

to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees.

Two programs underwrite credit extended by the private banking sector in the United States (or, less commonly, by the U.S. exporter) to approved foreign banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products sold to foreign buyers. The Export Credit Guarantee Program (GSM-102) covers credit terms up to three years. The Intermediate Export Credit Guarantee Program (GSM-103) covers longer credit terms up to 10 years.

State Export Financing Programs

A number of state-sponsored export financing and loan guarantee programs are available. Many cities and states have established cooperative programs with the Ex-Im Bank and can provide specialized export finance counseling. Details of these programs are available through each state department of commerce or trade office.

Once an exporter determines the kind of export financing assistance to be used and which payment method, the next step is to arrange for delivery of the goods to the buyer's destination. It is important to assess the various transportation options available—the subject of Chapter 7, “Transporting Goods Internationally.”

7 Transporting Goods Internationally

Now that financing has been arranged, steps must be taken to ensure that the goods are packed, documented and shipped properly. When transporting goods internationally, proper documentation and correct packaging are critical to the export process. One of the main differences between selling domestically and exporting is the documentation required. Providing proper documentation with your shipments is essential. Although the paperwork involved in exporting may be more burdensome and costly than that required for domestic sales, it should not deter you.

The Role of the Freight Forwarder

The international freight forwarder acts as an agent for the exporter in moving cargo to the overseas destination. These agents are familiar with the import/export rules and regulations of foreign countries, methods of shipping, U.S. government regulations and the documents connected with foreign trade. Freight forwarders can assist with an order from the start by advising the exporter of the freight costs, port charges, consular fees, costs of special documentation and insurance costs, as well as their handling fees—all of which help in preparing the pro forma invoice and price quotations. Freight forwarders also may recommend the best type of packing for protecting the merchandise in transit; they can arrange to have the merchandise packed at the port or containerized. The cost for their services is a legitimate export cost that should be figured into the price charged to the customer.

When the order is ready to ship, freight forwarders should be able to review the letter of credit, commercial invoices and packing list to ensure that everything is in order. Freight forwarders also can reserve the necessary space onboard an ocean vessel, if the exporter desires. The exporter may ask the freight forwarder to make arrangements with

the customs broker to ensure that the goods comply with customs export documentation regulations. In addition, they may have the goods delivered to the carrier in time for loading. Freight forwarders also may prepare a bill of lading and any special required documentation. After shipment, they can forward all documents directly to the customer or to the paying bank.

In preparing your goods for international transport, you must first determine what mode of transport you will use. When shipping to Mexico and Canada, land transportation may be the preferred method of transport. Other methods of shipping internationally are by sea and air. Maritime shipping is almost always slower and less expensive than air. However, an exporter must factor in the additional costs of sea freight, such as surface transportation to the dock. Another factor is the time value of money: payment may not be made until the ship reaches its destination—and ocean freight can be significantly longer than air freight. Your international freight forwarder can assist in weighing the pros and cons of different modes of transportation. Once you have decided on the best mode of transporting your goods, you must begin to compile the necessary documents.

Documents Prepared Before the Shipment

Commercial Invoice/Consular Invoice

After the pro forma invoice is accepted, the exporter must prepare a commercial invoice. This is necessary for both the exporter and importer. The exporter needs the commercial invoice to prove ownership and secure payment. The description of the goods on the commercial invoice must correspond *exactly* to the description in the letter of credit or other method of payment. There can be no exceptions.

The importer needs the commercial invoice since it is often used by Customs authorities to assess duties. For this reason, it is common practice to prepare a commercial invoice in both English and in the language of the country of destination. The freight forwarder can advise you when a translated copy is necessary. Similar to a commercial invoice, a consular invoice is required by certain countries. The consular invoice must be prepared in the language of the country destination and can be obtained from the country's consulate, and often must be "consularized." In some countries, the commercial invoice must be prepared on a special form known as a "customs invoice." Your importer may request this of you.

Export License

Export controls are based on the type of goods being shipped and their ultimate destination. While most exports do not require a license, it is the legal obligation of the exporter to seek an official determination from the Bureau of Industry and Security (BIS). Technically, most exports are shipped under a "No License Required" (NLR) classification, which is a self-certification that a license is not required.

Should your particular export be subject to export controls, a “validated” license must be obtained. To determine whether your product needs an export license, you must have the Export Commodities Classification Number (ECCN) for your product. If your freight forwarder cannot provide you with the ECCN, you may be able to obtain it from the manufacturer, producer or developer of your product if it has been exported before, and you are not the producer. Or, you can look up the number in the *Code of Federal Regulations*, 15 CFR Parts 730-774, available in most major libraries. Further information is available on Export Administration Regulations (EARs) at www.bis.doc.gov. Once you have this number, check with the Bureau of Industry and Security to determine if your product might be subject to export controls.

In general, your export would require a “validated” license if export of the goods would threaten U.S. national security, affect certain foreign policies of the United States or create short supply in domestic markets.

Shipper’s Export Declaration (SED)

A new Shippers’ Export Declaration (SED) form 7525-V is required for all shipments over \$2,500 (except to Canada) and any shipment that requires an export license. The form is available for download at www.census.gov/foreign-trade/aes/mandatory/index.html. For help with completing the form, go to: www.census.gov/foreign-trade/www/correct.way.html. The SED enables the Bureau of the Census to monitor for statistical purposes the kinds of products being exported from the United States. It must be presented to the carrier before a shipment can be made. Exporters are encouraged to file the form electronically. Go to the following link for details: www.aesdirect.gov.

Export Packing List

An export packing list is considerably more detailed and informative than a standard domestic packing list. It itemizes the contents of each individual package and indicates the type of package, such as a box, crate, drum or carton. It also shows the individual net, legal, tare and gross weights and measurements for each package (in both U.S. and metric systems). Package markings should be shown along with the shipper’s and buyer’s references. The list is used by the shipper or forwarding agent to determine the total shipment weight and volume, and whether the correct cargo is being shipped. In addition, U.S. and foreign customs officials may use the list to check the cargo.

Certificate of Origin

Due to a number of free trade agreements (FTAs) that the United States has negotiated with other countries, Certificates of Origin frequently are required by importers to avoid paying import tariffs. For example, a NAFTA (North America Free Trade Agreement) certificate of origin should be used for products exported to Canada or Mexico only if they meet the NAFTA rules of origin for production (thereby exempting them from all, or most, import duties). For a list of regional and bi-lateral FTAs go to <http://ustr.gov/>

Trade_Agreements/Section_Index.html. Current FTAs—as of early 2005—include those with Israel, Jordan, Canada, Mexico, Chile, Singapore, and Australia with several more nearing completion. Please see the www.export.gov website, or call your local U.S. Export Assistance Center, for more details on how your customers can benefit from these agreements and your providing the proper certificate of origin to your buyers.

Insurance Certificate

An insurance certificate is used to assure the consignee that insurance will cover the loss of, or damage to, the cargo during transit. Typically, marine insurance coverage equal to 110% of the commercial invoice amount must be obtained for export shipments. Infrequent exporters may be able to buy insurance through their freight forwarder.

Inspection Certificate

Inspection certificates often are required by foreign customs or businesses for certain regulated products, typically related to agriculture, health or the environment. Inspection certificates also may be required to ensure that vessels or crates are free of contaminants before entering certain ports, or that products met the specifications outlined in a contract or purchase order. Depending on the product exported, certificates may be issued by various agencies, such as the U.S. Department of Agriculture, the Food and Drug Administration, and the Environmental Protection Agency, or by third party inspection companies.

Documentation must be precise because slight discrepancies or omissions may prevent merchandise from being exported, resulting in nonpayment or even resulting in the seizure of the exporter's goods by U.S. or foreign government customs. An important point to remember is that collection documents always are subject to precise time limits and may not be honored by a bank if the time has expired. Most documentation is routine for freight forwarders and customs brokers, but the exporter is ultimately responsible for the accuracy of its documents. The number and kind of documents the exporter must deal with varies depending on the destination of the shipment. Because each country has different import regulations, the exporter must be careful to provide all proper documentation.

Documents Used During the Inland Movement of the Goods

Shipper's Instructions

As an exporter, you are responsible to provide your freight forwarder with the necessary information regarding your shipment. The more details you provide, the greater the chances your goods will move free of problems. Your freight forwarder can provide you with a commonly used form for noting instructions.

Inland Bill of Lading

Inland bills of lading document the transportation of goods between inland points and the port from where the export will emanate. Rail shipments use “waybills on rail.” “Pro forma” bills of lading are used in trucking.

Delivery Instructions

This document is prepared by the freight forwarder giving instructions to the trucking or railroad company where the goods for export are to be delivered.

Dock Receipts

This document transfers shipping obligations from the domestic to the international carrier as the shipment reaches the terminal.

Bill of Lading/Air Waybill

Marine bills of lading, but not air waybills provide evidence to title of the goods. However, both set forth the international carrier’s responsibility to transport the goods to their named destination. There are two types of ocean bills of lading used to transfer ownership: Straight (non-negotiable), which provides for delivery of goods to the person named in the bill of lading and must be marked “non-negotiable,” and Shipper’s Order (negotiable), which provides for delivery of goods to the person named in the bill of lading or anyone designated.

The shipper’s order is used with draft or letter of credit shipments and enables the bank involved in the export transaction to take title to the goods if the buyer defaults. The bank will not release title of the goods to the buyer until payment is received and will not release funds to the exporter until conditions of sale have been satisfied. When using air freight, “air waybills” take the place of bills of lading. Air waybills are only issued in non-negotiable form, therefore the exporter and the bank lose title to the goods once the shipment commences. Most air waybills also contain a customs declaration form.

Packaging

Goods shipped for export require substantially greater handling than domestic shipments. The exporter must pack the goods to ensure the weight and measurements are kept to a minimum, breakage is avoided, the container is theft proof and that the goods do not suffer from the stresses of ocean shipment, such as excess moisture. In addition to proper packing, the exporter should be aware that certain markings are necessary on goods transported internationally. Some countries require that the country of origin be marked on the outside of the container and even have regulations as to how the mark of origin should appear.

The second type of marking the exporter should be familiar is labeling. Food and drugs must often carry special labeling as determined by the laws of the country of destination.

Third, certain “shipping marks” must appear on the outside of the package. The weight and dimensions should be visible and any special instructions should be shown. You may want to repeat these instructions in the language of the importer’s country. If your business is not equipped to package your goods for export, there are export packaging companies which can perform this service for you. For more information, ask your international freight forwarder for a list of export packaging companies in your area. In addition to the information provided above, www.export.gov is an excellent resource for answering your transporting and licensing questions.

Temporary Export Licenses and ATA Carnets

An ATA Carnet is a special customs document that provides temporary, duty-free admission into countries for commercial samples, scientific equipment, education materials, and goods for exhibit. The Bureau of Industry and Security (BIS) can advise you on the need for a temporary export license. ATA Carnets are made available through the International Chamber of Commerce and associated organizations. In the United States, the program is administered by the U.S. Council for International Business in New York City. Information on procedures for obtaining a carnet is available on their website at www.uscib.org.

Many businesses, after achieving success in exporting or as an alternative to exporting, contemplate joint ventures or licensing agreements with foreign companies to produce goods overseas. Some companies even set up their own off-shore operations. “Strategic Alliances and Foreign Investment Opportunities” are the topic of Chapter 8.