

**Import/Export  
How to Get  
Started in  
International  
Trade**

**Dr. Carl A. Nelson**

# **Import/Export How to Get Started in International Trade**

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Questions regarding the content of this book  
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Reader Inquiry Branch  
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Vice President & Editorial Director: David J. Conti  
Book Editor: Nina E. Barr  
Book Design: Jaclyn B. Saunders  
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# **Success Stories**

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*Dedication*

To those who dare: the American entrepreneur

*"Fortune befriends the bold."  
—Virgil*

# Acknowledgments

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I accept full responsibility for any faults this book might have and gratefully share any praise for its virtues with the following persons:

Geena Clonan, owner, textile importing business; Mary Jean Del Campo, instructor, import/export school; Leonor Ferrer, owner, customhouse brokerage; Bill Green, international student; Creighton Lawhead, President, San Diego World Trade Association; Bernice Layton, Vice President, International, Greater San Diego Chamber of Commerce; Marilyn Miller, international business student; Francisco Philibert, international businessman; Richard A. Powell, Director, San Diego office, Department of Commerce; David Porter, owner, customhouse/freight forwarder brokerage; Francisco Pinell, Librarian; Rene A. Romero, owner, customhouse brokerage; Bert Salonen, Vice President International, San Diego Trust; Thomas Shelton, Assistant District Director, United States Customs Service, San Diego; Bill Stonehouse, International Director, San Diego Port Authority; and David Weiss, owner, import/export business.

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Thank you.

Special Note: Addresses and telephone numbers offered in this book are subject to change.

# Introduction

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**IMPORT/EXPORT: HOW TO GET STARTED IN INTERNATIONAL Trade** is a practical book that explains the basics of international trade from A to Z, in terms anyone can understand. It deals with every aspect of importing and exporting, citing helpful details and examples. Its overall message is that doing business across national borders is not difficult and can be profitable.

## WHO IS THE BOOK WRITTEN FOR?

### Small-Business Owners

This book is for the managers and staffs of small- and medium-sized manufacturing and service firms who lack practical, hands-on experience and wish to learn the transaction mechanics of importing and exporting. After all, according to the United States Department of Commerce, less than 10% of America's manufacturing and service companies are involved in international trade, yet many more would participate if more employees and leaders understood the process better.

### Entrepreneurs

Many people are intrigued by the thought and challenge of starting their own profitable business to market their own products, as well as others, across international borders. They see untapped markets and profits and want to know how to get into the growing business of international trade. An import/export business offers great opportunity for writing off your travel expenses and enjoying the prestige of working with clients all over the world.

Individuals or companies can act as an *international intermediary* or *middleman* (a unisex term); that is, they can sell foreign-made products in the United States (import); they can sell American products in other countries (export); or they can do both.

For exports, every manufacturer or service company, in the United States, not already selling overseas can be a potential client for you.

Conversely, for imports, you can buy goods abroad at low prices, and sell those foreign products to American consumers who are very eager to buy.

Whether you run your business from your home, do it part-time or full-time, or as an expansion of an existing domestic retail or manufacturing firm, an import/export business often requires little capital investment for startup. Combining travel and international trade is an exciting way to reap the rewards of excitement, and to touch the exotic and excellent profit potential.

## Students

I also have written this book for students and others wishing to enter and pursue a career in one or more phases of international business. Teachers and professors will find it suitable as a classroom text that gives perspective and helps learners gain an appreciation of the total process and how their specific job fits into the big import/export picture.

## Foreign Business People

Although the slant of this book is toward the American reader, it can be equally valuable for people from foreign countries who wish to know how to do business across the borders of the greatest market in the world.

## Women

"Oh, sure, but this importing/exporting stuff is only for the Male White Anglo-Saxon Protestant (M-WASP)." No statement could be farther from the truth, because in the battle of the sexes, America is way ahead.

Around the world, it's still very much the same old *Vive la différence*. In Europe, a few women have risen through the ranks, and the farther east you go, the tougher the going gets. It's true that American women often experience a culture shock in the Middle East. Even today, they are forbidden to drive cars or ride bicycles in Saudi Arabia. In Japan, even though a few women have broken into middle management, the general acceptance and regard for women in business remains many years behind the United States.

From mailrooms to boardrooms, American women have become as commonplace as pinstripes and button-down collars. In the United States, there's more opportunity and freedom for women in business than almost any other country in the world.



More than 3 million women own businesses—22 percent of all smaller firms—which gross more than \$40 billion annually.

Recently, greater numbers of women have begun to start-up or run their own businesses, and as the number has increased in the United States, the number involved in import/export has increased proportionately.

American women in international business just figure out ways to overcome the obstacles. They simply end-run the problem or go to more receptive markets. For example, women doing business in most Middle Eastern countries often arrange for men to handle their direct negotiations with Arab businessmen. One such woman flies to Alexandria, takes a room in a fine hotel, and from there directs the negotiations of her Egyptian associate. She meets the principals involved only when the deal essentially is complete.

In spite of the difficulties, there are many success stories, and women in the international marketplace are encouraging other women to join them.

## **New Americans**

So-called minority groups, other than women—i.e., American Indians, Asians, Blacks, Hispanics, Middle Easterners, and others—often have a natural expertise which helps them *source* (find) or *market* (sell) products overseas. For them, many of the expected obstacles turn into advantages. For instance, to sell in most of Africa, it is an advantage to be a black American. Most newcomers to the United States have the advantage of speaking and understanding another language and culture. Getting off the ground in an import/export business often is easier for new Americans because contacts are already in place.

## **WHAT'S IN THE BOOK?**

The premise of this book is that the reader knows little or nothing about importing or exporting. Therefore, this book will lead you through a transaction in a very logical process—a way no other book uses to deal with the subject.

Authors of other books separate importing from exporting, implying the two are distinctly different. In fact, the mechanics of an import or export transaction are exactly the same. Importing is just the mirror image, or *commonality*, of exporting.

I have organized this book into three parts. The first part consists of chapters 2, 3, and 4, which explain the commonalities of the transaction process. This part is applicable to people of

any country, because the theory is the same anywhere in the world. In chapter 2 you will learn how to decide whether your selected product will be profitable and salable.

After you have found your niche in the phenomenal international trade business, chapter 3 explains how you should plan and negotiate the transaction. The final chapter of this section of the book reveals the methods of completing the deal, including how to avoid risk.

The second part of the book consists of chapters 5 and 6, which discuss the peculiarities of importing and exporting across America's borders. They include how to obtain approved government export licenses, as well as how to use the United States' new Harmonized Tariff schedule.

The final part of the book consists of two chapters which deal with setting up your import/export business, whether it be as an intermediary or as a department of a manufacturing or service company. It provides a suggested format for a business plan and, in the final chapter, offers 20 ways to ensure success in international trade.

The appendix of this book lists a fountain of information in valuable tables, telling you where to go for United States Department of Commerce assistance and where you can get the low-cost information that is available from your nearest government book store. The book also includes a complete glossary of the most commonly used import/export terms.

You should use this book as your primer. It will lead you through the method I've developed to make learning the basics of importing and exporting simple and possible for everyone.

## **COMPARING AND CONTRASTING**

Unlike any previous book on international trade, this one presents my original method of learning the basics of importing and exporting in terms of comparing and contrasting commonalities and differences.

### **The Commonalities of a Transaction**

This book cites sixteen transaction-related concepts that are common to import and export. For example, terminology and communication for exporting and for importing is identical. I have presented seven concepts in chapter 2, five in chapter 3, and four in chapter 4.

I have presented each fundamental concept in this order to facilitate your understanding of them and because it is the order

in which real world transactions generally happen. Please don't, however, mistakenly assume that the order represents a hierarchy of importance, that each concept truly can stand alone, or that they always happen in this order. Each fundamental integrates with the other concepts in the process of international trade and each is equally necessary. Successful importers or exporters grasp their importance and put them to work.

## **The Differences**

Most countries have unique laws and practices of importing and exporting. For example, in the United States, export licensing controls apply only to exporting, whereas tariff schedules relate only to importing. These distinguishing processes of importing and exporting in the United States are offered in chapters 5 and 6, respectively. This treatment should clarify any differences and enable you to understand them easily.

## **HOW TO USE THIS BOOK**

Whether you enter international trade through imports or exports, you should understand the basics of both. The best way to use this book is to master the concepts and hands-on specifics presented in chapters 2 through 6 first.

It is unlikely that you will be ready to begin trading until you organize a business to do so. In chapter 7 you will learn how to put the fundamentals to work profitably in a business setting. At this point, the fun really begins.

The final chapter of this book (chapter 8) offers 20 secrets to import/export success—obey these and you will make big profits.

Having once read and studied this book, because of its depth and completeness, it will become your reference guide which will be there when new events occur during the operation of your business.

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# Winning the Trade Game

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*TRADE* MEANS THAT ONE PARTY PRODUCES AND EXCHANGES GOODS and services for currency or the goods and services offered by someone else. When this exchange takes place across national boundaries, it is called *international trade*.

## INTERNATIONAL TRADE

*Exports* are the goods and services *sold* by individuals or nations. *Imports* are the goods and services *purchased*. By these methods, products valued at more than 2 trillion United States dollars are exchanged worldwide each year. By the mid-80's the United States alone exchanged more than \$600 billion in two-way trade, and sales volumes are increasing every year. When we, as consumers, enjoy fresh flowers from Latin America, tropical fruits in the middle of winter, or a foreign car, we are participants in, and beneficiaries of, international trade.

We are living in the age of global interdependence—a time of increasing expectations brought about by the worldwide distribution of Hollywood movies, New York and London television, and speedy transportation systems. People all over the world want the same luxuries and standards of every other place. They see things and, naturally, they want them.

Richard Whalen of the Center for Strategic and International Studies, Georgetown University, sees international trade



as a game. In his best school-house language he suggests, "The international (trade) struggle is actually a little-understood contest among governing elites, testing relative ingenuity in devising new political and economic arrangements to offset mounting social and cultural obstacles to productivity."

As a business person, you know, when left alone, the "free enterprise" and "free market" system works. Fortunately, things are happening! More and more nations are moving toward free trade and open-market systems. International trade has become the business of the '80s, '90s, and the future.

### **United States of America**

The United States recently passed a new trade law, called the Omnibus Trade Act, which, in many ways, stiffened the American resolve to ward off protectionist trends. That act strengthened the president's authority to negotiate for more open markets. It also, among other things, provided for less burdensome export controls and approved America's joining the rest of the international community in using a more common tariff schedule. Bilateral negotiations are ongoing to spur an increase in international business.

### **Canada**

Effective January 1, 1989, Canada and the United States formed the world's largest free-trade area. The two countries were each other's largest supplier and customer with almost \$170 billion in two-way trade in 1987. The new agreement will strengthen the existing deep and friendly relationship by eliminating all tariffs between the two countries by 1998, expanding government procurement opportunities, liberalizing laws and regulations related to services, and continuing a favorable investment climate—all of which leads to many more new trade and investment opportunities.

### **Mexico**

Mexico has joined the General Agreement on Tariff and Trade (GATT), and that means a movement toward more open markets and a greater opportunity to sell United States products in that country—resulting in more international trade opportunities.

## European Community

The twelve-member European Community (EC) is in the process of completing the formation of a Single Internal Market. By 1992, some 300 rule changes will result in the removal of substantially all physical, technical, and fiscal barriers in the exchange of goods and services from within the Common Market.

The target changes are:

- to agree on a common value added tax rate,
- to remove handicaps to market entry to allow freedom to establish financial firms and services across borders,
- to deregulate transportation,
- to establish minimum industrial and safety standards
- to broaden the EC-wide bidding process for government procurement.

This initiative could radically change America's competitive conditions in one of our largest markets, but on the overall, it should be another major change in the world of international commerce that will increase the total volume of trade.

## Asia

Importing and exporting with the Pacific Rim countries has now surpassed our trade with Europe.

## Nonmarket Countries

Even the nonmarket (communist) economies are moving toward free markets. China and the Soviet Union are doing more and more market business with western nations. Many eastern European countries already have established trade relationships.

## GLOBAL CHANGES

The General Agreement on Tariff and Trade, a supra-national body, has entered into a complex period called the *Uruguay Round*, with the goal to change trade rules and reduce trade barriers by multilateral and bilateral negotiations. The result will be new markets worldwide. The total volume of international trade will grow even more.

Things are happening! As a result of all the changes, many American businesses are making big profits in international

trade. Millions of others are asking, "Is the time right for me to get into the import /export game?"

To answer this question, let's look at the history of United States international trade. Our ex-colonial forefathers were in a trade deficit during most of the nation's early years. In fact, it wasn't until the 1880's that the balances became positive. Fifty years later, during the Great Depression, the balances shifted back to large deficits. Following WWII, America had unprecedented surpluses. We now have deficits. In 1987, the United States' merchandise trade was out of balance by \$170 billion. In 1988 the deficit improved to about \$140 billion. Notwithstanding the improvement, Americans were still spending \$140 billion more for imported goods than America was exporting.

Even though United States imports still exceeded exports, traders gained tremendous profits, because the opportunities for profit from two-way trade depend on whether you see the glass as half full or half empty.

### **Optimist**

The optimistic importer says, "\$140 billion more imports than exports? I'm making a whole lot of money. I better stay in imports." An optimistic exporter would say, "What goes down must come up—the rate of decline is reversing. I'm staying in exports to make big profits!"

### **Pessimist**

A pessimistic importer might say, "The deficits are reducing. It's time to begin exporting." A pessimistic exporter would say, "Overall, things look really bad for exporting. Maybe I should start importing."

Those who are winning the trade game know that regardless of deficits or surpluses, the time is always right for business in international trade to make profits. The winners simply swing with political and economic changes over which they have little or no control.

## **WHY GET INTO TRADE**

Three reasons exist for people to get into the trade game:

1. Imports: Everyone is buying foreign—it's in vogue. Imports are bringing big profits.
2. Exports: Some experts acknowledge that exports have