CCL, it is designated as EAR99. The majority of commercial products are designated EAR99 and generally will not require a license to be exported or re-exported. However, if you plan to export an EAR99 item to an [embargoed or sanctioned country](#), to a [party of concern](#), or in support of a prohibited end-us, you may be required to obtain a license.

ITAR (U.S. Department of State) The Department of State is responsible for the export and temporary import of defense articles and services via the International Traffic in Arms Regulations (ITAR). Find out if what you want to export (hardware, technical data, and/or defense services) is covered in the U.S. Munitions List (USML), found in [Part 121 of the ITAR](#). For defense exports, an exhaustive search should be performed in determining agency jurisdiction as improper classification could result in steep penalties.

Export Control Resource

Please read the [Introduction to Commerce Department Export Controls](#) developed by the U.S. Department of Commerce for more details on these export controls as well as where to get assistance.

All manufacturers, exporters, and brokers of defense articles, related to technical data and defense services as defined on the [United States Munitions List \(Part 121 of the ITAR\)](#) are required to register with the Directorate of Defense Trade Controls (DDTC). For details on the registration process, go to the [U.S. Department of State, Directorate of Defense Trade Controls website](#). Registration does not confer any export rights or privileges, but is a precondition for the issuance of any license or other approval for export.

STEP 2: Check denied person/parties lists:

Certain individuals and organizations are prohibited from receiving U.S. exports and others may only receive goods if they have been licensed, even items that do not normally require a license based on the ECCN and Commerce Country Chart or based on an EAR99 designation: <http://www.bis.doc.gov/index.php/policy-guidance/lists-of-parties-of-concern>

STEP 3: Obtain a license through SNAP-R or receive an EAR99 notification confirming the product does not require a license:

Go to <http://www.bis.doc.gov/index.php/licensing/simplified-network-application-process-redesign-snap-r> For ITAR items, refer to registration and licensing links in STEP 1 under ITAR.

Examples of export license certificates include those issued by:

1. **Department of Commerce’s Bureau of Industry and Security (dual use articles):** <http://www.bis.doc.gov/index.php/licensing/simplified-network-application-process-redesign-snap-r>
2. **State Department’s Directorate of Defense Trade Controls (defense articles):** <http://pmddtc.state.gov/licensing/index.html>
3. **Nuclear Regulatory Commission (nuclear materials):** <http://www.nrc.gov/reactors/operating/licensing/renewal.html>
4. **U.S. Drug Enforcement Administration (controlled substances and precursor chemicals):** http://www.deadiversion.usdoj.gov/imp_exp/index.html

Several videos are available on export licenses that can be found at <http://www.census.gov/foreign-trade/aes/exporttraining/videos/index.html>, including:

- **The Commerce Control List and Self-Classification:** <http://www.census.gov/foreign-trade/data/video006.html>
- **Exporting EAR99 Items: Screening Your Transaction, Lists to Check and Red Flags:** <http://www.census.gov/foreign-trade/data/video007.html>

DESTINATION CONTROL STATEMENT

How To Find Export Regulations & Export Restrictions

There are several regulations you may need to be familiar with before exporting your product or service.

Click [HERE](#) to review detailed regulations governing your item on the BIS website.



Commerce Export Control Country Chart

Please go to <https://www.bis.doc.gov/index.php/regulations> to download a PDF file titled **Commerce Country Chart** to review an alphabetical list of countries and reason for export control

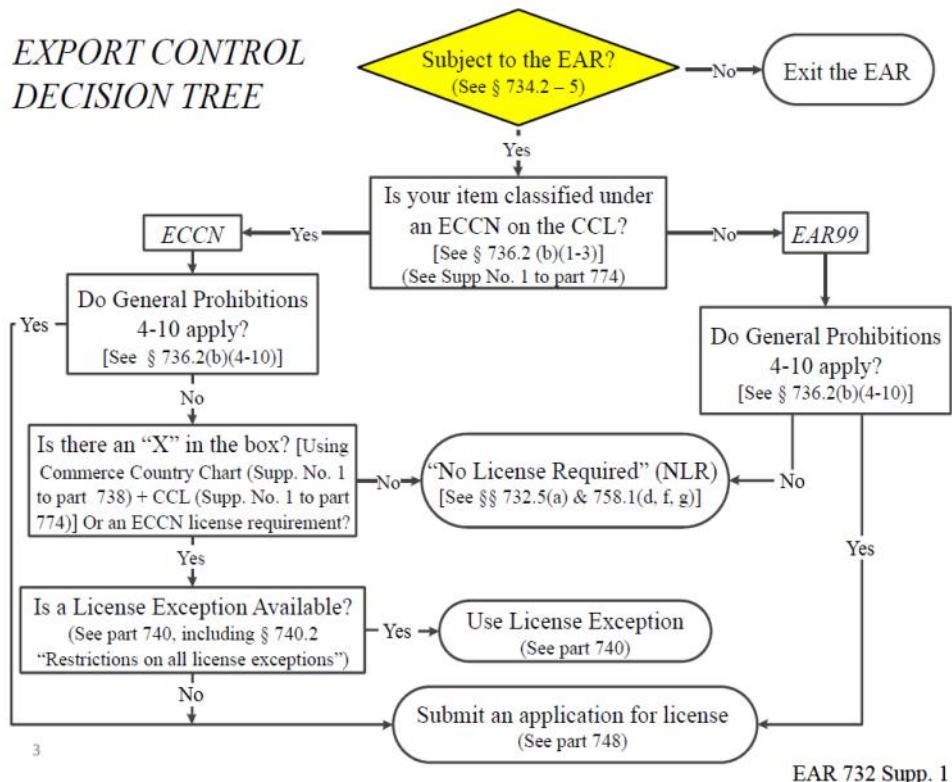
Getting Started with Defense Trade

For more information on the sale, export, and re-transfer of defense-related articles and services, read [this informational sheet](#), titled **Getting Started with Defense Trade**, from the U.S. Department of State

A Destination Control Statement (DCS) is required for exports from the United States for items on the Commerce Control List that are outside of EAR99 (products for which no license is required) or controlled under the International Traffic in Arms Regulations (ITAR). A DCS appears on the commercial invoice, ocean bill of lading, or air waybill to notify the carrier and all foreign parties that the item can be exported only to certain destinations. For more information, watch the following relevant videos:

- **Export Compliance Introduction:** http://www.census.gov/foreign-trade/aes/exporttraining/videos/uscs_videos/Export_compliance_an_introduction/index.html
- **Exporting Commercial Items: ECCNs and EAR99:** <http://www.census.gov/foreign-trade/data/video005.html>

DO YOU NEED AN EXPORT LICENSE?



EXPORT DOCUMENTATION and COMPLIANCE

Export documentation is required for all international shipments. The types of documentation required will depend on your product and destination country. To familiarize the beginning exporter with the various forms used in international trade, please review the [Exporter Documentation & Education](#) guide, which includes explanations and examples of:

- Certificate of Origin—required by specific countries
- Certificate of Free Sale—required for specific products
- Other Common Export documents
- Transportation documents
- Other potential documents—depending on product type

CERTIFICATE OF ORIGIN

The Certificate of Origin (CO) states that the products in a shipment are wholly obtained, produced, manufactured, or processed in a particular country. Certificates of origin may be required by importing countries or may be required in order to obtain preferential treatment as part of a trade bloc. It is required by some countries for all or only certain products. In many cases, a statement of origin printed on company letterhead will suffice. The exporter should verify whether a CO is required with the buyer and/or an experienced shipper/freight forwarder or the [Trade Information Center](#). For more information and an example of this document, go to the [Exporter Documentation & Education](#) guide; [Exhibit E](#).

CERTIFICATE OF FREE SALE

Many countries require a Certificate of Free Sale, sometimes called a "Certificate for Export" or "Certificate to Foreign Governments." The importer will often be able to assist with the requirements specific to the product that they are purchasing. A Certificate of Free Sale may be issued for **biologics, cosmetics/personal care products, food, alcoholic beverages, drugs, medical devices and veterinary medicine**. The Certificate of Free Sale is evidence that these goods are legally sold or distributed in the open market, freely without restriction, approved by the regulatory authorities in the country of origin (United States), and the manufacturer/producer has no unresolved enforcement actions pending before or taken by the FDA. These certificates may be issued by FDA-CFSAN or by a State governmental authority. More information is available from the Food and Drug Administration: <http://www.fda.gov/food/guidanceregulation/importsexports/exporting/ucm467666.htm>.

For agricultural, food and beverage products processed in Idaho, the Market Development Division, Idaho State Department of Agriculture (ISDA) issues Certificates of Free Sale to certify that the products are distributed generally throughout the State of Idaho and the United States and are in accordance with Idaho health laws and sanitary regulations. An example can be found in the [Exporter Documentation & Education](#) guide; [Exhibit F](#). Visit the ISDA for further

Need Help?

Additional questions should be directed to the Western Regional Office of BIS located in Newport Beach, California.

Ask to speak with an Export Compliance Counselor at: (949) 660-0144





"How-To" Guide for Exporting



details: <http://www.agri.idaho.gov/agri/Categories/Marketing/Certificate%20of%20freesale.php>.

If you have a non-agricultural product that requires a Certificate of Free Sale, please contact the Idaho Department of Commerce at cfs@trade.idaho.gov or (208) 334-2470.

In addition to the certificates described above, make sure you include any export licensing documents described on pages 29-31 and immediately following this section for food and agriculture products.

FOOD AND AGRICULTURE PRODUCTS

Although the procedures for exporting food and agricultural products are quite similar, there are additional considerations for these products. These include specific export documentation, the ability to include certain food ingredients in a product, labeling and packaging requirements in foreign markets, and plant and animal health restrictions.

Additional food and agriculture export documentation

In addition to the common export documents, agricultural products may require additional documentation to gain entry into a country. The importer will often be able to assist with the requirements specific to the product that they are purchasing. Following are several types of certificates which may be required depending on your product:

Phytosanitary Certificate – A phytosanitary (plant health) certificate is an official document issued by an exporting country, which certifies that the phytosanitary status of the shipment meets the regulations of the importing country. All shipments of **fresh fruits and vegetables, seeds, nuts, flour, rice, grains, lumber, plants, and plant materials** require a federal Phytosanitary Certificate. The certificate attests that the plant products in the shipment have been inspected and are free from any pests or diseases that the destination country may have quarantined or otherwise controlled.

To obtain a Federal Phytosanitary Certificate (phyto), each shipment must be inspected and an application must be submitted. You may need field inspection, treatment, or other things to be able to meet the entry requirements of the foreign country. For Idaho products, this certificate is issued by the Idaho State Department of Agriculture (ISDA), Division of Plant Industries. To obtain information, or apply for a phytosanitary inspection and certification, contact the Phyto Line closest to your area:

Boise — (208) 332-8629
Twin Falls — (208) 736-3032

Veterinary Certificate – When exporting meat and animal products, it will be necessary to obtain this certificate attesting to the food's or animal's compliance with the country's health regulations. These certificates are issued by the United States Department of Agriculture,

Animal Health Inspection Service, Veterinary Services (USDA/APHIS/VS). The Idaho office of USDA Veterinary Services can be contacted at:

Idaho USDA Veterinary Services
9158 W. Black Eagle Dr.
Boise, ID 83709
Phone: (208) 378-5631
Fax: (208) 378-5637

Organic Certification – If you are a certified organic product, you may be required to provide a copy of your certification from an accredited certifying agent with your other export documents. The Idaho State Department of Agriculture’s Organic Certification Program is an accredited certifying agent of the USDA’s National Organic Program. They are able to provide certification services for crops, wild crops, livestock, and handlers/processors. They also provide material registration for manufacturers who produce inputs used in organic production. For more information on the certification process and fees, go to <http://www.agri.idaho.gov/AGRI/Categories/PlantsInsects/Organic/indexOrganicHome.php>.

Kosher Certification – If your products are certified Kosher, you may be required to provide a copy of your certificate with your other export documentation. To be certified Kosher, all ingredients in every product in addition to the process of preparing the product must be certified for kosher-compliance. There are fifty national certification agencies that can provide kosher certification. You may consider contacting OU Kosher in New York online at www.Oukosher.org, or by phone at (212) 563-4000 for more information.

Halal Certification – Required by most countries in the Middle East, a Halal certificate states that the fresh or frozen meat or poultry products were slaughtered in accordance with Islamic law. Certification by an appropriate chamber and legalization by the consulate of the destination country is usually required. You may consider contacting the Halal Food Council at <http://www.halalfoundation.org> or ISWA Halal Certification Department of the USA Halal Chamber of Commerce, Inc. at www.ushalalcertification.com for information.

FOOD INGREDIENTS

As with labeling and packaging, it is very important to check to be sure that a product will meet the food ingredient rules of a particular country. Some countries have very specific regulations concerning allowable uses for and amount of flavorings, colorings, and other food ingredients. The Idaho State Department of Agriculture can assist you with determining regulations.

For U.S. foods shipped to **Korea, Japan and Taiwan**, the Oregon Department of Agriculture’s Export Service Center (ESC) assists companies with pre-export



analysis and certification of food products destined for those markets. The ESC is a certified customs laboratory for U.S. foods shipped specifically to those three countries. In addition, seventeen other countries accept ESC analytical results in lieu of testing at the destination port. The lab can test a product and pre-certify that it meets the importing country's requirements before it leaves the United States. The ESC is located in the Food Innovation Center, a public service program of Oregon State University and the Oregon Department of Agriculture.

Export Service Center, Laboratory Services
1207 NW Naito Parkway, Suite 204
Portland, OR 97209-2835
Phone: (503) 872-6630
Email: esc-info@oda.state.or.us

LABEL AND PACKAGING

In general, countries will require that imported food and beverage products meet the same standards for labeling, sizing and other restrictions as those required for domestically produced items. It is imperative that you research the importing country's requirements to learn what is needed. In some cases, it is permissible to attach a sticker to the existing label/package with the required information, in the required language. In addition to labeling requirements, some countries require standardized package sizes, and these sizes vary by product type. It may not be possible to use the same packaging and sizing as what is used in the U.S. market.

PLANT AND ANIMAL HEALTH RESTRICTIONS

The Animal Health Inspection Service (APHIS) of the USDA plays a vital role in ensuring the free flow of agricultural trade by keeping U.S. agricultural industries free from pests and diseases and certifying that the millions of U.S. agricultural and food products shipped to markets abroad meet the importing countries' entry requirements. To research restrictions and requirements, go to www.aphis.usda.gov and select Imports & Exports on the left-hand navigation. There are links to International Animal Export Regulations, International Products Export Regulations and Plants or Plant Products where you can determine requirements by country and ineligible commodities.

ADDITIONAL SOURCES FOR EXPORT ASSISTANCE and MARKET RESEARCH

In addition to this “How-To” Guide for Exporting, we have developed two other booklets to help you with specific exporting needs.

There are many local, international and internet resources available to Idaho companies as they develop their export markets. You can find many of these additional resources in our [*Idaho Exporter's Resource Guide*](#) including:

- Local Contacts and Sources for Export Assistance

- Idaho International Trade Offices in China, SE Asia and Mexico
- Export Guides & Training
- Market Research & Development Links
- Shipping, Regulations & Standards Links
- Financing & Funding
- Additional Suggested Internet Links

The Exporter Documentation & Education guide covers the following materials:

- Documents Commonly Used in Exporting
- Transportation Documents
- Export Licensing Documents
- Certificates of Origin
- Certificates for Shipments of Specific Goods
- Temporary Shipment Documents
- INCOTERMS



State Department of Agriculture
Department of Commerce



Promoting Idaho Products Around the World

Bibliography

A Basic Guide to Exporting/ Doug Barry, Editor, 11th Edition, A publication by the U.S. Department of Commerce, 2015, Excerpts from Ch. 3 and Ch. 5

TradePort.org, Export Tutorials: Focusing on Details

Utah U.S. Export Assistance Center, 2009