



READY, FIRE, AIM:

A No Nonsense Approach That
Illustrates Some Major Mistakes
Made By U.S. Exporters

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April 1, 2008

Techtextil

Atlanta, GA

I am here to let *you* in on a little
trade secret...





The export environment is now as
good as it gets...



If exporting *does not* currently account for **15-20%** of your overall sales, you should pay close attention = *your ship has sailed and you were at the airport!*



You are losing “opportunity revenues” that could make the difference between a profitable year and another “so so” year...



**So if not now –
when?**

THE ISSUE NOW IS
AVOIDANCE OF COMMON
EXPORT ERRORS...





1. Inertia

- *The art of doing nothing or as freely defined by Webster: "The tendency of a body at rest to remain at rest, resistance to motion, action or change."*
- *Myopic vision leads to inward market focus – finite market, seasonally and taste/preference determined*
- *Lack of vision on foreign competition*



I. Inertia Continued

- *Exclusion from export revenue and cyclical demands*
- *Lost opportunity for JV or strategic alliances*
- *Opportunities overlooked of foreign competition in US market*

11. Lack of Country Market Preparation

- Ignorance does not equate to bliss
- **IGNORANCE = REVENUE LOSS**



- In order to prepare, we suggest the following actions before exporting:



11. Lack of Country Market Preparation Continued

- Investigate the foreign market BEFORE exporting
 - Explore needs of the market: provide the solutions
 - Set goals
 - Acknowledge constraints and prohibitions
 - Requirements for: licensing, certification, documentation, packaging and labeling in the foreign market

11. Lack of Country Market Preparation Continued

- Don't assume a product will be popular in a foreign market just because it is popular in the US
- Consider cultural taboos, ex: no pigskin attaché cases to the Middle East, no religious taboos such as printed literature, pornography, and alcohol



II. START INVESTIGATION HERE:

- <http://otexa.ita.doc.gov>
 - Go to Export Advantage
- www.state.gov
- www.cia.gov



III. Legal Aspects of Market Preparation

- **First, Intellectual Property Infringement (IPR)**
 - For more information, go to, <http://stopfakes.gov>





III. Legal Aspects of Market Preparation

- **Second, be familiar with US export laws and necessary documentation**
 - Foreign Corrupt Practices Act
 - Anti-Boycott Act
 - Export Controls
 - Free Trade Agreement Requirements
 - Export Restrictions
 - Harmonized Tariff Schedule
 - Office of Foreign Assets Controls – List of Specially Designated Nationals and Blocked Persons
 - <http://www.ustreas.gov/offices/enforcement/ofac/>

LAWS
you need to
KNOW

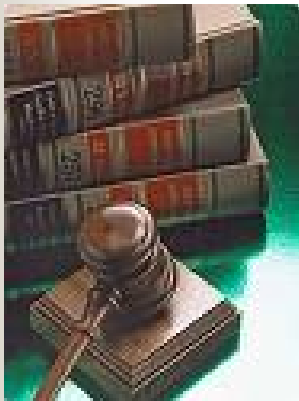


III. Intellectual Property Infringement

- Some common IPR complaints include:
 - Trademarks or textile designs are being used illegally in a foreign market
 - Inability to register a trademark or copyright with a foreign government
 - Trademark or copyright is already registered in a foreign country
 - Foreign government is not helping to stop a trademark or copyright violation
 - USDOC has an agreement with the ABA – one hour consultation with a lawyer for free
 - For more information, go to,
<http://www.abanet.org/intlaw/intlproj/goal8.html>

III. Foreign Corrupt Practices Act

- *The Foreign Corrupt Practices Act (FCPA) is a U.S. law that makes it illegal for a U.S. person (citizen or company) or any person who acts on behalf of a U.S. person to offer, pay, promise to pay, or authorize another person to pay money (or of anything of value) to a foreign government official for the purpose of obtaining or retaining business.*



- <http://www.bisnis.doc.gov/bisnis/fcp1.htm>
- <http://www.usdoj.gov/criminal/fraud/docs/statue.html>



III. The Anti-Boycott Act

- *The anti boycott laws were adopted to encourage, and in specified cases, require U.S. firms to refuse to participate in foreign boycotts that the United States does not sanction. They have the effect of preventing U.S. firms from being used to implement foreign policies of other nations which run counter to U.S. policy.*
- www.bis.dpc.gov/antiboycottcompliance/default.htm



III. Harmonized Tariff Schedule

- *The Harmonized Tariff System (HTS) assigns a number to each product that is traded internationally to insure that customs officers and statisticians around the world are referring to the same thing when classifying a product. Almost all countries now use the harmonized tariff system.*

- Can be found at:
 - <http://www.export.gov/exportbasics/ticredirect.asp>
 - <http://www.usitc.gov/tata/hts/bychapter/index.htm>



III. Harmonized Tariff Schedule

- The Harmonized Tariff Schedule is only harmonized internationally to 6 digits, while the U.S. HTS goes to 10 digits. When importing into the United States, one should consult with U.S. Customs and Border Protection (CBP) if there are any questions regarding the correct classification of imports. Check with the port through which you intend to enter your shipment, or with the port of New York/Newark. The telephone numbers for each U.S. port of entry are listed, by state, under “Ports” on the CBP web site (<http://www.cbp.gov>).
- The importer of record is responsible for ensuring that the correct HTS number is assigned to each shipment. If a shipment is incorrectly classified, the importer may be subject to fines and penalties. CBP is the ultimate authority on import classification.

IV. Cultural Taboos

- What's tardy to you is not tardy in other countries
- Family matters: the family matters but you don't meddle in the family; know the polite way to ask about the family in different cultures





JV. Cultural Taboos Continued

- Gift giving: what's allowed and not allowed, how often, to whom, the status of a gift, and when and where to open it (refer to Foreign Corrupt Practices Act)
 - <http://www.bisnis.doc.gov/bisnis/fcp1.htm>
- How to determine the authority figure in different cultures
- Matching title to title

IV. Cultural Taboos Continued

- When is a handshake taboo? Are you dealing in Western, Middle Eastern, or Far Eastern cultures?



- Showing the sole of your shoe – its negative meaning, hand gestures to avoid
- The absolute value of relationship building

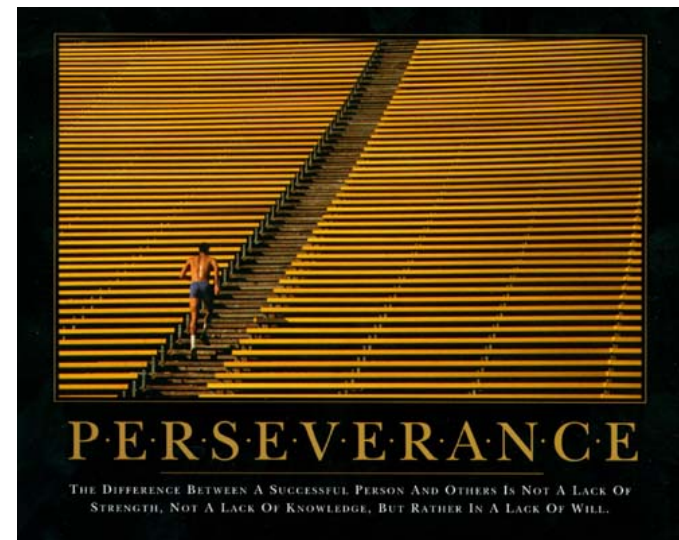


IV. Cultural Taboos Continued

- Trust is a must – don't give your word if you know you're going to break it
- There's tea time and there's tee time – knowing when to have tea and play golf are vital in different cultures and sometimes in the same culture
- Significance of color in that market, ex: white = death in many cultures and purity in others
- A quick reference guide is *Kiss, Bow or Shake Hands* by: Terri Morrison

V. Perseverance: Your Company's 3-Year Plan

- Set a 3-year goal and stick to it
- Secure top down management in support of your 3-year plan
- Commit to the market
- Create the budget
- Consider the return on your investment





V. Perseverance Continued

- Delegate export responsibilities to an employee and train them - show the perks and generate support at that management level
- It takes time to establish credibility in a foreign market so do not expect immediate sales at a first-time trade show or on your first visit to that country
- Learn the holidays and working hours



V. Perseverance Continued

- Invite them to visit your company if it looks like strong potential
- Credibility and reputation are extremely important
- If you commit fatal export errors and destroy your credibility in other countries, your reputation may proceed you in other potential markets
- Face time: “getting to know you and all about you” - extend your time in the country to allow for cultural visits prior to your meetings, site visits, golf, or visits for legal assistance and commercial advice in country



V. Perseverance Continued

- Work the market, work the leads, plan return visits ~ lethargy has no profit margins
- Answer all emails and faxes promptly
- Ship on time ~ exactly what was ordered
- Communicate often with customers
- Build loyalty

Don't give up too soon!



V. Perseverance Continued

- Small and medium-sized companies fear foreign markets due to language barriers, currency transfers, a lack of education in shipping procedures, and a fear of taking a chance
- How can this change?
 - Invite a freight forwarder to your company for an informational exchange
 - Invite an international banker to your company for discussions
 - Attend educational seminars
 - Hire a graduate student intern to help with research/strategy
 - Read, research – develop a country strategy



VI. GIVING AWAY THE FARM OR *“HOW I LOST THE MIDDLE EAST”*

- Some of the most costly errors made by companies in the export markets are the following:
- **CYA = Consult Your Attorney** - Lack of consultation with your company’s lawyer in the U.S.
- **CYA = Consult Your Attorney** - Lack of consultation with a qualified lawyer in the foreign market
- Drafting of distributor/agency agreement without input and clearance from the country attorney



VI. GIVING AWAY THE FARM CONTINUED

- Selecting and assigning a company a distributor agreement immediately with no trial dates and no recommendations from reliable sources

- If you do not have a lawyer with international expertise – no problem! USDOC has an agreement with the ABA – one hour consultation with a lawyer for free!
 - For more information, go to <http://www.abanet.org/intlaw/intlproj/goal8.html>



VI. GIVING AWAY THE FARM CONTINUED

- **Major mistake:** Assigning a distributor or an agent for a large geographic area such as the Middle East, which consists of 22 countries and 300,000,000 people – believe it or not, this is done often and almost impossible to disengage your company from the agreement



VI. GIVING AWAY THE FARM CONTINUED

- Assigning exclusive agency or distributorship in a market where it might not be necessary or permissible for an exclusive agreement for several countries. In many countries, a foreign agent cannot legally represent you if they are not from that country and domiciled there. You will have closed the market to yourself and acted illegally.
- **Foreign customers buy based on the distributor's reputation**

VI. GIVING AWAY THE FARM CONTINUED

- Ensure that the terms of the contract are bound under U.S. law
- Ensure that arbitration is conducted under the jurisdiction of a U.S. court

ALWAYS REMEMBER
THE GOLDEN RULE:
CYA =
CONSULT YOUR ATTORNEY





VI. GIVING AWAY THE FARM CONTINUED

- Lastly, a company will be eager to take on your product – they tie it up so that it offers no competition to products they currently represent, **watch out for this red flag**, know and understand the products that they represent
- Consult with the Foreign Commercial Service in the country
 - Go to, <http://trade.gov/index.asp>
 - Click on “Find a local office”

VII. SHIPPING ISSUES

- LACK OF PREPARATION ON SHIPPING ISSUES COULD POSSIBLY IMPAIR YOUR SALE
- BE PREPARED TO KNOW:
 - DUTY RATES INTO THE COUNTRY FOR YOUR PRODUCT
 - PORTS – THE MOST MODERN AND ACCESSIBLE PORT IN THAT COUNTRY AS WELL AS PORTS IN YOUR OWN STATE AND SHIPPING LINES THAT SERVICE YOUR TARGET MARKET PORTS



VII. SHIPPING ISSUES CONTINUED

- STATUS OF FREE TRADE AGREEMENT WITH THAT COUNTRY (IF THERE IS ONE)
- WHAT YOUR HARMONIZED TARIFF SCHEDULES (HTS CODES) ARE FOR YOUR PRODUCTS IN THIS MARKET
 - [HTTP://OTEXA.ITA.DOC.GOV](http://otexa.ita.doc.gov)



VII. SHIPPING ISSUES CONTINUED

- WHAT ARE BASIC RATES FOR A 20 AND 40 FT. CONTAINER, LCL, AIR FREIGHT, AND FEDEX, UPS, DHL
- HAVE THESE DETAILS WORKED OUT WITH YOUR FREIGHT FORWARDER AND EVEN HAVE PRELIMINARY MEETINGS WITH DHL, UPS AND FEDEX FOR RATES
- INVITE YOUR FREIGHT FORWARDER TO YOUR COMPANY FOR A BRIEFING TO EMPOWER YOUR STAFF WITH EXPORT/SHIPPING KNOWLEDGE





V999. Payment

- Probably one of the most important facets of exporting – let's get paid!
- Evaluate country risk and buyer risk for payment for export transactions
- Investigate economic and political situation in the country to which you wish to export
 - Make sure you are **not** exporting to Iran, Cuba, Syria, North Korea, or Sudan



V999. Payment Continued

- How to initiate a payment plan (credit card, wire transfer, cash against documents) – Is an LC passé?
 - We suggest a discussion with your international banker and incorporate his/her advice into your payment strategy. Open terms are never to be recommended without export insurance on your transaction
 - For export insurance information go to www.exim.gov



V999. Payment Continued

- You must be aware of the following lists:
 - Entity list
 - <http://bis.gov/Entities/default.html>
 - Specially Designated Nationals and Blocked Persons List
 - <http://www.treas.gov/offices/enforcement/ofac>
 - Unverified List
 - http://bis.doc.gov/Enforcement/Unverifiedlist/unverified_parties.html
 - Denied Persons List
 - <http://www.bis.doc.gov>
 - Or call 202-482-4255 (some denied persons are located within the U.S.)

IX. Strategic Alliances

- Consider working with U.S. companies that are already exporting
- An export-savvy company that could use your compatible – complimentary product may be an excellent avenue for international sales, ex: boating shoes or foul-weather gear teamed up with a yacht company





IX. Strategic Alliances Continued

- Establish a strategic alliance with a foreign company so they carry your line and you distribute theirs – you can establish a joint venture to manufacture your product overseas to better serve these markets, create better brand recognition and realize financial savings in the international marketplace
- Technology transfers also reap the benefits for both parties: the international company and the U.S.
- Licensing and franchising are other methods of exporting
 - www.franchise.org

X. Painful Assumptions

- *Business practices vary from country to country, do not assume that they mirror U.S. business practices*
- *Where there's a language there's a culture, the language is the treasure chest and the culture are the jewels*
 - *Appreciate the different cultures and know there are differences*





X. Painful Assumptions Continued

- *Don't assume everyone will speak English and don't assume the English that they speak is interpreter class*
- *Know when to hire an interpreter*
- *Have business cards, print service, sales and warranty messages in local language as well as English*

X. Painful Assumptions Continued

- *A few words of praise or greetings in the host country's language carry a significant message*
- *Manners count, don't leave home without them – simple courtesies and humility are understood around the world*

Hola

السلام عليكم

Bonjour

नमस्ते

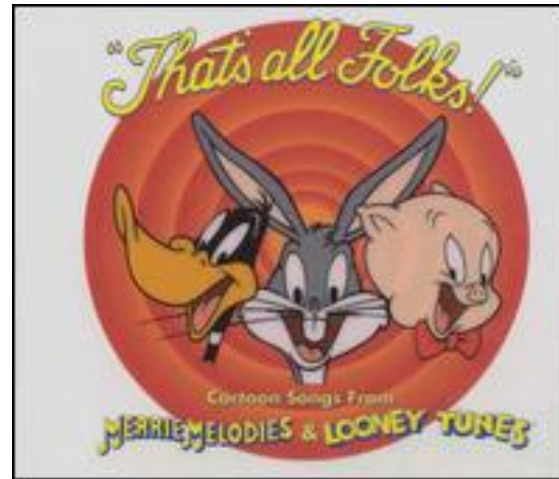
안녕하십니까

Καλημέρα

Buon giorno

שלום

That's All Folks!



Thank you for your attention!

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