


## Understanding Exporting

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Lakeland Community College  
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## What is ITAC?

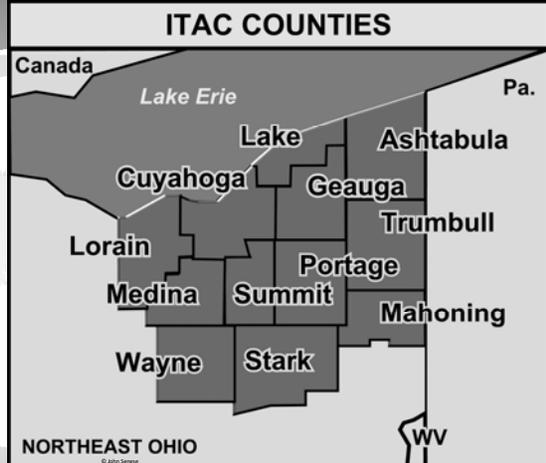


“A nonprofit organization providing export counseling assistance at no cost to companies interested in developing international markets”



- Division of North East Ohio Trade and Economic Consortium (NEOTEC)
- Part of the Small Business Development Center
- Funded mostly by grants from State of Ohio, several NEO counties and local organizations

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## ITAC COUNTIES

Canada  
Lake Erie  
Pa.  
NORTHEAST OHIO  
WV

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## What does ITAC do?

- Provide one-on-one counseling to medium and small companies in North Eastern Ohio counties who are new to exporting or need help expanding their export business
  - Explain procedures necessary to implement exports
  - Help to classify products for export purposes
  - Help put together International Business Plan
  - Help with documentation
  - Help with compliance issues
  - Train internal staff
  - Complement services provided by other Trade Assistance Organizations



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## Trade Assistance Organizations

- ITAC (International Trade Assistance Center)
  - Part of Small Business Development Center
- GMD (Global Markets Division)
  - Part of Ohio Department of Development
- USEAC (US Export Assistance Center)
  - Part of US Department of Commerce
- SBA (Small Business Administration)
- World Trade Centers / MAGNET



## What is Exporting?

“Selling products through various channels of distribution, or directly to companies in other countries”

## Why Export?

- Accelerate Business Growth
- Exporting is crucial to American Economy
- Increase Sales and Profits
- Stabilize Seasonal Market Fluctuations
- Gain Information about Foreign Competition
- Capitalize on Opportunities Created by the Weak Dollar

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## Challenges To Exporting

- Takes longer to make a sale and realize profits
- Collections can take longer
- Every Country sets their own rules
- Penalties for mistakes can be costly
- Export Laws are tighter since 9/11
- Organization must understand the difference between export and domestic sales

**What you don't know CAN hurt you!**

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## Export Transaction

- Research Potential Markets
- Find proper Distribution Channels
- Choose Partner
- Price Product
- Adapt Product Literature
- Determine Proper Labeling Requirements
- Review Export Regulations
- Determine Method of Payment
- Choose Forwarder
- Prepare Shipping Documents
- Ship Product

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## Export Markets Where are the Best Opportunities?

Global GDP Growth Rates

IMF Data Mapper ©

Subject: WORLD ECONOMIC OUTLOOK (OCTOBER 2009) Subject: Real GDP growth

Annual percent change

- 10% or more
- 5% - 10%
- 3% - 5%
- 0% - 3%
- less than 0%
- no data

Gross domestic product is the most commonly used single measure of a country's overall economic activity. It represents the total value at constant prices of final goods and services produced within a country during a specified time period, such as an year.

Source: World Economic Outlook (October 2009)

Add economy/region of group to the chart

- Emerging and developing economies: 6.4
- Advanced economies: 2.4
- World: 4.5

Source: World Economic Outlook, October 2009

## Market Selection Where do I Start?

Exports of Similar Products

Get the latest annual and quarterly trade data with TradeStats Express.™  
Retrieve, visualize, analyze, print and download your customized output.

Source: <http://tse.export.gov>

Now with year-to-date September 2010 data.

National Trade Data  
U.S. merchandise exports, imports, trade balance

State Export Data  
Size of exports, export destinations

Provided by the Office of Trade and Industry Information (OTI), Manufacturing and Services, International Trade Administration, U.S. Department of Commerce  
Contact OTI | Submit Comments on this Site | Main Data Resources | Privacy Statement | Informational Document  
U.S. Department of Commerce | International Trade Administration

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## Market Selection Trade Statistics

Example: "Paper, Paperboard...& Arts NESOI"

TradeStats Express™ Home

TradeStats Express™ - National Trade Data

Global Patterns of U.S. Merchandise Trade

Product Profile of U.S. Merchandise Trade with a Selected Market

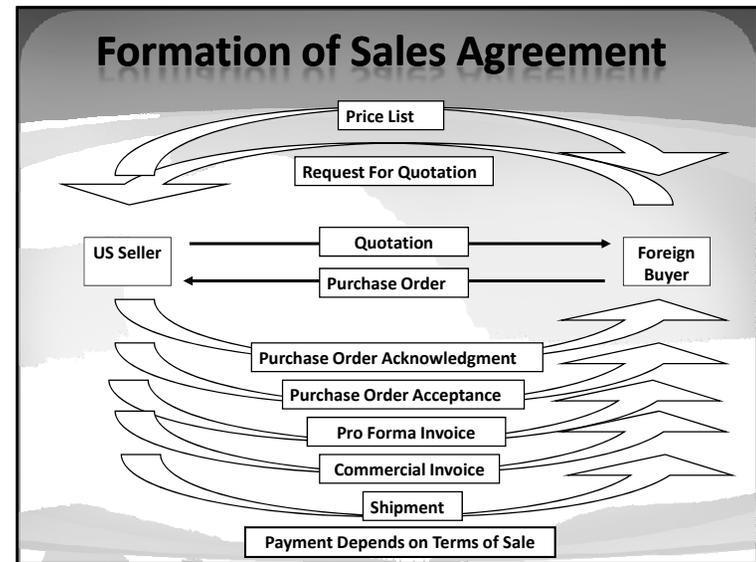
2008 Exports of HS 4823  
PAPER, PAPERBOARD, CELLULOSE WAD TO SIZE & ARTS NESOI

2008 Exports of HS 4823

Partner	2008	2009	2010	2011	2012
World Total	475,740	776,776	762,071	664,038	726,941
Canada	362,300	286,200	332,077	361,600	323,336
Mexico	284,824	288,438	332,742	284,480	288,787
Other America	46,700	62,150	74,000	62,000	70,000
China	16,000	26,000	36,000	16,000	17,000
Europe	6,000	10,000	14,000	6,000	7,000
Japan	5,000	10,000	10,000	5,000	6,000

Source: <http://tse.export.gov>

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## Export Classification Numbers

- Also known as Schedule B numbers  
<http://www.census.gov/foreign-trade/schedules/b/>
- Describe commodity based on internationally-accepted standards
- Based on what product is, how it is made or what it is used for
- Needed for duty assessment, statistics, completion of Export Documentation
  - Administered by US Census Bureau
  - Enforced by Customs and Border Protection (CBP)

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## Classifying a Product

### Information Needed Before Beginning Classification Process

- What is the product?
- What is the product used for?
- Is the product Finished, Unfinished, parts, etc?
- How can it be described?
  - Different ways/names to refer to product (i.e. album, folders, binders, etc)

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## Schedule B Search Results Search Term: "Album"

**Best Candidate:  
Schedule B Number 4820.50**

Schedule B Search Engine

My product is:    Use Spell Checker?

Here is what we know about your album

Known Characteristics	
composition	other than including: mineral material; paint; precious or semi-precious stones
composition	paper, pulp, paper, not animal carving material; artificial fur; bamboo, wood or other vegetable material; paper-metal; lacquer; lacquer; lacquering or varnish of cellulose fibres
type of composition	paper or paperboard

**Harmonized System Commodity Description**

Chapter 48  
PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD

4820.50 Albums for samples or for collections

Source: <http://uscensus.prod.3ceonline.com/#/p=0>



## Export Documents - Sample

- Documentary Requirements
  - Commercial Invoice
  - Bill of Lading
  - Certificate of Origin
  - Phyto-sanitary Certificate (Wood Certificate)
    - When shipping Plant or Agricultural-based products
  - Export License(\*)
    - Only if item is subject to Export Controls
  - AES (aka EEI) if >\$2,500

Other Documents May be Needed for Certain Products

US Govt. Requirement for All Exports

(\*) Import License may be required in some cases

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## Export Documents

India



Export Reference Library

**Export Reference Library**

Source: Country Profiles > India > Documentary Requirements

Documentary Requirements ENR 63-03

**ALL SHIPMENTS**

For sample copies of common commercial documents, see *Exporting Fundamentals*. Subscribers to *Export Reference Library* and *Export Guide on CD* may access electronic versions of these documents by clicking on Interactive Forms under **Exporter Tools** on the main page.

**Commercial invoice:** One original and three copies of the commercial invoice must be sent to the consignee. The commercial invoice must be signed by the shipper or manufacturer and must show the consignee's name; the name of the vessel (or air carrier) by which the goods are shipped; the origin of the goods; the quantity, weight, numbers, and a detailed description of the goods; marks and numbers on the packages; the value of the goods, including freight, insurance, and other shipping charges; itemized expenses to CIF value; and the terms of payment (CIF or FOB). All weights and measures must be shown in metric units. The invoice also should state the number and date of the Indian firm's import license together with the number and date of its purchase order for goods that require a license. Consular legalization is not required.

Part of information to be indicated on the carrier's copy of the goods. The responsible party of filling, the date on the invoice, and all other documents pertaining to the shipment, should be forwarded to the bank through which payment is to be made.

U.S. Export Documents: With this exception, the U.S. government requires the submission of information about all exports from the United States. The information will be subject to extensive review and release control. For the information, in addition, it is a requirement that be submitted to the U.S. export control. Additional information about export licenses, the Automated Export System, and other U.S. export controls is available in U.S. Export Regulations and Controls.

**SPECIAL DOCUMENTS**

Phytosanitary certificate: All imported animal agricultural products require a phytosanitary certificate issued by a national authority in the country of origin or origin. The certificate must declare the product free from any pest or pathogen to the satisfaction of the importing country. For products that require an export license, the product number must be indicated on the phytosanitary certificate.

Source: Bureau of National Affairs Inc.

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## Payment Methods

Which one is best?





- Open Account
  - Similar to Promissory Note
- Bank Drafts
- Letters of Credit
  - Straight, Blanket, Standby
  - Confirmed and Irrevocable on US Bank
  - Bank Charges Apply
- Cash In Advance
  - Credit Cards
  - International Wire Transfer

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## Export Compliance

### Why should the Exporter Care?




- Regulations Tightened since 9/11
  - Need to know Customer, End Use and Ultimate Destination
  - Export Licenses may be required in some cases
- Fines & Penalties
- Prohibition on Exporting
- Negative Publicity

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## Client Assistance: Success Examples

- **Issue**
  - New Exporter identifies opportunities in Canada and Somalia. No experience with documents, compliance and collections
- **Solution:**
  - ITAC assists Export Director and company secures order for \$60K per month of construction materials to Canada and \$298K in construction equipment to country in Africa
- **Issue**
  - Paper company arranges to travel to Costa Rica to negotiate new business, but does not have in-house expertise to negotiate international contracts
- **Solution:**
  - ITAC advises company to delay trip and conducts in-house training for 15 individuals. Company subsequently travels and returns with orders from 4 new customers.

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## Client Assistance: Success Examples

- **Issue**
  - Fitness equipment manufacturer requests assistance importing samples for trade show in Toronto
- **Solution**
  - ITAC applies knowledge gained during trip to Canada and provides client with detailed procedures to import product in time for trade show and comply with Canadian regulations
- **Issue**
  - US Company needed to become a Non Resident Importer to fulfill customer requirements.
- **Solution**
  - Educated company about setting up program and how it ultimately works in Canada. Company was able to sell more product in Canada and used it as a sales tool to be more competitive

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## Disclaimer



The information provided is believed to be accurate as of the date of the presentation but is subject to change without notice

This presentation is designed for informational purposes only and is not intended to be, nor should it be deemed, specific legal and/or professional advice. If such advice is required, please consult with qualified legal and/or professional counsel

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