

# Introduction

## Opportunities, Risks, and Trade Finance

Welcome to the first edition of the *Trade Finance Guide: A Quick Reference for U.S. Exporters*. This guide is designed to help U.S. companies, especially small and medium-sized enterprises (SMEs), learn the basic fundamentals of trade finance to turn their export opportunities into actual sales and to achieve the ultimate goal: to get paid for their export sales, especially on time. This guide provides general information about common techniques of export financing. Accordingly, you are advised to assess each technique in light of your specific situation or needs. The *Trade Finance Guide* will be revised and updated annually. Future editions may include new chapters discussing other trade finance techniques and related topics.

### Benefits of Exporting

Ninety five percent of the world's consumers live outside of the United States, so if you are only selling domestically, you are reaching just a small share of potential customers. Exporting enables SMEs to diversify their portfolios and insulates them against periods of slower growth. Free trade agreements have opened in markets such as Australia, Canada, Central America, Chile, Israel, Jordan, Mexico, and Singapore, creating more opportunities for U.S. businesses. The *Trade Finance Guide* is designed to provide U.S. SMEs with the knowledge necessary to grow and become competitive in overseas markets.

### Key Players in the Creation of the *Trade Finance Guide*

The International Trade Administration (ITA) is an agency within the U.S. Department of Commerce whose mission is to foster economic growth and prosperity through global trade. ITA provides practical information to help you select your markets and products, ensures that you have access to international markets as required by our trade agreements, and safeguards you from unfair competition in the form of dumped and subsidized imports. ITA is made up of the following four units: (1) The **Commercial Service**—the trade promotion unit that helps U.S. businesses at every stage of the exporting process; (2) **Manufacturing and Services**—the industry analysis unit that supports U.S. industry's domestic and global competitiveness; (3) **Market Access and Compliance**—the country-specific policy unit that keeps world markets open to U.S. products and helps U.S. businesses benefit from our trade agreements with other countries; and (4) **Import Administration**—the trade law enforcement unit that ensures that U.S. businesses face a level playing field in the domestic marketplace. Visit [www.trade.gov](http://www.trade.gov) for more information.

### A QUICK GLANCE

#### **Trade Finance Guide**

A comprehensive but easy-to-understand elementary guide for trade finance, designed especially for U.S. SME exporters.

#### **Trade Finance**

A means to turn export opportunities into actual sales by effectively managing the risks associated with doing business internationally—the risks of getting paid, especially on time.

#### **Opportunities**

- Reaching the 95 percent of customers worldwide who live outside the United States
- Diversifying customer portfolios

#### **Risks**

- Nonpayment or delayed payment by foreign buyers
- Political and commercial risks; cultural influences

## **For More Information about the Guide**

The *Trade Finance Guide* was created by ITA's Office of Finance. A part of ITA's Manufacturing and Services unit, the Office of Finance is dedicated to enhancing the domestic and international competitiveness of U.S. financial services industries and providing internal policy recommendations on U.S. exports and overseas investment supported by official finance. For more information about the guide, contact Yuki Fujiyama, tel. (202) 482-3277; e-mail [Yuki.Fujiyama@mail.doc.gov](mailto:Yuki.Fujiyama@mail.doc.gov).

## **How to Obtain the Trade Finance Guide**

The *Trade Finance Guide* is available online at [Export.gov](http://Export.gov), the U.S. government's export portal. Printed copies will be available from the Trade Information Center, 1-800-USA-TRADE, and from the Commercial Service's global network of domestic Export Assistance Centers and overseas posts. To find the nearest Export Assistance Center or overseas Commercial Service office, visit [www.export.gov](http://www.export.gov) or call the Trade Information Center at 1-800-USA-TRADE.

## **Private-Sector Partner**

The *Trade Finance Guide* was created in cooperation with FCIB, an Association of Executives in Finance, Credit, and International Business. Headquartered in Columbia, Maryland, FCIB is a prominent not-for-profit business educator of credit and risk management to exporting companies of every size. For more information on FCIB, visit its Web site at [www.fcibglobal.com](http://www.fcibglobal.com).