



Small Business Export Guide

Exporting might appear to be overwhelming for many small businesses, but the U.S. federal and state governments have a variety of tools available to help with every step of the process. With only one percent of small businesses exporting, there needs to be more education and coordination with the public and private sector to increase exports. Below is an outline and list of resources available to help small businesses start and/or strengthen their exports.

- I. First Time Exporter and General Questions
- II. Market Research and Developing an Export Strategy
- III. Identifying Foreign Buyers
- IV. Export Financing
- V. Market Risk and Insurance
- VI. Transportation and U.S. Customs
- VII. Agencies and Resources

I. First Time Exporter and General Questions:

Small businesses new to exporting will have a variety of questions ranging from basic terminology to complex export license requirements. Answering these questions is the first step in the export process and the federal government has agencies that can help.

- The Small Business Administration (SBA): Outlines a six-step plan to start exporting. This is a great resource for first-time exporters and can be found at: <http://www.sba.gov/content/6-steps-begin-exporting>
- U.S. Department of Commerce (DOC): If the business is a good or service, the U.S. *International Trade Administration's (ITA) Commercial Service* can help educate and guide the small business. Here is the link to the U.S. Commercial Service office: <http://www.export.gov/begin/index.asp>. Small businesses can also call the *Trade Information Center (TIC)* at: 1-800-USA-TRAD(E). The Commercial Service has over 100 offices throughout the U.S.

- U.S. Department of Agriculture, Foreign Agriculture Service (FAS): If the business manufactures an agricultural product, the Foreign Agriculture Service can provide education, guidance, marketing and promotion. Small businesses can visit: http://www.fas.usda.gov/agx/exporter_assistance.asp
- Local State Export Agency: A number of states have a agency focused on helping small businesses export. They are similar to the federal government programs, with a local emphasis. The State International Trade Organization (SIDO) is a good resource to identify state agencies available: <http://www.sidoamerica.org/State-Trade-Directory.aspx>

II. Market Research and Developing an Export Strategy:

After some basic research, small businesses need to develop an export strategy and analysis to identify the opportunities, threats, tariff schedule, and export licenses required to trade. The export strategy will serve as business plan and reference for the current and future export opportunities.

- Export Strategy: The *Department of Commerce, ITA office* has a template for developing an export strategy: http://www.export.gov/salesandmarketing/eg_main_018206.asp
- Market Research: The *Census Department* records and analyzes international trade data, including specific exports (NAICS and export code) to individual nations. Small businesses can research and analyze the international trends and opportunities for their product or service. <http://www.census.gov/>
- Tariff Schedule: The harmonized tariff schedule (HTS) or Schedule – B, is the six digit code that determines the tariff, licenses and country of origin abilities for shipping documentation. Schedule B refers to exports, while HTS applies to imports. There are two sources to help identify the specific codes:
 - Schedule B – The Census Department: <http://www.census.gov/foreign-trade/schedules/b/#search>
 - Harmonized Tariff Schedule – The U.S. International Trade Commission (USITC): <http://hts.usitc.gov/>
- Export Licenses: The U.S. Government requires certain products and services (i.e., computer chips, high tech software, defense equipment, and more) to obtain export licenses before engaging trade with certain countries. The export of certain items are monitored and regulated by the U.S. government to protect national security, intellectual property, and to prevent the spread of weapons of mass destruction, and *small businesses can obtain large fines* for exporting licensed products or knowledge to forbidden foreign countries. The U.S. Department of Commerce, the State Department and the U.S. Treasury all have a role in enforcing export controls. It is important to check with all three agencies that require licenses:
 - U.S. Department of Commerce, Bureau of Industry and Security (BIS): BIS is responsible for enforcing the Export Administration Regulations (EAR), which cover exports and re-exporting. The first step is to view the Commerce Control List (CCL) within Bureau of Industry and Security (BIS) to identify if the country you are exporting to requires an export license. <http://www.bis.doc.gov/licensing/exportingbasics.htm>

- U.S. Department of State, International Traffic and Arms Regulation (ITAR): The State Department administers licenses for defense equipment and technology. Please review guidelines at: http://www.pmddtc.state.gov/regulations_laws/itar_official.html
- U.S. Department of Treasury, Oversees Foreign Asset Control (OFAC): OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy to protect national security goals against foreign countries and terrorists. It is important for small businesses to check again sanction countries, individuals and restrictions. http://www.treasury.gov/resource-center/faqs/Sanctions/Pages/ques_index.aspx

III. **Identifying Foreign Buyers and Due Diligence:**

The federal government has a variety of agencies to identify foreign buyers and to market the product or service. Before selling to any foreign buyer, it is important to conduct a thorough analysis of the buyer's credit/business history. This will help identify and mitigate any potentially harmful transactions. The U.S. Commercial Service and Foreign Agriculture Service are primary drivers, but other agencies coordinate specialized trade events.

- The International Trade Administration and Foreign Agriculture Service all offer match making services and trade promotion events, which help identify credible and screened foreign buyers. Please note it is important to conduct further analysis to verify the government's research.
 - International Trade Administration offers a Gold Key service (for a fee), which identifies prospective foreign buyers. They also coordinate a variety of trade promotion events, both international and domestic. http://www.export.gov/salesandmarketing/eg_main_018195.asp
 - Foreign Agriculture Service offers a variety of services to identify foreign buyers, similar to the Department of Commerce. http://www.fas.usda.gov/agx/partners_trade_leads/partners_trade_leads.asp
- The U.S. Trade and Development Agency (TDA) is a trade agency that promotes U.S. exports to developing nations. They hold regular domestic and international trade missions.

IV. **Export Financing:**

Many small businesses do not have adequate capital to support the export opportunity. Therefore, many obtain export financing to provide the extra working capital to produce the product before shipping, without over leveraging their balance sheet. In addition, many small businesses utilize a letter of credit with a federal or local bank to ensure a secure and timely payment. The federal government offers many solutions for small businesses seeking export finance and security with their transaction.

- U.S. Export-Import Bank (EXIM): The bank's mission is to assist in financing the exports of U.S. goods and services to international markets. In addition to providing export finance, they also help identify secure foreign banks and help administer letters of credit – which is a legal document signed between banks to guarantee the transfer of funds. EXIM is a key resource for small businesses looking for secure export financing. <http://www.exim.gov/smallbusiness/>

- U.S. Small Business Administration (SBA): The SBA has the International Trade Loan program, which can provide export financing up to \$5 million.
<http://www.sba.gov/content/international-trade-loan-fact-sheet-small-businesses>
- Foreign Agriculture Service (FAS): The FAS has a variety of export credit guarantee programs including: the Export Credit Guarantee Program, the Facility Guarantee Program, and the Dairy Export Incentive Program. The FAS works closely with EXIM and SBA to administer secure export finance.
<http://www.fas.usda.gov/agx/financing/financing.asp>

V. Market Risk and Insurance:

Understanding the international market risks is an important component of exporting. Many small businesses issue political risk insurance to protect their investment against a variety of political events, including: government repatriation restrictions, currency inconvertibility, and political violence.

- The Overseas Private Investment Corporation (OPIC) issues and administers political risk insurance to a full range of businesses, including small businesses. OPIC is able to insure coverage for up to \$250 million per project for a maximum of 20 years for small businesses. <http://www.opic.gov/>

VI. Transportation and U.S. Customs:

One of the final steps is to transport the export to the foreign buyer. Trade specialists within the International Trade Administration, Foreign Agriculture Service, or the state export agency can help identify secure transport options. Major carriers such as UPS and FedEx are well suited to assist. Freight brokers can also assist with shipping paperwork, such as the bill of lading and shipper's declaration.

- Customs and Border Protection (CBP) is responsible for securing and facilitation trade and travel both into and out of the U.S. Export licenses are administered through the lead agency (Commerce, State and Treasury), and it is important to understand the documentation and trade requirements.
http://www.cbp.gov/xp/cgov/trade/basic_trade/

Key Government and Private Resources:

U.S. Small Business Administration: www.sba.gov

U.S. Department of Commerce, International Trade Administration: www.export.gov

U.S. Department of Commerce, Bureau of Industry and Security: www.bis.doc.gov

U.S. Department of Agriculture, Foreign Agriculture Service: www.fas.usda.gov

U.S. Export Import Bank: www.exim.gov

Overseas Private Investment Corporation: www.opic.gov

U.S. Department of State: www.state.gov

U.S. Treasury Department: www.treasury.gov

U.S. Customs and Border Protection: www.cbp.gov

U.S. Census Bureau: www.census.gov

U.S. Trade and Development Agency: www.tda.gov

U.S. Chamber of Commerce: www.uschamber.com

State International Development Organization (SIDO): <http://www.sidoamerica.org/default.aspx>

U.S. District Export Councils: <http://www.districtexportcouncil.com/>