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The ATA Export Manual

A Guide

to

Exporting Crafts to the U.S.

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Introduction

Background

Aid to Artisans has been conducting product development and business training since we were founded in 1976. We have had many requests from project participants for more information on product export; hence, this revised manual. The part we know best is the U.S. side of an export transaction. Therefore, the emphasis in this manual will be on U.S. export requirements.

Exporting can seem complex, but when viewed in the context of the cycle of paperwork that accompanies the export process, one can see that if all of the steps are followed, they seem reasonable. Students of marketing learn about the "four Ps": Product, Price, Place, and Promotion. Here we will be dealing with the "three Ps" of export: People, Product, and Paperwork.

How this manual will help you

The manual will deal only briefly with people and product, and concentrate mainly on the paperwork. By presenting sample documents and demonstrating their use, we hope the export process will be explained.

Exporting is a process with seemingly limitless variables. Depending on the buyer, the product, the terms of the sale, your production capacity, and other factors, each export order will be slightly different. This manual cannot attempt to cover all the factors, but we will guide you through the basic steps and provide advice on various considerations so that you can handle all the details even as they vary. Remember to take note and learn from each export order. With time and practice, this process will become easier, though maybe not less complicated. Since your country has its own set of requirements and documents, it is the responsibility of the exporter (or his agent) to know what they are.

The path you have traveled so far

In compiling this manual, we have made certain assumptions about your business and your intentions for exporting. Both as a checklist for your use, and to convey the premise of our advice on exporting, we will describe our assumptions about your business. If you feel that your business does not match these descriptions, you may want to re-evaluate your intentions to export or make some appropriate adjustments.

- ◆ *Understanding of the U.S. Market.* An educated understanding of the U.S. market and the trends particular to your product is important to successful exporting. Being aware of the price ranges, design trends, significant U.S. buyers and end-customers will help you develop a marketable product for the U.S. market.
- ◆ *Export Product Line.* Based on your understanding of the U.S. market, have you designed a cohesive line of finished products for export? The products may give special consideration to function, color, size, design and prices particular to the U.S. Do you have the ability to further modify your products to meet U.S. buyer requests? Do you offer hang-tags with the history of your traditional craft, the artists, or the history of your company?
- ◆ *Export Price List.* You have determined export product prices that are compatible with your business objectives and with what the U.S. market will bear. An export price list is the most professional means of communicating these prices to a buyer.
- ◆ *Adequate Production Capacity.* Are you confident of your production capacity and fulfillment time? Do you know how much of your production capacity you

can designate to export orders? It is important to have excess production capacity, or a network of cottage-industry producers or sub-contractors, available to expand production for given orders. Maintaining quality throughout products will be addressed in this manual.

- *Marketing.* Exposing and/or distributing your products to the U.S. market through catalogs, buyers' visits, and regional trade shows helps to develop a base of U.S. customers. Remember to maintain and expand your marketing efforts even while negotiating and filling the orders of your current buyers.
- ♦ *Export Agent, or In-House Exporting.* Have you determined whether your company will export directly or contract an export agent? After reading this manual you will have an educated understanding of the responsibilities of preparing your own export documents and contracting a freight forwarder.
- ♦ *Commitment to Export.* Has your company decided to target export sales with a good understanding of the conditions of exporting? Export sales require different production schedules, product development, marketing, documentation, shipping, method of payments, labeling and more. It is important to understand these conditions and have the commitment to adapt to them as necessary. Only with an educated commitment to target export sales will you realize this potential.

What you will learn in this manual

The nature of exporting is such that each order will be slightly different. Therefore, no manual can definitively describe how to handle all orders and shipments. Our objective is to accurately describe the process and variables involved -- to educate you to make the necessary decisions based on your own business, product and customer.

This manual will cover:

- product development
- pricing
- giving quotations
- negotiating a sales agreement
- receiving and reviewing a purchase order
- confirming an order
- managing production and quality control
- labeling the product for export
- packaging the product for protection and display
- packing the products for shipment and marking the boxes
- preparing a packing list
- writing an invoice
- obtaining an export license
- preparing necessary export documentation
- contracting a shipping company/freight forwarder
- receiving an air waybill or bill of lading
- distributing export documents
- collecting payment

1 The Buyer-Seller Relationship

Building Trust

Dealing with expectations

At ATA Export Seminars held in Hungary, Russia, Ghana, Jordan, and other countries, the major issue which always emerges is that of *trust* between the U.S. buyers and international producers. Without this essential ingredient, a workable business relationship simply cannot happen. Building trust can only occur with time, and involves learning to communicate effectively in the process of dealing with one another's expectations. Often, cultural barriers contribute to a lack of understanding. Overcoming these barriers takes commitment and openness, and a suspension of egos on both sides.

A typical US Buyer may hold the following expectations:

- Business will be conducted in English.
- Communications (including bad news) will be timely and frequent, preferably by fax.
- Promises will be kept.
- Quality of shipment will conform to sample.
- Price will be stable for at least 6 months.
- Delivery will be on time.
- Documentation will be correct.
- Goods will arrive undamaged, adequately packed.
- Re-orders can be produced quickly.

- You will work over-time (weekends, even holidays) to get orders completed by deadline.
- Money motivates you.
- You are desirous of giving good, professional service.
- You believe the "customer is always right."
- You will figure out a safe way to get paid.
- You will make samples quickly because you want the business.
- You will do on-going product development to suit the customer's needs.
- You will figure out a way to solve the problems of financing your production.
- You keep accurate chronological files of your business transactions and communications, and have a fundamental understanding of business.
- You will not show or sell buyer's designs to others.

Sellers might also have similar expectations.

The importance of good communication

The above expectations are typical. In the American business culture, the customer is usually given the benefit of the doubt, which may seem awfully one-sided. It is important to communicate your own set of expectations to your customer. Some of your company's needs will be expressed in a document called *Statement of Terms*, others will surface during face-to-face conversations, or through faxes and letters.

Written communication is by far the best way to establish a clear position on a subject. Human memory is simply not reliable. Keeping an up to date chronological file of all communications with your customer is essential. Even when you conduct face-to-face meetings, it is useful to summarize, in writing, points agreed upon during the meeting. All of this interaction should take place with courtesy and goodwill on both sides.

Roles and responsibilities

In every transaction there are any number of "invisible hands" -- people who are in the middle of the deal one way or another. They could be raw materials suppliers, agents, truck drivers, or customs brokers. Each of them plays a role in your export transaction, and generally reports to either the buyer or the seller. (Figure 1.1)

There are accepted roles for both sides. In the US, these roles are outlined in the US Commercial Code. An international transaction is subject to broad laws -- international law, the laws of both the country of export and the country of import, as well as certain UN agreements about trade. Rarely do a buyer or seller have time to educate themselves about these various bodies of law, and must rely on common sense, general business experience, and the use of easily accessible resources.

A seller should never take for granted that the buyer knows what they are doing. The more you know about your own responsibilities, the more helpful you can be to a buyer during an export transaction. In Appendix 1 at the end of the manual there is a Table of Documents. Each document relates to one or more people, and a specific area of responsibility. In some cases there may be more than one party responsible for the same activity. Whenever there are two or more parties involved, there will be a need for communication.

Edward Millard of Oxfam sums up a standard of behavior and activities which will ensure trust:

The Ten Golden Rules*

1. Confirm the customer's order promptly.
2. Advise your bank details and preferred method of payment.
3. Make the products as specified.
4. Follow the labeling and packaging instructions.
5. Impose strict quality control.
6. Pack the consignment adequately.
7. Meet the delivery date.
8. Ship it by the methods requested.
9. Send full and correct commercial documents.
10. Communicate any difficulties; clarify any uncertainties.

Following these rules isn't always easy, but the rewards can be tremendous.

* Source: Edward Millard, "Export Marketing for a Small Handicraft Business" Oxfam. Intermediate Technology Publications, 1992.

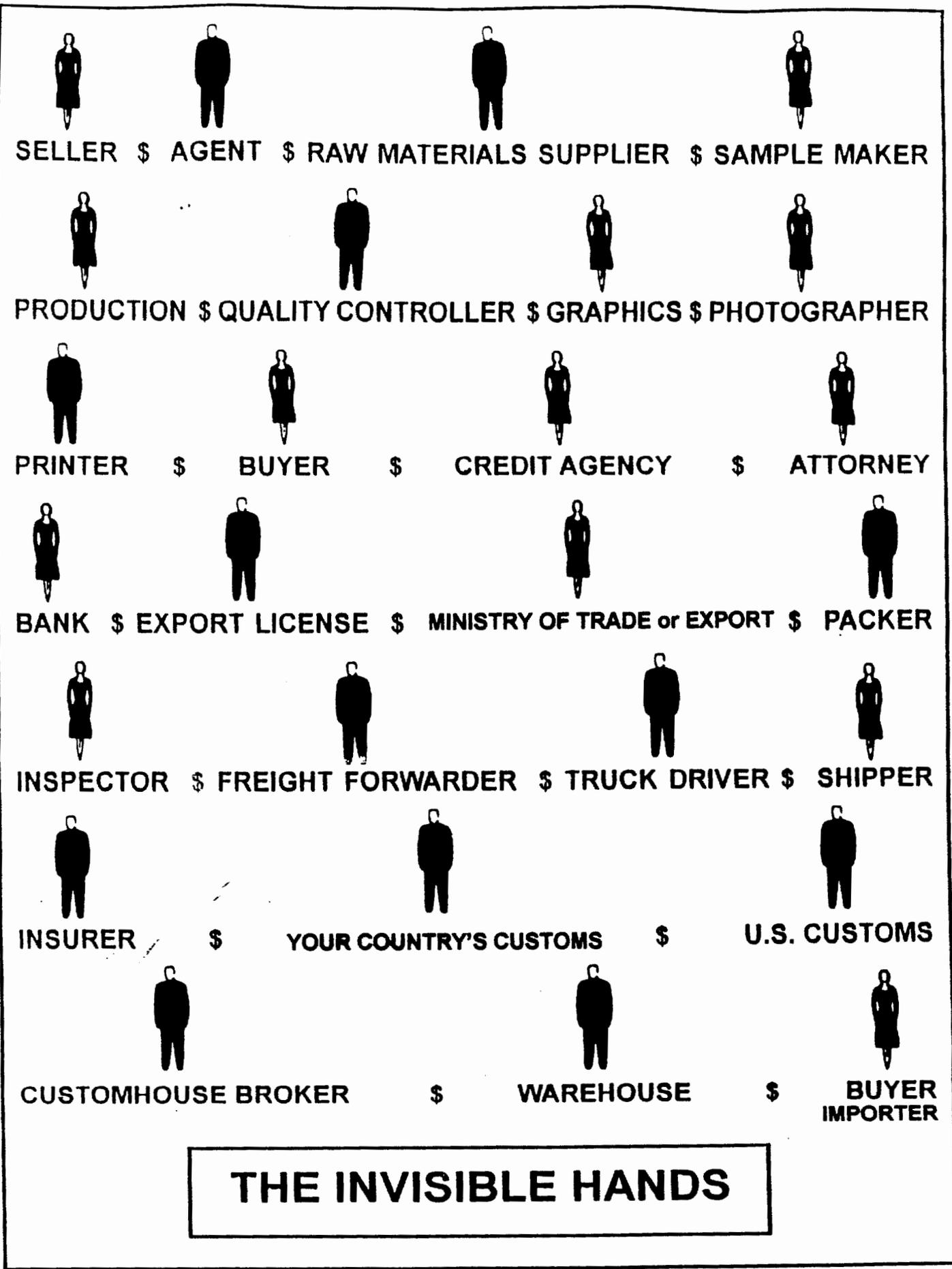


Figure 1.1. The Invisible Hands

2 Designing and Producing For Export

Taste in the Market Place

U.S. retail customers are very fickle, and their tastes are always changing. Fortunately, there are a wide variety of products to suit every taste. Handcrafts generally fit into the giftware market, a diverse industry composed of six primary sub-segments, including collectibles, general gifts, decorative accessories, seasonal decorations, stationery and paper products, and souvenirs and novelties.

Handcrafts by their very nature are useful, and this in itself is a great advantage for the artisan. People are always looking for new and different utensils, bowls, vases, table linens and home accessories as gifts and to replace worn out items.

Other criteria for the gift market include uniqueness—whether by process, history or design. Customers appreciate a hangtag which tells a bit of the story behind the item or the artisan. Traditional techniques indigenous to certain areas of the world, as well as artistic traditions and design motifs, define the product as representing a culture or folk art heritage.

Gifts whose raw materials are derived from nature are especially attractive to the contemporary U.S. customer. Natural fibers such as raffia, jute, bone (from cows and other domestic animals), linen, cotton or shell appeal to persons who care about global environmental issues and who look for gifts which are from recycled or biodegradable materials.

Trends

Customers also enjoy buying and receiving gifts which, like clothing, are in the current fashion or style. Motifs, colors and materials tend to surge and re-surge in popularity every few years. In the U.S. the Color

Council, a consulting organization which works with the design and manufacturing community, sets the colors for products such as bathroom tiles and fixtures, clothing, home accessories and dinnerware often two to three years ahead of when the actual products will be offered in the marketplace. Other companies forecast trends, or slow but major changes in consumer preference, such as ecological concerns, return to natural materials, or desire for products which promote good health and well-being.

Researching what is new in the market in order to reproduce it is a little like closing the barn door after the horse has run away. By the time the new product is in the market, other new products are being designed to replace it. However, this process does not happen immediately or completely, and there is always room for a fresh idea.

If one is interested in investigating new market offerings, trade shows are a good place to start. Most shows are on the wholesale level and visitors (or "buyers") are welcome to place orders for their stores. Craftsmen or manufacturers who are not selling in a booth are sometimes looked upon as unwelcome competition by other vendors, and often not made welcome. (It may be preferable to pose as a retail buyer...check the show requirements for entry to see if you need business credentials).

There are also many trade magazines and catalogs which offer new products and designs and give a sense of popular and emerging colors and motifs.

Do not overlook retail consumer magazines and catalogs. There are scores of them in the U.S. alone, offering everything from bed linens to toys to vacation and camping products to personal grooming aids. They are wonderful sources of information on both style and pricing.

Lastly, if you already have wholesale accounts, ask your buyers what sells and what new products they would like to see. Chances are, they are also asking their buyers (store owners) who are asking their buyers (consumers) what they all would like to see.

Product Development

There have been many cases of producers whose initial products have sold astoundingly well; and many of these producers have never been heard from again, largely because they relied on a success to repeat itself, and when it didn't, they were forced to abandon the business.

This has also been true of the handcraft market. Twenty years ago, when the first impetus of craft importing was begun, handcrafts from remote areas of the world were new and different on the scene, and were snapped up. Today, however, many of these same products, which appeal to tourists in the domestic market, are also still being imported, and have glutted the market.

Customers, particularly those in the U.S., are always looking something new and different. However, at the same time, they want their homes (which are becoming smaller but more reflective of their personalities) to characterize certain aspects of their own beliefs and concerns. For instance, they will buy handcrafts of good quality, but not usually ones that look cheap or touristy; they will usually prefer crafts that are functional versus those that simply hang on a wall and need to be dusted.

If you have products that are not selling well, but are committed to staying in business, then it is imperative to have fresh and new offerings. On the other hand, if you have products which are selling well, then it is also necessary to design new things, built on but not repeating, the best-sellers. There are many ways to develop a line of related products.

If you are beginning a new production activity (such as adding an embroidery component to an existing weaving process), then

new products will also have to be designed to complement and bridge the two media.

If you have many competitors, you will always be introducing new designs (which will quickly be copied) to keep a leading edge. Also, your customers will come to you first, if they expect that you are the company which is always developing new products for them. Your customers will be accustomed to recognizing your products over those of your competitors, especially if your customers keep returning to you.

Many products, such as Christmas ornaments and Halloween baskets, are seasonal; and although the seasonal gift market is quite large, it is rather like "putting all your eggs in one basket." Diversifying into new product areas is healthy both financially and artistically.

If your present lines are doing well and making a profit, then it would be good to keep "riding the wave" and introducing new products and reaping more profits.

Another motivation for extending product development, particularly in new areas, is to reach new markets. Many of the sub-segments of the giftware industry have their own trade shows. Developing lines which could be featured in a specialty show (e.g. floral accessories, tabletop, home textiles, stationery, furniture, museum reproductions, children's clothing) could reach new buyers.

Life Cycle of a Product

There are no certainties that any given product will "take off" and become the hottest selling item of the year. Research, work, persistence and luck all play their roles. A product that may have been around for two years may suddenly become a best-seller because the marketing climate has changed. Or perhaps it has been discovered by a popular designer (interior designers are always under pressure to present fresh ideas). In other words, there is no way to tell once the product has been introduced, when it may begin to be a hot seller.

Introduction may be through several channels: trade shows, samples presented to

selected buyers, market research by sending samples to selected consumers, and public relations (news and photo releases).

Over time, feedback from buyers and/or customers may give you impetus to modify the original product. If you do, then you have already added to your product line with the new modification.

Products may remain popular for months, or even years, with little or no rejuvenation, or they may reach a point where they have saturated the market to such an extent that shoppers have become tired of seeing them.

However, at some point, regardless of sales, there should be a re-evaluation of the product, both from economic and design perspectives. If the product has sold well, then sensitivity and timing are required to slowly remove it from the market before the public tires of it and inventory starts to accumulate. If the product has not sold well, evaluation will enable you to decide whether to scrap the idea or modify it to market taste.

Many products have experienced a growth, maturity and decline cycle in their popularity. And many of them have experienced a reincarnation, whether through modified design, or re-entry into the marketplace after a period of rest.

Organizing for New Product Development

Regardless of your company's size, ideally, there should be a structure in place for developing new products. It may be as simple as having lunch with a product designer and a tape recorder, or as complex as hiring a product development consulting firm for six months to research and revamp the entire line.

It is wise to engage a committee to review product histories and new directions. A product manager would be responsible for providing information on trends and colors, and statistics. The committee could meet at regular intervals to brainstorm new prod-

ucts, and give their recommendations on the next-in-line.

You might also consider having an ongoing research and development department, something like rocket scientists whose only job is to continually come up with new products. Items which appeal to the "committee" might be regularly presented for feedback, worked on, or set aside for future development.

Hiring professional product development consultants from outside the company will also add some fresh ideas, since everyone works with their own experiences, expectations and creativity. Most consultants have a recognizable style which can be a desirable element.

Also, enlisting the aid of an artisan who normally works in a different medium may inject fresh design ideas into a stale product line. It need not necessarily be a compatible field; many artisans would love to expand their horizons, and cooperative design efforts would complement both parties.

Stages in Product Development

Generating Ideas and Testing Concepts

The design process is rather like a 4-year old child: always moving, changing, growing, adding, subtracting, jumping incomprehensibly from one thing to the next, always receiving input and changing perspective—never static or still or one-dimensional. The starting point for new products may come from several different directions; expanding an existing line, developing a line based on traditional motifs or techniques, designing with readily available materials, editing and designing existing lines for cost effectiveness and/or production capacity or artisan ability.

Designers research ideas through many sources, including museums (art, folk, ethnographic, science), books, other crafts, and through buyer input. Most designers keep

"clipping files," where they store photographs and other information from magazines and newspapers, which might serve to start their creative juices. They also often like to interact with other designers, hear their ideas and what they're doing, and generally brainstorm with other creative minds.

Once the first structure of an idea has been formulated, it is the designer's job to germinate it and enable it to sprout and grow, often from several directions, before the idea is reviewed by the committee and critiqued.

A skilled designer will also know much about the process and production of the new product, will welcome input from artisans, and suggest efficient ways to produce new products and adapt existing ones to the germinating idea.

Along with doing research, the designer will begin experimenting (on paper, as well as with plastic media) and playing with the germ idea. From research, verbal descriptions and feedback from various sources (particularly buyers), the designer will develop several concepts, and test them with the production team.

At some point, prototypes or samples will be made by the artisans. They may be small swatches, or actual-sized products. These will be test-marketed either through presentations to buyers or even through strategic sales to local or tourist markets. Be advised, however, that what may sell well in a tourist market may not appeal to importers. Customer response will be evaluated before the line is put into actual production.

Business Analysis

Once a prototype is acceptable from a design standpoint, other factors have to be considered. Business considerations include budgeting, cost and time projections, marketing costs, sales projections, profit margin, cash flow, impact of economies of scale, and risk assessment.

Some questions you might want to ask yourself are:

- Can you time your product development activities to coincide with slower production periods?
- On new samples were you able to stay within price parameters? Can you reduce or eliminate some feature? For example, if you have created a two dimensional painted Christmas ornament, can you cut costs by painting it only on one side?
- Is there something which must be added or subtracted from the prototype to give it more "value-added" (e.g. packaging, tagging)?
- Can certain economies of scale (e.g. bulk buying of materials, or production line assembly) be reached in order to bring you more profit?
- Are you relying on one or several suppliers for raw materials? Can you afford to stockpile raw materials if they are seasonal or unstable in price?
- Is your targeted buyer financially strong? (i.e. will they still be in business next season, if you are targeting a specific buyer with new products)

Timing

Most US importers time new product introductions with their trade show calendars. Are you fully aware of your buyers' trade show dates? How far in advance of a trade show product introduction will the buyer need to receive your sample? Usually a buyer does not want to receive a sample at the last minute. They like to plan their booth display and the photographing of brochures well ahead of time.

Product Line Strategies

A single product does not usually exist in a void; rather it is designed with other compatible and complementary products to comprise a *line*. A line is composed of from six to twenty products which are developed around a theme or motif and which enhance each other. An example of a tabletop line

would be a seashell motif executed in brass, with 8 different shell motif napkin rings, and 5 assorted-size shell votive and taper candle holders. Place mats and napkins could also be included, as could a small lamp, and/or wall sconce. Items could be used alone, or in various groups.

Lines should be defined during the design segment, with room for future expansion. Questions to be answered besides "how many items?" include, "What size? Can we offer in two or three sizes?" "What shape (geometric, organic, rounded corner, abstract)?" "What colors? How many colors?" "What is the price range?"

It is also important to know when to delete products from a line. If a product is not selling well or proves difficult or costly to make in production, it may be a good idea to retire it from your line.

Other Considerations

In categories such as textiles, where there is a relatively high U.S. Customs duty as well as complicated visa/quote requirements, one might consider producing components, which would then be shipped and assembled in the U.S. Not only would this provide a solution to the Customs problems, but it would also provide work for U.S. artisans, an appealing idea to many U.S. designers and manufacturers.

Materials which are imported and then assembled overseas (such as fabric from Egypt imported to Jordan and then sewn into products) then exported to the U.S. also fall under complex Customs regulations (see Appendix 2). It might be feasible in this case (as well as less expensive) to have the buyer supply the materials.

3 Pricing Your Crafts

Price Considerations

The major determining factors of price are 1) seller's costs, 2) competition's price, 3) market demand. There are several ways to figure prices, whether working forward from production costs + overhead + profit or backward from whatever the retail market will bear.

What's your time really worth?

Most artisans base their prices on a combination of expenses. If you are a one person operation, you may need to make a conservative estimate of your personal expenses. These could include, rent/mortgage, food, clothing, medical, transportation/auto, education, utilities, maintenance/repairs, recreation, and savings, as well as any other regular expenses (Figure 3.1). This amount is your minimum target income/salary. You use this figure as a base line of what your time is worth. In the industrialized countries a work day is viewed as an eight hour work period of from five to six days per week, with a half hour lunch break and two coffee-breaks thrown in to keep your productivity up. In many emerging economies, work days might be much longer, but they are often interrupted by family emergencies, natural or political disasters, longer commute times (e.g. you may have to walk to work, or take a crowded bus), frequent religious holidays, etc. Usually, your country's minimum wage should be at the bottom end of what an artisan's time is worth.

Types of Expenses

Capital or start-up expenses: these are usually one-time purchases which include craft equipment, studio and office furniture, office equipment, improvements to work space. These costs are usually depreciated over time and are not expensed directly at time of purchase (Figure 3.2.). They represent your investment in the business, and

contribute to the overall value of your company, but do not generally figure into the pricing of your products. However, if you borrowed money to start your business or to make a capital improvement, then you will need to price your product in such a way as to have income from sales contribute to timely interest and principal payments. For our purposes, we will add this contribution to the overhead portion of our equations.

Direct expenses: these are costs incurred in the making of your product, including raw materials, labor (yours and employees), labeling and packaging (Figure 3.3).

Overhead expenses: these are all the other costs of running your business, including rental space, phone/fax, electricity and heat, maintenance/repairs, office supplies, insurance, professional services (such as accounting), administrative salaries (secretary), shipping and selling (shows and fairs, photography, brochures, travel, etc.), and taxes (Figure 3.4).

Profit margin: although profit is what is left over after expenses are taken, it is wise to build it in as a component of the F.O.B. selling price (see below). Profit is money for you that is not allocated to expenses; it is what you or your company receive in addition to your salary.

Setting Prices

There are several layers of prices that a product travels through from its making through its eventual purchase by the end consumer: Ex-works, F.O.B., C.I.F., Landed, Wholesale and Retail. All of these are based on information about your product, your expenses, needed salary and the market.

Let's take an example of a wood ornament which you paint, and for which you have an order for 1000 units, and follow it from maker to market. (You have already determined how much money you need for your personal expenses from Figure 3.1, and you have done a time study that indicates that one person can paint 10 ornaments in one day, including inspecting the product for quality, attaching a hanging thread, labeling it, packaging it in a plastic bag, and packing the whole order in a cardboard box.

1. Direct expense (Materials, Labor, Packaging):

Wood cutout (purchased)	\$.50 each
Paint (estimated)	.10 each
Hanging thread (purchased)	.02 each
Labor - you and others (based on maximum of 10 units per day, and \$10 per day needed for personal expenses)	1.00 each
Plastic bag	.05 each
Label or hangtag	.05 each
Cardboard Box	.20 each
Direct Expenses:	\$ 1.92 each

2. Overhead expenses:

These are taken as a percent of the total monthly overhead expenses divided by the number of units produced...in our example, 10 units per day x 24 man-days in the month = 240 units per month. Let us say that you have \$135 per month overhead expenses. \$135 expenses per month divided by 240 units per month = \$.56 per unit overhead cost, or 29% (\$.56 overhead cost divided by \$1.92 direct cost.).

3. Profit margin:

We will use 15% of the direct expenses + overhead price for our example, which is \$.37.

Add: # 1 Direct Expense	\$ 1.92
# 2 Overhead	.56
+ # 3 Profit Margin	.37
Ex-Works Price:	\$ 2.85

We now have the **EX-WORKS PRICE**, or what your product costs when it leaves your workshop (Figure 3.5).

4. Document preparation, local transport, agent's fees:

You ship 1000 ornaments to your export agent to send to your buyer in the U.S. He prepares the export documents, might help obtain the required government or Central Bank export approval and sends the order to the point of departure. Let us say in our example that costs from the export agent are 7% of ex-works price, or \$.20 (7% x \$1.92) per ornament.

Add: #1 Direct Expense	\$ 1.92
#2 Overhead	.56
#3 Profit Margin	.37
+ #4 Docs. prep, agent	.20
F.O.B. Price:	\$ 3.05

We have calculated the **F.O.B. PRICE**, meaning, "Free on Board," or what your product costs when it gets on the ship or plane. Most buyers want you to quote your prices F.O.B.

This is usually the point where the seller's expenses end and the buyers expenses begin.

5. Shipping and insurance expenses:

Usually paid by the buyer through his import broker, if he has one. Let us say these costs are 15% of the F.O.B. price, or \$.46 per ornament (shipping by air is always much more expensive than by sea). Freight costs can often make or break the salability of a product. (Remember, too, that fragile items require more packing and handling. Heavy items require more shipping expenses.)

Add: #1 Direct expense	\$ 1.92
#2 Overhead	.56
#3 Profit Margin	.37
#4 Docs. prep, agent	.20
#5 Shipping + ins.	.46
C.I.F. Price:	\$ 3.51

You have now the **C.I.F. PRICE**, which is the "cost + insurance + freight" price of your product as it travels to the U.S. Most exporters do not quote a C.I.F. price, unless asked to do so by a buyer.

6. Landing charges:

When your shipment arrives, it must be sent to U.S. Customs and cleared (perhaps traveling to another destination en route), and then shipped to the buyer. There may be Duty and import broker fees (if the buyer uses a broker), as well as several internal transportation charges. Let us say these are 20% of the F.O.B., or \$.61 per ornament.

Add: #1 Direct expense	\$1.92
#2 Overhead	.56
#3 Profit	.37
#4 Docs. prep. agent	.20
#5 Shipping + ins.	.46
+ #6 Landing Costs	.61
<hr/>	
Landed Cost:	\$4.12

7. Wholesale Price:

When the buyer receives the shipment, his expenses included the landing cost, plus his related expenses, overhead and profit margin. Many importers figure the wholesale price at roughly 3.5 times the F.O.B. price, or in this case, \$ 10.67

Add: F.O.B. \$	\$ 3.05
Landing costs	1.07
+ Overhead, Marketing Expenses, & Profit	6.55
<hr/>	
WHOLESALE PRICE	\$10.67

8. Retail Price:

A store owner sees the ornaments displayed by your buyer at a wholesale trade show, and orders them. They then add their expenses, overhead and profit margins to the wholesale cost, and sell them to the final consumer. Retail mark up is at least 2x the wholesale price, or in this case, \$ 21.34.

Add: Wholesale Price	\$ 10.67
Expenses + Overhead + Profit	10.67
<hr/>	
RETAIL PRICE	\$ 21.34

A retailer is apt to round his price up or down to the nearest five dollar increment, minus a few cents, a proven psychological tactic practiced on consumers. In this case, the price would go down to \$19.95 or up to \$24.95, depending upon perceived value, market demand, and "what the market will

bear." You are encouraged to use the pricing worksheet (Figure 3.6) to develop your own prices.

Analyzing Prices

If you are dismayed that the eventual cost of your ornament is now 7x the F.O.B. price, there are alternatives....you could jump on an airplane and fly the pieces here yourself, you could raise your profit margin considerably (and run the risk of overpricing your product and no one will buy it), you could choose only to sell to the domestic market, or you could find another more profitable line or work.

Most artisans create because it is the thing they love and do best. Selling and exporting on the wholesale level requires a lot of business sense and commitment. It takes time and thought to put together a viable product line.

Even though you are not dealing with retail customers (except perhaps on a local level, and you should still be pricing retail without all the shipping expenses), it helps to be aware of what happens to your product after it leaves you. If the eventual retail price is too high, no one will buy it. If you plan to stay in the market, you may have to adjust some of your expenses, such as overhead or materials.; or the buyer might have to order more units to take advantage of shipping discounts or a better price from you. If retail price is too low, then someone in the chain has room to allow for inflation, greater expenses, or more profit.

Often, one can research the retail market to find out the current prices of similar products. In the area of handcrafts, however, it is risky to assess the competition, since there is much variation between quality and labor costs.

There are also other factors to consider in pricing: 1) It is often a year or more between the time a buyer sees or requests samples, and the time they decide whether or not to order. It is very important that your prices remain stable for six months to a year.

2) Initial samples or production runs are usually the most expensive. Once a product is being efficiently produced, costs usually go down, but your prices may be able to stay the same). If you are doing most of the producing yourself, there is a limit to what you can make in a given time, and that will not expand, unless you can train and hire helpers to take on some or all of the work.

Other Pricing Methods

In our previous examples, we have worked from the expenses forward.

1) One can also work from the retail price backward to figure out what the costs might be if you plug in the formulas in the preceding pages. Again, extensive research is called for; mail order catalogs are a good source of information. (If you divide a mail order company's retail catalog price by between 5 to 7, you will have some idea of the likely F.O.B. price).

2) One can assess a fixed percent above the average direct expenses of all products in a line with little or no regard for sales volume, market prices, or variable expenses (on other products). This method of pricing is called "cost-plus." In our example, Direct Expense x 1.63 would give our F.O.B. price. This method is risky, and doesn't allow the kind of flexibility you may want to have to maximize the "what-the-market-will-bear" part of the equation.

3) If an item has a small profit margin but a high volume of sales is indicated, then one can lower the price per unit, assuming profit will be spread over a larger number of units sold.

Both entrepreneurial and negotiation skills are needed in the area of pricing.

PERSONAL/FAMILY EXPENSES

RENT or MORTGAGE	_____
FOOD	_____
CLOTHING	_____
MEDICAL (Doctor, dentist, medicine, hospital, x-ray, lab)	_____
TRANSPORTATION	_____
AUTOMOBILE (if any) (fuel, maintenance, repairs, fees, taxes)	_____
EDUCATION (School fees, private lessons)	_____
UTILITIES (telephone, heat, water, garbage, electricity)	_____
MAINTENANCE AND REPAIRS (to home)	_____
RECREATION (sports, theater, movies, etc.)	_____
TAXES	_____
PARENTS	_____
SAVINGS	_____
INSURANCE	_____
TOTAL PERSONAL/FAMILY EXPENSES	_____

Figure 3.1. Personal/Family Expenses

CAPITAL EXPENDITURES

TOOLS AND CRAFT EQUIPMENT _____

STUDIO FURNITURE
(Chair, work table, etc.) _____

OFFICE EQUIPMENT
(Calculator, typewriter, computer, etc.) _____

OFFICE FURNITURE
(Desk, chair, filing cabinet, storage shelves) _____

IMPROVEMENTS TO WORK SPACE
(if any) _____

TOTAL CAPITAL EXPENDITURES _____

Figure 3.2. Capital Expenditures

CALCULATING DIRECT EXPENSES

RAW MATERIALS

(Itemize separately. Weigh, measure, or estimate usages of all raw materials per piece or per dozen pieces)

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

LABOR (Production, inspection, packaging, packing)

1. Your own labor _____
2. Labor of others (incl. taxes) _____

LABELING, PACKAGING, PACKING

1. Labels, tags _____
2. Plastic bags, or packaging _____
3. Box for packing, packing material _____

TOTAL DIRECT EXPENSES _____

CALCULATING OVERHEAD EXPENSES

RENT (OR PORTION OF)	_____
PHONE/FAX (OR PORTION OF)	_____
UTILITIES (OR PORTION OF) electricity, heat, water, garbage	_____
MAINTENANCE & REPAIRS	_____
OFFICE SUPPLIES (including business cards, invoices, etc.)	_____
POSTAGE/SHIPPING	_____
GENERAL ART SUPPLIES (not for production)	_____
INSURANCE	_____
PROFESSIONAL SERVICES (accounting, legal)	_____
ADMINISTRATIVE SALARIES	_____
SELLING EXPENSE	
BROCHURES	_____
TRANSPORTATION	_____
SAMPLES	_____
PHOTOS	_____
CO-OP STORE FEE	_____
FAIR PARTICIPATION FEES	_____
 TOTAL OVERHEAD EXPENSES	 _____

Figure 3.4. Overhead Expenses

PRODUCT PRICING FORM

DIRECT COSTS

LABOR _____

RAW MATERIALS _____

PERCENT OF OVERHEAD _____

(total monthly overhead divided by
number of units which can be produced in a month

Example: 10,000rubles overhead/100 pcs. production = 100 rubles/pc. o.h.

PROFIT MARGIN (at least 15%) _____

TOTAL EX-WORKS PRICE _____

DETERMINING COSTS/PRICING

Description of expense	Percent	Amount per piece	Amount for 1 Month's production	Total
Raw materials				
Direct labor				
Sub-contracted labor				
% of overhead expense				
Labeling				
Packaging				
Quality Inspection				
Packing				
Paperwork				
Profit margin				
EX-WORKS PRICE				
Internal transport				
Documentation/export formalities				
Internal insurance				
F.O.B. PRICE				
International Shipping				
Insurance				
C.I.F. PRICE				
U.S. Customs Duty				
Import broker charges				
Transportation to warehouse				
LANDED COST				
Warehousing				
Selling expense				
Importer's profit margin				
WHOLESALE PRICE				
Retail mark-up				
RETAIL PRICE				

Figure 3.6. Pricing Worksheet

4 Before the Sale

Requirements

Figuring out just what steps are necessary to export your products may be a challenge (This is why using an experienced export agent is a good idea, especially for beginners.) You may have to visit your Ministries of Trade, Culture or Customs, to get all the information and documentation you need. Some of the requirements may include:

1. Your firm is registered properly and has a bank account in its name.
2. Certain countries (e.g. Russia) require a signed, stamped contract between buyer and seller, in English and your language. (Normally a purchase order suffices.)
3. Permission from your appropriate government agency (if required) that the product is not an historical treasure, pornographic, or seditious.
4. Appropriate bank or Central Bank permission to export (a means by which your government controls the flow of inward foreign remittance, usually US dollars).
5. Your country's Customs form filled out by commercial firm licensed to do so (includes Application for Customs Declaration, as well as Customs Declaration).
6. Inspection of shipment (actual boxes) by Customs officials on day of shipment.
7. Payment to Customs of % of amount of purchase order, if required. (Do not undervalue shipment, as you may possibly be prohibited from exporting.)
8. Certificate of folk art (in some countries, helps to waive U.S. Customs duty).

Statement of Terms

Buyers will have a number of questions about any transaction. The questions typically relate to payment and delivery terms,

discounts, sample pricing, packing instructions, etc. Remember, in business almost everything is negotiable, including terms, but it is important to have a clear starting point from which to negotiate. The Statement of Terms (Figure 4.1) can accompany your Quotation, whether the quotation is by letter, Price List, or Pro Forma Invoice.

Export Price List

One of the most frustrating experiences for a buyer is to visit a factory, workshop, or showroom, to see wonderful samples which appeal to them, and when they ask for a price, to have the seller return a blank look followed by an hour-long discussion with the bookkeeper, conducted in another language.

Perhaps the single most important sales tool is the price list (Figure 4.2). Without an accurate price, the most appealing products are of little interest to an American buyer. Creating a price list requires much homework on the part of the seller. Wholesale price lists should be in English, and prices must be quoted in U.S. dollars. They should be dated and good for a certain length of time, usually six months to a year. Any price quoted should be lower than the domestic retail price. The most important elements of a Price List are: your company name, address, phone and fax numbers; product code number; description of product (size, materials, weight); price; date; disclaimers; terms. The price list and Statement of Terms go hand in hand. Sometimes they are combined into one document.

It is also useful to state "pack size" if appropriate, that is, how many items are packed to a box, and how many boxes are in a master pack. Often an exporter will give additional information about the dimension and weight of a master pack, so the buyer can determine their shipping costs.

A price list must take into account future inflation that may not always be protected by the movement of your currency against the dollar.

Brochures

The more prepared the seller can be with well-marked samples, brochures, and price lists (all in English), the more professional they will appear. The brochure can be as simple as a hand-drawn line drawing of a product (Figure 4.3), identified by a style number, or as complicated as a full-color catalog of your complete line of products. Many companies keep photos of samples in a standard photo album. As long as the product shows clearly, and is marked with a style number and short description in English, a buyer will be able to make sense of the presentation. One sample format of an inexpensive photo presentation clearly shows a variety of details important to buyers (Figure 4.4). When you are using a photo album, catalog, or black and white drawings, they should be accompanied by the price list. Information about minimum quantities, available colors, and ability to customize products is useful to the buyer.

Samples

Often a buyer is not so much interested in the exact product you currently produce, as much as a special material or technique or general "look" of ethnographic authenticity. They may want to compare their proposed design to something you already have in your line, just to have a frame of reference for price, production capacity, technique, or raw materials availability. By offering a selection of well-marked samples that the buyer can study, they are often better prepared to make decisions more quickly.

It is extremely important to keep a duplicate or even triplicate set of all samples that leave your company. They may be your only record of color, design, size, or motif. Buyers are very strict that all orders match the samples they have as closely as possible. In the instance that there is some slight variation from the samples, be sure that this is stated clearly and confirmed in writing by the buyer in their purchase order. (In some

cases, stating the color as "assorted" will cover this, but again, be sure the buyer understands and accepts the assortment.)

Who pays for the samples?

There are many answers to this question. On less than minimum orders, many sellers charge a premium; in other words, they add 25% - 50% to the stated price. Other buyers expect that you will pay for the samples as a gesture of good will on the prospect of high volume orders, and they will pay the freight and Customs charges. In the U.S., many buyers will send for samples and then return them if they are not to be ordered. Be sure that everyone is in agreement about who pays for these samples. In general, custom samples are not returnable.

If you have not already done so, develop a consistent system for numbering samples. A different number should be given to each product, even though the difference is only in color. Some producers give a lettered prefix to samples going to the same buyer.

A sample tag is a professional addition to your marketing (Figure 4.5). It includes the style number, a simple description (matching the one on your price list, pro forma invoice, or commercial invoice) the size, color, material, F.O.B. price, minimum order, and pack size. It may also include a short history of the technique, maker, or other information of cultural or social interest. Often the buyer will furnish tags of their own for you to put on their orders, which incorporates both your information as well as their company name or logo. U.S. Customs requires all textile products to have a sewn-in tag with the fiber content percentages (by weight) and the country of origin; clothing should also have cleaning instructions.

The more professional looking the tag, the clearer message you send to your buyer about your export experience. If you are going to the expense of printing tags or brochures, you should provide prices on a separate price list, as we know they are subject to change.



HERITAGE CRAFT ENTERPRISE

5 Pokrovsky Blvd., Moscow 10100, RUSSIA Tel./Fax. 7+095+209-3779

STATEMENT OF TERMS FOR EXPORT ORDERS

1. The Heritage Craft Enterprise (HCE) is a private share-holder company registered with the Russian government. We request that all correspondence and payments be made to The Heritage Craft Enterprise.
2. After receiving your order we will notify you through a Pro Forma Invoice of our stock position, delivery date and total cost including packing charge. Delivery normally takes 60 - 90 days from receipt of signed purchase order accompanied by deposit or Letter of Credit.
3. Insurance is to be arranged by the buyer, if required.
4. HCE requires 25% advance payment for goods deposited to our local bank account *or* a Letter of Credit open in favor of HCE for the full amount before production can commence. The balance of 75% is due within ten days of US Customs clearance. Payment must be made in US dollars.
5. All prices are F.O.B. Moscow and are quoted in US dollars. Orders for less than USD \$1,200.00 cannot be accepted. When ordering, please give your nearest international airport and list any specific documents required.
6. We offer an additional 5% discount on all individual orders of US \$ 2,500.00 or more.
7. Custom colors and designs are available. Please allow 30 days for custom samples. Custom samples are billed at two times actual production price.
8. Method of payment will be through bank draft, wire transfer, or Letter of Credit. Personal checks, cash or money orders cannot be accepted.
9. Please specify packing requirements, including tagging and labeling, polybag, inner-pack, and outer packaging. Also provide detailed information for marking of outer cartons.
10. Please provide complete address and fax number of your customhouse broker, and let us know whether you want copies of export documents faxed to them at time of shipment.
11. HCE bank information: (send wire transfers by SWIFT)
Novaya Yevropa Bank
Moscow, Russia
A/C NO. 890-67933

Figure 4.1. Statement of Terms



HERITAGE CRAFT ENTERPRISE

5 Pokrovsky Blvd., Moscow 10100, RUSSIA Tel./Fax. 7+095+209-3779

EXPORT PRICE LIST 1995

Christmas Trim

<u>Product Code No.</u>	<u>Item</u>	<u>USD Price</u>
<u>Felt Ornaments</u>		
FO-01	Deer 3" W x 3" H	\$1.75
FO-02	Moose 3" W x 3" H	\$1.85
FO-03	Swan 4" W x 4" H	\$1.95
FO-04	Bear 3" W x 6" H	\$1.75
FO-05	Sheep 4" W x 5" H	\$1.75
FO-06	Angel w/harp 3" W x 6" H	\$1.95
FO-07	Angel w/drum 3" W x 6" H	\$1.95
FO-08	Angel w/horn 3" W x 6" H	\$1.95
FO-09	Poinsettia 4" d	\$1.85
FO-10	Christmas Tree 2" W x 6" H	\$1.75
FO-11	Log Cabin 4" W x 4" H	\$1.95
FO-12	Santa 3" W x 6" H	\$1.95

Felt Stockings

FS-01	Santa Christmas stocking 10" W x 17" H, Red or green	\$9.50
FS-02	Angel Christmas stocking 10" W x 17" H, Red or green	\$9.50
FS-03	Log Cabin Christmas stocking 10" W x 17" H, Red or green	\$9.50
FS-04	Nativity Scene Christmas stocking 10" W x 17" H	\$9.50
FS-05	Snowflake Christmas stocking 10" W x 17" H, Red or white	\$9.50
FS-06	Baby's First Christmas stocking 6" W x 12" H, Red or green	\$7.00

Notes

1. Ornaments and stockings are normally packaged individually in poly bags.
2. Items are offered in one color combination only, unless a choice is given.

PLEASE SEE ATTACHED STATEMENT OF TERMS

Figure 4.2. Export Price List



ARTISAN PRODUCTS of the RIO NEGRO UPPER AMAZON RIVER BASIN

A Project of
Fundação Vitoria Amazônica
Conservation International and
Aid to Artisans

BRAZIL



TUKANO and PIRATAPUYA Decorative Ceramics



TPC-1



TPC-2



TPC-3



TPC-4

- TPC-1 · 6" h x 10" d · pedestal bowl · \$17.50
- TPC-2 · 3 1/2" h x 9" d · bowl · \$12.50
- TPC-3 · 1 1/2" h x 8 1/2" d · plate · \$9.00
- TPC-4 · 2" h x 7" d · sm. bowl · \$7.50

TUKANO BASKETS

TB-002

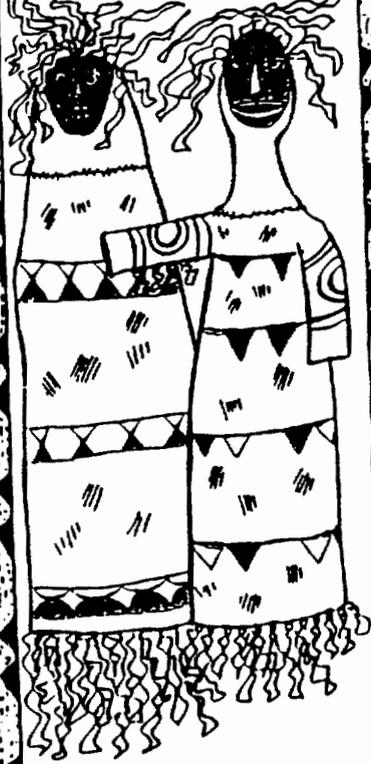


TB-001



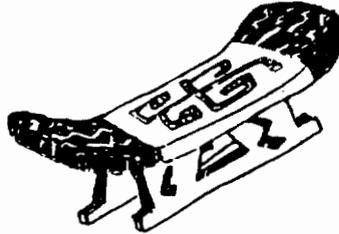
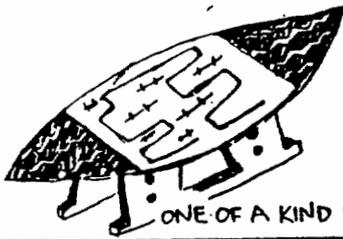
- TB-001 14" d x 15" h \$9.00
- TB-002 14" d x 4" h \$4.50

TIKUNA FESTIVAL MASK



ONE OF A KIND (design will vary)
60" high \$55.00

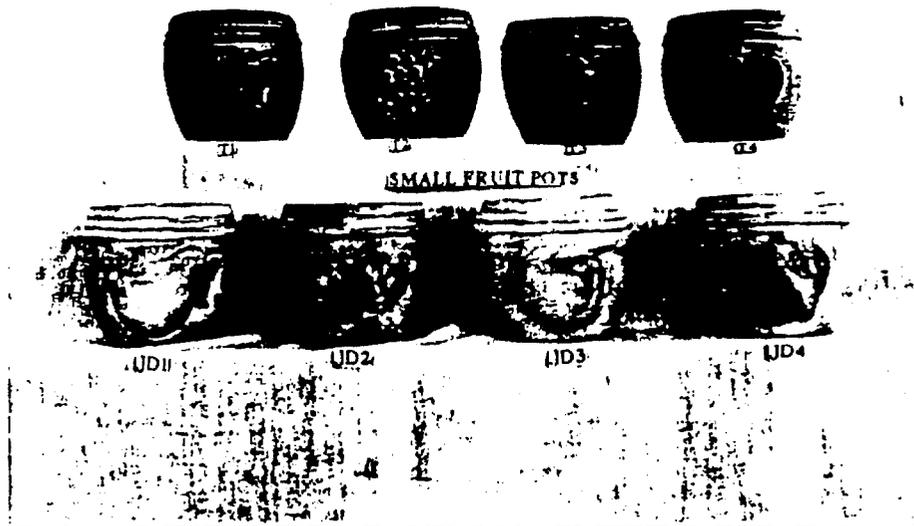
WAYWAY STOOL



ONE OF A KIND (design will vary) · 10" w x 8" h x 20" l · \$50.00

Figure 4.3. Simple Brochure

ANOTHER SUGGESTED FORMAT FOR DETAILED PRODUCT INFORMATION FROM SUPPLIER



MADERA HANDICRAFTS, INC.				
PRODUCT LINE		SMALL FRUIT POTS		
PRODUCT CODES		C1 : C2 : C3 : C4 JDF1 : JDF2 : JDF3 : JDF4		
APPROXIMATE PRODUCT SIZE: DIAMETER 2.12 1.8 inches				
BULK PACKING		<input checked="" type="checkbox"/> SINGLE FACE CORRUGATED CARTON <input type="checkbox"/>		
PRODUCT	INNER CARTON SIZE	PCS. PER	MASTER CARTON SIZE	PCS. PER
a) NO CANDLE	8.75x6.5x2.12 inches	6	18x13.25x13.63 inches	120
b) W/ CANDLE	9.25x6.25x3 inches 2.68x2.68x2.5 inches	6 1	19x13.5x13.25 inches	96
SHELF READY PACKING		<input checked="" type="checkbox"/> WHITE FOLDCOAT CARTON W/ PVC ACETATE WINDOW <input type="checkbox"/> INVERTED SINGLE FACE CORRUGATED CARTON W/ PVC ACETATE WINDOW		
PRODUCT	INNER CARTON SIZE	PCS. PER	MASTER CARTON SIZE	PCS. PER
a) NO CANDLE	2.68x2.68x2.5 inches	6	18x13.25x13.63 inches	120
b) W/ CANDLE	2.68x2.68x2.5 inches	6	18x13.25x13.63 inches	96
FINISH	ACCESSORIES	PACKING	NET WEIGHT	GROSS WEIGHT
HANDPAINTED	a) NO CANDLE	BULK PACKING	55 grams	9.5 kilos
	b) WITH CANDLE	BULK PACKING	80 grams	12.5 kilos

Figure 4.4. Photo with Product Information

COMPANY	Heritage Craft Enterprise
STYLE NUMBER	FO-07
DESCRIPTION	Felt ornament - angel w/drum
SIZE	7.5 cm (3 inches) wide x 15 cm (6 inches) high
COLOR	Pink dress, gold wings, blonde hair
MATERIAL	70% wool/30% rayon felt w/poly fiberfill stuffing
PACK SIZE	100 pcs. (asst'd ornaments) per box, 6 boxes per master carton
MINIMUMS	100 pcs. assorted
F.O.B. PRICE	US\$1.95 ea. F.O.B. Moscow

Figure 4.5. Sample Tag

5 During the Sale

The Letter of Inquiry

The first formal step in the export process is usually an inquiry, in the form of a fax, a letter, a phone call, or a factory visit. A written inquiry might look something like Figure 5.1. Your buyer will be impressed if they hear from you within 48 hours. If you don't respond within 4-5 days, even if only to say that you will be sending a package of information within the next ten days, the buyer starts to wonder how reliable you may be, or whether you are not looking for new business. A reasonable response could be the one in Figure 5.2. The communication cycle continues with requests for samples (Figure 5.3), and appropriate responses (Figures 5.4-5.7), up through the shipment and invoicing of samples.

Request for Quotation

Whether a customer is buying from your existing line (known as OTS or Off-the-shelf), or ordering all custom-designed items, the time for final price negotiation will come once the customer has received samples and figured out exactly what they want to order. A Request for Quotation (Figure 5.8) can come by phone, fax, or letter. It is best to keep your response formal and in writing, so there can be no mistake about the prices or the terms you are quoting.

Quotation Cover Letter and Pro Forma Invoice

It is usual for a cover letter to accompany a quotation. The cover letter (Figure 5.9) may explain details of the quotation and its validity period. The quotation itself can take several forms: it can be incorporated into the body of the cover letter; it can be a separate quotation form; or it can be a pro forma invoice (Figure 5.10). The pro forma invoice states almost all of the information

(minus the shipping details) that will ultimately appear on the seller's international commercial invoice. We suggest all price quotes be F.O.B. (*your country*) for air freight, and EX-WORKS for ocean freight.

The most important elements of a quotation are:

- ◆ buyer's name and address
- ◆ seller's name and address
- ◆ reference number and date (if any)
- ◆ invoice date and number
- ◆ terms of payment
- ◆ Country of Origin
- ◆ validity period
- ◆ quantity
- ◆ style number
- ◆ description of items (including size, fiber or material composition, particularly for textiles)
- ◆ price
- ◆ delivery time

Purchase Order

There may be one more round of price negotiation before the buyer places an order, but ultimately the time will come for the order! There are several ways to place an order. The most common is a purchase order (Figure 5.11) sent by fax or mail.

Buying decisions are often made from a company's headquarters in the U.S. The buyers consult among themselves at routine

meetings about samples they have collected from their travels or ordered from producers or an export agent. Decisions are based on labeled samples, an export price list, and additional information from your company. It may take up to a year from the time the buyer sees the samples to the time they make the decision whether or not to order—another reason that your prices should hold for 6 - 12 months. Your pro forma invoice may serve as the format for the buyer's purchase order, or they may have a special pre-printed form they use. In any case, a purchase order should contain the following elements:

- ◆ buyer's name and address
- ◆ seller's name and address
- ◆ quantity
- ◆ product description
- ◆ color
- ◆ size
- ◆ producer style number
- ◆ buyer style number
- ◆ price per unit
- ◆ purchase order number
- ◆ date of purchase order
- ◆ payment terms and method of payment
- ◆ shipping information
- ◆ customhouse broker
- ◆ labeling, packaging and packing requests
- ◆ marking instructions
- ◆ expected date of delivery
- ◆ special documents required

- ◆ cancellation date
- ◆ special instructions regarding insurance
- ◆ buyer's signature

Sales Order

A sales order is used if a buyer is visiting your factory, or meets a representative at a trade show, and decides immediately to place an order. In this case, some of the negotiating on shipping, labeling, method of payment, etc., can be decided in person and quickly. A sales order includes the same information as a purchase order. Consideration to all of the same points should be made. An international purchase order is preferable to a sales order.

Acceptance of Order or Confirmation of Order

After you receive an order, it is a good practice to acknowledge the purchase order with either an "acceptance of order" or "confirmation of order" AS SOON AS POSSIBLE (Figure 5.12). Such an acknowledgment notifies the buyer that you are willing to accept the payment terms, quantities, delivery dates, prices, and all other details stated in the buyer's purchase order. If you disagree with anything in the purchase order, *now is the time to tell the buyer*. Review the purchase order carefully. Any changes, questions, or problems with the purchase order should be discussed immediately with the buyer. Simple adjustments or agreements can be made to prevent problems at this time.

Some questions to ask yourself while reviewing the purchase order are:

- Can I produce the quantity ordered by the delivery date? If not, maybe you should suggest a later delivery date.
- Do I have access to all of the necessary materials to produce the items as specified? Substitution of materials or colors is not acceptable. The buyer expects

exactly what they ordered. Maybe you have to inform the buyer that the materials are not currently available, and suggest the alternatives.

- Is the payment method acceptable? If it is a wire transfer, do you have a bank account to accept the transfer?
- Has the buyer requested anything that would substantially add to your direct expenses such as, substitution of materials or attaching their hangtags or other packaging, which was not communicated to you earlier?

Clear, frequent and open communication between the producer and the buyer is essential.

Contract or Supply Agreement

Once you have accepted the purchase order, you have entered into a legal obligation to perform. In the initial stages of the buyer-seller relationship, a purchase order and confirmation of order are simple enough instruments to draw up and conform to. As the relationship becomes more complex and financial risk for both parties more serious, issues of product exclusivity, production priority, copyright, and credit terms will become increasingly more important to both seller and buyer.

If you are establishing a long-term relationship with a buyer and wish to agree upon certain conditions which will apply to all orders, you need to negotiate a supply agreement something like the International Purchase/Sales Agreement in Appendix 3. The agreement can specify the product, conditions and method of payment, shipping, labeling, packaging or packing, the use of an agent, the issue of returns (defective or sub-standard merchandise), and other information. It is beyond the

scope of Aid to Artisans to give any kind of legal advice. You should consult an attorney to develop a contract that is appropriate to your business.

It is also a good practice to define any issues of exclusivity. A buyer may want written confirmation that you are not going to sell a particular design to any other buyer, or even allow anyone else to see or photograph the samples (even if they are not buyers.) Buyers may also request an exclusive agreement of some kind on products of yours that are not custom-designed for them. In this case, you might want to seek advice from other producers with experience in this area.

A contract should be defined for a finite period of time, such as 6 months, 1 year, etc. It must be agreed upon in writing by both parties. No changes can be made to the agreement without consent from both parties.

Quotas and Visas

Quota is granted by one government to another to protect its domestic industry by regulating the import quantities of certain goods. The government to whom quota is granted then allocates that quota to producers in its country. If goods are under quota, your government must provide a visa for those goods, which must accompany the shipment through US Customs. Textiles and apparel are often subject to quota. Check with Customs in your country to determine whether items you wish to export are under quota.

Many buyers are not aware of quota restrictions, and it is up to you to do the research.

Again, be aware of the U.S. Customs regulations especially regarding textiles and apparel, which are extremely strict on visa, quota and labeling requirements.

FAX TRANSMISSION

FAIR-WEATHER IMPORTS, INC.
55 Lucky Lane
New Harvest, Connecticut 06922
Phone: 203/672-9945 Fax: 203/672-9947

To : Ms. Tatyana Gagarin **From:** Prudence Phibbs
Company : Heritage Craft Enterprise
Fax No. : 011/7-95-209-3779
Date : May 2, 1995
No. of PP : 1

Dear Ms. Gagarin,

I obtained your name from the Aid to Artisans, when I recently inquired about sources for Russian crafts. My company has been importing crafts from Romania, and Poland. We are planning on increasing our Eastern European product focus. We are particularly interested in items which can be used as ornaments on American Christmas trees.

Our fastest selling items are in the \$1.00 to \$2.00 F.O.B. price range. If your company carries any ornaments, or other Christmas items, we would be interested in receiving any information you may have about your product lines. Kindly mail your current brochure and price list to me at the above address.

I look forward to hearing from you.

Very truly yours,

Prudence Phibbs

Figure 5.1. Faxed Letter of Inquiry



HERITAGE CRAFT ENTERPRISE

5 Pokrovsky Blvd., Moscow 10100, RUSSIA Tel./Fax. 7+095+209-3779

FAX TO : Prudence Phibbs
COMPANY : Fair-Weather Imports, Inc.
FAX. NO. : 203/672-9947
DATE : May 3, 1995
NO. PP. : 1

FROM: Tatyana Gagarin

Dear Ms. Phibbs,

Thank you for your fax of May 2nd inquiring about our Christmas products. We have mailed to you today by air mail post a brochure featuring our Christmas ornaments, along with our current Price List and Statement of Terms for Export Orders. Most of our customers prefer to develop their own exclusive lines, which our in-house designers are quite skilled at doing. Of course, you are welcome to purchase designs we currently carry. In addition to ornaments, we also make stockings, tree skirts, and other decorative Christmas items.

We invite you to have a look at our factory, and to visit Moscow.

We look forward to hearing from you and to serving your needs.

Very truly yours,

Ms. Tatyana Gagarin, Director

Figure 5.2. Faxed response to Letter of Inquiry

F A X T R A N S M I S S I O N

FAIR-WEATHER IMPORTS, INC.

55 Lucky Lane

New Harvest, Connecticut 06922

Phone: 203/672-9945 Fax: 203/672-9947

To : Ms. Tatyana Gagarin **From:** Prudence Phibbs
Company : Heritage Craft Enterprise
Fax No. : 011/7-095-209-3779
Date : May 20, 1995
No. of PP : 1

Dear Ms. Gagarin,

I received your package several days ago, and have studied the information. Thank you for including sample ornaments. I would like to place a trial order for some of your stock items, as well as develop some new designs to be included with my first order. I am sending artwork and color instructions to you, and I would invite your designer to interpret our specifications according to the particular limitations of the technique. As soon as I receive samples for approval, I will go ahead with the rest of my order. You should have the designs within 4-5 days, as they were sent via UPS. I noted that you charge double for samples. This I understand. However, if I place a large enough order, will you consider refunding the sample charges?

I would also request that the design concepts I'm mailing to you not be shown to other buyers.

Sincerely,


Prudence Phibbs

Figure 5.3. Faxed Request for Custom Samples



HERITAGE CRAFT ENTERPRISE

5 Pokrovsky Blvd., Moscow 10100, RUSSIA Tel./Fax. 7+095+209-3779

FAX TO : Prudence Phibbs
COMPANY : Fair-Weather Imports, Inc.
FAX. NO. : 203/672-9947
DATE : June 1, 1995
NO. PP. : 1

FROM: Tatyana Gagarin

Dear Ms. Phibbs,

We received your designs in the mail today, and we like them very much. Our designer will have all samples by the end of next week. Do you want us to UPS them to you? We prefer payment by wire transfer. Unfortunately, UPS requires pre-payment. Therefore we ask that you wire both the cost of samples and the courier charges. We will advise what these charges are by the end of next week.

Refunding sample charges poses a paperwork difficulty with our bank. In the future we may be willing to reduce sample-making charges, particularly if you place large orders with our company.

Sincerely,

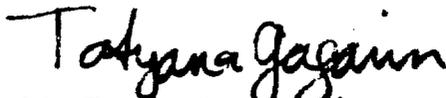

Ms. Tatyana Gagarin, Director

Figure 5.4. Faxed Notification of Receipt of Artwork



HERITAGE CRAFT ENTERPRISE

5 Pokrovsky Blvd., Moscow 10100, RUSSIA Tel./Fax. 7+095+209-3779

FAX TO : Prudence Phibbs
COMPANY : Fair-Weather Imports, Inc.
FAX. NO. : 203/672-9947
DATE : June 7, 1995
NO. PP. : 2

FROM: Tatyana Gagarin

Dear Ms. Phibbs,

Your samples are ready to ship. (We think they look quite wonderful!) Please see the attached invoice for pricing details. We need to know whether you would like to ship by UPS. Also, it is our policy to receive advance payment on samples. We suggest you use SWIFT wire transfer. Awaiting your prompt reply.

Very truly yours,

Tatyana Gagarin
Tatyana Gagarin

Figure 5.5. Faxed Notification Regarding Samples Shipment



Heritage Craft Enterprise

5 Pokrovsky Blvd., Moscow 10100, RUSSIA

Tel./Fax 7+095+209-3779

INVOICE

INVOICE NO: 101

DATE: June 7, 1995

To: Prudence Phibbs
Fair-Weather Imports, Inc.
55 Lucky Lane
New Harvest, Connecticut 06922 USA

Ship To: Prudence Phibbs
Fair-Weather Imports, Inc.
55 Lucky Lane
New Harvest, Connecticut 06922 USA

Notify: same

Country of Origin: Russia Terms of Payment: SWIFT wire transfer A/C NO. 890-67933
Novaya Yevropa Bank, Moscow, Russia

SALESPERSON	P.O. NUMBER	DATE SHIPPED	SHIPPED VIA	F.O.B. POINT	TERMS
	Fax 5/20/95	ASAP	UPS	Moscow	CBD

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
			\$ 0.00
2	FO-S1 Felt ornament - Duck, 4" x 4" , gold and blue w/red ribbon	\$ 3.50	\$ 7.00
4	FO-S2 Felt ornament - Wreath, 3"d, 2 pcs. green, 2 pcs. red	\$ 3.50	\$ 14.00
2	FO-S3 Felt ornament - Sleigh, 5" x 5", black, red, green	\$ 3.50	\$ 7.00
6	FO-S4 Felt ornament - Mitten, 3" x 4", 2 red, 2 green, 2 blue	\$ 3.50	\$ 21.00
6	FO-S5 Felt ornament - Mini stocking, 3" x 4", 2 red, 2 green, 2 blue	\$ 3.75	\$ 22.50
6	FO-S6 Felt ornament - Santa peasant, 4" x 6", 2 red, 2 green, 2 nat'l	\$ 4.50	\$ 27.00
SUBTOTAL			\$ 98.50
SHIPPING, HANDLING, & INSURANCE VIA UPS			\$ 80.00
TOTAL CIF MOSCOW			\$ 178.50

Materials: All felt is 70% wool, 30% cotton. 100% Polyester fiber fill.

Tatyana Gagarin
Tatyana Gagarin, Director

THANK YOU FOR YOUR BUSINESS!

Figure 5.6. Invoice for Samples

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F A X T R A N S M I S S I O N

FAIR-WEATHER IMPORTS, INC.
55 Lucky Lane
New Harvest, Connecticut 06922
Phone: 203/672-9945 Fax: 203/672-9947

To : Ms. Tatyana Gagarin **From:** Prudence Phibbs
Company : Heritage Craft Enterprise
Fax No. : 011/7-095-209-3779
Date : June 9, 1995
No. of PP : 1

Dear Ms. Gagarin,

Thank you for your fax and invoice of June 7th. Please ship samples via UPS to the address stated on your invoice to me. I have arranged for immediate wire transfer of US\$178.50 through SWIFT to A/C NO. 890-87933 of the Novaya Yevropa Bank, Moscow.

I look forward to receiving the samples.

Very truly yours,


Prudence Phibbs

Figure 5.7. Confirmation of Shipping Methods and Advice of Payment

FAX TRANSMISSION

FAIR-WEATHER IMPORTS, INC.
55 Lucky Lane
New Harvest, Connecticut 06922
Phone: 203/672-9945 Fax: 203/672-9947

To : Ms. Tatyana Gagarin **From:** Prudence Phibbs
Company : Heritage Craft Enterprise
Fax No. : 011/7-095-209-3779
Date : June 20, 1995
No. of PP : 1

Dear Ms. Gagarin,

I received the shipment of samples and am very pleased, though I noted that my new samples are more costly than your stock items. I am prepared to place an order, if you can offer me not only the 5% discount for orders of US \$2,500.00, but also an additional 10% discount on the new styles, which I am sure will become easier for your producers once those ornaments are in production. Please quote me by Pro Forma for 100 pcs. of FO-01 through FO-12, and 100 pcs. each of FO-S1 through FO-S8

Looking forward to your earliest response.

Prudence Phibbs

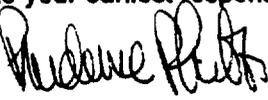


Figure 5.8. Request for Quotation



HERITAGE CRAFT ENTERPRISE

5 Pokrovsky Blvd., Moscow 10100, RUSSIA Tel./Fax. 7+095+209-3779

FAX TO : Prudence Phibbs
COMPANY : Fair-Weather Imports, Inc.
FAX. NO. : 203/672-9947
DATE : June 23, 1995
NO. PP. : 2

FROM: Tatyana Gagarin

Dear Ms. Phibbs,

Thank you for your fax of June 20th and your request for a pro forma quotation. We have studied the costing of the new samples, and have considered your request for a 10% discount on your designs in addition to the 5% quantity discount. We are able to offer you a 5% discount on our designs, and a 10% discount on your custom designs. (This offer includes any quantity discount).

The standard payment term for new customers is a 25% deposit at time of order, and the 75% balance due within 10 days of US Customs clearance. All moneys shall be sent by SWIFT wire transfer according to the information provided on our attached pro forma invoice No. 233.

We will be able to ship your order within 60 days of the receipt of your signed purchase order and wire transfer deposit. Prices are quoted in U.S. dollars. Our quotation is valid for 90 days from the stated date.

We look forward to hearing from you, and if you have any questions, please don't hesitate to contact us.

Sincerely,


Tatyana Gagarin, President

Figure 5.9. Quotation Cover Letter



Heritage Craft Enterprise

5 Pokrovsky Blvd., Moscow 10100, RUSSIA
Tel./Fax 7+095+209-3779

Invoice To: Fair-Weather Imports, Inc.
 55 Lucky Lane
 New Harvest, Connecticut 06922 USA

Pro Forma Invoice No.: 233

Date: June 23, 1995

Ship To: Buyer's instructions

Terms of payment:
 25% deposit by SWIFT wire transfer
 to A/C NO. 890-67933
 Novaya Yevropa Bank, Moscow
 at time of order. 75% balance due by
 SWIFT wire transfer 10 days
 after goods clear US Customs.

Via: Buyer's instructions

Country of Origin: Russia

Delivery: Within 60 days of receipt of your
 signed purchase order and deposit.

QTY.	CODE	DESCRIPTION	UNIT PRICE	AMOUNT
<i>FELT ORNAMENTS</i>				
100	FO-S1	Duck, 4" x 4", gold & blue w/red ribbon	\$1.66	\$166.00
100	FO-S2a	Wreath, 3" d, green	\$1.66	\$166.00
100	FO-S2b	Wreath, 3" d, red	\$1.66	\$166.00
100	FO-S3	Sleigh, 5" x 5", black, red, green	\$1.66	\$166.00
100	FO-S4a	Mitten, 3" x 4", red	\$1.66	\$166.00
100	FO-S4b	Mitten, 3" x 4", green	\$1.66	\$166.00
100	FO-S4c	Mitten, 3" x 4", blue	\$1.66	\$166.00
100	FO-S5a	Mini stocking, 3" x 4", red	\$1.97	\$197.00
100	FO-S5b	Mini stocking, 3" x 4", green	\$1.97	\$197.00
100	FO-S5c	Mini stocking, 3" x 4", blue	\$1.97	\$197.00
100	FO-S6a	Santa Peasant, 4" x 6", red	\$2.13	\$213.00
100	FO-S6b	Santa Peasant, 4" x 6", green	\$2.13	\$213.00
100	FO-S6c	Santa Peasant, 4" x 6", natural	\$2.13	\$213.00
100	FO-01	Deer, 3" x 3"	\$1.75	\$175.00
100	FO-02	Moose, 3" x 3"	\$1.85	\$185.00
100	FO-03	Swan, 4" x 4"	\$1.95	\$195.00
100	FO-04	Bear, 3' x 6"	\$1.75	\$175.00
100	FO-05	Sheep, 4" x 5"	\$1.75	\$175.00
100	FO-06	Angel w/harp, 3" x 6"	\$1.95	\$195.00
100	FO-07	Angel w/drum, 3" x 6"	\$1.95	\$195.00
100	FO-08	Angel w/horn, 3" x 6"	\$1.95	\$195.00
100	FO-09	Poinsettia, 4"d	\$1.85	\$185.00
100	FO-10	Christmas Tree, 2" x 6"	\$1.75	\$175.00
100	FO-11	Log Cabin, 4' x 4"	\$1.95	\$195.00
100	FO-12	Santa, 3" x 6"	\$1.95	\$195.00
2500 pcs				\$4,632.00
		Less 5% discount		\$231.61
		Total FOB Moscow		US\$4400.39

This quotation is valid for 90 days from the date of the Pro Forma Invoice.

Tatyana Gagarin
Tatyana Gagarin, Director

Figure 5.10. Quotation by Pro Forma Invoice

FROM:

FAIR-WEATHER IMPORTS, INC.

55 Lucky Lane
New Harvest, Connecticut 06922
Phone: 203/672-9945 Fax: 203/672-9947

BANK: Citibank N.A.
New Harvest, CT

TO:

Heritage Craft Enterprise
5 Pokrovsky Blvd.
Moscow 10100, RUSSIA
Tel./Fax 7+095+209-3779

P.O. DATE: June 25, 1995

P.O. NO.: 112

SHIP TO: Manhandle Customhouse Brokers
33 Airport Blvd.
Windsor Locks, CT 06782 USA
(Bradley International Airport)
Phone:203/622-9788
Fax:203/622-9733

SHIP VIA: Delta Air Freight , collect

COUNTRY OF ORIGIN: Russia

INSURANCE: Responsibility of Fair-Weather

NOTIFY: Prudence Phibbs
Fair-Weather Imports, Inc.
55 Lucky Lane
New Harvest, CT 06922 USA
Ph: 203/672-9945 Fx: 203/672-9947

SHIP DATE: August 25, 1995

CANCELLATION DATE: September 1, 1995

QTY.	CODE	DESCRIPTION	UNIT PRICE	AMOUNT
<i>FELT ORNAMENTS</i>				
100	FO-S1	Duck, 4" x 4", gold & blue w/red ribbon	\$1.58	\$158.00
100	FO-S2a	Wreath, 3" d, green	\$1.58	\$158.00
100	FO-S2b	Wreath, 3" d, red	\$1.58	\$158.00
100	FO-S3	Sleigh, 5" x 5", black, red, green	\$1.58	\$158.00
100	FO-S4a	Mitten, 3" x 4", red	\$1.58	\$158.00
100	FO-S4b	Mitten, 3" x 4", green	\$1.58	\$158.00
100	FO-S4c	Mitten, 3" x 4", blue	\$1.58	\$158.00
100	FO-S5a	Mini stocking, 3" x 4", red	\$1.87	\$187.00
100	FO-S5b	Mini stocking, 3" x 4", green	\$1.87	\$187.00
100	FO-S5c	Mini stocking, 3" x 4", blue	\$1.87	\$187.00
100	FO-S6a	Santa Peasant, 4" x 6", red	\$2.02	\$202.00
100	FO-S6b	Santa Peasant, 4" x 6", green	\$2.02	\$202.00
100	FO-S6c	Santa Peasant, 4" x 6", natural	\$2.02	\$202.00
100	FO-01	Deer, 3" x 3"	\$1.66	\$166.00
100	FO-02	Moose, 3" x 3"	\$1.76	\$176.00
100	FO-03	Swan, 4" x 4"	\$1.95	\$195.00
100	FO-04	Bear, 3' x 6"	\$1.66	\$166.00
100	FO-05	Sheep, 4" x 5"	\$1.66	\$166.00
100	FO-06	Angel w/harp, 3" x 6"	\$1.85	\$185.00
100	FO-07	Angel w/drum, 3" x 6"	\$1.85	\$185.00
100	FO-08	Angel w/horn, 3" x 6"	\$1.85	\$185.00
100	FO-09	Poinsettia, 4"d	\$1.76	\$176.00
100	FO-10	Christmas Tree, 2" x 6"	\$1.66	\$166.00
100	FO-11	Log Cabin, 4' x 4"	\$1.85	\$185.00
100	FO-12	Santa, 3" x 6"	\$1.85	\$185.00
2500 pcs		Total FOB Moscow		US\$4409.00
MARKS: Fair-Weather New Harvest, CT				
PAYMENT: 25% deposit SWIFT, balance 10 days after Customs Clearance, SWIFT wire transfer				
<i>Margaret Oherford</i>				
Margaret Oherford, Purchasing Department				

Figure 5.11. International Purchase Order



HERITAGE CRAFT ENTERPRISE

5 Pokrovsky Blvd., Moscow 10100, RUSSIA Tel./Fax. 7+095+209-3779

FAX TO : Prudence Phibbs FROM: Tatyana Gagarin
COMPANY : Fair-Weather Trading Imports, Inc.
FAX. NO. : 203/672-9947
DATE : June 28, 1995
NO. PP. : 1

Dear Ms. Phibbs,

We accept your Purchase Order No. 112, dated June 25, 1995. As soon as we receive notification of your wire transfer deposit, we will begin production.

Sincerely,

Tatyana Gagarin
Tatyana Gagarin, Director

Figure 5.12. Acceptance of Order

6 Producing the Order

Planning Production

With a confirmed order in hand, it is time to start production. Managing production requires producing by the date requested and producing consistent quality of products. Remember to consider any special requests and requirements stated in the purchase order and/or contract. Before you accepted the order you should have checked with your raw materials supplier to make certain what you need will be in stock. Based on the delivery of raw materials to your producers and the scheduling of other orders you may be fulfilling, it is helpful to plan and monitor production accurately, always allowing a comfortable margin for error.

Planning is essentially the organizing and directing of resources. Resources include time, money, raw material, equipment, and people. There is nothing more frightening than to have accepted an order only to have your raw materials supplier inform you that he has discontinued a color, or is out of stock on what you need to produce the order. All sorts of variables can conspire to foul up your well-planned schedule, and part of the art of management is being able to be flexible in the face of daily obstacles. You must constantly develop contingency plans for any of the many hurdles you encounter. Nevertheless, it is useful to sit down with a calendar and map out exactly how you are going to achieve the goal of meeting your delivery date.

One notable planning format taught in American business schools is the Gantt Chart (Figure 6.1). This format allows you to see the various tasks that need to be performed, the task duration, task relationships (which tasks happen before other tasks), and who will carry out each task. Presumably, you already have production experience, but for those new to planning, the Gantt Chart might help you to view your deadline as a goal to be reached by taking logical small steps according to a particular timetable.

Many companies post a big production schedule calendar where those responsible for meeting the delivery date are sure to see it every day. A simplified Gantt Chart can be produced in calendar form (Figure 6.2a-c).

Work Orders

When you are relying on sub-contractors, or cottage industry labor, be sure to issue some kind of work order stating the completion date. (Be certain to make their completion date well before your ship date.) The more information you put on the work order, the less liable the producer is to make mistakes. Exact size, color specifications (including swatches or color chips), and other details will limit misunderstanding. When you are working with many individual workers, it is necessary to provide them each with a counter sample, or standard, against which they will compare their production.

Quality Control

Quality crafts incorporate good design, the best materials, excellent workmanship, and attention to detail, especially finishing. Presumably, the buyer has approved a sample, and that sample (an original that you keep available) is the standard against which production is checked. It is critical to frequently check production against the sample. If a few inferior pieces end up in an export shipment, the exporter's reputation can be greatly damaged, and their financial risk high. Errors of poor workmanship can result in product returns, complaints, and eventual rejection by the buyer.

Commonly accepted components of a quality product are: line, style, materials, color, size, texture, design, weight, craftsmanship, finishing touches, and packaging. Here is a suggested checklist for monitoring the quality and consistency of your produc-

tion. Each order and product will have a different checklist.

- **Color:** Do the colors of the products match the colors requested in the order? Is the color consistent in all the products? (For example, does the red of one stocking appear lighter or darker than other stockings?) Do the dyes crock, rub, or fade?

- **Materials:** Is the quality of the materials identical to the sample and order request? Is the quality consistent in all the products produced for the order? Have the materials been properly prepared? (For example, if the item is made of carved wood, has the wood been properly dried?) Are the materials suitable for the product? (Examples of unsuitable materials might be a beautiful hand embroidered linen pillow, with a cheap metal zipper, particularly one in the wrong color.)

- **Odors:** Does your product smell of stain, paint, fumigants, textile ink, soil repellents or mold? Chances are your buyer will notice these smells and complain. Be sure to air products adequately before packing for shipment.

- **Size and dimensions:** Are the products the same size as the original sample or order request? Are the dimensions being accurately duplicated in production? Is the weight of the finished product the same as the original sample?

- **Finishings:** Have the suitable and requested finishings been added, such as linings, hinges, closures, hooks, stands, etc.?

- **Construction:** Are you using trained, skilled artisans and appropriate tools and technology to deliver a quality product?

- **Working conditions:** Is there proper lighting and good ventilation? Is the working surface clean? Are the hours reasonable, with frequent breaks at the production site? Is there cigarette smoke in the work area (textiles will reek of it)?

- **Storage:** Is the climate correctly controlled in the storage area? Is there mold or

are there bugs? Is the moisture level adequate?

- **Rush orders:** If you are working against a deadline, be sure not to rush the work so fast that quality is compromised.

- **Packaging:** Is the quality of the label, tags, and poly bag as requested?

- **Packing:** Are the packing materials in good condition? Are the boxes strong enough to withstand rough handling? Are the contents safe from the effects of water?

Keep in mind that producing a consistent and quality order is excellent insurance for receiving a re-order.

Labeling

Clearly marking and identifying your finished products is important for your buyer, US Customs and the end customer. How you label your products will depend upon the terms of the purchase order or sales agreement, and additional requirements of your country's government and US Customs. Labeling, as with virtually every aspect of the export process, will vary with each order and each product.

There are several reasons to label products:

1. To insure that US Customs can properly identify the material content (for textiles) and the country of origin.

2. To help the buyer identify the products they ordered.

3. To educate the end customer about the story of the product's technique, materials, or maker.

4. To inform the buyer about the proper way to care for the product (for example, how to clean the item). For textiles, there are some globally accepted symbols relating to fabric care. See Figure 4.3 for samples.

The US Customs Service requires that all products be identified with a "country of origin" label. The marking should read, "Made in (your country)," or, "Product of (your

country)." It must be legible and printed in permanent ink. It should be attached in a conspicuous place where it can be seen with casual handling and without disassembling the product. It can be stenciled, branded, stamped, molded, printed, or any similar means, directly onto the product. Labels and tags may be used, but they must be attached in a conspicuous place and in a manner which assures that they will remain on the product until it reaches the end customer.

Identification of the material content of all textile products is also required by U.S. Customs using a sewn-in label with the country of origin and fiber content (by weight beginning with highest percentage over 5%). Also, all apparel is to be labeled with cleaning instructions (refer to international symbols). Ceramics that are not made with lead-free glazes require labeling that states the item is "For Decorative Use Only - Not Food Safe." The lead-free requirements are much more stringent in the US than in Europe. It is essential to have products tested for lead content, particularly dinnerware.

Your buyer may have given you special labeling instructions in the purchase order. Be certain to confirm with them the specific requirements. If no special arrangements were articulated, we recommend that each product be tagged in English with the buyer's style number (this comes from the purchase order, if it is different from your own style number), product name, color, size if appropriate, and price if required by buyer. The label should be securely attached to the product either by an adhesive label or a hanging tag. You want to be certain that the label will survive the shipping and handling of the product. Often a buyer will supply their own tag, and ask that you apply it during the final stages of either production or inspection.

In the US market, customers like to know about the history of a product. Information about the producer, the design, and the history of the craft distinguishes your product. Hang-tags are an excellent means by which to provide this information. Be sure to have the buyer read and approve your

English version before you go to the trouble of printing and applying one (Figure 6.4).

The goal of labeling is to insure that the product will travel to the end customer as quickly as possible. The faster the product is bought, the sooner you will have a re-order. If the product is not properly labeled with the country of origin or other required information, the shipment will be held by U.S. Customs until proper identification and documentation is provided. Efficient labeling is also necessary so that the importer can identify stock numbers on the products they receive and determine that the order has been shipped correctly; they then send the products to their own customers. For the end customer, interesting product information or the history of the producer will intrigue a buyer and may make them more likely to purchase the product; fiber and care instructions will allow them to appreciate the product for a long time.

There is such a thing as excess. Figure 6.5 shows how the wrong size or placement of labels can detract from the design of the product.

Ideally, both the required and interesting information can be combined on a well-designed label.

Packaging

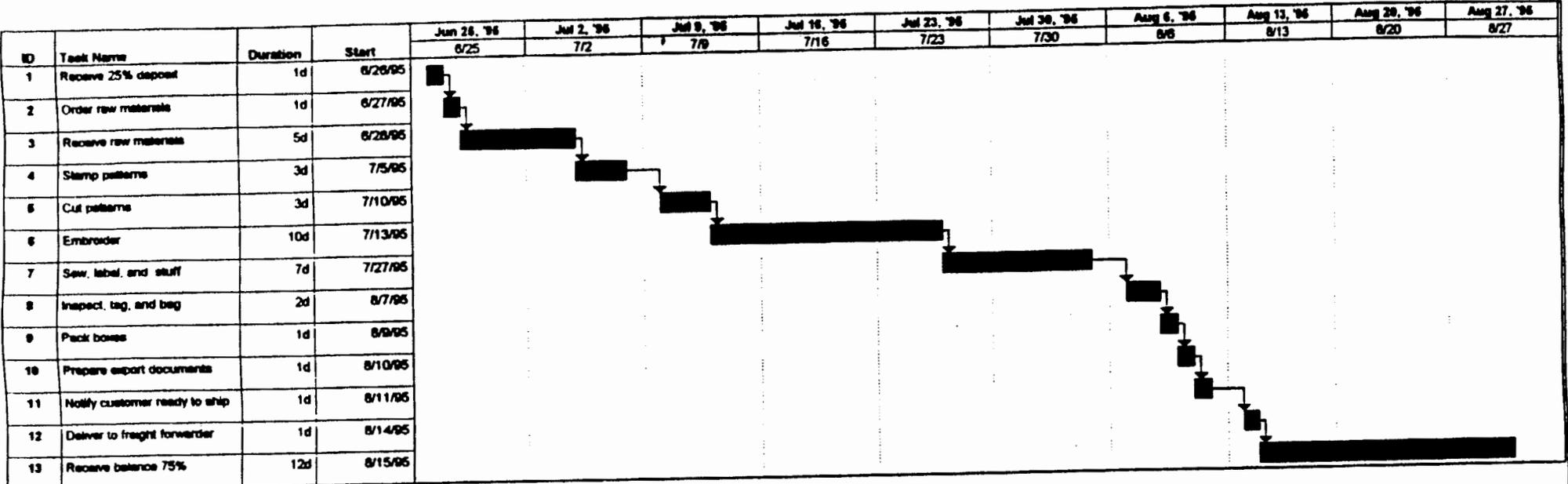
Packaging, as distinct from packing, refers to the design and method of putting the product inside a protective and often purposely attractive outer wrapping, such as a clear plastic bag or a lidded box with printed information on its surfaces. Packaging will facilitate the buyer's inventory process and ultimately make it easier to transfer the products to the end customer. Packaging is normally specified and sometimes supplied by the buyer, particularly if the materials are not readily available to you.

It is always wise to ask the buyer whether they at least want the products put into plastic bags, one at a time or in multiples of six, twelve, etc. Packing of individual or small groups of the products protects the products from breakage during shipping.

Sometimes it is helpful in identifying the product if you attach the style/inventory number, size and color to the outside of the packaging bag. Buyers also appreciate packaging and packing that will enable them to easily re-ship products to their customers. Distinctive packaging increases the perceived value of a product. Often a printed box will cost as much as the product itself, but will serve to increase what the importer can charge to retailers enough to more than cover the extra cost. The opposite is also true. Poor packaging cheapens a good quality product.

Production Schedule (Gantt Chart)

77



Project: Fair-Weather Imports P O #11
Date: 5/4/95

Task		Milestone		Rolled Up Task		Rolled Up Progress	
Progress		Summary		Rolled Up Milestone			

Figure 6.1. Production Schedule (Gantt Chart)

Washing



For washing by hand or machine. A number inside the symbol shows the maximum temperature at which the garment should be washed.



Handwash only.



Do not machine or handwash.

Drying



Can be tumble dried.



Do not tumble dry.



Hang dry.



Dry flat.

Cleaning



Dry clean only. A letter inside the circle indicates which solvent should be used.



Do not dry clean.

Ironing



Can be ironed. A line inside the symbol indicates cool iron, two lines warm iron, three lines hot iron.



Do not iron.

Bleaching



Can use household bleach.



Do not bleach.

Figure 6.3. International Symbols for Textile Care

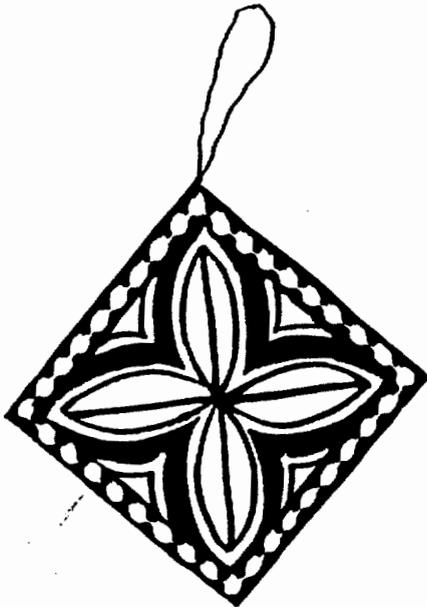


The design for this product has been adapted from Hungarian artifacts in stone, wood, fabric and paint. Aid to Artisans works with over 26 cooperatives and established craftsmen to preserve their rich folk art heritage. Talented artisans fashion ceramics, weavings, embroidery, felt applique and carpets into contemporary works, building viable businesses in a new free market system.

Aid to Artisans is a non profit organization dedicated to creating employment opportunities for artisans in developing or newly emerging economies



AID TO ARTISANS
FARMINGTON, CT

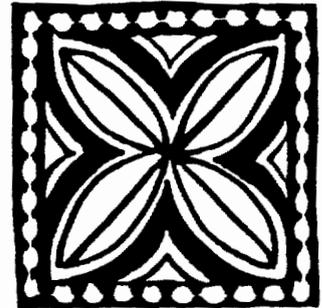


STYLE: 77-17

SET OF 3

PRICE:

7.37⁰⁰



Tonga has been a subsistence society, but now families need money to provide for education, clothing, and housing. Aid to Artisans, in cooperation with IMCC, is working with Tongan women to develop this needed source of income, while also preserving their rich craft tradition.

Amidst laughter and singing, fine artwork is created in Tonga. Throughout the island kingdom women gather in their homes to share in the ancient art of tapa making, pandanus weaving and basketry. Mats and tapa continue to be traditional Tongan gifts, and to this day, no Tongan is born, married, or dies without being presented with mats and/or mats of tapa cloth. Because each piece is made by hand, no two are exactly alike.

DRY CLEAN ONLY
85% Rayon 45% Wool
MADE IN HUNGARY

Figure 6.4. Sample Labels and Tags

LABELING



©73 k.hall

Figure 6.5. A product with too many labels and tags

PRODUCTION CYCLE

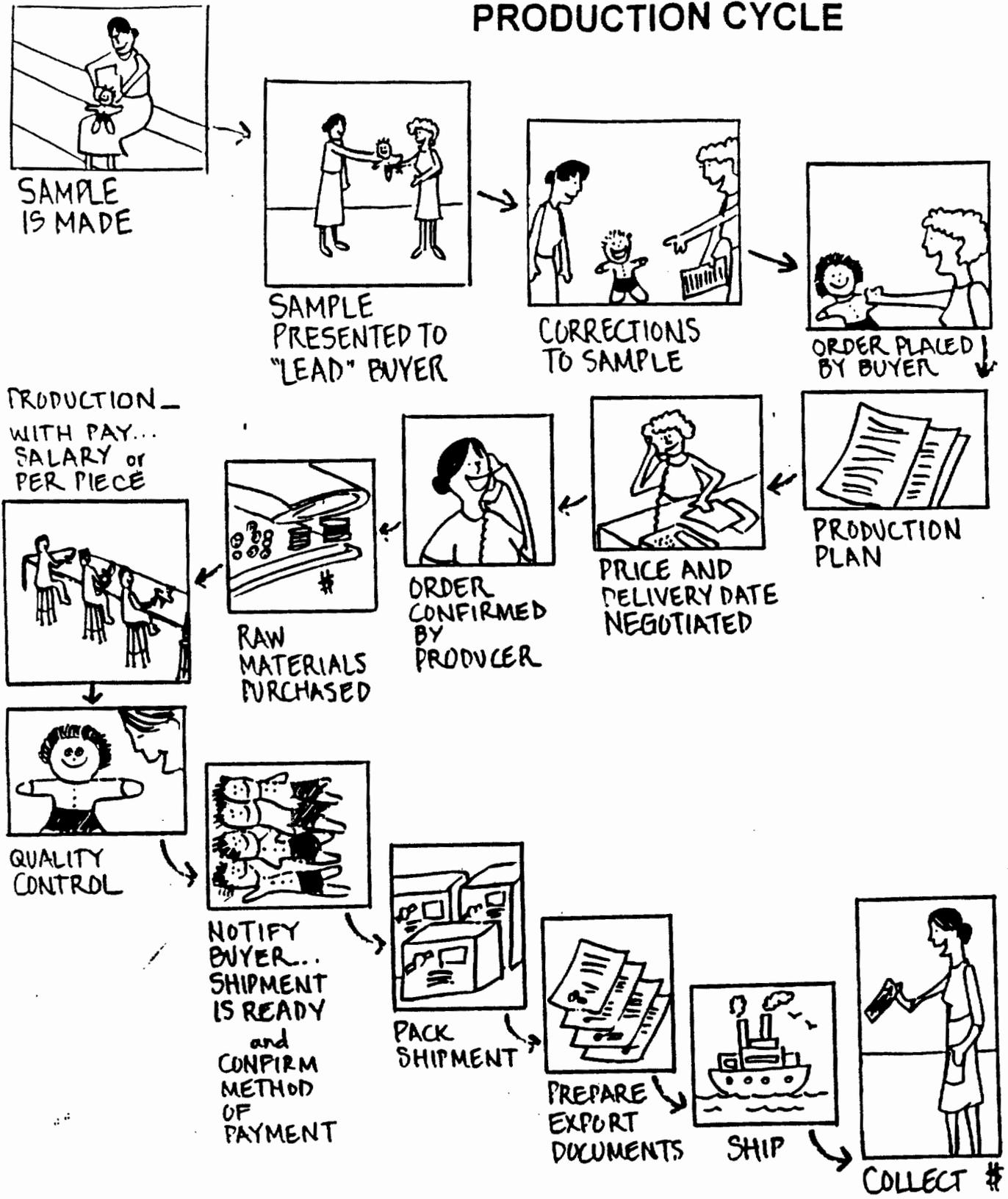


Figure 6.6. Production Cycle

7 Packing the Order for Shipment

Packing

Packing entails placing your packaged products into a shipping box or carton for maximum protection against damage. The key issues to keep in mind are: breakage, weight, and moisture. No matter how beautiful and well made your products, they are of no use if they arrive broken. Merchandise can be damaged during shipment by rough handling or weather. When selecting packing materials, consider the type and value of the products, the means of transportation and the weather they will incur. No matter how difficult it may seem, make your customer happy and protect your products by finding the most appropriate packing materials.

Damage during shipping and handling occurs because of pressure exerted from the outside of the box, or the movement of items inside the box as they jiggle. With this in mind, packing should include protective wrapping around individual fragile items, packing the items snugly to avoid movement inside the box, and using strong, durable boxes. Make certain weight is evenly distributed. For particularly large items (e.g. painted wooden chests and armoires), wood crates must be constructed.

Packing materials should correlate with the shipping method used. If you are shipping by sea in a full container, the individual cardboard boxes must be tightly packed with multi-pack separations. Fragile items should have 3 cm of cushioning. Various types of cushioning that can be used in packing include: shredded paper, paper-board structures, plastic bubble-wrap, air-cushion plastic bags, slices of expanded polystyrene, corrugated fiberboard pad and single-faced corrugated fiberboard. (Caution: do not use newspapers with print, as the ink can transfer to items you are cushioning or wrapping.)

Crushed or shredded paper is the least efficient packing material. Ideal wrapping of

breakables is layered: tissue around object, then bubble wrap, then corrugated cardboard. The inside walls of box or crate should have foam or Styrofoam cushioning. Empty spaces should be filled in with tightly balled paper, shredded paper, or foam. Packing filler should be moisture resistant. A desiccant (drying agent) can be used to reduce humidity. One common agent is silica gel.

Textiles should be dry, folded flat and packaged in plastic bags. Stock numbers, country of origin labels and fiber content labels should be visible through plastic wrapping.

Weight limits vary by destination if you are shipping through United Parcel Service (UPS, both international and domestic U.S.). Other companies may have maximum weights. Most companies calculate "dimensional weight." The UPS formula for dimensional weight is:

- Calculate cubic size: Multiply the package length by the width by the height (each rounded to the nearest whole inch). The result is the cubic size of the package.
- Determine dimensional weight: Divide the cubic size of the package by 194 to determine the dimensional weight (in pounds). Increase fractions of a pound to the next full pound. Divide the result by 2.2 to get the kilo version of dimensional weight.

Any boxes light enough to pick up and throw, will be picked up and thrown, regardless of "fragile" markings. Thus it is preferred to have two large heavy boxes that must be moved by machine than four or five light boxes, particularly when breakables are being shipped. (There have been many occasions where boxes have survived trans-ocean crossings only to arrive at the buyer's door with the contents broken during the last truck delivery from the airport.

The master pack box must protect the unit boxes or inner-packs. A high test cardboard

(250 pounds per square inch) or tri-wall construction boxes are adequate. Unfortunately, boxes made from waste paper are not as strong as those from pure wood pulp. Inner-packs should fit neatly inside a master pack, accomplished by using standard size boxes of the correct size. If you are packing for a container, you must take into account the dimensions of the container, in order to pack the space most efficiently. Boxes or groups of boxes on a pallet should be sealed in a clear plastic protective wrap to protect boxes from water damage. Outer packages should be sealed with tape or polypropylene strapping.

Handling of air cargo is usually gentler than sea cargo, but once it leaves the airplane it can receive some pretty rough handling by US truckers.

Buyers may have special packing requests, such as only using biodegradable material.

Freight forwarders and carriers can advise on best packing methods, as whatever method you use must satisfy the insurance company which will be insuring your goods until they arrive in the US. Sometimes it is wise to engage a professional firm to pack the order. You should seek out a professional *before* giving a price quotation to your buyer. It is a good idea to give detailed instructions to a professional packer, so there can be no misunderstanding about the quality of packing materials or methods used. Ask to see the kind of boxes and cushioning materials used by your packer.

Commingling of Goods

US Customs regulations state, "Whenever goods subject to different rates of duty are so packed together or mingled that the quantity or value of each class of goods cannot be readily ascertained by customs officers (without physical segregation of the shipment of the contents of any entire package thereof), the commingled goods shall be subject to the highest rate of duty applicable to any part thereof unless the consignee or his agent segregates the goods..." Essentially, this means don't pack textiles, ceramics, wood or other different Customs-category items in the same box. It is allowable to list different types of goods together

on the same commercial invoice and on the packing list, but attention must be made during the packing process to segregate goods by tariff code.

The Export Packing List

An international packing list (Figure 7.1) is required for any export shipment. It is included in Chapter 7 because much of the information necessary for properly filling out a packing list can only be ascertained during the packing process. The packing list must include the following:

- The name of the seller as it appears on the commercial invoice.
- "Ship-to" address or consignee. Be sure to include the name and address of custom-house broker, if requested by buyer to ship to the broker.
- Information about the type of package, whether it is a box, wooden crate, carton, etc.
- The gross weight and measure of each box in both Imperial and metric systems.
- The box number and total quantity of boxes. (e.g. Box #2/4 means that the box is Box No. 2 of a total of four boxes).
- The contents of each box listed separately, including brief product description, style number/inventory number, and quantity.
- Reference to other commercial and freight documents including buyer's purchase order number, seller's commercial invoice number, the air waybill or bill of lading number, and the Letter of Credit or bank draft number, if any.
- The name of ocean or air carrier.
- Shipper's and buyer's markings (for example "NY Showroom" or "Warehouse")
- All information on the packing list must be in English; sizes should be in inches and feet.

The packing list and commercial invoice should be compatible. Try to list the items stated on the packing list in the same order used on the commercial invoice. The quantities, descriptions, sizes, materials, and other details must be identical on both forms (except the packing list does not have prices.)

To avoid theft, it is important not to label the contents of each box directly on the outer carton itself. Details of the contents of each box must be included on the packing list. A separate copy of the packing lists will accompany the shipping documents. Do not list the value of the goods, as that will be included on the commercial invoice.

If there is more than one box, a copy of the packing list is affixed to Box # 1, usually in a waterproof envelope. The original is given to the shipping company to attach to the other commercial documents that accompany the shipment. In any case, you should put a copy of the packing list inside each box, in case the boxes become lost or separated from one another, and keep a copy for your own records. Buyers also may request—and certainly will appreciate—an advance copy of the packing list as well as the invoice to be faxed, even before the shipment goes out, so their customs broker can begin to prepare to receive the shipment.

US Customs officials will use the packing list to determine the contents of the box. It is important that the packing list be accurate.

Addressing and Marking the Boxes

There are several important pieces of information that must be written in English on your package in indelible ink:

- The consignee's name and address as it appears on the commercial invoice. If your buyer is using an import broker, then state the buyer's name c/o broker with broker's address.

It is also useful to state the airport.
Example:

Unusual Gifts
c/o West End Customs Broker
222 Airport Blvd.
BRADLEY INTERNATIONAL AIRPORT
Windsor Locks, CT 06772
PH: 860-622-5117 FX: 860-622-5118

- Your company name and address.
- The number of the carton out of the total being sent, usually expressed by "Number 2 of 5," or simply "2/5."
- The weight (in kilos and pounds) of the carton.
- The country of origin.
- Handling marks (Figure 7.2).
- Port of entry
- Buyer specified marks (e.g. buyer code number, quantity, special warehouse instructions)

Remember, to avoid pilferage, do not list the contents of the box on the outside of the box itself, but rather fold it and put it outside in a clear envelope, or put it inside the box.

PACKING LIST

SHIPPER: Heritage Craft Enterprise
5 Pokrovsky Blvd.
Moscow 10100, RUSSIA

CONSIGNEE: Manhandle Customhouse Brokers
33 Airport Blvd.
Windsor Locks, CT 06782 USA
PH:203/622-9788 FX:203/622-9733

PLACE AND DATE OF SHIPMENT: Moscow
August 20, 1995

NOTIFY: Fair-Weather Imports, Inc.
55 Lucky Lane
New Harvest, CT 06922 USA
PH:203/672-9945 FX:203/672-9974

VIA: Delta Airlines
AWB No.: 066-6783 9923

PURCHASE ORDER NO.: 112 **INVOICE NO.:** 895-002

PKG. NO. & TYPE	CONTENTS	NET WT. EA.	GROSS WT. EA.	TTL. NET WT.	TTL GROSS WT.	DIMENSIONS	TOTAL CUBE
BOX NO. 1	800 felt Xmas ornaments (100 ea. of style nos. FO-S1, FO-S2a, FO-S2b, FO-S3, FO-S4a, FO-S4b, FO-S4c, FO-S5a)	50 lbs (22.72 kg)	55 lbs (25 kg)	50 lbs (22.72 kg)	55 lbs (25 kg)	30" X 30" X 30"	455 CU. MT.
BOX NO. 2	800 felt Xmas ornaments (100 ea. of style nos. FO-S5b, FO-S5c, FO-S6a, FO-S6b, FO-S6c, FO-01, FO-02, FO-03)	50 lbs (22.72 kg)	55 lbs (25 kg)	50 lbs (22.72 kg)	55 lbs (25 kg)	30" X 30" X 30"	455 CU. MT.
BOX NO. 3	900 felt Xmas ornaments (100 ea. of style nos. FO-04, FO-05, FO-06, FO-07, FO-08, FO-09, FO-10, FO-11, FO-12)	56.25 lbs (25.6kg)	61.25 lbs(27.9kg)	56.25 lbs (25.6kg)	61.25 lbs(27.9kg)	30" X 30" X 30"	455 CU. MT.
WE HEREBY CERTIFY THAT THE ABOVE TO BE TRUE AND CORRECT.							
BY: <i>Tatyana Gagarin</i> TATYANA GAGARIN, DIRECTOR							

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Page 1 of 1 page TOTAL GROSS WT: 171.25 LBS. (77.85 KG) NET WT: 156.25 LBS. (71.02 KG.) CUBE: 1,365 cu. mt. NO. PCS.: 3

Figure 7.1. International Packing List

INTERNATIONAL SAFE-HANDLING SYMBOLS

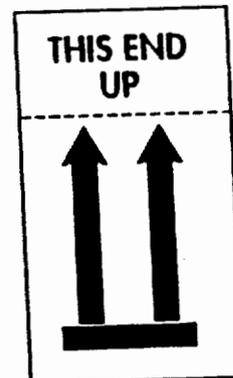
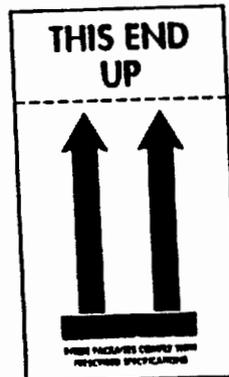
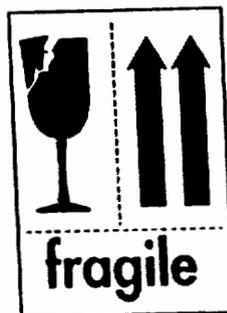
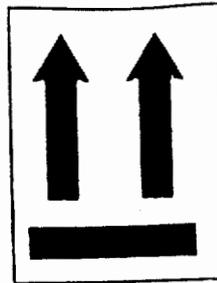


Figure 7.2. International Safe-Handling Symbols

8 Shipping the Order

The International Commercial Invoice

Congratulations! Your shipment is ready to be sent to the buyer. Now you must prepare an international commercial invoice (Figure 8.1).

An invoice requests payment for the goods as specified in the original order. The buyer needs the invoice to prove ownership of the goods in order to arrange payment. US Customs uses the invoice to assess duties, if any. The commercial invoice must be in English. An invoice must include:

- Addresses of shipper, seller and customhouse broker (if one is specified by the buyer).
 - Delivery and payment terms (e.g. F.O.B. Moscow or C.O.D. Dhaka).
 - The kind of currency (*peso, lira, forint*, etc.). Normally US dollars are used.
 - Date of invoice.
 - Date of shipment.
 - A full description of the goods, including quantity, style number, article description, color, size, material content (textiles must state specific percentages of fiber content), unit price, extended price per product, total price for invoice.
 - Details of any freight and insurance costs payable.
 - Details of any special licenses or forms required.
 - Country of origin (including origin of any imported materials used in the product).
 - Country of destination, port of entry.
- Shipping company.
 - Air waybill number or Bill of Lading number.
 - Total number of packages.
 - Weight and dimensions of each box or crate, as well as total gross weight of entire shipment
 - Shipping marks.
 - Signature of seller, shipper, or agent.

The original invoice accompanies the set of documents that goes to US Customs (usually through the buyer's customhouse broker). A copy should be faxed to the buyer, and a copy must also be given to the shipping company.

Freight Forwarders

Often an exporter will engage the services of an international freight forwarder. The forwarder acts as the seller's agent for moving cargo. He is familiar with the paperwork requirements of both the country of export and the country of import. He can help to negotiate rates with shipping and insurance companies. If you want to make certain you have the correct documentation, and an estimate of all fees involved, you should consult a professional freight forwarder. It is their job to prepare the air waybill and to forward all documents directly to the customer or to the paying bank.

Shipper's Letter of Instructions

Either the seller or the freight forwarder must supply the shipper with complete shipping instructions. The freight forwarder normally has a preprinted form that he fills out on your behalf, once you have determined the shipping details with him. This

form is known as the Shipper's Letter of Instructions. (See Figure 8.2).

Shipper's Export Declaration

Every country has particular export regulations and documentation. Any export taxes and document preparation should be considered in your pricing, if you are quoting an F.O.B. price. It is up to whoever is exporting the shipment to be aware both of their country's export regulations as well as U.S. or other import requirements.

In many countries an Export Declaration form can only be filled out by a firm licensed to do so. Often these firms are located at the airport, or in government offices. Once again, check with your government's office of Export and Trade.

Notification to Buyer and Request for Payment

As you are preparing your export documents, you may want to consider faxing the buyer an estimated ship date stating that the goods are ready to ship, details to follow. This gives the buyer a little advance notice and a reminder that you will be expecting payment according to the terms you originally agreed to. Do not rely on the arrival of documents to the buyer's customhouse broker once the shipment has left your country as the only notification to the buyer that you are expecting payment. Make your communication friendly, but firm.

(Form A) Certificate of Origin

At this time, a Form A, Certificate of Origin, is required from many countries. Check with your government's trade office, an export agent, or freight forwarder. You can also ask your buyer to double-check with their import broker.

Air Waybill or Bill of Lading

The air waybill (Figure 8.5), or ocean bill of lading (Figure 8.6) serves as a receipt for the goods, a contract of carriage, and a temporary title document. The form is both required by and supplied by the shipping company. In the case of a bill of lading, there are both long forms and short forms, depending upon the method and terms of payment involved.

Insurance

It is difficult to obtain insurance in some countries, particularly for goods transported from your work place to F.O.B. departure point (plane or boat). You should check with your freight forwarder at the time you receive a purchase order to determine if insurance is available. A buyer may cancel an order if they cannot get their shipment insured. Before shipping the goods, the seller needs to confirm whether the buyer is taking responsibility for insuring the shipment. In any case, be sure to clarify before you start moving the goods around uninsured.

Risks to be covered include transport of the goods from your warehouse to the port or airport, storage while awaiting loading, actual transportation, off-loading and storage on arrival, and final transport to the importer's warehouse. Insurance can be arranged through a freight forwarder. The shipping company can also make suggestions. Though the charge is paid for by the buyer, the seller must make certain of the final arrangements for insurance.

Making the Shipment and Distributing the Documents

It is now time to send your products to the buyer. The shipping company will require an original copy of your invoice, and an original copy of the packing list along with the packages ready for shipment. When the shipper has accepted the boxes for ship-

ment, they will give you the bill of lading (if sent by sea), or an airway bill (if sent by air). This serves as the proof that you delivered the goods to the shipper and that they are no longer in your possession.

In order to let the buyer know that you have produced, packed and shipped the order, you must send a copy of the invoice, the packing list and the air waybill, or bill of lading, to the buyer. In most cases, a faxed copy will suffice. However, we recommend sending a copy in the mail as a backup. You may also want to confirm by fax that the designated customhouse broker has received all documents with the shipment.

The Final Export Check List

Be certain that you have all of the required documents, and have taken care of all last minute details which may include:

- **You or your agent is a registered company with a bank account.**
- **Goods approved for export by required government agency, if applicable (e.g. Ministry of Culture - Russia, Garment & Textile Export Board- Philippines)**
- **Goods properly labeled with country of origin, material content (when required), and care instructions.**
- **Goods tagged or identified with style number and description.**
- **Goods packaged according to buyer's instructions.**
- **Goods packed properly.**

- **Boxes marked and addressed correctly.**
- **International commercial invoice.**
- **Packing List.**
- **Shipper's Letter of Instructions (if required).**
- **Quota and Textile Visa (if necessary).**
- **Goods inspected by appropriate government agency.**
- **Air Waybill or Bill of Lading.**
- **Goods properly insured.**
- **Documents distributed to freight forwarder (if used), shipper, US customhouse broker, buyer, and bank (if necessary for collection).**

INVOICE

PAGE: 1 of 1
 INVOICE NO.: 895-002
 DATE: August 19, 1995
 PURCHASE ORDER NO.: 112

SELLER:
 Heritage Craft Enterprise
 5 Pokrovsky Blvd.
 Moscow 10100, RUSSIA
 Tel./Fax 7+095+209-3779

BUYER:
 Fair-Weather Imports, Inc.
 55 Lucky Lane
 New Harvest, Connecticut 06922 USA
 Contact: Prudence Phibbs
 Tel.: 203/672-9945 Fax: 203/672-9947

CONSIGNEE:
 Manhandle Customhouse Brokers
 33 Airport Blvd.
 Windsor Locks, CT 06782 USA
 Tel.: 203/622-9788 Fax: 203/622-9733

TERMS: FOB Moscow
 SWIFT wire transfer
 A/C NO. 890-67933
 Novaya Yevropa Bank, Moscow
 Net 10 days after U.S. Customs clearance

NOTIFY: Buyer

SHIPMENT DATA:
 Ship Via: Air cargo, Delta. FREIGHT COLLECT
 From: Moscow
 Arrives at: Bradley International Airport
 Windsor Locks, CT
 Date of Shipment: August 20, 1995

COUNTRY OF ORIGIN: Russia

EXPEDITER/FREIGHT FORWARDER: El-Serus Freight
 Moscow

AWB NO.: 066-6783 9923

NO. OF BOXES: 3
DIMENSIONS: 30 IN. X 30 IN X 30 IN
NET WT.: 156.25 LBS. (71.02 KG)
GROSS WT.: 171.25 LBS. (77.85 kg)
CUBE: 46.857 CU. FT. (1.365 CU. MT.)

THIS IS A COMPLETE SHIPMENT

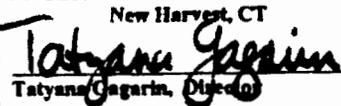
QTY.	CODE	DESCRIPTION	UNIT PRICE	AMOUNT
<i>Felt Ornaments 65% Rayon, 45%Wool, poly fiber filled</i>				
100	FO-S1	Duck, 4" x 4", gold & blue w/red ribbon	\$1.58	\$158.00
100	FO-S2a	Wreath, 3" d, green	\$1.58	\$158.00
100	FO-S2b	Wreath, 3" d, red	\$1.58	\$158.00
100	FO-S3	Sleigh, 5" x 5", black, red, green	\$1.58	\$158.00
100	FO-S4a	Mitten, 3" x 4", red	\$1.58	\$158.00
100	FO-S4b	Mitten, 3" x 4", green	\$1.58	\$158.00
100	FO-S4c	Mitten, 3" x 4", blue	\$1.58	\$158.00
100	FO-S5a	Mini stocking, 3" x 4", red	\$1.87	\$187.00
100	FO-S5b	Mini stocking, 3" x 4", green	\$1.87	\$187.00
100	FO-S5c	Mini stocking, 3" x 4", blue	\$1.87	\$187.00
100	FO-S6a	Santa Peasant, 4" x 6", red	\$2.02	\$202.00
100	FO-S6b	Santa Peasant, 4" x 6", green	\$2.02	\$202.00
100	FO-S6c	Santa Peasant, 4" x 6", natural	\$2.02	\$202.00
100	FO-01	Deer, 3" x 3"	\$1.66	\$166.00
100	FO-02	Moose, 3" x 3"	\$1.76	\$176.00
100	FO-03	Swan, 4" x 4"	\$1.95	\$195.00
100	FO-04	Bear, 3" x 6"	\$1.66	\$166.00
100	FO-05	Sheep, 4" x 5"	\$1.66	\$166.00
100	FO-06	Angel w/harp, 3" x 6"	\$1.85	\$185.00
100	FO-07	Angel w/drum, 3" x 6"	\$1.85	\$185.00
100	FO-08	Angel w/horn, 3" x 6"	\$1.85	\$185.00
100	FO-09	Poinsettia, 4"d	\$1.76	\$176.00
100	FO-10	Christmas Tree, 2" x 6"	\$1.66	\$166.00
100	FO-11	Log Cabin, 4" x 4"	\$1.85	\$185.00
100	FO-12	Santa, 3" x 6"	\$1.85	\$185.00
2500 pcs		ALL PRODUCTS HANDMADE IN RUSSIA Total FOB Moscow		US\$4409.00
		MARKS: Fair-Weather New Harvest, CT  Tatyana Gagarin, Director		

Figure 8.1. International Commercial Invoice

EXPORT SHIPPING INSTRUCTIONS

DATE FEB. 9, 19XX
 Shipper's Ref No 78-456

Ship in name of ABC MANUFACTURING COMPANY, ANY STREET, DALLAS, TEXAS
 Consign to BANCO DE AMERICA, APTDO. 666, LA PAZ, BOLIVIA
 Notify XYZ DISTRIBUTING COMPANY, APTDO. 792, LA PAZ, BOLIVIA
 Port of Discharge LA PAZ Final Destination LA PAZ

MARKS AND NUMBERS	NO OF PKGS.	DESCRIPTION OF COMMODITIES	VALUE	GROSS WEIGHT (POUNDS)	MEASURE- MENT
XYZ COMPANY LA PAZ P.O. 78-456 MADE IN U.S.A. CTN. #1	1 CTN.	CONTAINING:			83 LBS.
		OIL WELL DRILLING PARTS			
		Partes para uso en la industria petrolera.			
		6 #2489 O RINGS @ 2.89	\$ 17.34		
		10 #6723 GASKETS @ 1.59	15.90		
		4 #8932 SEALS @ 8.79	35.16		
		18 #8056 BUSHINGS @ 9.30	167.40		
		1 #5741 SHIM	12.68		
		TOTAL F.O.B. DALLAS	\$250.04		

Letter of Credit Expires _____ Bank Documents Through BANCO DE AMERICA
 Value for Customs Clearance _____ License No. _____
 Inland Freight to be Charged to _____ Export Carrier _____
 Post Charges to be Charged to _____ Point of Origin DALLAS, TEXAS
 Air/Ocean Freight: Prepaid or Collect? PREPAID Name of Supplier _____
 Insurance Requirements INSURE SHIPMENT Inland Routing _____
 Send Documents to BANK Car No./Truck Line _____

OTHER INSTRUCTIONS

Consular Declaration or Other.

Figure 8.2. Shipper's Letter of Instructions

016- MTL 7038 3961

016- 7038 3961

SHIPPER'S NAME AND ADDRESS
DA. DESIGNS, INC.
1-8 SUNVAR FLA ZA BLDG., AMRSOLO ST.
LEGASPI VILLAGE, MAKATI, METRO MANILA
PHILIPPINES

SHIPPER'S ACCOUNT NUMBER

CONSIGNEE'S NAME AND ADDRESS
DOGEY LEWIS DESIGNS, INC.
c/o MCB CUSTOMHOUSE BROKERS, INC.
BRAILEY INTERNATIONAL AIRPORT (HARTFORD)
WINDSOR LOCKS, CT. U.S.A.

CONSIGNEE'S ACCOUNT NUMBER

AIR WAYBILL **UNITED AIRLINES**
(AIR CARRIER'S NOTE) P.O. Box 86100 Chicago, Illinois 60666

Copies 1, 2 and 3 of this Air Waybill are originals and have the same validity.

If it is agreed that the goods described herein are accepted in apparent good order and condition (except as noted) for carriage SUBJECT TO THE CONDITIONS OF CONTRACT ON THE REVERSE HEREOF, THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIER'S LIMITATION OF LIABILITY. Shipper may increase such limitation of liability by declaring a higher value for carriage and paying a supplemental charge if required.

TO EXPEDITE MOVEMENT, SHIPMENT MAY BE DIVERTED TO MOTOR OR OTHER CARRIER AS PER TARIFF RULE UNLESS SHIPPER GIVES OTHER INSTRUCTIONS HEREON.

ACCOUNTING INFORMATION, ALSO NOTIFY

ISSUING CARRIER'S AGENT NAME AND CITY
SORJAMONT AIR CARGO/IMPEX INT

FREIGHT COLLECT EXCH RATE 23.00

AGENTS IATA CODE
28-3-0080

ACCOUNT NO.

INTERNATIONAL

AIRPORT OF DEPARTURE (ADDR OF FIRST CARRIER) AND REQUESTED ROUTING
WINOY AQUINO INT'L AIRPORT

TO BY FIRST CARRIER ROUTING AND DESTINATION TO BY TO BY

SFO UA 97758 BDL UA

CURRENCY CARRIAGE VALUE OTHER VALUE DECLARED VALUE FOR CARRIAGE DECLARED VALUE FOR CARRIER'S INSURANCE

US\$ 00 X X NVD \$982.70

AIRPORT OF DESTINATION FLIGHT NO. FOR CARRIER USE ONLY FLIGHT DATE

HARTFORD, CT. UA 97758 BDL UA - 4/3/90

AMOUNT OF INSURANCE INSURANCE IF SHIPPER REQUESTS INSURANCE IN ACCORDANCE WITH CONDITIONS ON REVERSE HEREOF, INDICATE AMOUNT TO BE INSURED IN BOX MARKED "AMOUNT OF INSURANCE"

58-7539

HANDLING INFORMATION (These commodities licensed by US for ultimate destination. Operation contrary to US law is prohibited.)

ONE (1) CTN. MARKED AS ABOVE.
PLS NOTIFY CONSIGNEE IMMEDIATELY UPON ARRIVAL AT DESTINATION.
DOCUMENTS ATTACHED TO AIRWAYBILL.

NO. OF PIECES RCP	GROSS WEIGHT	RATE CLASS	CHARGEABLE WEIGHT	RATE CHARGE	TOTAL	NATURE AND QUANTITY OF GOODS (INCL. DIMENSIONS OR VOLUME)
1	9.0 K	GCR	9.0K	\$9.49	US\$85.41	QTY. NO. EXEMPTED. 77.2 971/62YDS.- HANDWOVEN WELLSLEY FABRIC 48" WIDE, WOVEN ENTIRELY BY HAND & FEET, 50% COTTON AND 50% COATED POLYESTER MEDULIZED MONOFILAMENT. EXP. DTD/BA COLX/90-00724 EXPIRY DATE: 25 APR 90 DDM:

PREPAID WEIGHT CHARGE COLLECT

US\$ 85.41

VALUATION CHARGE

TAX

TOTAL OTHER CHARGES DUE AGENT
US\$27.00

TOTAL OTHER CHARGES DUE CARRIER
US\$20.00

COD → CURRENT

TOTAL PREPAID TOTAL COLLECT

CURRENCY CONVERSION RATES C.C. CHARGES IN DESTINATION CURRENCY

OTHER CHARGES

AWB FEE \$2.00 DOCS \$25.00

SHIPPER CERTIFIES THAT THE PARTICULARS ON THE FACE HEREOF ARE CORRECT AND THAT INSIDE AS ANY PART OF THE CONSIGNMENT CONTAINS DANGEROUS GOODS SUCH AS IS PROPERLY DESCRIBED BY NAME AND IS IN PROPER CONDITION FOR CARRIAGE BY AIR ACCORDING TO APPLICABLE DANGEROUS GOODS REGULATIONS.

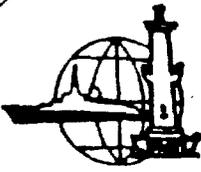
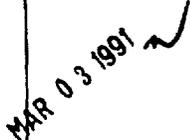
SIGNATURE OF SHIPPER OR ITS AGENT: **IMPEX INT'L INC.**

EXECUTED ON: **02 APRIL 1990/MTL/UNITED AIRLINES/SORJAMONT AIR CARGO**

(Date) (Time) at (Place) SIGNATURE OF ISSUING CARRIER OR ITS AGENT

#26211
 4-3-90

Figure 8.3. Air Waybill

Shipper (SH) COMMUNITY CRAFTS ASSOCIATION OF THE PHILIPPINES, INC. G. ARANETA CORNER KALIRAYA ST. QUEZON CITY, PHILIPPINES		Customer No	Customer's Ref	B/L No PHIL. TL 1-59
Consignee (CO) OXFAM TRADING MURDOCK ROAD, BICESTER OXON OX6 7RF ENGLAND		 <p style="text-align: center;">LINER BILL OF LADING</p> <p style="text-align: center;">BALT - ORIENT LINE of BALTIC SHIPPING COMPANY</p> <p style="text-align: center;">5, Mezhdovol canal, Leningrad L 35, USSR Cable: Morflot Leningrad</p>		
Notify (INF) HERBERT WATSON FREIGHT SERVICES, LTD. FURNESS HOUSE TRAFFORD ROAD MANCHESTER M5 2RJ				
Local vessel	From (local port of loading)			
Ocean vessel K. KANEVSKIY V-04	Port of loading MANILA			
Port of discharge TILBURY	Final destination TILBURY	Freight payable at DESTINATION	Number of original B/L THREE (3)	
Marks - Numbers (MN)	Number of packages/description of goods	Gross weight KOS	Measurement	
OXFAM TILBURY MADE IN PHILS.	1 X 20 CONTAINER S.T.C. PHIL. HANDICRAFTS FOB MANILA 255 PKGS. ASSTD. RATTAN/BURI BASKETWARES ===== AND OTHER HANDICRAFTS. SHIPPER'S LOAD COUNT AND SEAL CY-CY FREIGHT COLLECT MNUM 342796-4 SEAL NO. 020899B	SHIPPER'S 1.500 P	WEIGHT 26.00 CBM	
  Particulars furnished by the Merchant				

ORIGINAL

FREIGHT AND CHARGES

FREE TIME, DEMURRAGE AND
DETENTION CHARGES ACCORDING
TO RESPECTIVE CLAUSE OF BALT
OCEAN TARIFF NO. 7 IN FORCE

SHIPPED on board in good and great order, the contents, weight, number, marks, numbers, quality, contents and value unknown, for carriage to the Port of Discharge or so near thereto as the Vessel may safely get and to be delivered in the like good order and condition at the aforesaid Port unto Consignees or their Assigns, they paying freight as per note on the margin plus other charges incurred in accordance with the Provisions contained in this Bill of Lading.

In accepting this Bill of Lading the Merchant expressly accepts and agrees to all its stipulations on both pages, whether written, printed, stamped or otherwise incorporated, so fully as if they were all signed by the Merchant.

One original Bill of Lading must be surrendered duly endorsed in exchange for the goods or delivery order.

IN WITNESS whereof the Master of the said Vessel has signed the number of original Bills of Lading stated above, all of this tenor and date, one of which being accomplished, the others to stand void.

09963

Place and date of issue MANILA, PHILS. March 3, 1991
Signed (for the Master) by <i>Regina P. P. P.</i> FILSOV SHIPPING COMPANY as Agents

Figure 8.4. Bill of Lading

9 US Customs Procedures

If you have done your paperwork properly, chances are you won't have to worry much about US Customs. When your goods arrive in the US, the air or steamship company will notify the party named on the document (either the customhouse broker or the buyer). From the time of arrival, the broker or buyer has only five days to clear the goods through Customs before the merchandise is removed to a Customs warehouse. At that point the buyer must begin to pay storage fees. Therefore it is good insurance on the seller's part to make certain the broker has received a copy of the documents.

Normally a broker will file an Application for Immediate Delivery, followed by an Entry Summary (Figure 9.1). The Entry Summary must be filed within ten working days, and the duty paid. Customs knows it will get the required duty because your buyer is either using a bonded customhouse broker, or has filed for a bond themselves. Duty is determined by checking the description of the goods listed on the commercial invoice against the Harmonized Tariff Schedule, the giant "bible" of US Customs. It is useful for you or your buyer to know at the beginning of the order what the duty classification and rate of duty will be, in order to avoid any unpleasant surprises. If you access to the Internet, US Customs has a site for the Harmonized Tariff Schedule.

Address: <http://www.usitc.gov/hts.htm>

There is also a US Customs home page which posts important updates.

Address:
<http://www.sbaonline.sba.gov/uscustoms/home1.html>

If there is a problem regarding classification of goods, or a Customs official finds either the packing or the paperwork suspicious in any way, they can perform a physical examination of the goods. This is done by spot checking, or by much more time con

suming box-by-box checking, often with the aid of trained dogs, who sniff the cargo for suspicious contents, particularly illegal drugs.

Small omissions (e.g. forgotten country of origin labels) on even a part of a shipment **will delay release of the entire shipment.**

The final step is known as *liquidation*. A commodity specialist at Customs has one year in which to review the entry to make certain the correct amount of duty was assessed.

The customhouse broker is invaluable when it comes to dealing with US Customs bureaucracy and paperwork. They know the inspectors and can usually facilitate release of the goods in short order. US Customs does not accept bribes, and it is illegal to offer them. The only way to get goods through Customs is to do the paperwork, marking and labeling correctly and honestly.

Customhouse broker charges (Figure 9.2) are nominal for each process, but can add up to a sizable amount. Whether the buyer has ordered \$10 worth of goods or \$10,000 worth of goods, there is a minimum fee to be paid in each category of process. A \$10 sample can end up costing several hundred dollars. For this reason, a wise buyer limits their sample shipments.

H.C.B.
USTONHOUSE BROKERS INC.
BRADLEY AIR CARGO A
WINDSOR LOCKS, CT 06096

0019012-7	02	04/06/90	122
4. Entry Date 04/06/90	5. Pur. Code 0411		
6. Bond No. 089	7. Bond Type Code 9	8. Broker / Importer File No. 21800	
9. Ultimate Consignee Name and Address		10. Consignee No.	11. Importer of Record Name and Address DOCEY LEWIS DESIGNS, INC P.O. BOX 1048 160 WYKEHAM ROAD WASHINGTON CT 06793
			12. Importer No. 94-267693300

CT
STATE

13. Exporting Country PH	14. Export Date 04/03/90		
15. Country of Origin PH	16. Missing Documents		
17. IT No. Y22850184	18. IT Date 04/03/90		
19. B/L or AWB No. 01670383961	20. Mode of Transportation 40	21. Manufacturer I.D. PHINADESHAN	22. Reference No.
23. Importing Carrier UA	24. Foreign Port of Lading	25. Location of Goods/G.O. No. A755 UNITED	
26. US Port of Unloading 2801	27. Import Date 04/03/90		

28. Line No.	29. Description of Merchandise			33. (A) Entered Value B. CHGS C. Relationship NOT-RELATED	34. (A) T.S.U.S.A. Rate B. ADA/CVD Rate C. IRC Rate D. Vias No.	35. Duty and I.R. Tax	
	30. (A) TSUSA No. B. ADA CVD Case No	31. (A) Gross Weight B. Manifest Qty.	32. Net Quantity in TSUSA Units			Dollars	Cents
001 DPH	1 CARTON INVOICE 1 COT CLR PLN NOV FAB, 43-68 5210-41-60003 5407.73.00907 CAT #40629	9	69 H2 (9 KG)	983 C132	18.33 17% V 0PH01940B 032790 .17	167.11 119.93	1.67
	MERCHANDISE PROCESSING FEE TOTAL EV		982.70				
	BLOCK 39 SUMMARY: MERCHANDISE PROC FEE 499						1.67

36. Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent		U.S. CUSTOMS USE		TOTALS	
I declare that I am the importer of record and that the actual owner, purchaser, or consignee for customs purposes is as shown above. <input checked="" type="checkbox"/> OR <input type="checkbox"/> owner or purchaser or agent thereof.		A. Ltg. Code	B. Ascertained Duty	37. Duty	167.11 119.93
I further declare that the merchandise was obtained pursuant to a purchase or agreement to purchase and that the prices set forth in the invoice are true. <input checked="" type="checkbox"/> OR <input type="checkbox"/> was not obtained pursuant to a purchase or agreement to purchase and the statements in the invoice as to value or price are true to the best of my knowledge and belief.		C. Ascertained Tax		38. Tax	
I also declare that the statements in the documents herein filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all goods or services provided to the seller of the merchandise either free or at reduced cost are fully disclosed. I will immediately furnish to the appropriate customs officer any information showing a different state of facts.		D. Ascertained Other		39. Other	1.67
Notice required by Paperwork Reduction Act of 1980. This information is needed to ensure that importers/exporters are complying with U.S. Customs laws, to allow us to compute and collect the right amount of money, to enforce other agency requirements, and to collect accurate statistical information on imports. Your response is mandatory.		E. Ascertained Total		40. Total	168.78 121.40
				04/06/90	

Signature of Importer, Title, and Date
Samir S. Chappal
SALES & EXPORTS, INC. IN FACT
 Customs Form 7501 (030884)

CASHER

10 Collecting Your Money

Payment Options

Because collecting the money usually happens last, this final chapter is chronologically correct. However, payment is such an important point of negotiation at beginning of a business deal, that it might just as well be Chapter 1.

Nearly all artisans want to be paid cash, preferably in dollars. Usually this is not possible. Most US import companies do not want the risk of dealing in cash. They are accustomed to dealing in either a letter of credit or a wire transfer.

Depending on the terms of your original sales contract, all or part of the payment may be made upon receipt of the goods. Now you understand why it is so important to make sure that the goods don't get caught in Customs due to mistaken labeling, etc. In many cases, only once the goods reach the buyer will they pay you.

There are several options for payment. The method of payment is decided in the contract or sales agreement, or specified in the purchase order. Payment terms may be upon receipt of goods, or within 30, 60 or 90 days of receipt.

Payment can be cash in advance, open account, (both of these by wire transfer), documentary bank draft, or letter of credit. The easiest method, particularly if you trust your buyer, is a SWIFT wire transfer. Depending upon your buyer's cash flow, it may be possible for you to request a deposit in advance, usually anywhere from 25% to 50%. Though most companies try to avoid giving deposits, if your merchandise is special enough and the buyer believes you can deliver, they may take the risk. This allows you to finance some of the costs of production. The buyer needs to be certain that what you produce and ship is what they

ordered. Therefore it is in their best interest to pay any remainder due you after they have had a chance to inspect the goods.

The advantage of the wire transfer is that it involves less paperwork with both the buyer's and the seller's banks. Collection is often faster. The disadvantage is that you have no assurance that the buyer will pay the balance due. For orders under \$5,000, this is a good option.

A documentary bank draft (Figure 10.1) is less involved than a letter of credit. It simply states that when such-and-such paperwork (e.g. shipping documents) is presented at the bank, you can collect the sum due you. That is, after your bank collects from the buyer's bank. This process takes time, and is better suited to shipments by sea. Once the goods are on the boat, it may take three weeks for the whole banking process to yield the money due you. Within this system of documentary credit, you may extend terms to your buyer (for an agreed upon interest rate, perhaps). Your insurance is that until the buyer's bank assures the shipping company that it will pay you, the shipping company will not release the goods to the buyer.

The letter of credit (Figures 8.2 and 8.3) works in much the same way, though collection is usually faster for you. Normally you can receive payment immediately upon presentation of shipping documents to your bank. Setting up the letter of credit involves filling out a form. Often the back-and-forth negotiating on the details of a letter of credit can wear out both the buyer and the seller. Every amendment to a letter of credit requires filling out another form at the bank and paying an additional fee. The disadvantage to the buyer is that they must normally back a letter of credit with collateral, on a dollar-for-dollar basis, or have a revolving line of credit with their bank. The buyer may not be willing to tie up assets for the 60-90 days it takes you to produce and

ship their order. For orders over \$5,000 a letter of credit is recommended.

Another form of payment is consignment sales. In this case you advance goods to the buyer with neither a deposit nor any payment upon receipt. When the goods sell, the buyer pays you, usually by wire transfer. It is risky and not recommended.

Payment by personal check, company check, or cashier's check is costly and time consuming for you to clear at your bank, and there is no assurance that company or personal checks will be good. Check with your bank to see what forms of payment are acceptable on export orders.

Negotiation

Negotiation on payment terms is handled at the beginning of the buyer-seller relationship and is subject to change upon establishing the buyer's credit history and track record with you. Some of the key points to negotiate include:

- Type of buyer relationship (wholesaler, distributor, agent).
- Exclusivity (product or geographically based).
- Minimum guaranty of orders.
- Time of delivery; shipping method.
- Payment terms (method of payment and credit terms).
- Inspection and returns policy (damaged goods, or other reasons).
- Purchase order instructions (quantity, price, point of delivery).
- Supply of raw materials (whether or not buyer supplies or pays for).
- Cancellation and deadline policy

Checking Your Buyer's Credit

In the US it is considered normal to ask a buyer to fill out a credit reference form (Figure 8.3). It is probably well worth your while, particularly if you do not have the guarantee of a letter of credit and are planning to accept payment by wire transfer. A minimum of three trade references should be considered. Essentially, you want to know from whom the buyer has imported, and whether that importer has been paid on time. If your buyer is new to the import business, you can ask for other trade references, usually domestic US suppliers. The cost of a few letters or faxes is well worth the peace of mind.

There are professional credit rating services. Dunn and Bradstreet and TRW are the most well known. However, unless you have a membership or subscription with these services, you may not access their credit data bases. Normally a buyer can get access to their own credit history, for about \$30 per report. Depending on how serious you are about checking credit, you could offer to pay the buyer the \$30 fee, and have them send you the credit report.

Working with an Export Agent

If you are a small producer who doesn't have the experience or the infrastructure to do export on your own, you may want to consider working with an agent. You may want to ask other producers to refer good agents.

In many countries, the question of domestic taxes has played a major role so far in craft export transactions. In Russia, for example, an agent who sells crafts to a buyer is taxed at a higher rate than an artisan who sells to a buyer. The only legal way an agent can be relieved of the extra tax burden is by wire transfer of money received from a buyer directly into the account of the artisan who sold the goods. As many artisans do not have bank accounts, and wish to oper

ate quietly on a cash basis to avoid taxes, there are often misunderstandings between agent and artisan. This usually results in a delayed payment (or no payment) to the artisan. As an artisan is taxed at a lower rate than the agent, it makes sense for the artisan to factor in the cost of taxes when pricing their goods. The artisan who wants to export is advised to have a bank account.

What to Do If Your Buyer Won't Pay

Buyers have many excuses for not paying on time. They may have lost the invoice, or the invoice went to the warehouse with the shipment, not to the office where bills are paid. Goods may have arrived damaged, or the buyer may have received something they didn't order. The shipment may have been late, and consequently the orders of their customers for that merchandise have been canceled. Whatever the reason, time seems to fly very quickly for the buyer, and very slowly for you, who have been patiently waiting for your money.

Faxes and phone calls may be expensive, but they are the best way to remind a customer that they owe you money. Immediately upon shipment you should fax *and mail* an original invoice, along with a cover

letter stating that you expect to receive payment by a certain day. Even though an invoice is supposed to be the official notice for payment, a letter helps to remind the buyer that you haven't forgotten about the money they owe you. Fax a letter of reminder every four or five days until you get paid!

On a domestic transaction in the U.S., a seller can resort to taking a buyer to small claims court. However, on an overseas transaction any legal recourse usually costs more money than it is worth.

I wish I could say that all US craft buyers have excellent reputations. They don't. The buyers ATA works with are better than most, but business in a market economy doesn't come risk-free.

A letter of credit goes a long way to insuring that payment isn't delayed.

Congratulations!

You have sold, produced and shipped an export order! You have been paid, and you are ready to begin the process again. Always review the mistakes and delays that occurred and plan how to avoid them in the future.

\$4409.00

DATE June 25, 1995

No. BF432/95

30 DAYS AFTER SIGHT

Pay To The Order Of: Novaya Yevropa Bank,
Moscow.

Four Thousand Four Hundred Nine U.S. Dollars
Value received and charge same to the account of

TO Fair-Weather Imports, Inc.
New Harvest, Connecticut USA

Heritage Craft Enterprise

Tatyana Gagarin
Tatyana Gagarin Director

Figure 10.1. Documentary Bank Draft

BANK OF NEW ENGLAND CORPORATION
APPLICATION AND AGREEMENT FOR COMMERCIAL LETTER OF CREDIT

(1)
 To: **BANK OF NEW ENGLAND**
 P.O. BOX 2197, ALEX. ML. SFT. INT.
 BOSTON, MA 02106

THE CONNECTICUT BANK AND TRUST COMPANY
 ONE CONSTITUTION PLAZA, CT. TIM. ALB. Z.
 HARTFORD, CT. 06111

(For Bank Use Only)

L/C No. _____
 D/T No. _____

Please issue an Irrevocable Letter of Credit as set forth below

Letter of Credit to be sent by: Full details by telex Airmail with Presdvice by telex Airmail Express mail (domestic only)

(2) Expiration date (drafts to be negotiated not later than): (3)

Account Party (Applicant) Name: Address: (4)	Beneficiary (Seller) Name: Address: (7)
Amount <small>(Include Currency if not U.S. Dollars)</small> <input type="checkbox"/> Maximum <input type="checkbox"/> About % In Words: (5)	<input type="checkbox"/> Transferable in (8) country
Drafts for % of Invoice value. <input type="checkbox"/> Sight <input type="checkbox"/> Time Tenor: (maximum is 180 days) (6) Discount Charges paid by: <input type="checkbox"/> Buyer <input type="checkbox"/> Seller	Advising Bank (if beneficiary specifies bank) Name: Address: (9)

SHIPMENT (10) Partial shipments: <input type="checkbox"/> allowed <input type="checkbox"/> not allowed	(11) Transshipments: <input type="checkbox"/> allowed <input type="checkbox"/> not allowed
Shipment from (12) to	Terms: <input type="checkbox"/> FOB <input type="checkbox"/> C&F <input type="checkbox"/> CIF (15) <input type="checkbox"/> Other
Shipment not later than (13) (or) between &	Named point (16) Insurance to be effected by: <input type="checkbox"/> buyer <input type="checkbox"/> seller
Brief merchandise description: (14)	

TRANSPORT DOCUMENT
<input type="checkbox"/> Full set clean on board ocean bills of lading (17) <input type="checkbox"/> Clean air waybill in duplicate consigned to <input type="checkbox"/> Truck bill of lading addressed/consigned to notify party <input type="checkbox"/> Other
Bills of lading / air waybills to be marked: <input type="checkbox"/> freight prepaid <input type="checkbox"/> freight collect (Payable at destination)
Notify: (18)

OTHER DOCUMENTS (19) <input type="checkbox"/> Signed Commercial Invoice <input type="checkbox"/> Packing List <input type="checkbox"/> Certificate of Origin ---- <input type="checkbox"/> Form A <input type="checkbox"/> Insurance certificate or policy covering marine and war risks for 110% of invoice value (if insurance to be effected by the seller) <input type="checkbox"/> Other documents	OTHER CONDITIONS (20) Containerized Shipments <input type="checkbox"/> Required <input type="checkbox"/> Prohibited <input type="checkbox"/> Special instructions: (21)
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

All bank charges outside of the issuing bank are for the account of the seller (Not applicable to People's Republic of China)
 The issuing bank reserves the right to allow for cable negotiations as appropriate.
 This credit will be subject to the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce presently in effect.
 We warrant to you that the importation of the commodity covered by this credit does not contravene any law or regulation of the United States Government.

(22)

(FOR BANK USE ONLY)
 Account officer approval

 (AUTHORIZED SIGNATURE)

 (DATE)

(23)

We agree to all the terms and conditions on the face and reverse hereof.

COMPANY/
 BANK NAME: _____ (23)

By: _____
 (AUTHORIZED SIGNATURE-TITLE) (DATE)

Figure 10.2. Application for Letter of Credit



MARINE MIDLAND BANK, N.A.

146 BROADWAY, NEW YORK, N.Y. 10038

MMB NUMBER I-00000

IRREVOCABLE DOCUMENTARY LETTER OF CREDIT

PLACE & DATE OF ISSUE
NEW YORK, FEB. 1, 19--

DATE & PLACE OF EXPIRY
KOREA, MAY 1, 19--

APPLICANT: A.B.C. Co. 000 Main Street New York City, New York	BENEFICIARY: XYZ Trading Co., Ltd. 000 Kwanchul-Dong Chongro-Ku, Seoul, Korea
ADVISING BANK: Marine Midland Bank, NA C.P.O. Box 4369 Chongro-Ku, Seoul, Korea	AMOUNT: TWENTY EIGHT THOUSAND FIVE HUNDRED TWENTY FIVE AND 00/100 U.S. DOLLARS \$28,525.00

PARTIAL SHIPMENTS: ALLOWED
TRANSHIPMENTS: ALLOWED
SHIPMENT/DISPATCH TAKEN IN CHARGE
FROM/AT: FOB GLOBAL KOREA NOT LATER
THAN APRIL 15, 19__ FOR TRANSPORTATION
TO: N.Y., U.S.A.

CREDIT AVAILABLE WITH:
BY: PAYMENT, AGAINST PRESENTATION OF
THE DOCUMENTS DETAILED HEREIN AND OF
YOUR DRAFT(S) AT SIGHT DRAWN ON MARINE
MIDLAND BANK, N.A., NEW YORK, N.Y.

Commercial invoice in 4 copies.
Customs invoice.
Packing list.
Invoice must carry percentage of stainless steel composition on stainless flatware and overall length of each item.
On board ocean bill of lading (if more than one original has been issued all are required) issued to order of MARINE MIDLAND BANK, N.A. notify DEF Freight Forwarders marked freight collect and showing letter of credit number.
Insurance covered by buyers.
This refers to our cable of today.

COVERING: 12,500 DOZ. SONNET PATTERN STAINLESS FLATWARE BUYER
P.O. #13455 DATED OCTOBER 17, 19-- F.O.B.

DOCUMENTS TO BE PRESENTED WITHIN 10 DAYS AFTER THE DATE OF ISSUANCE OF THE SHIPPING
DOCUMENT(S), BUT WITHIN THE VALIDITY OF THE CREDIT.

WE HEREBY ENGAGE WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS
OF THIS CREDIT WILL BE DULY HONORED ON DELIVERY OF DOCUMENTS AS SPECIFIED IF PRESENTED
AT OUR COUNTERS ON OR BEFORE THE EXPIRATION DATE INDICATED ABOVE.

EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED THIS DOCUMENTARY CREDIT IS SUBJECT TO THE
"UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS" (1974 REVISION) INTERNATIONAL
CHAMBER OF COMMERCE (PUBLICATION NO. 290).

Figure 10.3. Letter of Credit

Dear Sir or Madam:

The company named below has listed you as a credit reference. We will be very grateful if you will answer the questions at the bottom of this page and return this letter in the enclosed self-addressed, stamped envelope. Your prompt attention to this request will help us make an appropriate credit decision. We will be pleased to assist you in the same way if the occasion should ever arise. Thank you very much.

Sincerely,
(your signature)

Name and Address of Applicant: (You will fill this in) _____

Number of years you have sold to this company: _____

Highest recent balance: _____

Current outstanding balance: _____

Terms you extend this company: _____

Payment record: Discounts () 30 days () 60 days () Over 60 ()

Your rating of account: Excellent () Good () Fair () Poor ()

Additional comments: _____

Your name: _____ Title: _____ Date: _____

Figure 10.4. Request for Credit Reference

02/96
57:17

ADMINISTRATIVE MESSAGE

PAGE 1

ADMINISTRATIVE MESSAGE 96-0226
TITLE: TEX-NEW RULES OF ORIGIN
TO: ALL ABI BROKERS.

04/01/1996

FROM : ROBERT ZZ-DORSETT

SUBJECT : TEX-NEW RULES OF ORIGIN

DATE : 03/30/96

THE ATTACHED ARE GUIDELINES INTENDED TO HELP CUSTOMS ATTACHES IN FOREIGN COUNTRIES TO INTERPRET THE NEW TEXTILE RULES OF ORIGIN. THESE ARE ONLY A GUIDE, BUT THEY PROVIDE THE BASIS OF THE NEW RULES IN A FORMAT THAT SHOULD BE USEFUL TO EXPORTERS. LIKEWISE, THERE HAVE BEEN MANY QUESTIONS FROM FIELD IMPORT SPECIALISTS AND OTHER CUSTOMS OFFICERS. THIS HAS ANSWERS TO MANY OF THE QUESTIONS THAT WE HAVE BEEN RECEIVING FROM BOTH THE FIELD AND IMPORTERS. FOR THAT REASON WE ARE MAKING THEM AVAILABLE TO CUSTOMS PERSONNEL, BROKERS AND IMPORTERS AS WELL AS FOREIGN EXPORTERS.

IT MUST BE REMEMBERED THAT THESE ARE ONLY GUIDELINES. IF THERE ARE ANY TECHNICAL QUESTIONS, THEY SHOULD BE ADDRESSED TO THE OFFICE OF REGULATIONS AND RULINGS OR TO THE NATIONAL IMPORT SPECIALIST RESPONSIBLE FOR THE PARTICULAR COMMODITY. THESE DO NOT SUPERCEDE ANY OFFICIAL DOCUMENTS OF CUSTOMS AND SHOULD ONLY BE USED AS A GENERAL GUIDE. HOWEVER, THEY HAVE BEEN REVIEWED FOR CONTENT BY THE ATTORNEYS AT ORR AND BY THE NATIONAL IMPORT SPECIALISTS.

TEXTILE AND APPAREL PRODUCTS
PRINCIPLES OF NEW U.S. COUNTRY OF ORIGIN RULES
PURSUANT TO CUSTOMS REGULATION 102.21

THE FOLLOWING PRINCIPLES ARE AN INTERPRETATION OF THE NEW RULES TO DETERMINE THE COUNTRY OF ORIGIN FOR TEXTILE AND APPAREL PRODUCTS. THE PRINCIPLES LISTED BELOW ARE PROVIDED AS A GUIDE, AND AS SUCH THEY DO NOT HAVE ANY LEGAL STANDING. EXACT LEGAL TERMINOLOGY AND OFFICIAL WORDING CAN BE FOUND CODIFIED IN CUSTOMS REGULATION 102.21 (19 CFR 102.21) AND IN THE LAW AT SECTION 334 (OR THE BREAUX AMENDMENT) OF THE URUGUAY ROUND LEGISLATION.

EFFECTIVE DATE: THE NEW COUNTRY OF ORIGIN RULES WILL APPLY TO TEXTILE AND APPAREL PRODUCTS (SEE BELOW FOR COVERAGE) ENTERED, OR WITHDRAWN FROM WAREHOUSE, FOR CONSUMPTION ON OR AFTER JULY 1, 1996. THIS DATE IS SET BY LAW AND DOES NOT PROVIDE FOR A GRACE PERIOD, SHIPMENTS ON THE WATER, TIME ENTERED INTO THE PORT LIMITS, ENTRY REJECTS OR ANY OTHER EXCEPTIONS (BESIDES PRE-EXISTING CONTRACTS).

PRE-EXISTING CONTRACTS

ALL CONTRACTS TO BE CONSIDERED FOR AN 18-MONTH GRACE PERIOD HAD TO BE SUBMITTED WITHIN 60 DAYS AFTER ENACTMENT OF THE ACT. ACTION HAS BEEN COMPLETED ON ALL CONTRACTS THAT WERE FILED. ALL MANUFACTURERS WHO SUBMITTED SUCH CONTRACTS HAVE ALREADY BEEN NOTIFIED OF THE STATUS OF THEIR CONTRACTS.

THE NEW RULES

THE FOLLOWING RULES DO NOT PROVIDE FOR CUTTING COMPONENTS OR CUTTING AND HEMMING TO CONFER COUNTRY OF ORIGIN AS IN THE PAST. THE BASIS OF THE NEW LAW IS PROCESSING OPERATIONS OR ASSEMBLY (HOWEVER, SEE PRE-EXISTING CONTRACTS ABOVE AND THE ISRAEL AND INSULAR POSSESSION EXCEPTIONS BELOW).

WHOLLY PRODUCED

THE COUNTRY OF ORIGIN IS THE COUNTRY IN WHICH A PRODUCT IS WHOLLY PRODUCED WHEN A TEXTILE OR APPAREL PRODUCT IS COMPLETELY PRODUCED OR MANUFACTURED (EXCEPT FOR MINOR PARTS) IN ONE

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YARN, INCLUDING SINGLE AND MULTIPLE YARNS

THE COUNTRY OF ORIGIN OF YARN, THREAD, TWINE, CORDAGE, ROPE, BRAIDING, ETC., IS:

- A. STAPLE YARN, ETC. - THE COUNTRY IN WHICH YARN IS SPUN
- B. FILAMENT YARN, ETC. - THE COUNTRY IN WHICH FILAMENT IS EXTRUDED
- C. PLYED, GIMPED AND CABLED YARNS, ETC. - THE COUNTRY IN WHICH THE FIBERS OR FILAMENTS USED IN THE YARN ARE SPUN OR EXTRUDED

FABRIC

THE COUNTRY OF ORIGIN OF A FABRIC IS THE COUNTRY IN WHICH THE FABRIC IS WOVEN, KNITTED, NEEDLED, TUFTED, FELTED, ENTANGLED OR CREATED BY ANY OTHER FABRIC MAKING PROCESS. (NOTE: A FABRIC MAKING PROCESS IS ANY PROCESS THAT RESULTS IN A FABRIC BEING CREATED).

NOTE: THE COUNTRY OF ORIGIN OF QUILTED FABRICS IS THE COUNTRY IN WHICH THE FABRICS ARE PRODUCED (ONE OF THE SPECIFIC EXCEPTIONS LISTED BELOW).

NOTE: IN THE NEW COUNTRY OF ORIGIN RULES OBJECTIVE TARIFF SHIFT ARE SUBSTITUTED FOR SUBSTANTIAL TRANSFORMATION; THEREFORE, DYING AND/OR PRINTING OR OTHER FINISHING PROCESSES APPLIED TO FABRICS DO NOT CONFER OR CHANGE THE COUNTRY OF ORIGIN.

ALL OTHER TEXTILE PRODUCTS

THE COUNTRY OF ORIGIN OF ALL OTHER TEXTILE AND APPAREL PRODUCTS IS THE COUNTRY IN WHICH THE COMPONENTS OF A TEXTILE OR APPAREL PRODUCT ARE WHOLLY ASSEMBLED (EXCEPT FOR MINOR ATTACHMENTS SUCH AS BUTTONS, BEADS, SPANGLES, EMBROIDERY, ETC., OR MINOR SUBASSEMBLIES SUCH AS COLLARS, CUFFS, POCKETS, PLACKETS, ETC.)

NOTE: THE MAJOR CHANGE (PARTICULARLY FOR APPAREL) IN THE NEW RULES IS THAT ASSEMBLY, NOT CUTTING, CONFERS COUNTRY OF ORIGIN.

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EXCEPT:

- A. THE COUNTRY OF ORIGIN OF KNIT-TO-SHAPE PRODUCTS IS THE COUNTRY IN WHICH MAJOR PARTS ARE KNITTED OR CROCHETED DIRECTLY TO THE SHAPE USED IN THE FINISHED PRODUCT.

NOTE: KNIT-TO-SHAPE MEANS THAT THE PANELS OR PARTS (EXCEPT MINOR PARTS SUCH AS COLLARS, CUFFS, WAISTBANDS, PLACKETS, POCKETS, LININGS, PADS, TRIM OR SIMILAR PARTS) ARE KNIT TO THE SHAPE USED IN THE FINAL ASSEMBLY PROCESS (RATHER THAN KNIT INTO A TUBE OR BLANKET OF MATERIAL THAT IS CUT TO SHAPE). MINOR CUTTING, SEWING OR ASSEMBLY DOES NOT AFFECT WHETHER COMPONENTS ARE KNIT TO SHAPE. KNIT-TO-SHAPE APPLIES WHEN 50 PERCENT OR MORE OF THE EXTERIOR SURFACE AREA (NOT INCLUDING PATCH POCKETS, APPLIQUES, ETC.) IS KNITTED OR CROCHETED.

NOTE: FOR HOSIERY, THE ADDITION OF GUSSETS OR TOP ELASTICS OR THE CLOSING OF TOES DOES NOT AFFECT THE STATUS OF KNIT-TO-SHAPE.

AND, EXCEPT THE ARTICLES IN THE FOLLOWING 16 SPECIFIED HARMONIZE TARIFF SYSTEM (HTS) CLASSIFICATIONS (THE HTS CLASSIFICATION IS FOLLOWED BY A GENERAL DESCRIPTION):

- B. ARTICLES PRODUCED FROM YARNS

5609 - THE COUNTRY OF ORIGIN OF ARTICLES MADE FROM YARN, STRIPS, TWINE, CORDAGE, ROPE OR CABLES IS THE COUNTRY IN WHICH THE YARN, ETC., IS PRODUCED.

- C. ARTICLES PRODUCED FROM FABRIC

THE COUNTRY OF ORIGIN OF CERTAIN ARTICLES MADE FROM FABRIC IN THE FOLLOWING HARMONIZED TARIFF SYSTEM CLASSIFICATIONS IS THE COUNTRY IN WHICH THE FABRIC IS PRODUCED:

5807 - LABELS, BADGES, EMBLEMS

5811 - QUILTED TEXTILE PRODUCTS IN THE PIECE, OR LENGTHS OR

ROLLS OF QUILTED FABRICS TO BE CUT AND HEMMED

6209.20.5040 - BABY DIAPERS

6213 - HANDKERCHIEFS

6214 - SHAWLS, SCARVES, MUFFLERS, MANTILLAS, VEILS, ETC.,

6301 - BLANKETS, TRAVELING RUGS

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6302 - BED LINEN, TABLE LINEN, TOILET LINEN, KITCHEN LINEN

6303 - CURTAINS, DRAPES, INTERIOR BLINDS, VALANCES

6304 - BEDSPREADS, FURNISHINGS

6305 - SACKS AND BAGS FOR PACKING

6306 - TARPAULINS, AWNINGS, SUNBLINDS, TENTS, SAILS, CAMPING
GOODS

6307.10 - DUST CLOTHS, MOP CLOTHS, POLISHING CLOTHS, SHOP
TOWELS, BAR MOPS, DISH CLOTHS

6307.90 - LABELS, CORDS, TASSELS, CORSET AND FOOTWEAR
LACINGS, TOYS FOR PETS, WALL BANNERS, SURGICAL
TOWELS, TUFTED TOWELS, PILLOW SHEETS, QUILT
SHEETS, COMFORTERS, NATIONAL FLAGS, MOVING PADS

6308 - NEEDLECRAFT SETS

9404.90 - PILLOWS, CUSHIONS, QUILTS, COMFORTERS

MULTI-COUNTRY RULE

IF THE COUNTRY OF ORIGIN OF A TEXTILE OR APPAREL PRODUCT CANNOT
BE DETERMINED BY ONE OF THE ABOVE RULES BECAUSE THE PRODUCT IS
CREATED AS A RESULT OF PROCESSING IN TWO OR MORE COUNTRIES, THE
COUNTRY OF ORIGIN IS:

- A. THE COUNTRY IN WHICH THE MOST IMPORTANT ASSEMBLY OR MOST
IMPORTANT MANUFACTURING PROCESS OCCURS.

NOTE: THE MOST IMPORTANT PROCESSING OPERATION MUST BE
DETERMINED ON A CASE-BY-CASE BASIS THROUGH BINDING RULINGS
AND COURT DECISIONS. THE RESULTING BODY OF RULINGS AND
COURT DECISIONS MAY SERVE AS GUIDELINES IN THE FUTURE.

NOTE: BECAUSE THE MOST IMPORTANT PROCESSING OPERATION CAN
ONLY BE DETERMINED ON A CASE-BY-CASE BASIS, BINDING RULINGS

SHOULD BE REQUESTED FROM:

U.S. CUSTOMS SERVICE
DIRECTOR, NATIONAL COMMODITY DIVISION
6 WORLD TRADE CENTER
CIE, ROOM 437, ATTN: BINDING RULINGS SECTION
NEW YORK, NEW YORK 10048

OR

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OFFICE OF RULINGS AND REGULATIONS
U.S. CUSTOMS SERVICE
1301 CONSTITUTION AVE., NW
WASHINGTON, DC 20229

THE REQUESTOR SHOULD BE SURE TO SPECIFY THAT THE RULING IS REQUESTED PURSUANT TO SECTION 334 OR THE NEW RULES OF ORIGIN; OTHERWISE, CONSIDERATION WILL BE GIVEN TO THE FACTS UNDER THE CURRENT RULES OF ORIGIN UNTIL JULY 1, 1996, AND A BRIEF OPINION WILL BE PROVIDED FOR THE COUNTRY OF ORIGIN UNDER THE NEW RULES. A SAMPLE (OR DRAWINGS IF A SAMPLE IS NOT PRACTICAL) SHOWING EXACT SUBASSEMBLIES SHOULD BE SUBMITTED WITH THE REQUEST FOR RULING. RULINGS REQUESTED FROM NEW YORK SHOULD BE ANSWERED WITHIN 30 DAYS IF INFORMATION PROVIDED BY THE REQUESTOR IS COMPLETE.

- B. IF THE MOST IMPORTANT ASSEMBLY OR MANUFACTURING PROCESS CANNOT BE DETERMINED, E.G., IF THE RIGHT HALF OF A COAT IS ASSEMBLED IN ONE COUNTRY AND THE LEFT HALF IS ASSEMBLED IN ANOTHER COUNTRY, THEN THE COUNTRY OF ORIGIN IS PROBABLY THE COUNTRY IN WHICH THE TWO HALVES ARE SEWN TOGETHER (THAT IS, THE LAST COUNTRY IN WHICH AN IMPORTANT PROCESSING OPERATION OCCURRED) BECAUSE EACH HALF IS EQUALLY IMPORTANT.

MORE REALISTICALLY, IF ONE YARN OF A PLIED YARN IS PRODUCED IN ONE COUNTRY AND THE OTHER YARN IS PRODUCED IN A SECOND COUNTRY, AND THE YARNS ARE TWISTED TO FORM A CABLE, THEN THE COUNTRY IN WHICH THE YARNS ARE TWISTED TOGETHER IS THE COUNTRY OF ORIGIN BECAUSE EACH YARN IS EQUALLY IMPORTANT AND YOU HAVE TO RESORT TO THE LAST COUNTRY IN WHICH IMPORTANT PROCESSING OCCURRED.

THE MULTIPLE COUNTRY SCENARIO ALSO APPLIES TO THE PRODUCTION OF CERTAIN TENTS (NOTE THE EXCEPTION FOR CLASSIFICATION 6306) ASSEMBLED FROM FABRICS PRODUCED IN TWO DIFFERENT COUNTRIES AND SEWN TOGETHER IN A THIRD COUNTRY. THE THIRD COUNTRY IS THE COUNTRY OF ORIGIN.

HIERARCHY OF RULES

THE ABOVE RULES ARE ARRANGED IN A HIERARCHY TO BE APPLIED IN THE

FOLLOWING SEQUENTIAL ORDER AS SPECIFIED IN CUSTOMS REGULATION 102.21(C):

1. TEXTILE OR APPAREL PRODUCTS WHOLLY PRODUCED IN ONE COUNTRY.
2. EACH FOREIGN MATERIAL UNDERGOES REQUISITE TARIFF SHIFT (AS PROVIDED IN CUSTOMS REGULATION 102.21).

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EXPLANATION:

ALL TEXTILE AND APPAREL PRODUCTS ARE LISTED BY 4-DIGIT TO 10-DIGIT HTS CLASSIFICATIONS OR GROUPS OF CLASSIFICATIONS IN THE TARIFF SHIFT RULES. THE TARIFF SHIFT RULES SIMPLY EXPLAIN THE REQUIREMENTS TO CHANGE THE COUNTRY OF ORIGIN OF TEXTILE AND APPAREL PRODUCTS (AS SHOWN IN THE PRECEDING SECTION) BY USING TARIFF CLASSIFICATIONS RATHER THAN TEXTILE OR APPAREL PRODUCT DESCRIPTIONS. A TARIFF SHIFT STATES THAT, FOR ANY GIVEN CLASSIFICATION, TO CHANGE THE COUNTRY OF ORIGIN OF A TEXTILE OR APPAREL PRODUCT THERE MUST BE A SHIFT FROM ONE HARMONIZED TARIFF SYSTEM (HTS) CLASSIFICATION TO ANOTHER AS LISTED IN THE TARIFF SHIFT RULES AND/OR THE PROCESSING MUST MEET ANY OTHER REQUIREMENT THAT IS SPECIFIED IN THE TARIFF SHIFT RULES IN CUSTOMS REGULATION 102.21.

EXAMPLE:

ONE GROUP OF CLASSIFICATIONS IN THE TARIFF SHIFT RULES IS 5200 THROUGH 5212, WHICH CONTAIN THE CLASSIFICATION FOR COTTON WOVEN FABRICS. THE TARIFF SHIFT RULE FOR CLASSIFICATIONS 5200-5212 STATES THAT:

- (1) THERE MUST BE A CHANGE TO 5200-5212 (COTTON WOVEN FABRICS) FROM ANY CLASSIFICATION OUTSIDE THAT GROUP OF CLASSIFICATIONS,

AND

- (2) THE CHANGE TO CLASSIFICATIONS 5200-5212 MUST RESULT FROM A FABRIC FORMING PROCESS.

TO CONFER COUNTRY OF ORIGIN TO A COTTON FABRIC, THE CREATION OF THE FABRIC MUST BE FROM SOME PRODUCT OTHER THAN ANOTHER COTTON WOVEN FABRIC; FOR EXAMPLE, THE FABRIC COULD BE FORMED FROM COTTON YARNS, OR FROM POLYESTER AND COTTON YARNS, FROM FIBERS OR ANY OTHER PRODUCT EXCEPT COTTON WOVEN FABRIC (E.G., JOINING TWO NARROW FABRICS). THE SECOND REQUIREMENT OF CREATING A FABRIC FROM A FABRIC FORMING PROCESS MUST ALSO BE MET.

NOTE: THIS TARIFF SHIFT RULE MERELY RESTATES THE FABRIC RULE (IN THE SECTION ABOVE) USING TARIFF CLASSIFICATION TERMS OR DEFINITIONS.

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THE RESULT IS THAT THE DETERMINATION OF THE COUNTRY OF ORIGIN IS DEFINED IN OBJECTIVE TARIFF CLASSIFICATION SHIFTS RATHER THAN SUBJECTIVE TERMS SUCH AS SUBSTANTIAL ASSEMBLY OR NEW COMMERCIAL PRODUCT. BY USING HTS CLASSIFICATIONS, THERE IS NO DOUBT WHEN A CHANGE IN THE COUNTRY OF ORIGIN OCCURS. IF A SHIPPER KNOWS THE CLASSIFICATION OF A TEXTILE PRODUCT HE IS EXPORTING, HE MERELY HAS TO LOCATE THE CLASSIFICATION IN THE TARIFF SHIFT RULES TO SEE IF THE REQUIRED CHANGE OF CLASSIFICATIONS OCCURRED WHEN THE PRODUCT WAS PRODUCED OR MANUFACTURED. IF THE TARIFF SHIFT HAS OCCURRED AND ANY OTHER LISTED REQUIREMENT IS MET, THEN THE COUNTRY OF ORIGIN IS CHANGED BY THE PROCESSING.

FOR EXAMPLE, THE TARIFF CLASSIFICATION FOR 5204 THROUGH 5207 (COTTON YARNS) STATES THAT THE SHIFT MUST BE FROM ANY OTHER HEADING PROVIDED THAT THE CHANGE OR SHIFT RESULTS FROM A SPINNING PROCESS. THIS DEFINES THE COUNTRY OF ORIGIN FOR SPUN YARNS (SEE ABOVE). THE TARIFF SHIFT FOR 5208 THROUGH 5212 REQUIRES A SHIFT FROM CLASSIFICATIONS FOR YARNS, FIBERS OR FILAMENTS THAT RESULTS FROM A FABRIC MAKING PROCESS. SIMILARLY, SHIFTS FOR 6302 REQUIRE THAT THE COUNTRY OF ORIGIN OF BED SHEETS AND PILLOW CASES MUST BE FROM THE FABRIC FORMING PROCESS, I.E., THE COUNTRY IN WHICH THE FABRIC WAS WOVEN AND NOT THE COUNTRY IN WHICH THE FABRIC FOR THE SHEETS AND PILLOW CASES WAS CUT AND CONVERTED, AS DEFINED IN ONE OF THE LISTED EXCEPTIONS ABOVE.

3. TEXTILE OR APPAREL PRODUCTS FOR WHICH THE MAJOR COMPONENTS ARE KNIT-TO-SHAPE.
4. TEXTILE OR APPAREL PRODUCTS WHOLLY ASSEMBLED IN ONE COUNTRY EXCEPT FOR THE 16 SPECIFIED EXCEPTIONS.

WHEN THE PRODUCT IS PRODUCED IN TWO OR MORE COUNTRIES AND THE COUNTRY OF ORIGIN CANNOT BE DETERMINED BY THE FOUR RULES ABOVE, THE COUNTRY OF ORIGIN IS:

5. THE COUNTRY IN WHICH THE MOST IMPORTANT PROCESSING OCCURS, AND, IF THAT CANNOT BE DETERMINED,
6. THE LAST COUNTRY IN WHICH AN IMPORTANT PROCESSING OPERATION OCCURS.

NOTE: CUTTING DOES NOT CONFER COUNTRY OF ORIGIN. THE ABOVE RULES ARE BASED ON ASSEMBLY OPERATIONS, NOT ON CUTTING.

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SPECIAL CONSIDERATIONS

SETS

IF ONE OR MORE COMPONENTS IN A SET ARE TEXTILE ARTICLES AND THERE IS NO SINGLE COUNTRY OF ORIGIN FOR THESE COMPONENTS, THE COUNTRY OF ORIGIN FOR EACH TEXTILE COMPONENT OF THE SET IS DETERMINED SEPARATELY. A COMPOSITE GOOD WILL CONTINUE TO BE CONSIDERED AS ONE COMBINED GOOD.

ISRAEL

ISRAEL IS AN EXCEPTION TO THE NEW COUNTRY ORIGIN RULES. THE COUNTRY OF ORIGIN FOR TEXTILE AND APPAREL PRODUCTS FROM ISRAEL WILL CONTINUE TO BE DETERMINED BY THE CURRENT RULES IN CUSTOMS REGULATION 12.130 (19 CFR 12.130), E.G., THE COUNTRY IN WHICH THE COMPONENTS ARE CUT, EXCEPT FOR, IN GENERAL, TAILORED OR COMPLEX GARMENTS.

INSULAR POSSESSIONS

THE NEW COUNTRY OF ORIGIN RULES WILL APPLY TO THE INSULAR POSSESSIONS OF THE UNITED STATES. THE NEW RULES (CUSTOMS REGULATION 102.21) WILL BE USED TO DETERMINE WHETHER THE GOODS QUALIFY AS A PRODUCT OF THE INSULAR POSSESSION UNDER GENERAL NOTE 3(A)(IV) OF THE HARMONIZED TARIFF SCHEDULES OF THE UNITED STATES.

HOWEVER, CUSTOMS WILL CONTINUE TO FOLLOW PAST RULINGS TO DETERMINE WHETHER FOREIGN FABRIC HAS BEEN SUBJECTED TO A DOUBLE SUBSTANTIAL TRANSFORMATION TEST FOR PURPOSES OF THE 50 PERCENT FOREIGN MATERIAL CONTENT RESTRICTION UNDER GENERAL NOTE 3(A)(IV). CUTTING WILL CONTINUE TO BE USED TO MAINTAIN CURRENT STATUS IN ACHIEVING A DOUBLE SUBSTANTIAL TRANSFORMATION. THE FIRST PORTION OF THE SUBSTANTIAL TRANSFORMATION TEST OCCURS WHEN FABRIC IS CUT INTO COMPONENTS, WHILE THE SECOND OCCURS WHEN THE COMPONENTS ARE ASSEMBLED INTO WEARING APPAREL. IN DETERMINING WHETHER THE APPAREL MEETS THE 50 PERCENT FOREIGN VALUE LIMITATION, THESE COMPONENTS ARE (AND WILL CONTINUE TO BE) TREATED AS MATERIALS PRODUCED IN THE INSULAR POSSESSION RATHER THAN AS FOREIGN MATERIALS.

NOTE: THIS CONCEPT RESULTS IN THE FACT THAT TEXTILE AND APPAREL PRODUCTS PRODUCED IN THE INSULAR POSSESSION AND CURRENTLY QUALIFY FOR DUTY FREE TREATMENT WILL CONTINUE TO ENTER THE U.S. COMMERCE FREE OF DUTIES.

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9802: COMPONENTS CUT IN THE U.S. FROM FOREIGN FABRIC AND ASSEMBLED ABOARD

THE VALUE OF COMPONENTS CUT IN THE U.S. FROM FOREIGN FABRIC AND EXPORTED FOR ASSEMBLY ABROAD ARE NOT INCLUDED IN THE DUTIABLE VALUE OF THE FINISHED ARTICLE IMPORTED INTO THE U.S. (CUSTOMS REGULATION 141.25).

EXCEPT: COMPONENTS MERELY CUT TO LENGTH AND/OR WIDTH.

COMPONENTS CUT IN THE UNITED STATES FROM FOREIGN FABRIC

- A. FOR TEXTILE AND APPAREL PRODUCTS THAT DO NOT HAVE CATEGORY NUMBERS (E.G. UMBRELLAS, PARACHUTES), AS WELL AS ALL FOOTWEAR AND PARTS OF FOOTWEAR, ASSEMBLED IN A CARIBBEAN BASIN INITIATIVE (CBI) COUNTRY FROM COMPONENTS THAT WERE CUT TO SHAPE IN THE U.S. FROM FOREIGN FABRIC, THE ASSEMBLED TEXTILE ARTICLES ARE NOT SUBJECT TO DUTY.

NOTE: CUT-TO-SHAPE COMPONENTS DO NOT INCLUDE PIECES MERELY CUT TO LENGTH AND/OR WIDTH.

NOTE: THIS PROVISION IS NECESSARY IN THE STATUTE BECAUSE IN THE NEW COUNTRY OF ORIGIN RULES CUTTING DOES NOT CONFER COUNTRY OF ORIGIN, AND THEREFORE COMPONENTS CUT IN THE U.S. OF FOREIGN FABRIC ARE NOT CONSIDERED TO BE U.S. PRODUCTS UNDER THE PROVISIONS OF THE NEW RULES OF ORIGIN. THE DEFINITION OF TEXTILE AND APPAREL PRODUCTS INCLUDES ARTICLES THAT WERE NOT CONSIDERED AS TEXTILE ARTICLES PRIOR TO IMPLEMENTATION OF THE NEW WORLD TRADE ORGANIZATION DEFINITIONS. THIS PROVISION CONTINUES THE CURRENT DUTY FREE TREATMENT UNDER U.S. NOTE 2(B), SUBCHAPTER 11, CHAPTER 98 OF THE HARMONIZED TARIFF SCHEDULES OF THE UNITED STATES.

- B. THE VALUE OF THE COMPONENTS CUT IN THE U.S. FROM FOREIGN FABRIC, UP TO THE 15 PERCENT CAP FOR U.S. ORIGIN MATERIALS, MAY BE APPLIED TOWARD DETERMINING THE MINIMUM 35 PERCENT REQUIREMENT TO QUALIFY FOR THE BENEFITS OF CBI.

NAFTA OVERRIDE

ANY NAFTA OVERRIDE RULES CURRENTLY IN EXISTENCE WILL CONTINUE TO BE APPLIED IF A NAFTA PREFERENCE IS CLAIMED.

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FOR EXAMPLE: CHINA IS THE COUNTRY OF ORIGIN OF COMFORTER SHELLS AND ALSO THE COUNTRY OF ORIGIN OF DOWN USED TO FILL THE SHELLS. BOTH OF THESE COMPONENTS ARE SENT TO CANADA WHERE THE DOWN IS INSERTED INTO THE SHELLS. THE COUNTRY OF ORIGIN OF THE FINISHED COMFORTER UNDER THE NEW RULES OF ORIGIN (SECTION 334 OR CR 102.21) IS CHINA. HOWEVER, NAFTA PROVIDES FOR AN OVERRIDE RULE THAT APPLIES IF A CLAIM IS

MADE. BECAUSE THE PROCESSING IN CANADA (A NAFTA COUNTRY) SATISFIES THE NAFTA PREFERENCE RULE OF ORIGIN, IF A CLAIM IS MADE FOR CANADA AS THE PREFERENCE OF COUNTRY OF ORIGIN AT THE TIME OF ENTRY (OR WITHIN ONE YEAR), THE COUNTRY OF ORIGIN IS CANADA. THE NAFTA PREFERENCE RULE CONTINUES TO OVERRIDE THE NEW COUNTRY OF ORIGIN RULES IN DETERMINING THE COUNTRY OF ORIGIN FOR NAFTA PRODUCTS.

U.S. GOODS SENT ABROAD FOR PROCESSING

FOR CHAPTER 9002 GOODS ONLY, WHEN A U.S. PRODUCED TEXTILE IS SENT ABROAD FOR PROCESSING AND IS ADVANCED IN VALUE:

- A. NOTE 2(A) TO CHAPTER 90, SUBCHAPTER 2 WILL CONTINUE TO APPLY FOR DUTY ASSESSMENT;
- B. CUSTOMS REGULATION 12.130(D) WILL CONTINUE TO APPLY FOR QUOTA PURPOSES; AND
- C. THE NEW SECTION 102.21 WILL APPLY FOR MARKING PURPOSES

COVERAGE

IN ADDITION TO THE TEXTILE ITEMS FOUND IN CHAPTERS 50 THROUGH 63 OF THE HARMONIZED TARIFF SYSTEM (HTS) CLASSIFICATIONS AND ANY OTHER HTS CLASSIFICATIONS WITH CATEGORY NUMBERS, THE FOLLOWING TEXTILE ITEMS IN THE HTS CLASSIFICATIONS LISTED BELOW ALSO HAVE BEEN DEFINED BY THE WORLD TRADE ORGANIZATION AS TEXTILE AND APPAREL PRODUCTS AND ARE SUBJECT TO THE NEW U.S. COUNTRY OF ORIGIN RULES FOR TEXTILE AND APPAREL PRODUCTS:

- 3005 - NONADHESIVE WADDING, GAUZE BANDAGES
- 3921 - PVC AND PU SHEETS, FILM, ETC.
- 4202 - LUGGAGE, HANDBAGS, ETC.
- 6605 - FOOTWEAR OF TEXTILES
- 6601 - UMBRELLAS
- 7019 - FIBERGLASS YARNS AND FABRICS
- 8708 - AUTOMOBILE SEAT BELTS
- 8804 - PARACHUTES
- 9113 - WATCH STRAPS
- 9404 - COMFORTERS, QUILTS, PILLOWS
- 9502 - DOLL CLOTHING
- 9612 - TYPEWRITER RIBBONS

THE SPECIFIC CLASSIFICATIONS OF THE ABOVE PRODUCTS UP TO 10 DIGITS CAN BE FOUND IN THE FEDERAL REGISTER, VOL. 60, NO. 171, SEPTEMBER 5, 1995, PAGE 46198, AND IN CUSTOMS REGULATION 102.21(E) (19 CFR 102.21(E)).

MAJOR CHANGES BETWEEN THE OLD AND NEW RULES

1. CUTTING DOES NOT DETERMINE THE COUNTRY OF ORIGIN

04/03/96
9:57:17

ADMINISTRATIVE MESSAGE

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(PREVIOUSLY CUTTING DETERMINED COUNTRY OF ORIGIN FOR 9 PERCENT OF WEARING APPAREL IMPORTS). THE NEW RULES ARE BASED ON PROCESSING OR ASSEMBLY OPERATIONS.

2. ESSENTIAL CHARACTER DOES NOT DETERMINE COUNTRY OF ORIGIN BECAUSE THE NEW RULES ARE BASED ON PROCESSING.
3. A SUBJECTIVE DETERMINATION UNDER THE PROVISIONS OF CUSTOMS REGULATION 12.130 IS REPLACED BY OBJECTIVE PROCESSING OPERATIONS EXPRESSED IN TERMS OF TARIFF SHIFTS.
4. COUNTRY OF ORIGIN FOR TEXTILE AND APPAREL PRODUCTS PROCESSED, ASSEMBLED OR MANUFACTURED IN TWO OR MORE COUNTRIES IS DETERMINED BY WHERE THE MOST IMPORTANT PROCESSING OCCURS, AND, IF THAT CANNOT BE ASCERTAINED, THE LAST COUNTRY IN WHICH AN IMPORTANT PROCESSING OPERATION OCCURS.

TEXTILE DECLARATION AND QUOTA CHARGE STATEMENT

THE SINGLE OR MULTIPLE COUNTRY OF ORIGIN DECLARATION AS SHOWN IN CUSTOMS REGULATION 12.10(F) WILL CONTINUE TO BE REQUIRED AFTER IMPLEMENTATION OF THE NEW RULES OF ORIGIN.

THE QUOTA CHARGE STATEMENT WILL CONTINUE TO BE REQUIRED AFTER IMPLEMENTATION OF THE NEW RULES OF ORIGIN.

INTERNATIONAL PURCHASE/SALE OF GOODS AGREEMENT

THIS AGREEMENT made the • day of •, 19•.

BY AND BETWEEN:

•, a corporation organized and existing under the laws of
•, and having its principal place of business at •,

(hereinafter called the "Seller")

OF THE FIRST PART

- and -

•, a corporation organized and existing under the laws of
•, and having its principal place of business at •,

(hereinafter called the "Buyer")

OF THE SECOND PART

WHEREAS the Seller, through its • Division, carries on the business of manufacturing • at • and markets certain • products;

AND WHEREAS the Seller has agreed to [manufacture and/or sell] said products to the Buyer and the Buyer has agreed to purchase from the Seller products (as hereinafter defined), upon and subject to the terms and conditions hereof;

NOW THEREFORE, in consideration of the premises and the mutual agreements and covenants herein contained (the adequacy of which consideration as to each of the parties hereto is hereby mutually acknowledged), the parties hereto hereby covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 **Definitions.** Whenever used in this Agreement, unless there is something in the subject matter or context of their use inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

(a) **Agreement** - "Agreement" means this Purchase/Sale of Goods Agreement and all instruments supplemental hereto or in amendment or confirmation hereof; "hereof", "hereto" and "hereunder" and similar

Appendix 3. International Purchase/Sale of Goods Agreement

expressions mean and refer to this Agreement and not to any particular article or section; "Article" or "Section" means and refers to the specified article or section of this Agreement;

(b) Buyer - "Buyer" means •, a corporation organized and existing under laws of •, the Party of the Second Part hereto;

(c) Parties - "Parties" means the Seller and the Buyer, collectively, and "Party" means any one of them;

(d) Purchase Price - "Purchase Price" means the purchase price to be paid by the Buyer to the Seller for the Purchased Goods as provided in Section 4.1 hereof [as adjusted, if necessary, pursuant to Section 3.3 hereof];

(e) Purchased Goods - "Purchased Goods" means all of the goods described in Section 3.1 and Schedule I hereof; and

(f) Seller - "Seller" means •, a corporation organized and existing under the laws of •, the Party of the First Part hereto.

1.2 Interpretation - Whenever the context requires, all words used in the singular number shall be deemed to include the plural and vice versa, and each gender shall include any other gender. The use herein of the word "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific terms or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation", or "but not limited to", or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter. The use of the word "approval" or "consent" shall mean the prior written approval or consent.

1.3 Entire Agreement - This Agreement, including Schedules • to • hereto, together with the agreements and other documents to be delivered pursuant hereto, constitute the entire Agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties and there are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof except as specifically set forth herein and therein. No supplement, modification or waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

1.4 Headings - The Article and Section headings contained herein are included solely for convenience, are not intended to be full or accurate descriptions of the content thereof and shall not be considered part of this Agreement.

1.5 Schedules - The following are the Schedules to this Agreement, which Schedules are an integral part of this Agreement:

Schedule I - Purchased Goods

Schedule II - Specifications

Schedule III - Shipment Schedule

1.6 Applicable Law - This Agreement shall be governed and construed in accordance with the laws of the State of • and the laws of the [United States] applicable therein and shall be treated in all respects as a • contract.

OR

Sales Convention - This Agreement shall be governed and construed in accordance with the United Nations Convention on Contracts for the International Sale of Goods supplemented by the law of the State of •, U.S.A.

OR

Domestic Law - This Agreement shall be governed and construed in accordance with the domestic laws of the state of • and the domestic laws of the United States applied therein and shall be treated in all respects as a domestic • contract.

1.7 Jurisdiction - Any controversy arising hereunder or in relation to this Agreement shall be settled in [New York] as hereinafter provided for. The Court and the authorities of the [State of New York] shall have jurisdiction over all controversies which may arise under or in relation to this Agreement, especially with respect to the execution, interpretation and compliance of this Agreement, the Parties hereto waiving any other venue which they might be entitled by virtue of domicile, habitual residence or otherwise. The Parties acknowledge and agree that the provisions of this clause, section 1.7 do not supercede Article 11 (Arbitration). It is the intention of the Parties that the provisions of Article 11 prevail in the event of any dispute, difference, controversy or claim. Only in the event that any such dispute difference, controversy or claim is not within the arbitration provisions of Article 11 do the Parties agree to the exclusive jurisdiction of the courts of [state of New York].

1.8 Currency - Unless otherwise indicated, all dollar amounts referred to in this Agreement are in [United States] currency.

ARTICLE 2
COMPLIANCE

2.1 Compliance - Each Party agrees that it shall act so as to implement, to its full extent, the provisions of this Agreement and in all respects use its best endeavours and take all such steps as may reasonably be within its power so as to comply with and act in a manner contemplated by the provisions of this Agreement and so as to implement to their full extent the provisions of this Agreement, and to the extent, if any, which may be permitted by law, shall cause its respective nominee, directors, agents and employees, if any, to act accordingly.

2.2 Parties to be Bound - The Parties covenant and agree to conduct their affairs in accordance with the provisions of this Agreement and to take no action which would constitute a contravention of any of the terms or provisions of this Agreement. Nevertheless, notwithstanding anything contained in this Agreement, the Parties shall so conduct their affairs as to comply with any law (statutory or otherwise), regulation or other legal requirement applicable to them.

2.3 Export Control Regulations - The Buyer agrees that it shall not dispose of the Purchased Goods other than to [name of country] except as export control laws and regulations of [•] permit.

ARTICLE 3
AGREEMENT TO PURCHASE

3.1 Agreement to Sell and Purchase - The Seller agrees to sell to the Buyer and the Buyer agrees to buy from the Seller:

[(a) identification of the Purchased Goods ordered, including, if applicable, model numbers;]

[(b) quantity;]

[(If representing the Buyer, you may want to add the following: provided the Buyer shall have the option to increase such quantity by an amount up to • on the same terms and conditions with no additional costs if [telex, telecopy or other agreed means of communication] of exercise of such option is sent to the Buyer to the Seller on or before •.)]

[(c) requested Delivery Dates;] and

[(d) shipping details and address.]

[If this list is lengthy or complicated, it should be set out in Schedule 1.]

3.2 Specifications - The specifications of the Purchased Goods are set forth in Schedule 2 hereof.

[Government Approval - Depending on the circumstances, one of the Parties may wish to advise the other party of a particular law or regulation, etc., and require compliance.]

Condition Precedent

3.3 [Government Approval - It is recognized that after this Agreement is executed by both Parties, it is subject to approval by [the appropriate agency] of the government of [(Buyer's country)]. It is agreed that the Seller shall not be obligated to commence performance until the date that the Buyer has notified the Seller that the required approvals of the Government of • have been received and instructed the Seller to proceed with the work.

In the event that the approval is denied or that approval is made conditional upon any modification of any of the provisions of this Agreement neither Party shall have any obligation to the other except to the extent that the Buyer has agreed to reimburse the Seller for services rendered or work performed in expectation of obtaining approval of this Agreement.]

OR

Condition Subsequent

The Buyer shall obtain any required • export license and any required import license or any other governmental authorization, permit and satisfy all formalities as may be required to carry out the terms of this Agreement in accordance with then prevailing law and regulations. [The Seller agrees to use reasonable efforts in assisting the Buyer in obtaining any such licenses or authorizations.] The Seller is not liable if any license or governmental authorization is delayed, denied, revoked, restricted or not renewed and the Buyer shall not be relieved thereby of its obligations to pay the Seller for the Purchased Goods and any other costs or charges which are the responsibility of the Buyer under this Agreement.

3.4 Delivery Terms - All deliveries of the Purchased Goods shall be [insert appropriate INCOTERM]. Unless otherwise provided in this Agreement, [INCOTERM] shall be construed in accordance with INCOTERMS 1990 of the International Chamber of Commerce. [If acting for Seller, you may want to insert the following: *Partial deliveries shall be permitted.*] Upon any delivery, title to the Purchased Goods, all risk of loss or damage to or delay of the Purchased Goods shall pass to the Buyer. [If acting for the Seller, you may want to insert the following: *Delivery times are approximate and are dependent upon prompt receipt by the Seller of all material and information necessary to produce and/or supply within*

the scheduled time.) [If acting for the Buyer, you may want to insert the following: Shipment of the Purchased Goods shall commence no earlier than • and shall be completed no later than •. All of the provisions of this Agreement regarding the time within which the Seller must ship the Purchased Goods to the Buyer are of the essence, and a failure to strictly comply with the shipment schedule shall be considered a breach which impairs the value of the entire Agreement. If the Seller fails to meet the shipment schedule as to any shipment, the Buyer may, at its option, and in addition to all other rights it may possess, cancel this Agreement, purchase elsewhere, and hold the Seller accountable for all additional costs or damages incurred. The acceptance of late or defective deliveries shall not be deemed a waiver by the Buyer of its right to cancel this Agreement, or to refuse to accept further deliveries. Prior to shipment, the Seller must obtain an inspection certificate from • certifying that the Purchased Goods conform to contractual specifications and samples.]

3.5 Modification of Orders - The Purchased Goods shall not be modified or cancelled except upon the written agreement of both Parties. The materially agreed changes to the Purchased Goods shall be subject to the provisions of this Agreement whether or not the written agreement of modification so states.

3.6 Export Regulations - The Buyer shall supply to the Seller on a timely basis with all necessary information and documentation requested by the Seller in order to permit the Seller to export the Purchased Goods with respect to any sale or order solicited by the Buyer hereunder.

ARTICLE 4 CONTRACT PRICE

4.1 Price - The total price for the work specified in Article 3 shall be • United States Dollars (U.S.\$•).

[Note that this is a lump sum clause. Depending on the circumstances, it may be appropriate to have a separate price (i.e., equipment vs. labour price), estimated prices, bonus charges, a currency clause linking the price to the exchange rate, price escalation provision or hardship clauses which specifies the maximum amount of price escalation which permits the Seller to renegotiate or terminate the contract.]

ARTICLE 5 PAYMENT

5.1 Payment - The Buyer shall effect payment to the Seller by means of an irrevocable letter of credit which the Buyer shall cause to be opened by a bank in •,

U.S. in favour of the Seller, within •(•) working days of receipt from the Seller of this Agreement containing the authorized signature of the Seller.

5.2 **Letter of Credit** - The letter of credit shall be in the total amount of US. \$•. [If acting for the Buyer and you have inserted the option to the Buyer to increase the order in paragraph 3.1 and a letter of credit is being used, the following should be inserted: *which may subsequently be increased up to U.S. \$• if the Buyer exercises the option provided in paragraph 3.1*] and shall remain available for drafts drawn thereon (subject to the terms thereof), up to •. The letter of credit shall, among other things, provide as follows:

(a) Drafts shall be drawn at sight against presentation of shipping and title documents covering each shipment [INCOTERM and place of shipment should be specified, or such other delivery which has been agreed upon] in conformance with this Agreement and the terms of the letter of credit.

(b) Shipping documents shall include any inspection certificate provided for in paragraph •.

[(c) If the minimum quantity set forth in the shipment schedule referred to in paragraph • of this Agreement is not delivered within the period allowed for such minimum quantity, the letter of credit shall cease to be available for that or any subsequent shipment.]

[Delete subparagraph (c) above whenever a shipment schedule is not required.]

(d) Amendments to the letter of credit shall only be made in conformance with amendments to this Agreement. The Buyer shall request the opening bank to effect any such amendments to the letter of credit by notifying the advising bank by [telex or telecopy]. The Seller agrees to confirm the acceptance of the initial letter of credit to the advising bank and of any amendments thereto made in conformance with this Agreement within [•] days of telex advice by the advising bank to the Seller.

(e) Notwithstanding the foregoing, in the event that the Seller requires amendment to the letter of credit to permit use of changed shipment schedules or for other urgent reasons which the Buyer approves, amendments to such terms may be made by [telex or telecopy] exchanged between the Seller and the Buyer, and the Buyer shall amend the letter of credit in conformance therewith. [Provisions, if any, for any performance bonds, partial/final payments against delivery/timely completion or other special payment provisions should be stated in this paragraph.]

If acting for the Seller, where the Buyer comes from a country with foreign exchange restrictions, a clause similar to the following should be considered

5.3 Foreign Exchange Control - The Buyer has obtained the appropriate government approval of • required for the Buyer to enter into this Agreement permitting the Buyer to make payments to the Seller for the Purchased Price of the Purchased Goods in United States dollars in the United States.

ARTICLE 6 TAXES AND DUTIES

6.1 Taxes and Duties - The Buyer shall be solely responsible for and shall pay, or reimburse the Seller for, all taxes, duties, import deposits, assessments and other governmental charges, however designated, which are now or hereafter imposed under or by any governmental authority or agency, that are: associated with the performance by the Seller of its obligations hereunder the payment of any amount by the Buyer to the Seller pursuant to this Agreement; based on the Purchased Goods or their uses, or relate to the import of the Purchased Goods into [name of destination] in accordance with then prevailing law or regulations.

6.2 Net Amounts - All payments to be made by the Buyer to the Seller pursuant to this Agreement represent net amounts the Seller is entitled to receive and shall not be subject to any deductions for any reason whatsoever. In the event any of said charges become subject to taxes, duties, assessments or fees of whatever kind or nature levied outside the United States, said payment shall be increased to such an extent as to allow the Seller to receive the net amounts due under this Agreement.

ARTICLE 7 INSPECTION AND REJECTION

[If acting for the Buyer you may want to insert the following paragraphs:

7.1 Right to Independent Inspection - The Buyer has the right, at its expense, to engage an independent inspection organization, to inspect and/or test the Purchased Goods prior to shipment. The Seller shall provide all reasonable facilities and assistance for the safety and convenience of such inspectors in the performance of their duties. Based upon such inspection, the Buyer has the right to reject non-conforming or defective Purchased Goods and/or packaging or to require their correction.

7.2 Right to Inspect - Regardless of whether an inspection has taken place prior to shipment, the Buyer has the right to inspect the Purchased Goods upon delivery to the Buyer's warehouses and, in addition to any other rights which it may have, the right to reject any defective Purchased Goods, Purchased Goods which fail to conform to the descriptions and specifications set forth in Schedule II (or which fail

to comply with the Law, regulation, etc.) set forth in Schedule • of this Agreement]. The Buyer will promptly notify the Seller in writing of all claimed defects and non-conformities, and such defective or non-conforming Purchased Goods will be held for the Seller's instruction and, if the Seller so directs, will be returned at the Seller's expense. The failure to inspect, either prior to shipment or upon delivery to the Buyer's warehouses, shall not be deemed a waiver of any of the rights of the Buyer under any provision of this Agreement.]

ARTICLE 8 INSPECTION OF PRODUCTION FACILITIES AND PRODUCTION SAMPLES

[If acting for the Buyer and the Purchased Goods are being manufactured specifically for the Buyer, you may want to insert the following clause:

8.1 Inspection of Production Facilities and Samples - The Buyer, or an independent inspection organization of the Buyer's choosing, shall have the right to inspect at any time during normal business hours the production facilities where the Purchased Goods are being produced and to inspect the Purchased Goods during production. The Seller shall cooperate with such inspections. In addition, the Seller shall send to the Buyer at the Seller's expense, prior to, and at reasonable intervals during production of the Purchased Goods, production samples of the Purchased Goods for the Buyer to test and approve.

In the event that the Buyer is not satisfied with either the Purchased Goods being produced at the time of such inspection or with the said production samples, the Buyer shall notify the Seller in writing of its dissatisfaction. The Seller shall immediately seek to cure any such dissatisfaction. In the event that corrections are not immediately made to the satisfaction of the Buyer, Buyer may, at its option, require that production and delivery be suspended pending timely corrections, and such action by the Buyer shall not excuse the Seller from any delays or failure to ship the Purchased Goods on time.]

ARTICLE 9 WARRANTIES

The warranty section, if included, is an extremely sensitive negotiated provision. Obviously the Seller will want a "bare bones" minimal approach while the Buyer will want an extensive (both in coverage and time) warranty. The following is only an example of one possible outcome of the negotiations of this provision.

9.1 Warranties - The Seller warrants that all of the Purchased Goods delivered hereunder will conform [strictly] to the descriptions and specifications set forth in Schedule 2 of this Agreement [and to production samples furnished by Seller], and will be merchantable, of good material and workmanship and free from defect. This warranty shall survive any inspection, delivery or acceptance of any Purchased Goods, and payment thereof by the Buyer and any inspection or certificate by an independent inspection organization. The Seller's obligation, shall apply only to failure to meet the foregoing warranties (except as to title) occurring within • (•) months from date of delivery pursuant to Article •, of which the Seller is given written notice within • (•) days of such occurrence and provided the Purchased Goods or part thereof are made available to the Seller as specified by the Seller. If any of the Purchased Goods or part thereof fails to meet the foregoing warranties (except as to title), the Seller shall repair same or, at its option, replace same in either case [INCOTERM] on the same basis as described in Section 3. Any such failure shall not be cause for extension of the duration of the warranty specified in this Article 9. If such failure or defect cannot be corrected by the Seller's reasonable efforts, the Parties shall negotiate an equitable adjustment. The Seller's obligations under paragraph • above shall not apply to any Purchased Goods, or part thereof, which:

- (a) is normally consumed in operation; or
- (b) has a normal life inherently shorter than the warranty period specified in paragraph •; or
- (c) is not properly stored, installed, used, maintained or repaired, or is modified other than pursuant to the Seller's instructions or approval; or
- (d) has been subjected to any other kind of misuse or detrimental exposure, or has been involved in an accident.

With respect to any of the Purchased Goods not manufactured by the Seller (except for integral parts of the Seller's Purchased Goods, to which the warranties set forth above shall apply), the Seller gives no warranty, and only the warranty, if any, given by the manufacturer shall apply. Subject to Article •, this Article sets forth the exclusive remedies for claims based upon defects in or non-conformity of the Purchased Goods, whether the claim is in contract, warranty, tort (including negligence), or otherwise. Except as set forth in Article •, the foregoing warranties are in lieu of all other warranties, whether oral, written, express, implied or statutory. **NO IMPLIED OR STATUTORY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE SHALL APPLY.**

ARTICLE 10
INDEMNIFICATION

10.1 Product Liability - If acting for the Buyer, depending on the nature of the goods and the marketplace, it may be desirable to have certain indemnities such as the following: Except for claims, losses or damages directly and solely resulting from or arising out of the Buyer's active negligence, the Seller specifically agrees to defend, indemnify and hold the Buyer harmless from and against any and all product liability claims, losses or damages, whether brought as express or implied warranty, negligence, or strict liability actions, including the costs of defending any proceedings, resulting in whole or in part from the manufacture, purchase, sale, storage (prior to delivery as specified in paragraph • hereof), transportation, or foreseeable use of the Purchased Goods.)

10.2 Patent Indemnification - The Seller shall defend any suit or proceeding brought against the Buyer and shall pay any adverse judgment entered therein so far as such suit or proceeding is based upon a claim that the use of the Purchased Goods or any part thereof manufactured by the Seller and furnished under this Agreement constitutes infringement of any patent (in the country of •) providing the Seller is promptly notified in writing and given authority, information and assistance for defense of same; and the Seller shall, at its option procure for the Buyer the right to continue to use said Purchased Goods, or to modify it so that it becomes non-infringing, or to replace the same with non-infringing equipment, or to remove said Purchased Goods and to refund the Purchase Price. The foregoing states the entire liability of the Seller with regard to patent infringement and is subject to the limitation of total liability set forth in Article •.

If you are acting for the Seller and the Purchased Goods have been custom made for the Buyer, the following should be considered

The Buyer agrees to defend, protect, indemnify and save harmless the Seller from any loss, damage or injury arising out of a claim, suit or action at law or in equity for actual or alleged infringement because of the sale of such Purchased Goods, and to defend any such suits or actions which may be brought against the Seller.)

[If acting for the Seller, it is often desirable to draft a clause limiting damages.

10.3 Limitation on Damages - In the event that either Party is entitled to recover damages under this Agreement, such damages shall not include incidental damages as defined in [Section 2-710 of the Uniform Commercial Code or the United Nations Convention on Contracts for the International Sale of Goods, Article 74. Notwithstanding any other provision of this Agreement: - such claims or relief shall be limited to direct damages which at the date of the Agreement could be reasonably foreseen as a natural consequence of such circumstance; the total liability of the Seller, including its subcontractors or suppliers, on any and all claims shall not exceed the Purchase Price of the Purchased Goods or service which gives rise to

the claim; except as to title and patent indemnity, any such liability shall terminate upon the expiration of the warranty period specified in Article •; and in no event shall the Seller or its subcontractors or suppliers be liable for any special, consequential, incidental, indirect or exemplary damages, including but not limited to, loss of profit or revenues, loss of use of or increased expense of operation of the Purchased Goods or any associated equipment, impairment of other goods, cost of capital or modifications to or substitutions for the Purchased Goods, facilities or services, downtime costs or other increased expense of operation, or claims of the Buyer's customers due to added costs or losses, service interruption or failure of supply.

ARTICLE 11 ARBITRATION

11.1 Disputes - Any and all disputes, controversies, claims and differences arising out of or relating to this Agreement, or any breach thereof, which cannot be settled through correspondence and mutual consultation of the Parties hereto, shall be finally settled by arbitration in accordance with the • Rules of the • Association, in effect on the date of this Agreement, by one or more arbitrators selected in accordance with such rules. In the event of any conflict between these rules and the provisions of this Article, the provisions of this Article shall govern.

11.2 Selection of Arbitrators - Upon the written demand of either of the Parties concerned, the Parties shall attempt to appoint a single arbitrator. If they are unable to agree within • days from such demand, then each of the Parties shall appoint one arbitrator and the two nominated shall in turn choose a third arbitrator. If arbitrators chosen by the Parties cannot agree on the choice of the third arbitrator within a period of • days after their nomination, then the third arbitrator shall be appointed by [name of arbitration association].

[Note: There are differing advantages of having one as opposed to three arbitrators, including delay and cost and expertise. Unless the value is significant, usually the most expeditious and least costly is to go with a single arbitrator. The foregoing clause is only a sample and, as in any contract, should be modified to meet the conditions, parties and circumstances.]

11.3 Situs of Arbitration - Arbitration proceedings shall be held in the City of •, U.S.A., or such other place as the Parties may mutually agree. The decision of the arbitrator(s) shall be final binding upon the Parties hereto, not subject to appeal and shall deal with the questions of costs of the arbitration and all matters related thereto. The proceedings, all pleadings, documents, correspondence and the Arbitration Award shall be written in English. Judgment upon the award or decision rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof, or application may be made to such court for a judicial recognition of the Award or an order of enforcement thereof, as the case may be.

11.4 New York Convention - The Parties acknowledge that this Agreement and any award rendered pursuant to it shall be governed by the 1958 United Nations Convention on the Recognition and enforcement of Foreign Arbitral Awards.]

11.5 Enforceability - The Seller represents that an arbitration award reached pursuant to this Article will respect to any dispute, controversy, claim or difference arising out of or relating to this Agreement is enforceable under the laws of [Seller's Country].

11.6 Enforceability - The Buyer represents that an arbitration award reached pursuant to this Article will respect to any dispute, controversy, claim or difference arising out of or relating to this Agreement is enforceable under the laws of [Buyer's Country].

ARTICLE 12 FORCE MAJEURE

12.1 Definition - Force Majeure shall mean any event or condition, not existing as of the date of signature of this Agreement, not reasonably foreseeable as of such date and not reasonably within the control of either Party, which prevents in whole or in material part the performance by the Parties of its obligations hereunder or which renders the performance of such obligations so difficult or costly as to make such performance commercially unreasonable. Without limiting the foregoing, the following shall constitute events or conditions of Force Majeure: acts of State or governmental action, orders, legislation, regulations, restrictions, priorities or rationing, riots, disturbance, war (declared or undeclared), strikes, lockouts, slowdowns, prolonged shortage of energy supplies, interruption of transportation, (inflation beyond the rate of *), embargo (inability to procure or shortage of supply of materials, equipment or production facilities), prohibition of import or export of goods and covered by this Agreement, epidemics, fire, flood, hurricane, typhoon, earthquake, lightning and explosion. If by any of the above-mentioned causes, an allocation of supplies must be made, the Parties hereby agree that such allocation will be fairly made.

[It is in particular expressly agreed that any refusal or failure of any governmental authority to grant any export license legally required for the fulfillment by the Seller of its obligations hereunder shall constitute an event of Force Majeure.] [This phrase should not be included if under Article 3 the Government Approval clause does not release the Buyer if it fails to obtain the necessary approval]

12.2 Notice - Upon giving written notice to the other Party, a Party affected by an event of Force Majeure shall be released without any liability on its part from the performance of its obligations under this Agreement, except for the obligation to pay any amounts due and owing hereunder, but only to the extent and only for the period that its performance of such obligations is prevented by the event of Force Majeure. Such notice shall include a description of the nature of the event of Force

Majeure, and its cause and possible consequences. The Party claiming Force Majeure shall promptly notify the other party of the termination of such event.

12.3 Confirmation - The Party invoking Force Majeure shall provide to the other Party confirmation of the existence of the circumstances constituting Force Majeure. Such evidence may consist of a statement or certificate of an appropriate governmental department or agency where available, or a statement describing in detail the facts claimed to constitute Force Majeure.

12.4 Suspension of Performance - During the period that the performance by one of the Parties of its obligations under this Agreement has been suspended by reason of an event of Force Majeure, the other Party may likewise suspend the performance of all or part of its obligations hereunder to the extent that such suspension is commercially reasonable.

12.5 Termination - Should the period of Force Majeure continue for more than * (*) consecutive months, either Party may terminate this Agreement without liability to the other Party, except for payments due to such date, upon giving written notice to the other Party.

ARTICLE 13 TERMINATION

13.1 Term - This Agreement shall take effect as of the date first above written.

13.2 Termination - If all or part of the work is terminated prior to its completion, such work shall be deemed to have been executed to the extent of the state of progress which the Seller had reached as of the date of termination, and the Buyer shall pay termination charges determined in accordance with the Seller's standard accounting practices upon submission of the Seller's invoices therefor. Except as specifically agreed in writing, termination shall not relieve either Party of any obligation arising out of work performed prior to termination. Charges for the terminated portion of contracts are payable by the Buyer to the Seller upon submission of its invoices for the Purchased Goods.

13.3 Termination - Notwithstanding the provisions of Section 13.1 above, this Agreement may be terminated in accordance with the following provisions:

- (a) Either Party hereby may terminate this Agreement at any time by giving notice in writing to the other Party, which notice shall be effective upon dispatch, should the other Party file a petition of any type as to its bankruptcy, be declared bankrupt, become insolvent, make an assignment for the benefit of creditors, go into liquidation or receivership, or otherwise lose legal control of its business, or should the other party or a substantial part of its business come under the control of a third party;

(b) Either Party may terminate this Agreement by giving notice in writing to the other Party should an event of Force Majeure continue for more than • (•) months as provided in Article 12; and

(c) Either Party may terminate this Agreement by giving notice in writing to the other Party in the event the other Party is in material breach of this Agreement and shall have failed to cure such breach within thirty (30) days of receipt of written notice thereof from the first Party.

ARTICLE 14 GENERAL CONDITIONS

14.1 Third Parties - Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person, other than the Parties and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

14.2 Severability - If in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions hereof and without affecting the validity or enforceability of such provision in any other jurisdiction or its application to other parties or circumstances.

14.3 Modification or Waiver - No failure or delay on the part of any Party in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any further or other exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement nor consent to any departure by any Party therefrom shall in any event be effective until the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given, it being recognized, however, that any provision of this Agreement may be modified or waived by the written agreement of all parties hereto. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances except as specifically provided herein.

14.4 Benefit of the Agreement - This Agreement shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the Parties hereto.

14.5 Assignment - Neither this Agreement nor any rights or obligations hereunder may be assigned by either Party without the written consent of each of the Parties.

14.6 English Language - The Parties confirm that it is their wish that this Agreement, as well as any other documents relating hereto including notices, have been and shall be drawn up in English only.

14.7 Counterparts - This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

14.8 Notices - Notices permitted or required to be given hereunder shall be deemed sufficient if given by registered or certified air mail, postage prepaid, return receipt requested, addressed to the respective addresses of the parties as first above written or at such other addresses as the respective parties may designate by like notice from time to time. Notices so given shall be effective upon (a) receipt by the party to which notice is given, or (b) on the tenth (10th) day following the date such notice was posted, whichever occurs first.

[Note that this may not be that efficient when dealing with parties from some of the lesser developed countries in that case you would want to insert a provision requiring notice by some other medium such as telex.]

IN WITNESS WHEREOF the Parties here hereunto duly executed this Agreement.

•
By: _____ c/s

By: _____

•
By: _____ c/s

By: _____

Export glossary

Acceptance—This term has several related meanings:

1. A time draft (or bill of exchange) which the drawee has accepted and is unconditionally obligated to pay at maturity. The draft must be presented first for acceptance—the drawee becomes the “acceptor”—then for payment. The word “accepted” and the date and place of payment must be written on the face of the draft.
2. The drawee’s act in receiving a draft and thus entering into the obligation to pay its value at maturity.
3. (Broadly speaking) Any agreement to purchase goods under specified terms. An agreement to purchase goods at a stated price and under stated terms.

Ad valorem—According to value. See **Duty**.

Advance against documents—A loan made on the security of the documents covering the shipment.

Advising bank—A bank, operating in the exporter’s country, that handles letters of credit for a foreign bank by notifying the exporter that the credit has been opened in his or her favor. The advising bank fully informs the exporter of the conditions of the letter of credit without necessarily bearing responsibility for payment.

Advisory capacity—A term indicating that a shipper’s agent or representative is not empowered to make definitive decisions or adjustments without approval of the group or individual represented. Compare **Without reserve**.

Agent—See **Foreign sales agent**.

Air waybill—A bill of lading that covers both domestic and international flights transporting goods to a specified destination. This is a non-negotiable instrument of air transport that serves as a receipt for the shipper, indicating that the carrier has accepted the goods listed and obligates itself to carry the consignment to the airport of destination according to specified conditions. Compare **Inland bill of lading**, **Ocean bill of lading**, and **Through bill of lading**.

Alongside—A phrase referring to the side of a ship. Goods to be delivered “alongside” are to be placed on the dock or barge within reach of the transport ship’s tackle so that they can be loaded aboard the ship.

Antidiversion clause—See **Destination control statement**.

Arbitrage—The process of buying **Foreign exchange**, stocks, bonds, and other commodities in one market and immediately selling them in another market at higher prices.

Asian dollars—U.S. dollars deposited in Asia and the Pacific Basin. Compare **Eurodollars**.

ATA Carnet—See **Carnet**.

Balance of trade—The difference between a country’s total imports and exports; if exports exceed imports, a favorable balance of trade exists; if not, a trade deficit is said to exist.

✓ **Barter**—Trade in which merchandise is exchanged directly for other merchandise without use of money. Barter is an important means of trade with countries using currency that is not readily convertible.

✓ **Beneficiary**—The person in whose favor a **Letter of credit** is issued or a **Draft** is drawn.

✓ **Bill of exchange**—See **Draft**.

✓ **Bill of lading**—A document that establishes the terms of a contract between a shipper and a transportation company under which freight is to be moved between specified points for a specified charge. Usually prepared by the shipper on forms issued by the carrier, it serves as a document of title, a contract of carriage, and a receipt for goods. Also see **Air waybill**, **Inland bill of lading**, **Ocean bill of lading**, and **Through bill of lading**.

✓ **Bonded warehouse**—A warehouse authorized by **Customs** authorities for storage of goods on which payment of **Duties** is deferred until the goods are removed.

Booking—An arrangement with a steamship company for the acceptance and carriage of freight.

✓ **Buying agent**—See **Purchasing agent**.

Carnet—A customs document permitting the holder to carry or send merchandise temporarily into certain foreign countries (for display, demonstration, or similar purposes) without paying duties or posting bonds. (See **Chapter 15**).

✓ **Cash against documents (C.A.D.)**—Payment for goods in which a commission house or other intermediary transfers title documents to the buyer upon payment in cash.

✓ **Cash in advance (C.I.A.)**—Payment for goods in which the price is paid in full before shipment is made. This method is usually used only for small purchases or when the goods are built to order.

✓ **Cash with order (C.W.O.)**—Payment for goods in which the buyer pays when ordering and in which the transaction is binding on both parties.

- ✓ **Certificate of inspection**—A document certifying that merchandise (such as perishable goods) was in good condition immediately prior to its shipment. (See Chapter 13.)
- Certificate of manufacture**—A statement (often notarized) in which a producer of goods certifies that manufacture has been completed and that the goods are now at the disposal of the buyer.
- ✓ **Certificate of origin**—A document, required by certain foreign countries for tariff purposes, certifying the country of origin of specified goods (See Chapter 10.)
- ✓ **C & F—"Cost and freight."** A pricing term indicating that the cost of the goods and freight charges are included in the quoted price; the buyer arranges for and pays insurance. (See Chapter 10.)
- Charter party**—A written contract, usually on a special form, between the owner of a vessel and a "charterer" who rents use of the vessel or a part of its freight space. The contract generally includes the freight rates and the ports involved in the transportation.
- C & I—"Cost and insurance."** A pricing term indicating that the cost of the product and insurance are included in the quoted price. The buyer is responsible for freight to the named port of destination.
- ✓ **C.I.F.—"Cost, insurance, freight."** A pricing term indicating that the cost of the goods, insurance, and freight are included in the quoted price. (See Chapter 10.)
- ✓ **Clean bill of lading**—A receipt for goods issued by a carrier that indicates that the goods were received in "apparent good order and condition," without damages or other irregularities. Compare **Foul bill of lading**.
- ✓ **Clean draft**—A Draft to which no documents have been attached.
- ✓ **Collection papers**—All documents (**Commercial invoices**, **Bills of lading**, etc.) submitted to a buyer for the purpose of receiving payment for a shipment.
- Commercial attache**—The commerce expert on the diplomatic staff of his or her country's embassy or large consulate.
- ✓ **Commercial invoice**—An itemized list of goods shipped, usually included among a exporter's **Collection papers**. (See Chapter 13.)
- Commission agent**—See **Purchasing agent**.
- ✓ **Common carrier**—An individual, partnership, or corporation that transports persons or goods for compensation.
- ✓ **Confirmed letter of credit**—A letter of credit, issued by a foreign bank, with validity confirmed by a U.S. bank. An exporter who requires a confirmed letter of credit from the buyer is assured of payment by the U.S. bank even if the foreign buyer or the foreign bank defaults. See **Letter of credit**. (Also see Chapter 14.)
- ✓ **Consignment**—Delivery of merchandise from an exporter (the consignor) to an agent (the consignee) under agreement that the agent sell the merchandise for the account of the exporter. The consignor retains title to the goods until the consignee has sold them. The consignee sells the goods for commission and remits the net proceeds to the consignor.
- Consular declaration**—A formal statement, made to the consul of a foreign country, describing goods to be shipped.
- Consular invoice**—A document, required by some foreign countries, describing a shipment of goods and showing information such as the consignor, consignee, and value of the shipment. Certified by a consular official of the foreign country, it is used by the country's customs officials to verify the value, quantity, and nature of the shipment. (See Chapter 13.)
- ✓ **Convertible currency**—A currency that can be bought and sold for other currencies at will.
- ✓ **Correspondent bank**—A bank that, in its own country, handles the business of a foreign bank.
- ✓ **Countertrade**—The sale of goods or services that are paid for in whole or in part by the transfer of goods or services from a foreign country. (See **Barter**.)
- Credit risk insurance**—Insurance designed to cover risks of nonpayment for delivered goods. Compare **Marine insurance**.
- ✓ **Customs**—The authorities designated to collect duties levied by a country on imports and exports. The term also applies to the procedures involved in such collection.
- ✓ **Customhouse broker**—An individual or firm licensed to enter and clear goods through Customs.
- ✓ **Date draft**—A draft that matures in a specified number of days after the date it is issued, without regard to the date of **Acceptance** (Definition 2). See **Draft**, **Sight draft** and **Time draft**. (Also see Chapter 14.)
- ✓ **Deferred payment credit**—Type of **Letter of credit** providing for payment some time after presentation of shipping documents by exporter.
- ✓ **Demand draft**—See **Sight draft**.
- Destination control statement**—Any of various statements that the U.S. Government requires to be displayed on export shipments and that specify the destinations for which export of the shipment has been authorized. (See Chapter 13.)
- ✓ **Devaluation**—The official lowering of the value of one country's currency in terms of one or more foreign currencies. (E.g., if the U.S. dollar is devalued in relation to the French franc, one dollar will "buy" fewer francs than before.)

DISC—Domestic international sales corporation. (See Chapter 12.)

Discrepancy—Letter of credit—When documents presented do not conform to the letter of credit, it is referred to as a "discrepancy."

Dispatch—An amount paid by a vessel's operator to a charterer if loading or unloading is completed in less time than stipulated in the charter party.

Distributor—A foreign agent who sells for a supplier directly and maintains an inventory of the supplier's products.

Dock receipt—A receipt issued by an ocean carrier to acknowledge receipt of a shipment at the carrier's dock or warehouse facilities. Also see **Warehouse receipt**.

Documentary draft—A **Draft** to which documents are attached.

Documents against acceptance (D/A)—Instructions given by a shipper to a bank indicating that documents transferring title to goods should be delivered to the buyer (or drawee) only upon the buyer's acceptance of the attached draft.

Draft (or Bill of exchange)—An unconditional order in writing from one person (the drawer) to another (the drawee), directing the **Drawee** to pay a specified amount to a named **Drawer** at a fixed or determinable future date. (See Chapter 14.) See **Date draft**, **Sight draft**, **Time draft**.

Drawback—Articles manufactured or produced in the United State with the use of imported components or raw materials and later exported are entitled to a refund of up to ninety-nine percent of the duty charged on the imported components. The refund of duty is known as a "drawback."

Drawee—The individual or firm on whom a draft is drawn and who owes the stated amount. Compare **Drawer**. Also see **Draft**.

Drawer—The individual or firm that issues or signs a draft and thus stands to receive payment of the stated amount from the drawee. Compare **Drawee**. Also see **Draft**.

Dumping—Exporting/importing merchandise into a country below the costs incurred in production and shipment.

Duty—A tax imposed on imports by the customs authority of a country. Duties are generally based on the value of the goods (ad valorem duties), some other factor such as weight or quantity (specific duties), or a combination of value and other factors (compound duties).

EMC—See **Export management company**.

ETC—See **Export trading company**.

Eurodollars—U.S. dollars placed on deposit in banks outside the United States; usually refers to deposits in Europe.

Ex—"From." When used in pricing terms such as "Ex Factory" or "Ex Dock," it signifies that the price quoted applies only at the point of origin (in the two examples, at the seller's factory or a dock at the import point). In practice, this kind of quotation indicates that the seller agrees to place the goods at the disposal of the buyer at the specified place within a fixed period of time.

Exchange permit—A government permit sometimes required by the importer's government to enable the importer to convert his or her own country's currency into foreign currency with which to pay a seller in another country.

Exchange rate—The price of one currency in terms of another, i.e., the number of units of one currency that may be exchanged for one unit of another currency.

Eximbank—The Export-Import Bank of the United States (See Chapter 11.)

Export broker—An individual or firm that brings together buyers and sellers for a fee but does not take part in actual sales transactions.

Export commission house—An organization which, for a commission, acts as a purchasing agent for a foreign buyer.

Export declaration—See **Shipper's export declaration**.

Export license—A government document that permits the "Licensee" to engage in the export of designated goods to certain destinations. (See **General and Validated licenses** and Chapter 12.)

Export management company—A private firm that serves as the export department for several manufacturers, soliciting and transacting export business on behalf of its clients in return for a commission, salary, or retainer plus commission. (See Chapter 2.)

Export trading company—A firm similar or identical to an export management company. (See Chapter 2.)

Factoring houses—See Chapter 11.

F.A.S.—"Free alongside." A pricing term indicating that the quoted price includes the cost of delivering the goods alongside a designated vessel. (See Chapter 10.)

FCIA—Foreign credit insurance association. (See Chapter 11.)

F.I.—"Free in." A pricing term indicating that the charterer of a vessel is responsible for the cost of loading and unloading goods from the vessel.

Floating policy—See **Open policy**.

F.O.—"Free out." A pricing term indicating that the charterer of a vessel is responsible for the cost of loading goods from the vessel.

F.O.B.—"Free on board." A pricing term indicating that the quoted price includes the cost of

loading the goods into transport vessels at the specified place (See *Chapter 10*)

✓ **Force majeure**—The title of a standard clause in marine contracts exempting the parties for non-fulfillment of their obligations as a result of conditions beyond their control, such as earthquakes, floods, or war.

✓ **Foreign exchange**—The currency or credit instruments of a foreign country. Also, transactions involving purchase and/or sale of currencies.

✓ **Foreign freight forwarder**—See **Freight forwarder**.

✓ **Foreign sales agent**—An individual or firm that serves as the foreign representative of a domestic supplier and seeks sales abroad for the supplier.

✓ **Foreign trade zone**—See **Free trade zone**.

✓ **Foul bill of lading**—A receipt for goods issued by a carrier with an indication that the goods were damaged when received. Compare **Clean bill of lading**.

✓ **Free port**—An area such as a port city into which merchandise may legally be moved without payment of duties.

✓ **Free trade zone**—A port designated by the government of a country for duty-free entry of any non-prohibited goods. Merchandise may be stored, displayed, used for manufacturing, etc., within the zone and reexported without duties being paid. Duties are imposed on the merchandise (or items manufactured from the merchandise) only when the goods pass from the zone into an area of the country subject to the Customs Authority.

✓ **Freight forwarder**—An independent business which handles export shipments for compensation. (A freight forwarder is among the best sources of information and assistance on U.S. export regulations and documentation, shipping methods, and foreign import regulations.)

✓ **GATT**—"General Agreement on Tariffs and Trade." A multilateral treaty intended to help reduce trade barriers between the signatory countries and to promote trade through tariff concessions.

✓ **General export license**—Any of various export licenses covering export commodities for which **Validated export licenses** are not required. No formal application or written authorization is needed to ship exports under a General export license. (See *Chapter 12*.)

✓ **Gross weight**—The full weight of a shipment, including goods and packaging. Compare **Tare weight**.

✓ **Import license**—A document required and issued by some national governments authorizing the importation of goods into their individual countries.

✓ **Inland bill of lading**—A bill of lading used in transporting goods overland to the exporter's international carrier. Although a **Through bill of lading**

can sometimes be used, it is usually necessary to prepare both an inland bill of lading and an **Ocean bill of lading** for export shipments. Compare **Air waybill**, **Ocean bill of lading**, and **Through bill of lading**.

✓ **International freight forwarder**—See **Freight forwarder**.

✓ **IOGA (Industry-Organized, Government-Sponsored) Trade Mission**—See *Chapter 7*.

✓ **Irrevocable letter of credit**—A letter of credit in which the specified payment is guaranteed by the bank if all terms and conditions are met by the drawee. Compare **Revocable letter of credit**. (Also see *Chapter 14*.)

✓ **Letter of credit (L/C)**—A document, issued by a bank per instructions by a buyer of goods, authorizing the seller to draw a specified sum of money under specified terms, usually the receipt by the bank of certain documents within a given time. (See *Chapter 14*.)

✓ **Licensing**—A business arrangement in which the manufacturer of a product (or a firm with proprietary rights over certain technology, trademarks, etc.) grants permission to some other group or individual to manufacture that product (or make use of that proprietary material) in return for specified royalties or other payment.

✓ **Manifest**—See **Ship's manifest**.

✓ **Marine insurance**—Insurance that compensates the owners of goods transported overseas in the event of loss that cannot be legally recovered from the carrier. Also covers air shipments. Compare **Credit risk insurance**.

✓ **Marking (or marks)**—Letters, numbers, and other symbols placed on cargo packages to facilitate identification. (See *Chapter 13*.)

✓ **Ocean bill of lading**—A **Bill of lading (B/L)** indicating that the exporter consigns a shipment to an international carrier for transportation to a specified foreign market. Unlike an **Inland B/L**, the **Ocean B/L** also serves as a collection document. If it is a "straight" B/L, the foreign buyer can obtain the shipment from the carrier by simply showing proof of identity. If a "negotiable" B/L is used, the buyer must first pay for the goods, post a bond, or meet other conditions agreeable to the seller. Compare **Air waybill**, **Inland bill of lading**, and **Through bill of lading**.

✓ **On board bill of lading (B/L)**—A **Bill of lading** in which a carrier certifies that goods have been placed on board a certain vessel.

✓ **Open account**—A trade arrangement in which goods are shipped to a foreign buyer without guarantee of payment. The obvious risk this method poses to the supplier makes it essential that the buyer's integrity be unquestionable.

✓ **Open insurance policy**—A marine insurance policy that applies to all shipments made by an exporter

- over a period of time rather than to one shipment only.
- ✓ **"Order" bill of lading (B/L)**—A negotiable Bill of lading made out to the order of the shipper.
 - ✓ **Packing list**—A list showing the number and kinds of items being shipped, as well as other information needed for transportation purposes. (See Chapter 13.)
 - ✓ **Parcel post receipt**—The postal authorities' signed acknowledgment of delivery to receiver of a shipment made by parcel post.
 - ✓ **PEFCO (Private Export Funding Corporation)**—Lends to foreign buyers to finance exports from U.S. (See Chapter 11.)
 - ✓ **Perils of the sea**—A marine insurance term used to designate heavy weather, stranding, lightning, collision, and sea water damage.
 - ✓ **Phytosanitary Inspection Certificate**—A certificate, issued by the U.S. Department of Agriculture to satisfy import regulations for foreign countries, indicating that a U.S. shipment has been inspected and is free from harmful pests and plant diseases.
 - ✓ **Political risk**—In export financing the risk of loss due to such causes as currency inconvertibility, government action preventing entry of goods, expropriation or confiscation, war, etc.
 - ✓ **Pro forma invoice**—An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value, and important specifications (weight, size, etc.).
 - ✓ **Purchasing agent**—An agent who purchases goods in his or her own country on behalf of foreign importers such as government agencies and large private concerns.
 - ✓ **Quota**—The quantity of goods of a specific kind that a country permit to be imported without restriction or imposition of additional Duties.
 - ✓ **Quotation**—An offer to sell goods at a stated price and under specified conditions.
 - ✓ **Remitting bank**—Bank that sends the Draft to overseas bank for collection.
 - ✓ **Representative**—See **Foreign sales agent**.
 - ✓ **Revocable letter of credit**—A Letter of credit that can be cancelled or altered by the Drawee (buyer) after it has been issued by the drawee's bank. Compare **Irrevocable letter of credit**. (Also see Chapter 14.)
 - ✓ **Schedule B**—Refers to "Schedule B, Statistical Classification of Domestic and Foreign Commodities Exported from the United States." All commodities exported from the United States must be assigned a seven-digit Schedule B number.
 - ✓ **Shipper's export declaration**—A form required by the U.S. Treasury Department for all shipments and prepared by a shipper, indicating the value, weight, destination, and other basic information about an export shipment. (See Chapter 13.)
 - ✓ **Ship's manifest**—An instrument in writing, signed by the captain of a ship, that lists the individual shipments constituting the ship's cargo.
 - ✓ **Sight draft (S/D)**—A draft that is payable upon presentation to the drawee. Compare **Date draft**, **Time draft**. (See Chapter 14.)
 - ✓ **Spot exchange**—The purchase or sale of foreign exchange for immediate delivery.
 - ✓ **Standard Industrial Classification (SIC)**—A standard numerical code system used by the U.S. Government to classify products and services.
 - ✓ **Standard International Trade Classification (SITC)**—A standard numerical code system developed by the United Nations to classify commodities used in international trade.
 - ✓ **Steamship conference**—A group of steamship operators that operate under mutually agreed upon freight rates.
 - ✓ **Straight bill of lading**—A non-negotiable Bill of lading in which the goods are consigned directly to a named consignee.
 - ✓ **Tare weight**—The weight of a container and packing materials without the weight of the goods it contains. Compare **Gross weight**.
 - ✓ **Tenor (or a Draft)**—Designation of a payment as being due at sight, a given number of days after sight, or a given number of days after date.
 - ✓ **Through bill of lading**—A single Bill of lading converting both the domestic and international carriage of an export shipment. An **Air waybill**, for instance, is essentially a through bill of lading used for air shipments. Ocean shipments, on the other hand, usually require two separate documents—an **Inland bill of lading** for domestic carriage and an **Ocean bill of lading** for international carriage. Through bills of lading are insufficient for ocean shipments. Compare **Air waybill**, **Inland bill of lading**, **Ocean bill of lading**.
 - ✓ **Time draft**—A draft that matures either a certain number of days after acceptance or a certain number of days after the date of the draft. Compare **Date draft**, **Sight draft**. (See Chapter 14.)
 - ✓ **Tramp steamer**—A ship not operating on regular routes or schedules.
 - ✓ **Transaction statement**—A document that delineates the terms and conditions agreed upon between the importer and exporter.
 - ✓ **Trust receipt**—Release of merchandise by a bank to a buyer in which the bank retains title to the merchandise. The buyer, who obtains the goods for manufacturing or sales purposes, is obligated to maintain the goods (or the proceeds from their

sale) distinct from the remainder of his or her assets and to hold them ready for repossession by the bank.

Validated export license—A required document issued by the U.S. Government authorizing the export of specific commodities. This license is for a specific transaction or time period in which the exporting is to take place. Compare **General export license**. (Also see *Chapter 12*.)

✓ **Warehouse receipt**—A receipt issued by a warehouse listing goods received for storage.

✓ **Wharfage**—A charge assessed by a pier or dock owner for handling incoming or outgoing cargo.

Without reserve—A term indicating that a shipper's agent or representative is empowered to make definitive decisions and adjustments abroad without approval of the group or individual represented. Compare **Advisory capacity**.

Here's the site for the harmonized tarriffs.

<http://www.usitc.gov/hts.htm>

<http://www.sbaonline.sba.gov/uscustoms/home1.html>

US Customs Home Page

Pantone, Inc., 590 Commerce Blvd., Carlstadt, NJ 07072-3098. Fax: (201) 896-0242. (Worldwide Web at <http://www.pantone.com>). Provides color swatches, color systems, color trend information.

GUIDELINES FOR GOOD PACKAGING

Checklist for Good Packaging

- ▶ Rigid carton with flaps intact
- ▶ Items wrapped separately
- ▶ Adequate cushioning material
- ▶ Strong tape designed for shipping
- ▶ No string or paper overwrap
- ▶ Single address label
- ▶ A clear, complete delivery address
- ▶ A clear, complete return address
- ▶ Duplicate label inside carton

DO NOT USE:

- Masking tape
- Cellophane tape
- String
- Paper overwrap



Follow These Steps to Good Packaging

1. Use a corrugated box.

For best results, use a new box large enough to allow room for adequate cushioning material on all sides of the contents. If a box is reusable, remove old labels or other previous shipment markings from the box. Never exceed the maximum gross weight of the box, which is usually printed on the bottom flap.

2. Protect it inside.

To properly cushion the contents of your package, wrap each item separately. Fragile articles need proper separation as well as clearance from the corners and sides of the box to prevent damage.

A wide variety of materials can be used for cushioning and protection including:

- Air-encapsulated plastic (bubble pack)
- Expanded polystyrene (peanuts)*

* May not be suitable for heavy products that can shift while in transport.

- Foam-in-place (a foam sprayed into boxes to form protective molds around contents).
- Corrugated dividers.
- Paper (crumpled kraft paper or newspaper).

Use enough cushioning material to ensure that the contents won't move easily when you shake the box.

NOTE: Extremely fragile objects require special packaging for safe shipment.

3. Close it securely

Proper closure is just as important as adequate cushioning. For best results, use one of these types of tape:

- Pressure-sensitive plastic or nylon reinforced tape.
- Water-activated paper tape. Use 60-pound grade tape at least three inches wide. Apply three strips to both the top and bottom of the box as shown in the illustration.

- Water-activated reinforced tape. Similar to plain paper tape, except that reinforcing fibers have been added for strength. This tape requires only two center seam strips, in contrast to the six strips necessary for paper tape.

4. Use proper labeling

For fast, efficient delivery, keep these points in mind when addressing your package:

- Always include the receiver's ZIP Code with the complete street address.
- When addressing to a P.O. Box or Rural Route destination, provide the recipient's telephone number on the label whenever possible.
- Include the apartment or unit number, if applicable.
- Place the delivery label on the top of the box. To avoid confusion, place only one address label on the box.

If using a packing slip, place it on the same side of the box as the address label.

- Do not place the label over a seam or closure or on top of sealing tape.
- Remove or cross out old address labels or markings on a used box.
- Always include your complete return address including full street address and ZIP Code.
- For added protection, place a duplicate label or other form of identification inside the package.