Dublin Institute of Technology

Importing U.S. products into Ireland

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Executive Summary

The U.S. Commercial Service in Ireland aims to promote increased trade links between the United States and Ireland. This report explains the prospects for Irish SMEs (Small and Medium Enterprises) of importing from the U.S. It outlines the most pertinent considerations for Irish importers, and provides step by step guidelines for the importing process. It aims to make potential importers aware of the possibilities for American products in Ireland, and then gives clear directions for overcoming potential problems to success in importing.

We have compiled this report at the request of Senior Commercial Officer of the U.S. Commercial Service in Ireland, Dale Tasharski. We were specifically asked to take the viewpoint of Irish SMEs, and to examine the practical aspects of importing U.S. products

into this country. We were also to consider the problems of importing from the U.S. and how they can be overcome and the legislation that governs this importing.

With these aims in mind we have divided this report into three distinct sections. Section 1 outlines the development of international trade, the globalisation of world markets, the importance of SMEs in international business and an overview of the World Trade Organisation. Section 2 highlights Irish and U.S. relations, including U.S. investment in Ireland and the benefits for SMEs of importing from the U.S.

The body of the report is contained in Section 3, and outlines the process of importing American goods into Ireland. It provides a graph that clearly shows the five major steps involved. These are: Getting started, Finding information on American suppliers and manufacturers, Considerations and Legal Implications of Importing from the U.S., Transportation and Warehousing and Payment.

Our final section will provide recommendations for overcoming the perceived problems of importing from the U.S. This will be followed by the overall conclusion.

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Section 1

The Development of International Trade[1]

The development of international trade has a rich and deep history. From the earliest accounts of spice trading in the 14th century to the foundation of the world trade organisation in 1995, international trade has evolved significantly. In the last century advances in technology, transport, and communications has facilitated a growth in international trade (Levitt, 1983). Ireland is one economy that greatly depends on this trade. The process of importing and exporting goods is essential to the development of the Irish economy. The country's climate, small population, lack of raw materials, demand for varied goods, and desire for economic growth are some of the reasons why Ireland participates in international trade.

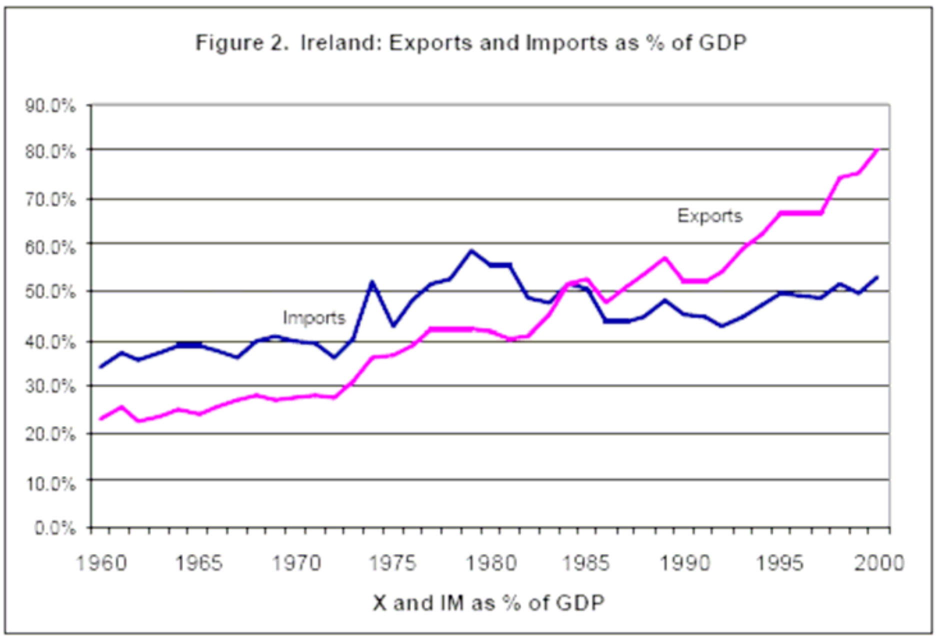
The twentieth century witnessed rapid advances in international trade. The economic depressions during the 1930s highlighted the negative effect that international trade barriers had on many countries' economies. During WW2 a number of countries signed the Bretton Woods Agreement in an effort to promote free trade. This action resulted in the establishment of the International Monetary Fund, The World Bank and the International Bank for Reconstruction and Development (now the Bank for International Settlements) in 1946. These were an effort to regulate the international political economy. The following year the General Agreement on Tariffs and Trade (GATT) was signed by 22 countries to promote free trade. This was the precursor to the WTO which is outlined below.

The positive effects of free trade have led to the development of free trade blocs amongst geographical regions such as the E.U., ASEAN, NAFTA, and APEC. The development of international trade agreements and the promotion of free trade have had an enormous effect on international business. Ireland's transformation into a developed country has been rapid. The country's accession into the E.U. in 1973 has been pivotal to the success

[1] http://en.wikipedia.org/wiki/Trade

of the Irish economy. Ireland has embraced international trade with open arms and the country is a prime example of an open-economy that promotes the missions of groups such as the World Trade Organisation.

Figure1: Historical Graph of Irish Imports & Exports 1960-2000[2]



The Globalisation of World Markets

Over the past twenty years the phenomenon of globalisation has received, and continues to receive, a considerable amount of attention from academics in many fields. The phenomenon has shaped and changed the discourse of business in particular. The advent of new technology, advances in communication, the rising number of managers with international experience, and the lowering of geographical barriers have all created new opportunities for firms. Knight[3] (2000) stated that "the boundaries between domestic and

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[2] http://www.iadb.org/int/DRP/ing/Red1/documents/PaperHaughton09-02eng.pdf

[3] Knight, G., (2000), Entrepreneurship and Marketing Strategy: The SME Under Globalisation, Vol.8, No.2, pp.12-32.

international markets are becoming less relevant as businesses increase their profiles abroad" (2000:12). This lowering of market barriers, coupled with developments in transportation and communication technologies, has resulted in more firms pursuing international business.

Although the phenomenon of globalisation is famously attributed to Theodore Levitt's 1983 article "The Globalisation of Markets", the effects of "globalisation" have been discussed since the early 1960s[4]. Academics such as Roostal[5] (1963), Elinder[6] (1965), and Buzzell[7] (1968) all professed the concept of globalisation and the decline of geographic and cultural differences. The concept of globalisation according to the aforementioned academics is "a powerful force" that "drives the world towards a converging commonality" (Levitt, 1983:92). Elinder (1965) argued that geographic and cultural barriers are receding due to the rapid advances in communications and the development of common markets such as the European Union. Elinder (1965) and Buzzell (1968) echo similar arguments on why markets are converging and why consumers' preferences are more homogenous and uniform. Levitt (1983) argued that consumers' needs and wants are converging, and therefore it is more beneficial for firms and producers to standardise their products. Levitt stated that through standardisation firms can achieve economies of scale, which invariably leads to lower prices and higher quality products, thus benefiting the consumer.

Despite the overwhelming academic contributions to the globalisation phenomenon, a number of authors have criticised the validity of the concept and the arguments made by Levitt. Usunier (1997), cited in Mooij[8] (2000:104) argues that Levitt's claims are weak: "globalisation remains mainly a belief since no empirical evidence has been brought to

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[4] Mooij, M.J. (2000), The Future is Predictable for international marketers, *International Marketing Review*, Vol.17 No.2, 2000, pp.103-113.
[5] Roostal, I. (1963), "Standardization of advertising for Western Europe", Journal of Marketing, October, pp15-20.

[6] Elinder, E (1965), "How International can European advertising be?" Journal of Marketing, Vol.29, April.
[7] Buzzell, R.D (1968), "Can you standardize multinational marketing?" Harvard Business Review, Nov-Dec, pp102-113.
[8] De Mooij, M. (2000), The future is predictable for international marketers, International Marketing Review, Vol.17, No.2, pp103-113.

show homogenisation of tastes or the appearance of universal price-minded consumer segments" Contrary to Levitt's view, Kotler[9] (1986) and Sheth[10] (1986) contended that consumers are rational individuals with individual needs and that they do not conform to standardised goods. Even though Levitt's argument is questionable on numerous levels (lack of empirical evidence, cultural barriers to standardisation), it is clear that there has been a trend towards globalisation and uniformity. The formation of the WTO, NAFTA, and the European Union is evidence of the globalisation of markets. More importantly, the globalisation of markets provides firms with greater opportunities to trade internationally.

The Importance of SMEs in International Business

It is now easier for firms to conduct business on an international level due to the continuous reduction of export barriers, and developments in technology and communication.[11] Furthermore, international business has become more accessible and achievable for firms of all sizes, particularly for small to medium sized enterprises.

According to the OECD, SMEs account for approximately 95% of all enterprises, and generate nearly two thirds of the world's private sector employment[12]. The growth in the SME sector has been accelerated by the growing worldwide demand for specialised and customised goods (Aspelund & Moen, 2001). Madsen & Servais (1997) described how the demand for specialised goods has created an increasing number of niche markets, which subsequently are being served by SMEs. According to Rennie[13] (1993) product life cycles are shortening and consumer tastes and trends are changing quickly. Therefore, a small firm possesses an advantage over larger firms in relation to flexibility, speed of response, and adaptability to market trends.

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[9] Kotler, P. (1986). 'Global Standardisation – courting danger', *The Journal of Consumer Marketing*, Vol.3 No.2, Spring, pp.13-15

[10] Sheth, J. (1986), 'Global markets or global competition?', *Journal of Marketing*, April, pp.9-11.

[11] Aspelund, A. Moen, O., (2001) A Generation Perspective on Small Firm Internationalisation: From Traditional Exporters and Flexible Specialists to Born Globals, in Reassessing the Internationalisation of the Firm, Volume 11, pp197-225. Elsevier Science Ltd.

[12]http://www.oecd.org/document/15/0,2340,en_2649_33956792_35096847_1_1_1_1,00.html

[13] Rennie, M.W. (1993). "Born global". The McKinsey Quarterly. 4:45-52.

Advances in transportation and communication technology have made conducting international business easier and cheaper for smaller enterprises. Oviatt & McDougall[14] (1994) note that services such as the internet, fax machines, video conferencing, email, and the telephone provide SMEs with a cost effective platform to serve overseas markets. According to Aspelund & Moen[15] 'the globalisation of technology, through joint research & development and international transfer technologies, makes new and innovative approaches widely known and available for small firms' (2001:197). Thus information is more freely available and accessible for businesses of all sizes, particularly via the internet[16]. Finally, the widespread availability of university graduates, business managers, and entrepreneurs with international experience and foreign language skills provide smaller firms with the opportunity to carry out international business[17].

International Bodies for the Liberalisation of Trade

There are two main international bodies that promote the liberalisation of international trade; these are the World Trade Organisation and the United Nations. Furthermore trading blocs, such as the E.U, have also emerged as a way of promoting free trade. The United Nations is an association of governments concerned with economic development, trade liberalisation and international trade. The United Nations negotiates international treaties to help prevent and resolve disputes in areas including inter country trade. It is dominated by the veto wielding power of the five permanent members of the Security Council. The United Nations Economic and Social Council (ECOSOC) is of particular importance from an economic perspective.[18]

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[14] Oviatt, B.M., McDougall, P.P. 1994. "Toward a theory of international new ventures", Journal of International Business Studies. 25(1):45-64.

[15] Aspelund, A. Moen, O., (2001) A Generation Perspective on Small Firm Internationalisation: From Traditional Exporters and Flexible Specialists to Born Globals, cited in Reassessing the Internationalisation of the Firm, Volume 11, pg197-225. Elsevier Science Ltd.

[16] Hamill, J. (1997). The Internet and International Marketing, *International Marketing Review*, 14 (5), 300-323

[17] Madsen, T.K., Servais, P. 1997. The internationalization of born globals: an evolutionary process? *International Business Review*. 6(6):561-583.

[18] http://en.wikipedia.org/wiki/United_nations

The European Union is a free trade area, customs union and a single currency, regulated by the European Central Bank. The majority of the European Union's policies relate to maintaining and expanding the single market. It currently consists of 25 member states all of which have a Common Agricultural Policy, a Common Fisheries Policy, and a Common Security and Foreign Policy. The EU has seen the abolition of internal borders and customs control. A great deal of sovereignty has been handed to the E.U. by member states especially in areas concerning customs and standards.[19]

The World Trade Organisation (WTO) is playing a significant role in international trade activities throughout the world. It is the only global organisation which constitutes the global trade rules and solves disputes between its member nations[20]. Its main goal is to ensure that international trade flows as smoothly, fairly, freely, and predictably as possible[21].

The main mission of the WTO is to promote the reduction of trade barriers and the provision of a platform for the negotiation of trade and the resolution of disputes between member nations. It does this by administering trade agreements, acting as a forum for trade negotiations, settling trade disputes, reviewing national trade policies, assisting developing countries in trade policy issues through technical assistance and training programmes and cooperating with other international organisations.[22]

Unlike most other international organisations, the WTO has significant power to enforce its decisions through the authorisation of trade sanctions against members which fail to comply with its decisions. Member states can bring disputes to the WTO's Dispute Settlement Body if they believe another member has breached WTO rules.[23]

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[19] http://en.wikipedia.org/wiki/EU
[20] http://en.wikipedia.org/wiki/WTO
[21] http://www.wto.org/english/res_e/doload_e/inbr_e.pdf
[22] http://www.world-affairs.org/globalclassroom/curriculum/WTO99/wtoeduc.pdf
[23] http://en.wikipedia.org/wiki/WTO

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Section 2 Irish and U.S. relations

The relationship between Ireland and the U.S. has always been strong, with large numbers of Irish citizens emigrating to the U.S. annually (see Appendix 1). It is estimated that over 44 million Americans have Irish roots, "making them the second largest ethnic group in the U.S."[24].

These strong relations have facilitated a significant amount of trade between the two countries. According to Forfás[25], the U.S. is the second largest importer into Ireland with 13.7 percent market share. Ireland imports a diverse range of U.S. products, mainly "organic chemicals, medical and pharmaceutical, professional and scientific apparatus, miscellaneous manufactures, essential oils and perfumes and office machinery"[26]. Both economies mutually benefit from increases in trade between them.

U.S. Investment in Ireland and the impact upon the Irish Economy

The continued strength of relations between Ireland and the U.S. has enabled their economies to advance. In particular the Irish economy has grown significantly through the continued investment ($73 billion) of U.S. firms. For instance, in 2003 the U.S. invested 8 percent of all U.S. FDI in Europe into Ireland[27]. This venture continued into 2004, with the U.S. ploughing a further $10.4 billion of investment into Ireland (this accounts for 10 percent of U.S. investment in the E.U.). Throughout Ireland there are approximately 600 American owned corporations employing about 340,000 people. This accounts for 12.5 percent of Ireland's work force. Also, U.S. investment in Ireland has

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[24] http://en.wikipedia.org/ wiki/Irish_diaspora#United_States
[25] Report by Forfás to the Minister of Enterprise, Trade and Employment (2005) p.13 "International Trade & Investment Report"
[26] Cronin, M (2006) Ireland – 'U.S. Economic Relationship' American Business Directory
[27] http://www.state.gov/r/ pa/ei/bgn/3180.htm

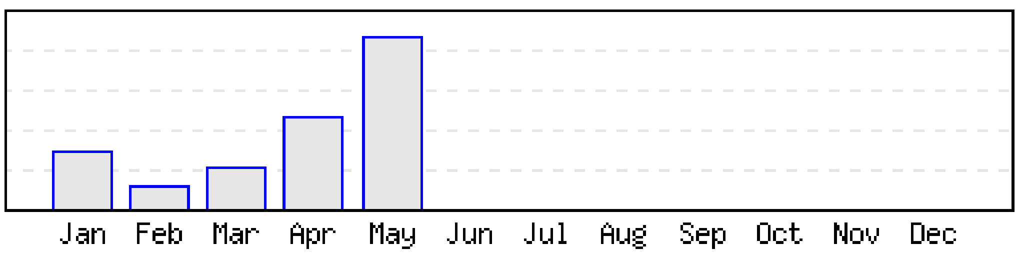
led to American companies spending an estimated "€17 billion in the Irish economy in areas such as payroll and services, and an additional €2.5 billion on corporation tax"[28].

Ireland contributes to the U.S. economy also. It is estimated that Ireland has invested $25 billion into the country and Irish companies employ over 70,000 people[29].

Benefits for Irish SMEs importing from the U.S.

- Strength of Euro to the U.S. dollar[30]

2006 – 1 USD to 1EUR



Average Rates

January	1.21032 USD	(21 days average)
February	1.19393 USD	(19 days average)
March	1.20284 USD	(23 days average)
April	1.22733 USD	(20 days average)
May	1.26614 USD	(5 days average)

The above graph illustrates the strength of the Euro against the U.S. dollar for the last five months. This indicates that Irish companies can make a financial gain

28 American Business Directory, American Chamber of Commerce Ireland 2006
29 http://dublin.usembassy.gov/ireland/ambspeech_iccusa.html
30 http://www.x-rates.com/d/USD/EUR/hist2006.html

when importing from the U.S.[31] as they will have more buying power for their Euro[32].

- English is the first language of the U.S. This is of particular benefit to English speaking countries such as Ireland as it facilitates communication.

- Unique products - Products that are distinctly American and cannot be found anywhere else are of particular interest to Irish consumers. Interviews of Irish consumers revealed a number of reasons for this[33]. The main ones were:

1. The strong brand names of American products. Consumers want products they can recognise as this increases the faith they have in the product.
2. American products are seen as more innovative. This is due to the increased importance of R&D in American companies. Also, the competitive home market of the U.S. necessitates innovation from home companies, which can then be transferred worldwide.
3. These innovations go to the American market first, and can sometimes take a year to reach the Irish market (the main examples given were new technologies and movies). The Irish consumer is interested in getting these products faster than the current market allows.
4. The consumers perceive that American products are better quality. Examples given included Levi's jeans.
5. Many products cannot be found in Ireland because no-one imports them yet. A particularly pertinent example was the clothing line Abercrombie and Fitch which proved very popular with our respondents but is not available in Ireland.
6. American products are perceived as "cool". Consumers see them as status symbols.

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[31] Report by Forfás to the Minister of Enterprise, Trade and Employment (2005) p.13 "International Trade & Investment Report"
[32] Coughlan, Joseph (2005), International Finance, MSc in International Business, Dublin Institute of Technology.
[33] Interviews with 20 Irish people asking: "Why would you buy American products?", Monday 8th May, 2006.

These are products that have proved very popular worldwide, but without importing from the U.S. the national consumer would be deprived of them.

- Americans are highly professional and have no tolerance for bribery or corruption[34]

- Brand recognition[35] - it is easier to sell products of a recognised name. As many Irish have an interest in America in general they would be familiar with a lot of their products[36]. This means that companies who decide to import from the U.S. have more of a chance to sell these products. Also, with increased travel to the U.S., individuals are aware of the goods available and therefore request certain products. If goods have been specifically requested, they will sell.

- Many American companies have access to large amounts of capital that can be used for extensive market research to determine the needs and wants of customers. Once the ideas have been established, further capital is used to invest in the market. U.S. firms are willing to take risks and are fully aware of costs involved. They are more willing than firms from other countries to provide a large amount of capital upfront to fund investments that would not otherwise be able to succeed[37].

- The American Chamber of Commerce and U.S. Commercial Services are two of the many institutes that provide an excellent support system for U.S. and Irish firms wishing to trade internationally. Both bodies also actively seek to ensure the continuation of Irish and U.S. relations (See Section 3, Step 2).

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[34] Dan O'Mahoney of Partners in Europe**,** Shannon Free Zone, Shannon, Co. Clare. Interview held on Thurs 2nd March at 12noon

[35] Horan, Conor (2005), International Marketing, MSc in International Business, Dublin Institute of Technology.

[36] Interviews with 20 Irish people asking: "Why would you buy American products?", Monday 8th May, 2006.

[37] Dan O'Mahoney of Partners in Europe**,** Shannon Free Zone, Shannon, Co. Clare. Interview held on Thurs 2nd March at 12noon

- The U.S. has numerous airports and ports for shipping goods to and from the states. The most strategically important from the point of view of exporting to Europe is the port of Memphis in the U.S. state of Tennessee. This is currently one of the largest ports in the world and is capable of efficiently handling a large volume of goods daily[38]. Furthermore, the port of Memphis is home to FedEx, one of the world's largest logistics companies. FedEx have located their headquarters and super-hub in Memphis due to the city's superb infrastructure. Memphis is served by seven U.S. highways, nearly 200 truck terminals, the world's busiest cargo airport, and two foreign trade zones (www.inboundlogistics.com).

[38] Dan O'Mahoney of Partners in Europe**,** Shannon Free Zone, Shannon, Co. Clare. Interview held on Thurs 2nd March at 12noon

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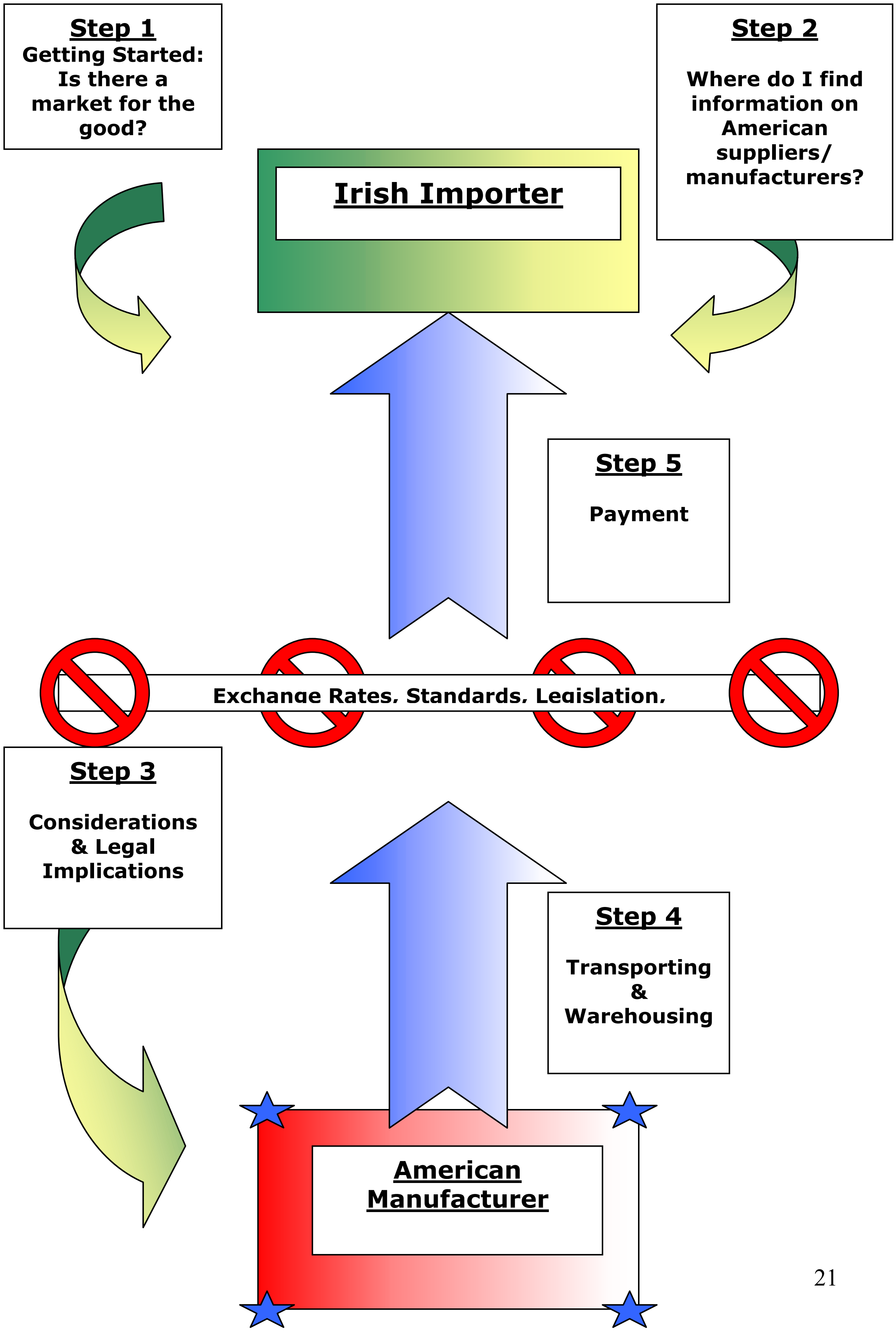
Figure 2: An overview of the process of importing American goods into Ireland



Step 1: Getting Started

The first and most crucial step in the process of importing goods is determining whether there is a market for the product being imported. It is essential for companies to conduct detailed research of the market they aim to serve. Such research should examine some key factors such as customer profile, market size, competition, product modification, transportation, local representation. The following headings provide some key questions which should be addressed prior to proceeding with importing any product or goods.[39]

Customer Profile:

- What are the demographics of the customer?
- Are you targeting businesses B2B or customers B2C?
- External factors affecting the customer's ability to buy or use our product or service? This can include proximity to locations where the product or service is available.

Market Size:

- Is there a sufficient demand for the product?
- What are the market trends? Is it a growth market?

Competition:

- What products/companies are you competing against in the market?
- What are the strengths/weaknesses of the competition?
- What competitive advantage do you hold over the competition?

Product modification:

- Does the product require professional assembly or other technical skills?
- Does the product have a shelf life? Will this be reduced by time in transit?

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[39] Adapted from Team Canada Inc. online at http://www.exportsource.ca/gol/exportsource/site.nsf/en/eso1867.html.

- Does the packaging have to be modified for the Irish/E.U. market?
- Does it need to meet any technical or regulatory requirements?

Transportation:

- How easily can the product be transported into Ireland?
- How will the cost of transportation affect the competitiveness of the product's price?

Local Representation:

- Is after-sales service needed for the product?
- If so, do you have to provide it?
- Do you have the resources to provide it?

Capacity:

- How will you manage your stock levels?
- Do you have adequate warehousing?
- How will you manage delay times?

By addressing the above factors it is possible to identify whether your company is capable of successfully importing a chosen product. Furthermore, the process of conducting market research on the above areas makes your company a more attractive business partner for the American company supplying you the product.

Considering that your company is confident in proceeding in importing, one has to register the business as a commercial importer. By registering as a commercial importer your company receives a business number (BN). This fifteen digit number is required on all your customs documents.

Step 2 Where do I find information on American suppliers/manufacturers?

Once a company has been set up for international trade and has determined the potential viability of a product it will then need to find international trade partners. Various institutes seek to ensure the development of Irish and U.S. relations by offering services that facilitate successful relationships. These groups will be described here, with contacts given in Appendix 2.

American Chamber of Commerce[40]

The American Chamber of Commerce acts as a "voice" for U.S. firms operating in Ireland at both government and industry level. Through the use of working groups, policies which impact U.S. firms in Ireland are established. These ideas are submitted to the government to aid U.S. companies in achieving a smooth entry into the Irish business community. Upon becoming a member of the Chamber, U.S. and Irish SMEs can avail of their pre-established contacts with potential customers, suppliers and stakeholders, existing U.S. company executives operating in Ireland, and policy decisions makers[41]. For contact information on becoming a member of the American Chamber of Commerce, please see Appendix 2

U.S. Commercial Service[42]

The U.S. Commercial Service encourages American companies to export products and services into Ireland. It currently has 105 offices located in Export Assistance Centres throughout the states and a further 90 offices worldwide in U.S. diplomatic missions. The Commercial Service provides a number of useful services, such as listings of potential business partners, to American owned companies wishing to invest in Ireland. It also

[40] Cronin. Michelle (2006:4), "U.S. Economic Relationship" American Business Directory, American Chamber of Commerce Ireland 2006
[41] American Business Directory, American Chamber of Commerce Ireland 2006:52
[42] American Business Directory, American Chamber of Commerce Ireland 2006

assists them in trying to export their products. It similarly aids Irish companies to import American based goods. This is achieved through trade events which bring together both importers and exporters in the same venue to allow them to establish relationships.

Currently the Irish U.S. Commercial Service offices are located in the U.S. Embassy in Ballsbridge, Dublin. For more information on establishing contacts please see Appendix 2.

Irish Chamber of Commerce in the United States (ICCUSA)[43]

The main role of the ICCUSA is to promote networking between Irish and U.S. firms by exchanging information on importing and exporting, and the regulations that impact upon this activity. This body also seeks to enhance the relationship between the two the countries in areas of finance, education and economics[44]. For contact details on this body see Appendix 2.

Council of American States in Europe (CASE)[45]

The Council of American States in Europe provides partners for companies that wish to set up business in the U.S. It has 22 offices located throughout Europe that provide companies with the information required to expand internationally. It also acts as a medium for European agents and importers wishing to find innovative goods and services for their home market[46]. For contact details on the nearest CASE body Appendix 2.

American Chamber of Commerce to the E.U. (AmCham E.U.)

AmCham E.U. represents firms of American origin operating in Europe. This institute plays a vital part in the European legislative process and provides firms with information

[43] American Business Directory, American Chamber of Commerce Ireland 2006
[44] http://www.iccusa.org/
[45] American Business Directory, American Chamber of Commerce Ireland 2006
[46] http://www.case-europe.com/ (About C.A.S.E.)

and network contacts deemed helpful when doing business overseas[47]. For contact details on this body Appendix 2.

American Chambers of Commerce Abroad (AmChams)

AmChams represents both U.S. firms operating abroad and foreign firms operating in America.[48] Some of the major roles of AmChams are to "pursue, trade policy initiatives, make available publications and services, and sponsor a variety of business development programmes".[49] For contact details on this body Appendix 2.

Step 3: Considerations and legal implementations when importing from the United States:

When importing form the U.S. there are certain things that need to be taken into account. There are also other considerations which may not be immediately obvious, but failure to adapt to them could harm the success of the importing strategy. These are the considerations that need to be discussed with the American exporter prior to engaging in international trade. This section will discuss the E.U. legislation and Irish legislation that govern the implementation of goods into Ireland.

Exchange rates

Americans only quote in dollars. If they are required to quote in Euros these estimations are often inaccurate.[50] Irish importers should therefore make their own calculations regarding the exchange rate, and not rely on the exporters to do it for them. As exchange rates are subject to change Irish importers can safeguard themselves by purchasing forwards which will allow them to purchase goods at an agreed upon rate. The continuous fluctuation of currency can have both a positive and negative impact on

[47] American Business Directory, American Chamber of Commerce Ireland 2006
[48] http://www.uschamber.com/international/directory/default.htm
[49] American Business Directory, American Chamber of Commerce Ireland 2006:113
[50] Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March at 12 noon

import values and prices and therefore currency movements must be considered when purchasing goods.[51]

Irish companies should not let exchange rate concerns stop them from engaging in international trade. Instead, they can learn to use it to their advantage. Ireland benefits from being in the Eurozone. It makes more sense for a foreigner seeking access to the European market to set up a subsidiary in Ireland rather than the U.K., where they would have to deal in Sterling.

Compliance with standards

Different standards apply in different regions. Just because American products have had to reach certain standards in order to be sold in the U.S. does not mean that they will be suitable for sale here in Ireland. All products must comply with European standards before being sold in E.U. countries. In addition to this, American products may have certain features that make them unsuitable for sale here. For example, American electrical goods run on a 50 Hertz cycle, whereas European electrical goods operate on a 60 Hertz cycle. Importers must make sure that the goods they buy are suitable for use in the region in which they will be sold. Another example is regionalised DVDs. Discs sold in America will be Region 1 and will not operate in European Region 2 DVD players.

Ownership

Importers must decide whether they are going to be a franchise, an agent, a distributor, or an end-user. Within each of these choices they need to be clear on the ownership status of the product at all stages.

[51] Report by Forfás to the Minister of Enterprise, Trade and Employment (2005), "International Trade & Investment Report"

Weights and Ingredients

This refers mainly to food products. Americans primarily use the imperial system of measurement (pounds, ounces) whereas Europeans use the metric system (kilograms, grams). Also, ingredients labels in European countries list certain ingredients as "E numbers", rather than naming them. Since this system is not used in the U.S., an Irish importer wishing to sell U.S. goods in Ireland must make sure that the labels are altered to comply with European standards.

Legislation

There are many legal considerations when importing into Ireland, from the legislation of both the E.U. and the Irish government. Appendix 5 deals with these.

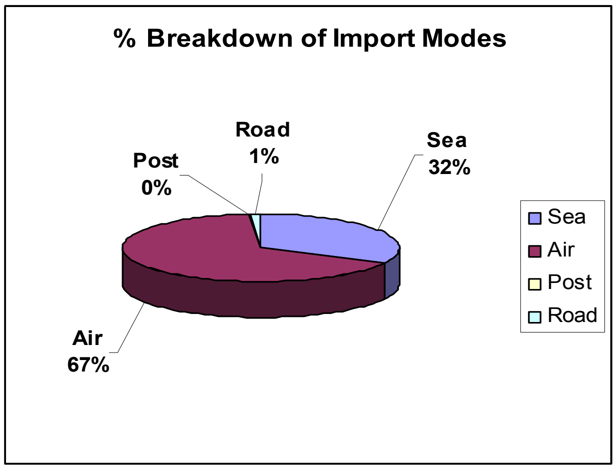
Step 4: Transportation and Warehousing

This step concerns the transport of goods by sea and air, the use of freight forwarders, the Irish Maritime Development Office and sea and air freight support associations. It also concerns the international treaties and conventions on transport and the issue of warehousing. Under this topic we will also discuss the Shannon Free Trade Zone and the benefits of this for Irish international trade.

A number of variables must be considered by importers when choosing a suitable mode of transport. Finding a cost effective mode of transport is essential to the competitiveness of any firm because the cost of transport directly affects the end price of the product. Furthermore, firms must anticipate potential loss, theft, mishandling or delays in the process of transporting the goods.

The geographical location of Ireland requires the country to rely heavily on the importation of goods. The International Trade and Investment Report 2005 stated that imports to Ireland reached €51 billion in 2005, a 6.6 % rise on the previous year.[52] As an island, goods must enter the country via the sea or the air. Figure 2 illustrates the breakdown of import modes into Ireland, as determined by the IIFA (Irish International Freight Associations).[53] Importers benefit from the fact that the whole population of Ireland lives within a maximum 5 hours of any seaport or airport.

Figure 3. **Breakdown of import modes**



Air Freight

According to the Irish Exporters Association 2005 (IEA), 48 per cent of Ireland's air freight imports came from the United States last year.[54] Speed of delivery is the most important factor of air freight. Ireland is within 12 hours reach of the majority of the airports in the United States (e.g. New York JFK 6hrs 35mins, Chicago O'Hare 7hrs 31mins, Los Angeles Intl LAX 10hrs 25mins[55]). Although air freight presents a number of advantages for importing American goods, its cost is regarded as being very high. According to Richard Holfeld[56] of HR Holfeld Group (Diversified Engineering Specialists) air freight can represent approximately 10-15% of the end price of the product. Furthermore, a number of goods (e.g. chemicals) can be restricted from air transport due to their size and contents. International airports are located at Dublin,

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[52] Report by Forfás to the Minister of Enterprise, Trade and Employment (2005) p.13 "International Trade & Investment Report"
[53] http://www.iifa.ie/
[54] http://www.irishexporters.ie/PR30Aug2005.shtml
[55] http://www.world-airport-codes.com
[56] Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March at 12 noon

Shannon, Knock and Cork. Shannon Airport has the benefit of being located beside the Shannon Free Zone and the Shannon Foynes Port. Within only five kilometres of Shannon Airport, Shannon Foynes Port has a direct cargo route to the main European ports of Southampton and Rotterdam. Furthermore, with the exception of Rotterdam, it is the only port in Europe that possesses the capability to harbour the new Super-Carriers and Super-Tankers that are predicted to replace the current smaller freight carriers.[57]

Sea Freight

According to the IIFA nearly one third of Irish imports arrive by sea freight. As an island, Ireland has several ports capable of accommodating commercial vessels. However, there is no regular direct sea freight service between the U.S and Ireland. Richard Holfeld of HR Holfeld Group stressed that the majority of U.S. imports into Ireland enter Irish ports via Rotterdam in Holland or Southampton in the U.K.[58] Similarly, all long haul shipments from Asia and America arrive via larger European ports, such as Rotterdam, Le Harve and Liverpool. These shipments are then further distributed by smaller carriers to their final destinations.

Ireland has eight main commercial ports that maintain a frequent service to all major European ports. Dublin Port and Belfast Port handle the bulk of the island's trade. In 2003 Dublin port handled a record throughput of 23 million tonnes.[59] Rosslare Harbour, the Port of Waterford, Shannon Foynes Port and the Port of Cork all possess the facilities of a modern commercial port. Ro-ro, lo-lo, bulk liquid, bulk solid and break-bulk cargo are facilitated by each of the above ports.

The rise in containerised traffic has been a major development for Ireland's ports. Ireland's containerised traffic increased by 10 percent in 2004, which is far ahead of the global average[60]. According to the IMDO (Irish Maritime Development Office), such

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[57] Dan O'Mahoney of Partners in Europe**,** Shannon Free Zone, Shannon, Co. Clare. Interview held on Thurs 2nd March at 12noon

[58] Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March at 12 noon

[59] http://www.dublinport.ie/dpstats00.html

[60] http://www.imdo.ie/imtepr2.htm

growth is an enormous achievement, particularly at a time when fuel prices and operating costs have risen. Sea freight is regarded by Holfeld (2006) as the most cost effective mode of transportation. According to Holfeld (2006), sea freight accounts for approximately 5% of the end price of the product.

Freight Forwarders

The process of transporting goods between countries can be very complicated. From organising the mode of transport to the completion of freight documents, the process can be both time-consuming and expensive if you undertake the task on your own. Freight forwarders specialise in arranging the whole process of transporting goods (conditions of transactions, financing, shipping rates, insurance, warehousing, custom brokers)[61] and can handle all of a company's logistical requirements or they can simply negotiate the most competitive shipping rates for a company.[62] Most importantly, freight forwarders are recommended because the help improve a company's customer service and delivery times.

Sea & Air Freight Support Associations

The Irish International Freight Association is the authoritative voice of the freight forwarding industry in Ireland. The association was established in 1962 and has a membership that accounts for 90% of Freight forwarders in Ireland.[63] The IIFA strive to promote amongst their members the need to improve their professional status and to ensure high standards of professional conduct and practice. The Association maintains direct lines of communication with government departments, Customs & Excise, Airlines, Shipping Lines, Airports and Harbour Authorities, with a view to keeping the membership fully informed on changes that will affect the running of their business. The Association is also active in lobbying government and Civil Service officials in matters concerning taxation and legislation.

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[61] http://exportsource.ca/gol/exportsource/site.nsf/en/es02158.html
[62] http://exportsource.ca/gol/exportsource/site.nsf/en/es02158.html
[63] http://www.iifa.ie/profile.htm

Warehousing[64]

Adequate warehousing facilities are available in major Irish cities. Bonded warehouses operate in Dublin, Cork, Limerick, Waterford and Galway. The Dublin Port Company maintains the largest warehousing organisation in the country. In addition to storage facilities, the port provides services needed by distributors such as packing, sorting, bottling and transport.

Imported goods liable to a duty may be stored in a bonded warehouse in the port area or other locations without payment of duties or taxes. The goods may remain there until needed, at which time they are either cleared for Irish consumption by payment of duties and taxes, or sent to the country of destination.

Certain types of processing (inwards and outwards) are allowed in the bonded warehouses under official supervision. Inwards processing is the temporary importation of raw materials or products for additional manufacturing or processing. Merchandise imported for additional processing and eventually re-exported out of the E.U. is eligible for customs-free treatment:

- The re-exported goods may be partly or totally processed.

- Irish import duties and taxes are levied only on those goods that are not re-exported for final sale in the E.U.

- To qualify for inwards processing, the Irish or E.U. firm must prove to customs that it is necessary for them to use imported goods instead of E.U. goods. In addition, the firm must state its intention to export products manufactured from the imported goods (or equivalent goods available in the E.U.). It must also assure that, upon re-exportation, the conditions set forth in the authorisation are satisfied,

[64] Doing Business In Ireland: A Country Commercial Guide for U.S. Companies 2006

the exported goods are accounted for, and the entered goods are identifiable and relate to specific imported products.

In outwards processing, an Irish firm may export goods for further manufacture or processing from the E.U. customs area and then re-import the final product:

- Duties and taxes are levied on the increased value added by the expatriate manufacturing or processing when the goods are returned to Ireland, not upon the total value of the product.

- Only firms located in Ireland or another E.U. country are eligible to take advantage of this option and should first gain approval from the Irish customs authorities.

The Shannon Free Zone

The Shannon Free Zone represents one of Ireland's earliest initiatives to attract foreign investment into Ireland. Developed in 1947 as a customs free zone, the area serves as an ideal distribution and warehouse centre for companies serving the European market.[65] Administered by Shannon Free Airport Development Company Ltd., the Shannon Free Zone covers over 600 acres and it facilitates the operations of over 126 companies. Located adjacent to Shannon International Airport and the Shannon/Foynes Port, the Zone provides employment for approximately 7,500 people.[66]

Under the Customs Free Airport (Amendment) Act 1958, a licence is required for companies wishing to locate in the Shannon Free Zone. This licence is issued by the Minister for Enterprise and Employment. A certificate entitling a company to the tax benefits of the Free Zone is issued by the Minister for Finance.

[65] http://www.kishtpc.com/Free-En/free_ireland.htm
[66] http://www.shannon-dev.ie/Business/DevelopingYourBusiness

Examples of the activities that can qualify for the licence include[67]:

- the repair and maintenance of aircraft; or
- trading activities in regard to which the Minister for Finance is of the opinion, after consultation with the Minister for Transport, that they contribute to the use or development of the Shannon Free Zone; or
- trading activities which are ancillary to either of the above or to any operation consisting of the manufacture of goods; or
- activities relating to the acquisition, disposal, licence, sub-licence and exploitation generally of intellectual property rights.

Benefits of the Shannon Free Zone[68]:

- Raw materials and partly or completely manufactured products may be imported into the free zone in any quantity and held there without payment of duties or taxes.

- Processing, sorting, grading, or repackaging of the goods may take place within the zone, and buildings may be leased or built.

- As sales require, the goods held in the free zone may then be withdrawn from inventory and re-exported to other countries or imported into Ireland for consumption after payment of appropriate duties, value-added taxes, and excise duties.

- If the goods are re-exported to another country, duties and taxes, as appropriate, will be payable in that country.

- the existence of a European base of supply to assure customers prompt delivery and service,

[67] http://www.lowtax.net/lowtax/html/jiroltr.html
[68] Doing Business In Ireland: A Country Commercial Guide for U.S. Companies 2006

- the ability to maintain inventory at low cost, and
  eligibility for the reduced 12.5 percent corporate tax rate in Ireland.

Although the Shannon Free Zone has been successful in attracting numerous businesses to the area, new E.U. legislation has eliminated some of the original tax incentives. As of 2006 the tax rate in the zone will increase to the 12.5 percent corporation rate agreed by the E.U. and Ireland. Despite such changes the Shannon Free Zone has developed into an attractive location for businesses. Unlike some government incentive schemes, such as the IFSC (Irish Financial Services Centre) in Dublin, no quota was set for entry into the Shannon Free Zone.[69] The zone will continue to operate fully other than in respect of the special corporation tax rate.

Step 5: Payment[70]

One of the reasons companies are apprehensive about importing is that they feel they cannot be sure that their investment will be safe from risks. There are, however, a number of modes of payment that can be used. Applying the appropriate method of payment can greatly reduce the risks associated with international trade. Different methods range from "open account", which involves high risk for the seller and low cost for the buyer; to "cash in advance", which involves low risk for the seller and high cost to the buyer.

Payments can be made through a **bill of exchange**. This is a written draft that shows the amount of money to be paid at a certain date. It is written and signed by the drawer. It is an unconditional order to pay a certain amount. It can be endorsed (signed on the back) and the more people who endorse it, the safer it will be, because more people will share the responsibility for it. Different types of bills are: cheques, promissory notes, certificates of deposit and documentary bills of exchange.

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[69] http://www.lowtax.net/lowtax/html/jiroltr.html

[70] Adapted from: Gaertner, Jean Paul, "Expertise in International Commerce", Cours de Marketing, MKT 500, pp. 87 – 99, Université Robert Schuman, IECS Strasbourg, 2003 - 2004

Cash in advance is another widely used method of payment. This is when the seller sends an invoice and the buyer sends money. It is most often used for smaller goods.

Documentary credit: In this instance, if you have the document, you own the goods. The bank acts as an agent by transmitting the document and, therefore, the ownership. This method has the advantages of being flexible and low cost.

Letter of credit: This is a written commitment by the bank. The bank has limited authority in this instance. Payment is deferred against presentation of the correct documents. These include: commercial invoice, marine insurance certificate, customs documents, export licence, exporter's declaration of quantity and value, and any transport documents.

The disadvantages of this method are that strict compliance with the above is necessary, and that it can be very expensive. Also, the letter of credit must be perfect. If there any mistakes, even spelling mistakes, long delays can result.
There are several types of letter of credit:
~revocable (which is very rare and carries a lot of risk)
~irrevocable (the advantage of this is that it cannot be changed; but it doesn't cover political risks or acts of God and is non-transferable)
~unconfirmed
~confirmed (can be confirmed by a local bank or European Bank)

Other types of letter of credit which can be used, but which are very expensive and normally reserved for seasonal type financing, subcontracting etc.:
~revolving credit
~red clause credit
~back to back (one from supplier, one from customer
~transferable credit
~evergreen letter of credit

Further opportunities for Irish importers

The primary focus of this report is to highlight the process of importing American goods into Ireland and to educate importers on the opportunities of importing American products into the Irish market. However, in identifying a market for the product, Irish importers should not fall short sighted and solely focus on the Irish market. Ireland provides a suitable platform for firms to service the European market.

This opportunity to serve the European market is evident from the investments made by large American multinationals in Ireland. Ireland's attractive tax incentives, educated and English speaking workforce, and E.U. membership acts as a springboard for American companies wishing to enter the European market. Thus further opportunities exist for Irish importers in distributing American products into the European market.

One such company that provides this service for American suppliers is an Irish company, Partners in Europe. Founded in 1993 and based in the Shannon Free Zone, Partners in Europe is one of the most developed, comprehensive and sophisticated outsourced sales and support organisations in Europe.[71] The company was founded to offer expert outsourced sales and support solutions in the European markets. The company's services include sales & marketing, European channel development, customer services, logistics and warehousing, financial services, and e-commerce.

According to Novath[72], the European market can present U.S. companies with significant revenue opportunities; however few U.S. companies can afford to sell directly in Europe. The obstacles for U.S. companies entering the European market revolve around the time and costs involved in setting up a direct sales organisation and finding experienced staff. Therefore most U.S. companies decide to sell their products through a network of

[71] http://www.pie.ie/
[72] Novath, Z (2006) The Seven Deadly Sins of Doing Business in Europe online at: http://www.pie.ie/press_release/pdf06/7_deadly_sins.pdf

distributors, resellers or systems integrators.[73] It is within this area that Irish importers can service the needs of American companies wishing to enter the European market. According to Kieran Shannahan of Partners in Europe, many opportunities exist for Irish companies in this sector and it is essential for Irish companies to identify the European market rather than focus solely on the Irish market.

[73] Novath, Z (2006) The Seven Deadly Sins of Doing Business in Europe online at: http://www.pie.ie/press_release/pdf06/7_deadly_sins.pdf

Section 4 Concluding Section

Part 1: Addressing the potential and perceived problems of importing from the U.S. **p.36**

Part 2: Final conclusion **p.38**

Part 1: Addressing the potential and perceived problems of importing from the U.S.

Our Irish consumer interviews highlighted a gap in the Irish market for U.S. products that they had seen through various media or by travelling to the U.S. The perceptions of Irish SMEs hold that there are a number of problems with importing from the U.S. that appear insurmountable. Before we conclude this report we aim to address these issues and explain how they can be overcome.

- U.S. companies have a large home market that offers endless possibilities and because of this they have failed to explore the prospects of exporting[74]. The challenge for Irish importers is to know what American products and services are available. With little contact from American companies seeking to export to Ireland and with little knowledge of Irish customers, Irish importers face an interesting challenge. To inspire U.S. interest in exporting, institutes such as the American Commercial Service and American Chamber of Commerce make retailers aware of the advantages that await U.S. firms wishing to export to Ireland.

- Many American companies are unsure of the location of Ireland and assume that it is part of the United Kingdom.[75] To rectify this issue Partners in Europe suggest that U.S. manufacturers need to be convinced that Ireland is the place to be as it acts as a platform into the European market.

- Many U.S. SMEs have little experience in exporting and tend to sell their goods to export agents. Export agents will ensure that goods arrive in a destination at an agreed upon time for a cost. These additional costs drive up the cost price of products for Irish retailers whom will then add on their profit. This constant

[74] Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March at 12 noon
[75] Dan O'Mahoney of Partners in Europe**,** Shannon Free Zone, Shannon, Co. Clare. Interview held on Thurs 2nd March at 12noon

changing of hands increases product costs for Irish consumers.[76] To tackle this issue U.S. retailers must become more knowledgeable in exporting and thus avoid using independent export agents.

- The large distance between the U.S. and Ireland suggests that most goods arriving from America are shipped to avoid high costs of air freight. Firms that choose this mode of transport will gain in cost but loose in time as sea freight usually takes approximately two weeks. To reduce costs Partners in Europe and other companies import partially made goods with the view to assemble and package locally. This results in an estimated saving of 23% on the total cost of transport.[77]

- The majority of sea freight companies do not ship goods directly to Ireland so many goods that are destined for Ireland are docked in the UK[78]. Export Agents therefore add on additional costs to ship products to Ireland from the UK. This further increases the final cost of goods in Ireland. Fortunately, this trend is now changing as Ireland is seen as a very attractive location in its own right. It is therefore beneficial to Irish importers if American exporters agree to ship directly to Ireland.

- Americans are not fully versed in International Commercial Terms (incoterms) and their importance in international trade.[79] This can be used to the advantage of the importer as they have more control over the choice of incoterm that will govern the transport of the goods. They can choose a term that will result on less risk and lower cost. (Incoterms are fully explained in Appendix 4).

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[76] Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March at 12 noon

[77] Dan O'Mahoney of Partners in Europe**,** Shannon Free Zone, Shannon, Co. Clare. Interview held on Thurs 2nd March at 12noon

[78] Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March at 12 noon

[79] Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March at 12 noon

- As we discussed in Section 3, Step 3, European and U.S. standards differ. For instance U.S. electrical goods are made to meet American standards and are not compliant with European standards. To overcome this problem U.S. companies will need to acquire a compliance cert which states that their products meet EU standards. [80]

Part 2: Final conclusion

The report demonstrated the many prospects for Irish SMEs of importing from the United States of America. It outlined the most pertinent considerations for Irish importers, and provided a diagram with step by step guidelines for the importing process. The possibilities for the importation of American products to Ireland were highlighted, and clear directions for overcoming potential problems to success in importing were given.

The close cultural connections and various international treaties (see Appendix 6) between Ireland and the U.S. facilitate trading between the two countries. As we have shown from our survey of Irish consumers there is great interest in U.S. products here. This highlights a potential market for importers, which, as Kieran Shannahan of Partners in Europe noted, is not currently fully exploited. One of the reasons for this may be the perceived problems from importing from the U.S., which we have addressed in the previous section (Section 4, Part 2).

We have outlined the four main steps involved in importing from the United States, from the initial stage of having no trade connections and trying to decide whether there is a market. This is followed by the guidelines for Irish SMEs to know what help and supporting services are available to them, such as the U.S. Commercial Service in Ireland. We then highlighted the important considerations including exchange rates, standards, ownership, product differences in weight and ingredients, and legislation. The different methods of transporting products were compared and the warehousing facilities

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[80] Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March at 12 noon

in Ireland were also dealt with. Finally we discussed the payment options available to importers. For further reference we expanded upon the legislation governing international trade in Ireland and the various incoterms that affect ownership transferral, risk and cost of delivery.

We have aimed to convince Irish SMEs that importing U.S. products is not only viable, but also highly desirable. Following these steps should facilitate this process and encourage further Irish – American trade initiated by Irish SMEs.

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http://www.dti.gov.uk/ewt/import.htm

Information on VAT and Duty Rates sourced online at:
http://www.revenue.ie/leaflets/vatguide_chapt13.htm

Novath, Z (2006) The Seven Deadly Sins of Doing Business in Europe online at:
http://www.pie.ie/press_release/pdf06/7_deadly_sins.pdf

Section 3 Format and information adapted from:
http://exportsource.ca/gol/exportsource/site.nsf/en/es01867.html

Taxation and Customs Union: Bindng Tariff Information (BTI)
http://europa.eu.int/comm/taxation_customs/customs/customs_duties/tariff_aspects/classification_goods/index_en.htm

Taxation and Customs Union: General Information: Sourced Online At http://europa.eu.int/comm/taxation_customs/customs/customs_duties/tariff_aspects/harmonised_system/index_en.htm

Taxation and Customs Union: Online Customs Tariff Database (TARIC): Sourced online at
http://europa.eu.int/comm/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm

Taxation and Customs Union: The Combined Nomenclature sourced online at:
http://europa.eu.int/comm/taxation_customs/customs/customs_duties/tariff_aspects/combined_nomenclature/index_en.htm

The Irish Ship Agents' Association (ISAA) online at: www.irishshipagents.com
U.S. Department of State [Online] Available:
http://www.state.gov/r/pa/ei/bgn/3180.htm

Wikipedia
http://en.wikipedia.org/ wiki/Irish_diaspora#United_States
http://en.wikipedia.org/wiki/EU

Interviews:

- Dan O'Mahoney Partners in Europe, Shannon Free Trade Zone, Shannon, Co. Clare, 2nd of Mar 2006
- Richard Holfeld of Holfeld Group, Merville Road Stillorgan. Interview held on Wednesday 1st of March 2006 at 12 noon

Survey:

- Survey of 20 Irish consumers asking: "Why would you buy American products?", Monday 8th May, 2006.

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Appendix 1: Statistics of Irish Emigration to the United States

Region and country or area	1990	1980	1970	1960	1930	1920	1910	1900	1890
Northern Ireland	16,531	19,831	40,837	68,162	178,832	(X)	(X)	(X)	(X)
Ireland	169,827	197,817	251,375	338,722	744,810	1,037,234	1,352,251	1,615,459	1,871,509

Sourced online at:http://en.wikipedia.org/ wiki/Irish_diaspora#United_States

Appendix 2: Contacts

The following contacts will be useful for an Irish company that wants to import from the U.S.:

The Business & Development Manager
The American Chamber of Commerce
6 Wilton Place
Dublin 2
Ireland
Email: members@amcham.ie

U.S. Commercial Service
Embassy of the United States of America
42 Elgin Road
Ballsbridge, Dublin 4
Ireland
Website: www.buyusa.gov/ireland

Ireland Chamber of Commerce in the US, Inc.
556 Central Ave.
New Providence, NJ 07974
Phone:(908) 286-1300
Fax: (908) 286-1200
Email: webmaster@iccusa.org

Council of American States in Europe
New – UK

Clare O'Callaghan

Director International Trade

Phone: +44 (0) 20 7629 2720

Fax: +44 (0) 20 7629 2758

Email: clare.ocallaghan@nyseurope.com

Website: www.case-europe.com

AmCham E.U.

Avenue des Arts 53

1000 Brussels

BelgiumTel: +32 2 513 68 92 Fax: +32 2 513 79 28

Email: amchameu@amchameu.be

International Division

American Chamber of Commerce

1615 H Street, NW Washington, DC 20062

Ph: 202-463-5460 Fax: 202-463-3114

Website: www.uschamber.com

HR Holfeld Group.

2-4 Merville Road

Stillorgan

Co Dublin

Telephone: 01 288 7361 Fax: 01 288 7380.

Activity: Engineering Products.

Partners In Europe,

Western Business Park,

Shannon,

Co. Clare, Ireland.

P: +353-61-702000 e-mail: info@pie.ie

Appendix 3: Links to useful websites

A complete guide to Irish VAT rates is available here
http://www.revenue.ie/services/tax_info/vatrate/T00185.htm

This link enables the identification of tariff information using a TARIC code or description
http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm

Appendix 4: International Commercial Terms (Incoterms)[81]

Incoterms are the official International Chamber of Commerce (ICC) trade terms. They make international trade easier and help traders in different countries to understand each other. They determine which party is in charge of certain costs (packaging, documentation, haulage, customs clearing, handing) and risks at all stages of an international transaction. Companies that are unfamiliar with international trade may not be aware of these International terms. They are therefore at the mercy of more experienced international traders, and may not get the best deal available to them. By knowing the terms, and therefore the choices available to them, they can make more informed decisions about the deliver of goods. The costs and risks of delivery should be factored into the total cost of the goods. It is therefore important to negotiate the use of the Incoterm that is most suitable for your needs and which will decrease the total cost and risk of trading internationally. There are thirteen terms in all, divided among four groups: E, F, C and D.

Group E: The goods are only available at the premises of the seller, whose risk is thereby minimised.
Group F: The seller arranges for the pre-carriage in the country of export.
Group C: The seller will arrange and pay for carriage, but will not assume the risk.
Group D: The seller assumes both cost and risk.

Six of the incoterms can be used for all means of transport: EXW, FCA, CPT, CIP, DDU and DDP.
One can only be used for land transport: DAF
Six can only by used for waterway transport: FAS, FOB, CFR, CIF, DES and DEQ.

The Incoterms:

[81] Adapted from: Gaertner, Jean Paul, "Expertise in International Commerce", Cours de Marketing, MKT 500, pp. 87 – 99, Université Robert Schuman, IECS Strasbourg, 2003 - 2004

EXW: Ex Works

This takes the minimum of effort on behalf of the seller. The buyer accepts the goods at the seller's premises or at another named place such as at a factory or warehouse. The only obligations on behalf of the seller are to notify the buyer when the goods are ready and to provide a commercial invoice. The seller does not have to ensure that the goods are cleared for export or that they are loaded onto any collecting vehicle. Carriage is arranged by the buyer. Risk and cost transfer from the seller to the buyer occur when the buyer collects the goods from the seller.

FCA: Free Carrier

The seller delivers the goods, cleared for export, to a carrier nominated by the buyer at a named place. Carriage is arranged by the buyer or the seller on the buyer's behalf. Loading is paid for by the seller in the seller's premises and by the buyer in the buyer's premises. Risk is transferred from the seller to the buyer when the goods have been delivered to the named place.

CPT: Cost Paid To

The seller delivers the goods, cleared for export, to a carrier nominated by the seller. The seller pays the cost of carriage necessary to bring the goods to a named place. The seller must provide information for procuring insurance if required. The buyer bears all risks after the goods are delivered to the initial carrier. The buyer must obtain the import licence. The cost transfer occurs at the port of destination in the buyer's country.

CIP: Carriage and Insurance Paid

This is the same as CPT above but in addition, the seller has to procure insurance against the buyer's risk of loss or damage during carriage. The seller contracts for insurance and pays the premium. The buyer should note that the seller is required to obtain only minimum insurance cover. This does not involve cover for war, riots, civil unrest or strikes. Again, the seller clears the goods for export and arranges carriage.

DAF: Delivered At Frontier

Carriage is arranged by the seller. The seller delivers the goods, cleared for export, at a named place at the frontier. This is to be defined precisely beforehand. This is for land based transport only. (If the delivery was to take place in the port of destination on board a vessel or on the quay then DES or DEQ should be used). Risk and cost are transferred to the buyer when the goods have been delivered at the frontier. The seller is obliged to provide assistance for ongoing transport and insurance. It is important that either the seller or the buyer should insure the goods for the entire trip and not the seller for half the journey and the buyer for the other half. This is because if the goods were to arrive damaged it is impossible to know at what point along the way they received these damages, and therefore whose insurance should cover them. The buyer has to obtain the import licence and pay support and risks for unloading at the frontier.

DDU: Delivered Duty Unpaid

The seller delivers the goods to the buyer, not cleared for export and not unloaded form the means of transport when they arrive at their destination. Any costs or risks caused by failure to clear goods for import on time are therefore borne by the buyer. Carriage is arranged by the seller. Risk and costs are transferred to the buyer when the goods handed over to the buyer, in his or her own country. The seller is obliged to bear all costs and risks up to an agreed destination. It is the buyer's obligation to unload the goods (in the buyer's country), and to pay all customs duties and taxes.

DDP: Delivered Duty Paid

Carriage is arranged by the seller. The seller delivers goods, cleared for import, to the buyer's premises but is not responsible for unloading them. The seller's obligation here is greater than with any other Incoterm as the seller must pay all expenses and customs duties and cover all risks. The buyer only has to unload the goods when they arrive. It is only then that risk and cost are transferred to the buyer.

FAS: Free Alongside Ship

Carriage is arranged by the buyer. This Incoterm can only be used for sea or inland waterway transport. The seller delivers when the goods are placed alongside the vessel at an agreed port. The seller clears the goods for export. The buyer must contract carriage from the agreed port to their premises. Risk and cost are transferred to the buyer when the goods are placed alongside the ship.

FOB: Free On Board

Carriage is arranged by the buyer. Again, this is used only for water transport. The seller delivers when the goods pass the ship's rail at a particular place. This Incoterm specifies that goods must go over the rail on the tip of the ship and not underneath it, for example not through a door at the bottom of the ship. (If this is the case a different Incoterm should be used). The seller is obliged to clear the goods for export and to take risks up to the ship's rail. Risk and costs are transferred to the buyer at this point. The buyer is obliged to choose the ship, contract carriage and pay for freight.

CFR: Cost and Freight

Carriage is arranged by the seller. This is used only for water transport. The seller delivers when goods pass the ship's rail in a named port. The seller is obliged to pay all expenses up to an agreed arrival harbour and to take all risks up to the ship's rail. Costs are transferred to the buyer at the port of destination. The buyer pays whatever costs are not the responsibility of the seller under the contract of carriage.

CIF: Cost Insurance and Freight

Carriage and insurance are arranged by the seller. This is used only for water transport. The seller delivers when goods pass the ship's rail in a named port. The seller also procures marine insurance (minimum cover – the selling price + 10%) and clears the goods for export. Risk is transferred to the buyer when the goods pass the ship's rail. Costs are transferred to the buyer at the port of destination. The buyer pays whatever costs are not the responsibility of the seller under the contract of carriage.

DES: Delivered Ex Ship

Carriage is arranged by the seller. This is used only for water transport. The seller delivers when the goods are placed at the disposal of the buyer on board the ship. The seller bears all risks and expenses up to the port of destination. Risk and cost are transferred when the buyer receives the goods on the ship. The buyer is in charge of unloading. The buyer then takes risks and costs up to the buyer's premises. The buyer must clear import customs and pay all taxes and duties.

DEQ: Delivered Ex Quay

Carriage is arranged by the seller. This is used only for water transport. The seller delivers when the goods are placed at the disposal of the buyer on the quay. The seller is in charge of unloading at the port of destination. The buyer clears the goods for import. Risk and cost are transferred when the buyer receives the goods on the quay. The buyer then takes risks and costs up to the buyer's premises. The buyer must clear import customs and pay all taxes and duties.

Using Incoterms:

The best known terms are EXW, FOB, CIF, DDU and CPT. When deciding which Incoterm to use, it helps to consider certain factors. For example, the type of goods involved, or the experience of your staff – do they even know which Incoterms can be used? Also, it is important to consider the country of destination. Some countries don't allow certain Incoterms. For example, CIF cannot be used when exporting to Peru because this involves the seller organising insurance, but in Peru you have to use their state insurance company. Incoterms hold the advantage of being internationally recognised and accepted but there is no legal entitlement on any party to use them. They can be adapted to suit the needs of the parties to the sales contract. The terms only concern the trade of tangible goods and not, for example, services or electricity.

Appendix 5: European and Irish Legislation

European Legislation[82]

Common market

The Treaty of Rome began the process of creating a single market, removing barriers to trade and creating the need for a Common External Tariff and Common Commercial Policy. The Common External Tariff (CET) created the application of uniform customs and duties between member states in relation to dealing with the import of goods from third countries. Once goods enter the E.U. and pay the CET they can then move into additional member states without paying further custom duties, although charges such as VAT may still be payable.[83]

Harmonised System (HS) nomenclature[84]

The HS nomenclature is a worldwide coding system which was enlarged by the World Customs Organisation. It classifies over 5,000 commodity groups and enables organisations to identify tariff rates. Groups are classified by a six digit code; the European Combined Nomenclature comprises an additional eight digit sub divisions. The Harmonised system also forms the basis of the U.S. system, as such up to a six digit point many European and U.S. goods are similarly coded.

[82] http://europa.eu.int/scadplus/leg/en/lvb/r11000.htm

[83] http://www.dti.gov.uk/ewt/import.htm

[84] http://europa.eu.int/comm/taxation_customs/customs/customs_duties/tariff_aspects/harmonised_system/index_en.htm

The Combined Nomenclature[85]

This is a European Union system of classifying goods. It enables firms to identify the tariff rates for their goods. Goods entering the European Union must be classified and declared under the sub heading of the combined nomenclature (CN) within which they fall. The combined nomenclature was established to satisfy the requirements of the Common External Tariff, and is comprised of the Harmonised System (HS) nomenclature with sub divisions. The Combined Nomenclature enables the classification of products for both statistical and customs purposes. The Combined Nomenclature is a Tariff classification system.[86]

The Integrated Tariff of the European Communities (TARIC)[87]

TARIC (Integrated Tariff of the European Communities) was established by Council Regulation (EEC) no. 2658/87 and while it does not possess national levy rates it is extremely useful. TARIC is a customs tariff database that integrates all matters relating to tariffs, and import legislation. It promotes the uniform implementation of legislation and provides economic operators a thorough guide to importing. While TARIC is not a "legal Instrument" coding must be used on all customs declarations. TARIC contains the third country duty rates as defined in the combined nomenclature, import prohibitions, import restrictions and import surveillances and quota levels[88].

TARIC and the Combined Nomenclature were established together. TARIC breaks down the combined Nomenclature to the 10 digit level.

[85] http://europa.eu.int/comm/taxation_customs/customs /customs_duties /tariff_ aspects/ combined_nomenclature/index_en.htm

[86] http://useu.usmission.gov/agri/import.html

[87] http://europa.eu.int/comm/taxation_customs/customs/customs_duties/tariff_aspects/customs_ tariff/index_en.htm

[88] http://useu.usmission.gov/agri/import.html

Binding Tariff Information (BTI)[89]

The Binding Tariff Information (BTI) system was established by the European Community and helps importers identify the correct classification codes for products. Its main benefit is legal certainty, which is especially important considering classification forms the basis of establishing customs duties. Binding Tariff Information is issued only to economic agents.

CE Markings: The New and Global Approach[90]

The CE marking is the most prominent and important standard on goods within the E.U. It ensures the majority of products entering E.U. borders comply with all safety and conformity legislation. Only goods possessing this marking may be placed on the market. The "New Approach" and "Global Approach" are instruments used by the European Union to create the free circulation of goods within the common market by creating conformity assessment and preventing national barriers to trade. Generally new approach directives are defined as directives that provide for the CE marking.

The operation of the new approach requires a level of conformity with directives, and includes a safeguard method to enable a check system ensuring standards have been implemented. It creates a quality control system and ensures provisions for each stage of production are met. 93/465/EEC is the legislation that created the CE marking.
Individual products are very often governed by multiple directives designed to prevent various hazards and all applicable directives must be satisfied before a CE marking can be affixed. Before a product may be placed on the market the manufacturer must

[89] http://europa.eu.int/comm/taxation_customs/customs/customs_duties/tariff_aspects/classification_goods/index_en.htm

[90] http://europa.eu.int/comm/enterprise/newapproach/legislation/guide/document/1999_1282_en.pdf#search='Guide%20to%20the%20implementation%20of%20directives%20based%20on%20the%20new%20approach%20and%20the%20global%20approach'

undertake a conformity assessment procedure, which is listed in the related directive. Third party conformity assessment is also carried out by third parties. The application of the CE marking is an indication that all essential requirements of applicable directives have been met and a conformity assessment has been carried out. It is the responsibility of the manufacturer to ensure the product satisfies all essential requirements. Once a CE mark is affixed member states must presume that the product has complied with all essential requirements and may not hinder its entry into the market unless requirements have been incorrectly applied. Once a product complies with national standards which support harmonised standards, the product is assumed to comply with essential requirements.

CE markings must be fixed to all:

- New products manufactured within member states and third countries.
- Second hand and used goods imported from third countries.
- Substantially modified products

The CE marking must be affixed by the manufacturer or authorised agent and must be done in a legal manner. E.U. legislation defines the following roles and explains their liability in certain circumstances. Irish importers need to know where various actors fit in.

The Importer

Importers as defined by the new approach to directives have limited responsibilities. They are classified as the people responsible for placing products on the market. As such they must be able to provide the surveillance authority with a copy of the EC declaration of conformity. This is only required if the manufacturer (or authorised representative) is not located within the community. The importer must have a formal and written agreement with the manufacturer stating all information pertaining to CE conformity, which will be presented, if requested by the surveillance authority. The importer must ensure that a contract with the manufacturer can be established in order to fulfil their obligations. The importer may become an authorised representative of the manufacturer only if this is "explicitly designated" by the manufacturer and they are established within the community.

The Distributor

While not defined by new approach directive, the distributor is any natural or legal person within the supply chain who undertakes commercial activity once the product has been placed on the market. The distributor must act with due care and not place non-compliant products on the community market. Distributors are not required to have a preferential relationship with the manufacturer and may make commercial decisions on their own behalf. The distributor must be aware of which products require the CE marking. In the absence of community legislation, Articles 28 and 30 of the E.C. Treaty enable national governments to legislate.

The Assembler and Installer

Certain products such as heavy machinery may only be placed on the market once additional work has taken place. The people responsible for any additional workings must ensure the process does not result in non-compliance.

Product Liability and Defining Roles

The directive concerning product liability (85/374/EEC) is applicable to all products covered by the new approach (which was explained earlier). Any member of the supply chain is open to legal action if they have taken part in non-compliant behaviour, particularly if the manufacturer is situated outside the common market. Under product liability the term manufacturer can apply to many different persons. The producer is the manufacturer if established within the Community, as is any company attaching a trademark or brand name. In certain circumstances the authorised representative may also be the manufacturer. An authorised representative is appointed by the manufacturer and must be situated within the Community. Product liability applies only if a product lacks safety but not if it is unfit for its purpose.

Liability and the responsibility to pay damages lie with the producer, who may be the manufacturer of the overall product or component part or any person who presents himself as the producer. If numerous people are at fault, then they are all jointly liable and as such must compensate for damage caused due to defective products. As the directive does not cover damage to property under €500, national law dealing with pain and suffering may apply. This directive does not cover for the loss of the product itself. The producer will not have to pay damages if he can prove:

- He did not place the product on the market (e.g. it was stolen)
- The object was not defective when placed on the market.
- The state of scientific knowledge at the time the product was placed on the market could not as such enable the defect to be discovered.
- He is a subcontractor and the effect was due either to a flaw in design of the finished product or by defective instructions given to him by the producer of the finished product.

The directive on product liability is in addition to national legislation in this area.

Irish Legislation-The Legal Aspect of Importation[91]

The following section deals with specific steps that importers may legally be required to take or may benefit from. The majority of legislation governing Irish imports is imposed by Brussels. It is possible to hire agents specialising in each of these steps.

The Integrated Tariff of Ireland

The Integrated Tariff of Ireland (The Tariff) has the same format concerning duties and excise as the rest of Europe, as all regulations governing this area are contained in E.U. legislation. Therefore all E.U. countries have the same commodity codes and duty rates. The Tariff contains all necessary references to Irish and E.U. legislation. Articles 28 and 30 of the EC Treaty prohibit quantitative restrictions or measures having equivalent effect. All national technical regulations are subject to these articles. These articles enable national states to place additional provisions to protect workers, consumers and the environment, once they do not require modifications to the product.[92]

The Single Administrative Document

The Single Administrative Document (SAD) is a legal declaration concerning the importation of goods. It is used throughout the European Union, and is utilised by Customs to identify import details. The signatory on the SAD takes responsibility for the goods being imported. The SAD form contains two extremely important figures: the Commodity Code (a ten digit number which describes the goods and sets the duty rate. There are over 65,000 commodity codes); and the Customs Procedure Code, describing

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[91] http://www.revenue.ie/leaflets/import_export_guide.doc

[92] http://europa.eu.int/comm/enterprise/newapproach/legislation/guide/document/1999 1282_en.pdf#search='Guide%20to%20the%20implementation%20of%20directives%20based%20on%20the%20new%20approach%20and%20the%20global%20approach'

the purpose of the shipment. This informs customs of the duty to be paid and whether it is to be:

- Taken as a deposit, to be repaid when the goods are re-exported.
- Suspended because of a duty relief scheme.
- Brought to account straight away.

Once the Single Administrative Document has been accepted by Customs all payments must be made. Goods will not be released until payment is received. The SAD must also contain the customs value; this is the amount upon which duties are calculated.

The Deferred Payment Account

The Deferred Payment Account is an extremely popular method of payment. Individuals may apply to Customs and Excise for a Deferred Payment Account, which enables importers to defer payment of duties and taxes from the day the importation occurs to a prescribed payment date. Deferred Payment Accounts require financial security in the form of an approved bank or insurance company. This is necessary to cover all duty and VAT charges. This method of payment requires the establishment of a direct debit payment mechanism, and all accounts have monetary limits. On the 15^{th} of each month following the importation, the total amount (excluding excise and the VAT on excise) is due. Once a Deferred Payment Account is created a five digit Trader Account Number (TAN) is issued and must be placed on all SAD declarations.

Automated Entry Processing Account

A TAN number is required by Customs to gain clearance to import via the AEP system. This is known as the Direct Trader Input (DTI). A TAN (Trader Account Number) is utilised by a trader to gain approval from Customs. It includes Paperless Approval, Deferred Approval and FACT Approval. The Deferred Approval (Bank Direct Debit) Scheme enables the trader to defer payment of Customs and Excise payments subject to the provision of a bank guarantee. A FACT (Flexible Accounting of Cash Transaction) account enables a trader to deposit cash, bank drafts or cheques covered by a standing guarantee at any Customs and Excise accounting office. Traders may then present SAD declarations up to the limit of the amount deposited.[93]

The AEP (Automated Entry Processing) system was launched in 1991 to automate Customs import and export procedures. The system is responsible for the validation, processing, accounting and clearance of all Customs declarations[94]. In order to utilise the AEP system approval is required from the AEP Bureau. This then opens up various payment options, such as the deferred method. It is possible to ignore the AEP system. Various options such as employing a customs clearance agent or lodging the required documents with a customs station are available. However, both of these selections ultimately utilise the AEP system. Hence all import declarations are made electronically via this system.

Customs Value and Calculating Duties

If the imported goods are subject to a sale, then the customs value is based on what is referred to as the CIF price (Cost, Insurance and Freight). The CIF also requires the calculation of additional costs, such as royalties and license fees, etc. This method of payment is commonly referred to as the Transaction Value and is utilised whenever a transaction has taken place. In circumstances where there is no transaction (i.e. the goods are on loan) a variety of other methods are used.

€10,000 is the current limit on dutiable goods, meaning if imported goods exceed this level then the SAD must be accompanied by a declaration of value. Those that import regularly may obtain a "long term" declaration called a General Valuation Statement which remains valid for three years so long as the particulars are not altered.

[93] http://www.revenue.ie/leaflets/aeptrs4.pdf
[94] http://www.revenue.ie/services/aep2.htm

Once a SAD is accepted by the AEP system there are three possible routings:

- Green Routing- Customs has cleared your goods enabling the printing of a clearance slip at your premises facilitating the acceptance of the imports.
- Orange Routing- The documentation is to be examined by customs. Once approved a clearance slip may once again be printed facilitating acceptance of the goods.
- Red Routing- Involves an examination of the documentation and the physical goods, ensuring details on the SAD correspond with the goods. If everything is in order, a slip may be printed from the business premises.

Customs may override a green or orange clearing at anytime.
The Duty rates on US manufactured goods generally range from five to eight percent.[95]

Value Added Tax[96]

The standard rate of VAT is 21%. As a general rule, imported goods are liable to VAT at the same rate applying to goods for sale in the State. A zero rate of VAT is applied to goods imported into VAT free zones, such as Shannon and Ringaskiddy, or where customs warehousing arrangements are in use. VAT is the value of goods for customs purposes and is increased by:

- The amount of any other duty or tax (Excluding VAT)
- Any transport, handling and insurance costs between the place of introduction into the E.U. and the State
- Any onward transportation costs to the place of final destination.

Goods brought into the Shannon Customs Free Zone from outside the State by a registered VAT trader are subject to a zero VAT rate. This is dependant on the following

[95] http://www.itw.ie/business/trade.php3#2

[96] http://www.revenue.ie/leaflets/vatguide_chapt13.htm

condition: the goods must be transported to a VAT registered trader operating within the Shannon Free Zone by a VAT registered trader from outside the Zone. Value added Tax at import can range from 0-4.8% for livestock, or 13.5% and 21%.[97]

[97] http://www.revenue.ie/pdf/01_01_CETI_06.pdf

Appendix 6

International Treaties & Conventions on Transport[98]

Air Transport: Warsaw rules 1929

Road Transport: CMR 1956

Shipping: The Hague-Visby 1924-1968, Hamburg rules 1978

Multi-modal: UN 1980, UNCTAD, ICC

98 Adapted from: Gaertner, Jean Paul, "Expertise in International Commerce", Cours de Marketing, MKT 500, pp. 87 – 99, Université Robert Schuman, IECS Strasbourg, 2003 - 2004