INTERNATIONAL TRADE PROGRAM
ESSENTIAL STEPS IN EXPORTING

STEP 1
Determine export readiness
☐ Schedule a one-on-one consultation with MEDC’s International Trade Program. During the consultation, an international trade manager will work with your company to determine export readiness and identify opportunities to grow your business.

RESOURCES:
• Contact the International Trade Program and schedule a consultation
• Export readiness initial assessment
• Analyze your company’s ability to export
• Developing an export strategy

STEP 2
Classify your product for export
☐ Locate your harmonized system (HS) code and Schedule B number, which are used by most countries to classify globally traded products. The 6-digit HS code is used to determine duties and taxes, identify the goods being exported, claim preferential tariff treatment, and establish pricing. The 10-digit Schedule B number is used for statistical purposes and when filing electronic export information (EEI).*

RESOURCES:
• HTS search
• U.S. Census Bureau’s Schedule B search engine

STEP 3
Select the right market(s) for your product
☐ Review export statistics and market research.
☐ Define potential customers, determine which industry segment imports products similar to yours, and explore different channels of distribution.
☐ Identify main competitors in the market to better understand the market landscape.
☐ Determine restrictions and regulations on product(s) in the market.
☐ Understand standard business practices, recognize cultural influence on business within the target country, and potential buyer expectations.

☐ Learn how to find qualified buyers.
☐ Create a one-page company/product summary to present to buyers during meetings and events.

RESOURCES:
• Research foreign markets
• Multi-country resources

STEP 4
Check duties, taxes, and trade agreements
It is important for exporters to know the applicable duties and taxes on their product and whether it qualifies under a Free Trade Agreement (FTA) or Trade Promotion Agreement (TPA).

☐ Identify rules of origin to determine if your product qualifies for an FTA or TPA.
☐ Determine an advantage to claiming preferential tariff treatment.
☐ Is my product too expensive in a particular country because of high duties? Is my product duty-free? What is the value-added tax (VAT)? Does the buyer pay the duties and taxes?
☐ Document origin to prove that your products qualify for preferential tariff treatment.

RESOURCES:
• Understanding foreign taxes and tariffs
• Tariffs, quotas, and non-tariff barriers
• Regional trade agreements

STEP 5
Pricing your product for export
Knowing your product’s final landed cost will help you effectively price your product for a foreign market. The landed cost will include the original product price, transportation fees, duties, taxes, tariffs, insurance, currency conversion, and more. Your buyer will likely ask you to quote an estimated cost before making a purchase, which is often done by creating a pro forma invoice.

☐ Review duties and tariffs identified in Step 4. You must have the country and tariff number in order to accurately calculate the duties and taxes.
**STEP 5 continued**
- Examine export pricing and quoting resources and tools.
- Understand common export pricing strategies for your products.
- Create an accurate and timely quotation in pro forma invoice format.
**RESOURCES:**
  - Export pricing strategy
  - Pricing, quotations, and terms

**STEP 6**
**Navigate export logistics**
Export logistics includes mode of transport, shipping documentation, roles of customs, export packing method, marine cargo insurance, and filing a claim.
- Determine parties involved in exporting.
- Recognize standardized trade terms and how to use Incoterms.
- International shipping documents: exporter can either prepare the export documents they are responsible for or choose to use the services of a freight forwarder.
- Choose modes of transportation: inland carriers, terminal operators, ocean carriers, or air carriers.
- Customs inspection and brokers use the (EEI)*, which includes a customs evaluation prior to export. Customs uses HS codes, declared value of the goods, and country of origin to clear products for release.
- Choose proper packaging and shipping.
- Purchase marine cargo insurance.
**RESOURCES:**
  - Navigating shipping and logistics
  - What are “Incoterms”?
  - Custom brokers and freight forwarders

**STEP 7**
**Export documentation and regulations**
Prepare key export documents, such as shipper’s letter of instruction, customs and consular invoices/pre-shipment inspection, certificate of origin for general use, bill of lading, and packing list.
- Determine the necessary export documentation.
- Identify any export regulations (bans and barriers).
- Understand how to completely and accurately prepare the required paperwork:
  - **Shipper’s letter of instruction (SLI):** this document includes information necessary to complete the bill of lading and other documents.
  - **Certificate of origin:** used to determine the proper duties to be applied by customs at the destination.
  - **Bill of lading:** serves as a contract of carriage between an exporter and a service provider. It defines the parties to the transaction and their responsibility for payment of transportation and other accessorrial fees.
  - **Packing list:** used by shipping companies to identify the weight and dimensions of your product. Should be completed in metric form.
**RESOURCES:**
  - Documents in an export transaction
  - U.S. export regulations

**STEP 8**
**Get paid for your export sales**
- Evaluate payment options: cash in advance, open account, documentary collection, commercial letters of credit. See page 3 for detailed information on each option.
- Factors to consider include: country risk, buyer’s bank reputation, credit worthiness of the buyer, competition, volume and value of the shipment.
**RESOURCES:**
  - Perform due diligence
  - Export credit insurance
  - Letters of credit
  - See next page for payment options

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*EEI is the electronic data filed in the automated export system (AES). This information is mandated to be filed through the automated export system or ACE AesDirect, and is an electronic declaration of merchandise leaving the U.S. for export to a foreign country. The EEI includes information about the sender and receiver of the goods, and about the goods being exported.
# ESSENTIAL STEPS IN EXPORTING

## PAYMENT OPTIONS

<table>
<thead>
<tr>
<th>Benefits</th>
<th>CASH IN ADVANCE</th>
<th>WIRE TRANSFER</th>
<th>FOREIGN CHECK</th>
<th>OPEN ACCOUNT</th>
<th>DRAFT</th>
<th>COMMERCIAL LETTER OF CREDIT</th>
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</thead>
<tbody>
<tr>
<td>Lower value shipments</td>
<td>Fastest way for the seller to be paid; easier to trace fund movement; PIN for authorized use; payment in any currency</td>
<td>Convenient when the routing details for payments are unknown</td>
<td>Offers a competitive advantage to the exporter</td>
<td>Bank controls the document</td>
<td>Minimal risk for the seller; protects both parties involved in the transaction</td>
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</tbody>
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| When to use                  | Buyer has a significant interest in the product and is quite fiscally sound | Easy for buyers to stop payment | Existing customer with good credit history; customer’s preference | The seller is at risk if the buyer refuses to honor the draft; the bank's involvement is restricted in protecting you, unless the drafts are drawn on them | The buyer may get financing and protection against delayed shipment, improper insurance coverage, or shipment of incorrect amount or type of products |

| Concerns                  | Least preferred method for buyers and most attractive method for seller | Transaction fees; complicated when a transfer is lost; not possible to stop an executed payment | Transit time can be slow; if paid in another currency, the value may change due to currency fluctuations | No risk to the buyer as all risks are borne by the seller; Documents expedited to buyer's control | The issuing bank is not obligated to pay the seller if there are discrepancies in the documents |

| Notes                        | When the value is higher (>15,000) and you are custom making the product, a deposit to cover the cost of raw material and labor to protect yourself should be requested | Back up this method with bank guarantee from the buyer’s bank or by foreign credit insurance on your receivables. Do not begin a business deal with an open account; instead opt for cash in advance or letters of credit | Drawing a time draft to the buyer's bank reduces risk; Consigning the bill of landing to the buyer’s bank or to “order of shipper” is recommended |  |

[www.michiganbusiness.org/services/international-trade](http://www.michiganbusiness.org/services/international-trade)