The ATA Export Manual

A Guide to Exporting Crafts to the U.S.

Edited by Docey Lewis

Compiled by Docey Lewis and Karen Gibbs

Aid to Artisans, Inc.
Farmington, Connecticut USA

Revised December 1996
## Contents

### Introduction

1 The Buyer-Seller Relationship  
   Dealing with Expectations 3  
   The Importance of Good Communication 3  
   Roles and Responsibilities 4  
   The Ten Golden Rules 4

   Figure 1.1 "The Invisible Hands" 5

2 Designing and Producing for Export  
   Taste in the Market Place 6  
   Trends 6  
   Product Development 7  
   Life Cycle of a Product 7  
   Organizing for New Product Development 8  
   Stages in product Development 8  
   Timing 9  
   Product Line Strategies 10  
   Other Considerations 10

3 Pricing Your Crafts  
   Price Considerations 11  
   Setting Prices 11  
   Analyzing Prices 13  
   Other Pricing Methods 14

   Figure 3.1 Personal/Family Expenses 15  
   Figure 3.2 Capital Expenditures 16  
   Figure 3.3 Direct Expenses 17  
   Figure 3.4 Overhead Expenses 18  
   Figure 3.5 Ex-Works Price 19  
   Figure 3.6 Pricing Worksheet 20

4 Before the Sale  
   Requirements 21  
   Statement of Terms 21  
   Export Price List 21  
   Brochures 22  
   Samples 22

   Figure 4.1 Statement of Terms 23  
   Figure 4.2 Export Price List 24  
   Figure 4.3 Sample Brochure 25  
   Figure 4.4 Photo with product Information 26  
   Figure 4.5 Sample Tag 27

5. During the Sale  
   The Letter of Inquiry 28  
   Request for Quotation 28  
   Quotation Cover Letter and Pro Forma Invoice 28  
   Purchase Order 29  
   Sales Order 29
Acceptance of Order or Confirmation of Order 29
Contract or Supply Agreement 30
Quota and Visas 30

Figure 5.1 Faxed Letter of Inquiry 31
Figure 5.2 Faxed Response to Letter of Inquiry 32
Figure 5.3 Faxed Request for Custom Samples 33
Figure 5.4 Faxed Notification of Receipt of Artwork 34
Figure 5.5 Faxed Notification Regarding Samples Shipment 35
Figure 5.6 Invoice for Samples 36
Figure 5.7 Confirmation of Shipping Methods and Advice of Payment 37
Figure 5.8 Request for Quotation 38
Figure 5.9 Quotation Cover Letter 39
Figure 5.10 Quotation by Pro Forma Invoice 40
Figure 5.11 International Purchase Order 41
Figure 5.12 Acceptance of Order 42

6. Producing the Order
Planning Production 43
Work Orders 43
Quality Control 44
Labeling 44
Packaging 45

Figure 6.1 Production Schedule (Gantt Chart) 47
Figure 6.2 Calendar (a, b, c) 48, 49, 50
Figure 6.3 International Symbols for Textile Care 51
Figure 6.4 Sample Labels and Tags 52
Figure 6.5 Labeling Cartoon 53
Figure 6.6 Production Cycle Cartoon 54

7. Packing the Order for Shipment
Packing 55
Commingling of Goods 56
The Export Packing List 56
Addressing and Marking the Boxes 57

Figure 7.1 International Packing List 58
Figure 7.2 International Safe-handling Symbols 59

8. Shipping the Order
The International Commercial Invoice 60
Freight Forwarders 60
Shipper's Letter of Instructions 61
Shipper's Export Declaration 61
Notification to Buyer and Request for Payment 61
Certificate of Origin (Form A) 61
Air Waybill or Bill of Lading 61
Insurance 61
Making the Shipment and Distributing the Documents 62
The Final Export Checklist 62

Figure 8.1 International Commercial Invoice 63
Figure 8.2 Shipper's Letter of Instructions 64
Figure 8.3 Air Waybill 65
Figure 8.4 Bill of Lading 66
9. U.S. Customs Procedures
   Figure 9.1 U.S. Customs Entry Summary  68
   Figure 9.2 Sample Invoice of Customhouse Broker to Buyer  69

10. Collecting Your Money
    Payment Options  70
    Negotiating  71
    Checking Your Buyer's Credit  71
    Working with an Export Agent  71
    What to Do If Your Buyer Won't Pay  72
    Congratulations!  72
    Figure 10.1 Documentary Bank Draft  73
    Figure 10.2 Application for Letter of Credit  74
    Figure 10.3 Letter of Credit  75
    Figure 10.4 Request for Credit Reference  76

Appendices
   Appendix 1. Table of People and Paperwork  77
   Appendix 2. Textiles - New Rules of Origin  78
   Appendix 3. International Purchase/Sale of Goods Agreement  89
   Appendix 4. Glossary of Export Terms (Compiled by the U.S. Department of Commerce) 105
   Appendix 5. Useful Web Sites on the Internet  111
   Appendix 6. UPS Guidelines to Good Packaging  112
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 customhouse brokers. Each of them plays a role in your export transaction, and generally reports to either the buyer of 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.

SELLER $ AGENT $ RAW MATERIALS SUPPLIER $ SAMPLE MAKER

PRODUCTION $ QUALITY CONTROLLER $ GRAPHICS $ PHOTOGRAPHER

PRINTER $ BUYER $ CREDIT AGENCY $ ATTORNEY

BANK $ EXPORT LICENSE $ MINISTRY OF TRADE or EXPORT $ PACKER

INSPECTOR $ FREIGHT FORWARDER $ TRUCK DRIVER $ SHIPPER

INSURER $ YOUR COUNTRY'S CUSTOMS $ U.S. CUSTOMS

CUSTOMHOUSE BROKER $ WAREHOUSE $ BUYER IMPORTER

THE INVISIBLE HANDS

Figure 1.1. The Invisible Hands
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 handicrafts 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 subsegments 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 products, 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 artisan 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):

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost (per unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood cutout (purchased)</td>
<td>$.50</td>
</tr>
<tr>
<td>Paint (estimated)</td>
<td>.10</td>
</tr>
<tr>
<td>Hanging thread (purchased)</td>
<td>.02</td>
</tr>
<tr>
<td>Labor - you and others (based on maximum of 10 units per day, and $10 per day needed for personal expenses)</td>
<td>$1.00</td>
</tr>
<tr>
<td>Plastic bag</td>
<td>.05</td>
</tr>
<tr>
<td>Label or hangtag</td>
<td>.05</td>
</tr>
<tr>
<td>Cardboard Box</td>
<td>.20</td>
</tr>
<tr>
<td><strong>Direct Expenses</strong></td>
<td><strong>$1.92</strong></td>
</tr>
</tbody>
</table>

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:  

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost (per unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Direct Expense</td>
<td>$1.92</td>
</tr>
<tr>
<td>#2 Overhead</td>
<td>.56</td>
</tr>
<tr>
<td>#3 Profit Margin</td>
<td>.37</td>
</tr>
<tr>
<td><strong>Ex-Works Price</strong></td>
<td><strong>$2.85</strong></td>
</tr>
</tbody>
</table>

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:  

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost (per unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Direct Expense</td>
<td>$1.92</td>
</tr>
<tr>
<td>#2 Overhead</td>
<td>.56</td>
</tr>
<tr>
<td>#3 Profit Margin</td>
<td>.37</td>
</tr>
<tr>
<td>#4 Docs. prep, agent</td>
<td>.20</td>
</tr>
<tr>
<td><strong>F.O.B. Price</strong></td>
<td><strong>$3.05</strong></td>
</tr>
</tbody>
</table>

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:  

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost (per unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Direct expense</td>
<td>$1.92</td>
</tr>
<tr>
<td>#2 Overhead</td>
<td>.56</td>
</tr>
<tr>
<td>#3 Profit Margin</td>
<td>.37</td>
</tr>
<tr>
<td>#4 Docs. prep, agent</td>
<td>.20</td>
</tr>
<tr>
<td>#5 Shipping + ins.</td>
<td>.46</td>
</tr>
<tr>
<td><strong>C.I.F. Price</strong></td>
<td><strong>$3.51</strong></td>
</tr>
</tbody>
</table>

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

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

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

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.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent or Mortgage</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td></td>
</tr>
<tr>
<td>Medical (Doctor, dentist, medicine, hospital, x-ray, lab)</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
</tr>
<tr>
<td>Automobile (if any)</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
</tr>
<tr>
<td>Maintenance and Repairs (to home)</td>
<td></td>
</tr>
<tr>
<td>Recreation (sports, theater, movies, etc.)</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
</tr>
<tr>
<td>Parents</td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Total Personal/Family Expenses</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.1. Personal/Family Expenses
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOOLS AND CRAFT EQUIPMENT</td>
<td></td>
</tr>
<tr>
<td>STUDIO FURNITURE (Chair, work table, etc.)</td>
<td></td>
</tr>
<tr>
<td>OFFICE EQUIPMENT (Calculator, typewriter, computer, etc.)</td>
<td></td>
</tr>
<tr>
<td>OFFICE FURNITURE (Desk, chair, filing cabinet, storage shelves)</td>
<td></td>
</tr>
<tr>
<td>IMPROVEMENTS TO WORK SPACE (if any)</td>
<td></td>
</tr>
<tr>
<td>TOTAL CAPITAL EXPENDITURES</td>
<td></td>
</tr>
</tbody>
</table>
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 

Figure 3.3. 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

<table>
<thead>
<tr>
<th>LABOR</th>
<th>RAW MATERIALS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PERCENT OF OVERHEAD

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

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

### PROFIT MARGIN (at least 15%)

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

### TOTAL EX-WORKS PRICE

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

---

Figure 3.5. Ex-Works Price
<table>
<thead>
<tr>
<th>Description of expense</th>
<th>Percent</th>
<th>Amount per piece</th>
<th>Amount for 1 Month's production</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct labor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-contracted labor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of overhead expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labeling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality Inspection</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paperwork</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EX-WORKS PRICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal transport</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Documentation/export formalities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>F.O.B. PRICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Shipping</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C.I.F. PRICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Customs Duty</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import broker charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation to warehouse</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LANDED COST</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehousing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Importer's profit margin</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>WHOLESALE PRICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail mark-up</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RETAIL PRICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.6. Pricing Worksheet
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.
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

<table>
<thead>
<tr>
<th>Product Code No.</th>
<th>Item</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>FO-01</td>
<td>Deer 3&quot; W x 3&quot; H</td>
<td>$1.75</td>
</tr>
<tr>
<td>FO-02</td>
<td>Moose 3&quot; W x 3&quot; H</td>
<td>$1.85</td>
</tr>
<tr>
<td>FO-03</td>
<td>Swan 4&quot; W x 4&quot; H</td>
<td>$1.95</td>
</tr>
<tr>
<td>FO-04</td>
<td>Bear 3&quot; W x 6&quot; H</td>
<td>$1.75</td>
</tr>
<tr>
<td>FO-05</td>
<td>Sheep 4&quot; W x 5&quot; H</td>
<td>$1.75</td>
</tr>
<tr>
<td>FO-06</td>
<td>Angel w/harp 3&quot; W x 6&quot; H</td>
<td>$1.95</td>
</tr>
<tr>
<td>FO-07</td>
<td>Angel w/drum 3&quot; W x 6&quot; H</td>
<td>$1.95</td>
</tr>
<tr>
<td>FO-08</td>
<td>Angel w/horn 3&quot; W x 6&quot; H</td>
<td>$1.95</td>
</tr>
<tr>
<td>FO-09</td>
<td>Poinsettia 4&quot; d</td>
<td>$1.85</td>
</tr>
<tr>
<td>FO-10</td>
<td>Christmas Tree 2&quot; W x 6&quot; H</td>
<td>$1.75</td>
</tr>
<tr>
<td>FO-11</td>
<td>Log Cabin 4&quot; W x 4&quot; H</td>
<td>$1.95</td>
</tr>
<tr>
<td>FO-12</td>
<td>Santa 3&quot; W x 6&quot; H</td>
<td>$1.95</td>
</tr>
</tbody>
</table>

Felt Stockings

<table>
<thead>
<tr>
<th>Product Code No.</th>
<th>Item</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS-01</td>
<td>Santa Christmas stocking 10&quot; W x 17&quot; H, Red or green</td>
<td>$9.50</td>
</tr>
<tr>
<td>FS-02</td>
<td>Angel Christmas stocking 10&quot; W x 17&quot; H, Red or green</td>
<td>$9.50</td>
</tr>
<tr>
<td>FS-03</td>
<td>Log Cabin Christmas stocking 10&quot; W x 17&quot; H, Red or green</td>
<td>$9.50</td>
</tr>
<tr>
<td>FS-04</td>
<td>Nativity Scene Christmas stocking 10&quot; W x 17&quot; H</td>
<td>$9.50</td>
</tr>
<tr>
<td>FS-05</td>
<td>Snowflake Christmas stocking 10&quot; W x 17&quot; H, Red or white</td>
<td>$9.50</td>
</tr>
<tr>
<td>FS-06</td>
<td>Baby's First Christmas stocking 6&quot; W x 12&quot; H, Red or green</td>
<td>$7.00</td>
</tr>
</tbody>
</table>

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
ANOTHER SUGGESTED FORMAT FOR DETAILED PRODUCT INFORMATION FROM SUPPLIER

MADERA HANDICRAFTS, INC.

<table>
<thead>
<tr>
<th>PRODUCT LINE</th>
<th>SMALL FRUIT POTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRODUCT CODES</td>
<td>C1 : C2 : C3 : C4</td>
</tr>
<tr>
<td></td>
<td>JDF1 : JDF2 : JDF3 : JDF4</td>
</tr>
</tbody>
</table>

APPROXIMATE PRODUCT SIZE: DIAMETER 2.12 IN 1.8 INCHES

BULK PACKING

<table>
<thead>
<tr>
<th>PRODUCT</th>
</tr>
</thead>
<tbody>
<tr>
<td>INNER CARTON SIZE</td>
</tr>
<tr>
<td>PCS. PER</td>
</tr>
<tr>
<td>MASTER CARTON SIZE</td>
</tr>
<tr>
<td>PCS. PER</td>
</tr>
<tr>
<td>a) NO CANDLE</td>
</tr>
<tr>
<td>8.75x6.5x2.12 INCHES</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>18x13.25x13.63 INCHES</td>
</tr>
<tr>
<td>120</td>
</tr>
<tr>
<td>b) WITH CANDLE</td>
</tr>
<tr>
<td>9.25x6.25x3 INCHES</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>19x13.5x13.25 INCHES</td>
</tr>
<tr>
<td>96</td>
</tr>
</tbody>
</table>

SHELF READY

<table>
<thead>
<tr>
<th>PRODUCT</th>
</tr>
</thead>
<tbody>
<tr>
<td>INNER CARTON SIZE</td>
</tr>
<tr>
<td>PCS. PER</td>
</tr>
<tr>
<td>MASTER CARTON SIZE</td>
</tr>
<tr>
<td>PCS. PER</td>
</tr>
<tr>
<td>a) NO CANDLE</td>
</tr>
<tr>
<td>2.68x2.68x2.5 INCHES</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>18x13.25x13.63 INCHES</td>
</tr>
<tr>
<td>120</td>
</tr>
<tr>
<td>b) WITH CANDLE</td>
</tr>
<tr>
<td>2.68x2.68x2.5 INCHES</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>18x13.25x13.63 INCHES</td>
</tr>
<tr>
<td>96</td>
</tr>
</tbody>
</table>

FINISH: HANDPAINTED

| ACCESSORIES |
| PACKING |
| NET WEIGHT |
| GROSS WEIGHT |
| 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
<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Heritage Craft Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>STYLE NUMBER</td>
<td>FO-07</td>
</tr>
<tr>
<td>DESCRIPTION</td>
<td>Felt ornament - angel w/drum</td>
</tr>
<tr>
<td>SIZE</td>
<td>7.5 cm (3 inches) wide x 15 cm (6 inches) high</td>
</tr>
<tr>
<td>COLOR</td>
<td>Pink dress, gold wings, blonde hair</td>
</tr>
<tr>
<td>MATERIAL</td>
<td>70% wool/30% rayon felt w/poly fiberfill stuffing</td>
</tr>
<tr>
<td>PACK SIZE</td>
<td>100 pcs. (ass'td ornaments) per box; 6 boxes per master carton</td>
</tr>
<tr>
<td>MINIMUMS</td>
<td>100 pcs. assorted</td>
</tr>
<tr>
<td>F.O.B. PRICE</td>
<td>USS$1.95 ea. F.O.B. Moscow</td>
</tr>
</tbody>
</table>

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.
Figure 5.1. Faxed Letter of Inquiry
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
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
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 8.4. Faxed Notification of Receipt of Artwork
FAX TO: Prudence Phibbs
COMPANY: Fair-Weather Imports, Inc.
FAX. NO.: 203/672-9947
DATE: June 7, 1995
NO. PP.: 2

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

Figure 5.5. Faxed Notification Regarding Samples Shipment
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

<table>
<thead>
<tr>
<th>QUANTITY</th>
<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>FO-S1 Felt ornament - Duck, 4&quot; x 4&quot;, gold and blue w/red ribbon</td>
<td>$ 3.50</td>
<td>$ 7.00</td>
</tr>
<tr>
<td>4</td>
<td>FO-S2 Felt ornament - Wreath, 3&quot;d, 2 pcs. green, 2 pcs. red</td>
<td>$ 3.50</td>
<td>$ 14.00</td>
</tr>
<tr>
<td>2</td>
<td>FO-S3 Felt ornament - Sleigh, 5&quot; x 5&quot;, black, red, green</td>
<td>$ 3.50</td>
<td>$ 7.00</td>
</tr>
<tr>
<td>6</td>
<td>FO-S4 Felt ornament - Mitten, 3&quot; x 4&quot;, 2 red, 2 green, 2 blue</td>
<td>$ 3.50</td>
<td>$ 21.00</td>
</tr>
<tr>
<td>8</td>
<td>FO-S5 Felt ornament - Mini stocking, 3&quot; x 4&quot;, 2 red, 2 green, 2 blue</td>
<td>$ 3.75</td>
<td>$ 22.50</td>
</tr>
<tr>
<td>6</td>
<td>FO-S6 Felt ornament - Santa peasant, 4&quot; x 6&quot;, 2 red, 2 green, 2 nat'l</td>
<td>$ 4.50</td>
<td>$ 27.00</td>
</tr>
</tbody>
</table>

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.

THANK YOU FOR YOUR BUSINESS!

Figure 5.6. Invoice for Samples
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
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
FAX TO : Prudence Phibbs
COMPANY : Fair-Weather Imports, Inc.
FAX. NO.  : 203/672-9947
DATE     : June 23, 1995
NO. PP.  : 2

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

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.

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

<table>
<thead>
<tr>
<th>QTY</th>
<th>CODE</th>
<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>FO-S1</td>
<td>Duck, 4&quot; x 4&quot;, gold &amp; blue w/red ribbon</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S2a</td>
<td>Wreath, 3&quot; d, green</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S2b</td>
<td>Wreath, 3&quot; d, red</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S3</td>
<td>Sleigh, 5&quot; x 5&quot;, black, red, green</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4a</td>
<td>Mitten, 3&quot; x 4&quot;, red</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4b</td>
<td>Mitten, 3&quot; x 4&quot;, green</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4c</td>
<td>Mitten, 3&quot; x 4&quot;, blue</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S5a</td>
<td>Mini stocking, 3&quot; x 4&quot;, red</td>
<td>$1.97</td>
<td>$197.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S5b</td>
<td>Mini stocking, 3&quot; x 4&quot;, green</td>
<td>$1.97</td>
<td>$197.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S5c</td>
<td>Mini stocking, 3&quot; x 4&quot;, blue</td>
<td>$1.97</td>
<td>$197.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S6a</td>
<td>Santa Peasant, 4&quot; x 6&quot;, red</td>
<td>$2.13</td>
<td>$213.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S6b</td>
<td>Santa Peasant, 4&quot; x 6&quot;, green</td>
<td>$2.13</td>
<td>$213.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S6c</td>
<td>Santa Peasant, 4&quot; x 6&quot;, natural</td>
<td>$2.13</td>
<td>$213.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-01</td>
<td>Deer, 3&quot; x 3&quot;</td>
<td>$1.75</td>
<td>$175.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-02</td>
<td>Moose, 3&quot; x 3&quot;</td>
<td>$1.85</td>
<td>$185.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-03</td>
<td>Swan, 4&quot; x 4&quot;</td>
<td>$1.95</td>
<td>$195.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-04</td>
<td>Bear, 3&quot; x 6&quot;</td>
<td>$1.75</td>
<td>$175.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-05</td>
<td>Sheep, 4&quot; x 3&quot;</td>
<td>$1.75</td>
<td>$175.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-06</td>
<td>Angel w/harp, 3&quot; x 6&quot;</td>
<td>$1.95</td>
<td>$195.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-07</td>
<td>Angel w/drum, 3&quot; x 6&quot;</td>
<td>$1.95</td>
<td>$195.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-08</td>
<td>Angel w/whim, 3&quot; x 6&quot;</td>
<td>$1.95</td>
<td>$195.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-09</td>
<td>Poinsettia, 4&quot;d</td>
<td>$1.85</td>
<td>$185.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-10</td>
<td>Christmas Tree, 2&quot; x 6&quot;</td>
<td>$1.75</td>
<td>$175.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-11</td>
<td>Log Cabin, 4&quot; x 4&quot;</td>
<td>$1.95</td>
<td>$195.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-12</td>
<td>Santa, 3&quot; x 6&quot;</td>
<td>$1.95</td>
<td>$195.00</td>
</tr>
<tr>
<td>2500</td>
<td></td>
<td>Lots 5% discount</td>
<td></td>
<td>$4,632.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total FOB Moscow</td>
<td></td>
<td>&lt;$231,612</td>
</tr>
</tbody>
</table>

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

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

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

SHIP VIA: Delta Air Freight, collect
COUNTRY OF ORIGIN: Russia
INSURANCE: Responsibility of Fair-Weather
SHIP TO: Manhandle Customhouse Brokers
33 Airport Blvd.
Windsor Locks, CT 06782 USA
(Bradley International Airport)
Phone: 203/622-9788
Fax: 203/622-9733
NOTIFY: Prudence Phibbs
Fair-Weather Imports, Inc.
55 Lucky Lane
New Harvest, CT 06922 USA
Ph: 203/672-9945  Fax: 203/672-9947

<table>
<thead>
<tr>
<th>QTY.</th>
<th>CODE</th>
<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>FO-S1</td>
<td>Duck, 4&quot; x 4&quot;, gold &amp; blue wired ribbon</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S2a</td>
<td>Wreath, 3&quot; d, green</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S2b</td>
<td>Wreath, 3&quot; d, red</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S3</td>
<td>Sleigh, 5&quot; x 5&quot;, black, red, green</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4a</td>
<td>Mitten, 3&quot; x 4&quot;, red</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4b</td>
<td>Mitten, 3&quot; x 4&quot;, green</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4c</td>
<td>Mitten, 3&quot; x 4&quot;, blue</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4s</td>
<td>Mini stocking, 3&quot; x 4&quot;, red</td>
<td>$1.87</td>
<td>$187.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S5b</td>
<td>Mini stocking, 3&quot; x 4&quot;, green</td>
<td>$1.87</td>
<td>$187.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S5e</td>
<td>Santa Peasant, 4&quot; x 6&quot;, red</td>
<td>$3.02</td>
<td>$302.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S6b</td>
<td>Santa Peasant, 4&quot; x 6&quot;, green</td>
<td>$2.03</td>
<td>$203.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S6e</td>
<td>Santa Peasant, 4&quot; x 6&quot;, natural</td>
<td>$2.02</td>
<td>$202.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-01</td>
<td>Deer, 3&quot; x 3&quot;</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-02</td>
<td>Moose, 3&quot; x 3&quot;</td>
<td>$1.76</td>
<td>$176.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-03</td>
<td>Swan, 4&quot; x 4&quot;</td>
<td>$1.95</td>
<td>$195.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-04</td>
<td>Bear, 3&quot; x 6&quot;</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-05</td>
<td>Sheep, 4&quot; x 5&quot;</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-06</td>
<td>Angel w/harp, 3&quot; x 6&quot;</td>
<td>$1.85</td>
<td>$185.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-07</td>
<td>Angel w/drums, 3&quot; x 6&quot;</td>
<td>$1.85</td>
<td>$185.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-08</td>
<td>Angel w/horn, 3&quot; x 6&quot;</td>
<td>$1.85</td>
<td>$185.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-09</td>
<td>Poinsettia, 4&quot;d</td>
<td>$1.76</td>
<td>$176.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-10</td>
<td>Christmas Tree, 2&quot; x 6&quot;</td>
<td>$1.66</td>
<td>$166.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-11</td>
<td>Log Cabin, 4&quot; x 4&quot;</td>
<td>$1.85</td>
<td>$185.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-12</td>
<td>Santa, 3&quot; x 6&quot;</td>
<td>$1.85</td>
<td>$185.00</td>
</tr>
<tr>
<td>2500 pcs</td>
<td></td>
<td>Total FOB Moscow</td>
<td></td>
<td>US$4409.00</td>
</tr>
</tbody>
</table>

MARKS: Fair-Weather
New Harvest, CT

PAYMENT: 25% deposit SWIFT, balance 10 days after Customs Clearance, SWIFT wire transfer

Margaret Otherford, Purchasing Department

Figure 5.11. International Purchase Order
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
Director

Figure 5.12. Acceptance of Order
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-
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
countni). 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 reorder. 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)

#### Table: Production Schedule

<table>
<thead>
<tr>
<th>ID</th>
<th>Task Name</th>
<th>Duration</th>
<th>Start</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Receive 25% deposit</td>
<td>1d</td>
<td>6/26/95</td>
</tr>
<tr>
<td>2</td>
<td>Order raw materials</td>
<td>1d</td>
<td>6/27/95</td>
</tr>
<tr>
<td>3</td>
<td>Receive raw materials</td>
<td>5d</td>
<td>6/28/95</td>
</tr>
<tr>
<td>4</td>
<td>Sample pattern</td>
<td>3d</td>
<td>7/5/95</td>
</tr>
<tr>
<td>5</td>
<td>Cut pattern</td>
<td>3d</td>
<td>7/10/95</td>
</tr>
<tr>
<td>6</td>
<td>Embroider</td>
<td>10d</td>
<td>7/13/95</td>
</tr>
<tr>
<td>7</td>
<td>Sew, label, and stuff</td>
<td>7d</td>
<td>7/17/95</td>
</tr>
<tr>
<td>8</td>
<td>Inspect, tag, and bag</td>
<td>2d</td>
<td>8/7/95</td>
</tr>
<tr>
<td>9</td>
<td>Pack boxes</td>
<td>1d</td>
<td>8/9/95</td>
</tr>
<tr>
<td>10</td>
<td>Prepare export documents</td>
<td>1d</td>
<td>8/10/95</td>
</tr>
<tr>
<td>11</td>
<td>Notify customer ready to ship</td>
<td>1d</td>
<td>8/11/95</td>
</tr>
<tr>
<td>12</td>
<td>Deliver to freight forwarder</td>
<td>1d</td>
<td>8/14/95</td>
</tr>
<tr>
<td>13</td>
<td>Receive balance 75%</td>
<td>12d</td>
<td>8/15/95</td>
</tr>
</tbody>
</table>

Figure 6.1. Production Schedule (Gantt Chart)
<table>
<thead>
<tr>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Receive 25% deposit, 1d</td>
<td>Order raw materials, 1d</td>
<td>Receive raw materials, 5d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td>Stamp patterns, 3d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Cut patterns, 3d</td>
<td>Embroider, 10d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Embroider, 10d</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td>Embroider, 10d</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 6.2b. Production Calendar
<table>
<thead>
<tr>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sew, label, and stuff, 7d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Inspect, tag, and bag, 2d</td>
<td>Pack boxes, 1d</td>
<td>Prepare export documents</td>
<td>Notify customer ready to ship</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Deliver to freight forwarder</td>
<td>Receive balance 75%, 12d</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>20</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Receive balance 75%, 12d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>27</td>
<td>28</td>
<td>29</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Receive balance 75%, 12d</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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
Figure 6.4. Sample Labels and Tags
Figure 6.5. A product with too many labels and tags
Figure 6.6. Production Cycle

PRODUCTION CYCLE

1. SAMPLE IS MADE
2. SAMPLE PRESENTED TO "LEAD" BUYER
3. CORRECTIONS TO SAMPLE
4. ORDER PLACED BY BUYER
5. PRODUCTION PLAN
6. RAW MATERIALS PURCHASED
7. ORDER CONFIRMED BY PRODUCER
8. PRICE AND DELIVERY DATE NEGOTIATED
9. QUALITY CONTROL
10. NOTIFY BUYER... SHIPMENT IS READY AND CONFIRM METHOD OF PAYMENT
11. PACK SHIPMENT
12. PREPARE EXPORT DOCUMENTS
13. SHIP
14. COLLECT #
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 jiggie. 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, paperboard 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 bailed 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 customs 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.

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.

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.
# 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: 203/672-9945  FX: 203/672-9973

**PLACE AND DATE OF SHIPMENT:** Moscow  
August 20, 1995

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

**NOTIFY:** Fair-Weather Imports, Inc.  
55 Lucky Lane  
New Harvest, CT 06922 USA  
PH: 203/672-9945  FX: 203/672-9973

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

<table>
<thead>
<tr>
<th>PKG. NO. &amp; TYPE</th>
<th>CONTENTS</th>
<th>NET WT. EA.</th>
<th>GROSS WT. EA.</th>
<th>TTL NET WT.</th>
<th>TTL GROSS WT.</th>
<th>DIMENSIONS</th>
<th>TOTAL CUBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOX NO. 1</td>
<td>800 felt Xmas ornaments</td>
<td>50 lbs (22.72 kg)</td>
<td>55 lbs (25 kg)</td>
<td>50 lbs (22.72 kg)</td>
<td>55 lbs (25 kg)</td>
<td>30&quot; X 30&quot; X 30&quot;</td>
<td>455 CU. MT</td>
</tr>
<tr>
<td></td>
<td>100 ea. of style nos. FO-1, FO-2a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FO-2b, FO-3, FO-4a, FO-4b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOX NO. 2</td>
<td>800 felt Xmas ornaments</td>
<td>50 lbs (22.72 kg)</td>
<td>55 lbs (25 kg)</td>
<td>50 lbs (22.72 kg)</td>
<td>55 lbs (25 kg)</td>
<td>30&quot; X 30&quot; X 30&quot;</td>
<td>455 CU. MT</td>
</tr>
<tr>
<td></td>
<td>100 ea. of style nos. FO-5a, FO-5c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FO-5d, FO-6a, FO-6e, FO-6f</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOX NO. 3</td>
<td>800 felt Xmas ornaments</td>
<td>56.25 lbs (25.6kg)</td>
<td>61.25 lbs (27.9kg)</td>
<td>56.25 lbs (25.6kg)</td>
<td>61.25 lbs (27.9kg)</td>
<td>30&quot; X 30&quot; X 30&quot;</td>
<td>455 CU. MT</td>
</tr>
<tr>
<td></td>
<td>100 ea. of style nos. FO-7, FO-8a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FO-8b, FO-9, FO-9a, FO-9b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FO-10, FO-11, FO-12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

WE HEREBY CERTIFY THAT THE ABOVE TO BE TRUE AND CORRECT.

BY: [Signature]

Tatyana Sagaria, DIRECTOR

---

**TOTAL GROSS WT.: 171.25 LBS. (77.85 KG)**  
**NET WT.: 150.25 LBS. (68.02 KG)**  
**CUBE: 2.365 cu. mt.**  
**NO. PCS.: 3**

---

Figure 7.1. International Packing List
Figure 7.2. International Safe-Handling Symbols
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 customs 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 workplace 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**

**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+2043779

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

**NOTIFY:** Buyer

**COUNTRY OF ORIGIN:** Russia

**EXPEDITER/FREIGHT FORWARDER:** El-Seru Freight  
Moscow

**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.)

<table>
<thead>
<tr>
<th>QTY.</th>
<th>CODE</th>
<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>FO-S1</td>
<td>Duck, 4&quot; x 4&quot;, gold &amp; blue wired ribbon</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S2a</td>
<td>Wreath, 3&quot; d. green</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S2b</td>
<td>Wreath, 3&quot; d. red</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S7</td>
<td>Sleigh, 3&quot; x 3&quot;, black, red, green</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4a</td>
<td>Mitten, 3&quot; x 4&quot;, red</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4b</td>
<td>Mitten, 3&quot; x 4&quot;, green</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S4c</td>
<td>Mitten, 3&quot; x 4&quot;, blue</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S5a</td>
<td>Mini stocking, 3&quot; x 4&quot;, red</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S5b</td>
<td>Mini stocking, 3&quot; x 4&quot;, green</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S5c</td>
<td>Mini stocking, 3&quot; x 4&quot;, blue</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S6a</td>
<td>Santa Peasant, 4&quot; x 6&quot;, red</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S6b</td>
<td>Santa Peasant, 4&quot; x 6&quot;, green</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-S6c</td>
<td>Santa Peasant, 4&quot; x 6&quot;, natural</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-01</td>
<td>Deer, 3&quot; x 3&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-02</td>
<td>Moose, 3&quot; x 3&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-03</td>
<td>Swan, 4&quot; x 4&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-04</td>
<td>Bear, 3&quot; x 6&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-05</td>
<td>Sheep, 4&quot; x 5&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-06</td>
<td>Angel w/harp, 3&quot; x 6&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-07</td>
<td>Angel w/drum, 3&quot; x 6&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-08</td>
<td>Angel w/horn, 3&quot; x 6&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-09</td>
<td>Pointsettia, 4&quot;d</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-10</td>
<td>Christmas Tree, 3&quot; x 6&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-11</td>
<td>Log Cabin, 4&quot; x 4&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
<tr>
<td>100</td>
<td>FO-12</td>
<td>Santa, 3&quot; x 6&quot;</td>
<td>$1.58</td>
<td>$158.00</td>
</tr>
</tbody>
</table>

**ALL PRODUCTS HANDMADE IN RUSSIA**

Total FOB Moscow  
**MARKS:** Fair-Weather Imports, Inc.  
New Harvest, Connecticut 06922 USA

---

**TERMS:** FOB Moscow  
SWIFT wire transfer  
A/C NO. 89087933  
Novaya Yevrova Bank, Moscow  
Net 10 days after U.S. Customs clearance

**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

**AWB NO.:** 066-6783 9923

---

**THIS IS A COMPLETE SHIPMENT**

---

Figure 6.1. International Commercial Invoice

---
Figure 8.2. Shipper's Letter of Instructions
Figure 8.3. Air Waybill
BALT - ORIENT LINE
of
BALTIC SHIPPING COMPANY
5, Mezhovskiy, Leningrad, L-35, USSR
Cable: Morskat Leningrad

Liner Bill of Lading

Baltic Shipping Company

Shipper: COMBUST CRAFTS ASSOCIATION OF THE PHILIPPINES, INC., B.
Maneeta Corner M. L. Raya St.
Quezon City, Philippines

Consignee (CO)
OIFAN TRADING
Murdoc Road, Bicester
Oxon OX6 7RF
England

Notify (NF)
HERBERT WATSON FREIGHT SERVICES LTD, FURNESS HOUSE
TRAFFORD ROAD, MANCHESTER
M5 2RJ

Local vessel
From (local port of loading)

Ocean vessel
K. KANEVSKY V-04
Port of loading MANILA

Port of discharge
TILBURY
Final destination TILBURY

Freight payable at
DESTRUCTION THREE (3)

Marks + Numbers (M/N)

1 x 20 CONTAINER S.T.C.

Phil, Handicrafts
FOB Manila

355 PKGS. ASSTD. RAFFIA/BURI BASKETMAKERS

SHIPPER'S LOAD COUNT AND SEAL
CY-CY FREIGHT COLLECT
MMHU 342796-4 SEAL NO. 020999

SHIPPER'S S
WEIGHT
1,500 lbs
26.00 CUB

MAR 03 1991

FREIGHT AND CHARGES

FREE TIME, DEMURRAGE AND DETENTION CHARGES ACCORDING TO RESPECTIVE CLAUSE OF BALTIC BILL OF LADINGS NO. 2 IN FORCE

Place and date of issue
MANILA, PHILS. March 3, 1991

Signed (for the Master) by

Signed for Agents
FILSOV SHIPPING COMPANY

Figure 8.4. Bill of Lading
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](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](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 consuming 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.

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.
**Figure 9.1. US Customs Service Entry Summary**

<table>
<thead>
<tr>
<th>U.S. Customs Use</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Item Code</td>
<td>127141</td>
</tr>
<tr>
<td>B. Assembled Duty</td>
<td>141143</td>
</tr>
<tr>
<td>C. Assembled Tax</td>
<td>99905</td>
</tr>
<tr>
<td>D. Tariff Tax</td>
<td>141143</td>
</tr>
<tr>
<td>E. Assembled Other</td>
<td>1.67</td>
</tr>
<tr>
<td>F. Other</td>
<td>1.67</td>
</tr>
<tr>
<td>G. Total</td>
<td>14919</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CARTON</th>
<th>INVOICE 1</th>
<th>COT CLR PLN WOV FAB, 43-68</th>
<th>PH</th>
<th>549.6</th>
<th>13.008</th>
<th>CAT</th>
<th>649.29</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL SV</td>
<td>982.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**BLOCK 39 SUMMARY:**
MERCHANDISE PROC FEE 499 1.67

---

**Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent**

I declare that I am the owner, purchaser, or authorized agent of record, and that the actual owner of record is the person or firm whose name appears above.

I further declare that the statements in this document are true and correct, and that all information provided in this document is accurate and complete. I will immediately correct any information provided if it is found to be incorrect.

Signed: [Signature]

Date: 04/06/90

---

**Forms Required by Patents Reduction Act of 1980**

This information is required to ensure that importers comply with U.S. Customs regulations. This form is to be used to calculate and report the appropriate duties and fees associated with the importation of goods.
Figure 9.2. Sample Invoice of Customhouse Broker to Buyer
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  Director

Figure 10.1. Documentary Bank Draft
APPLICATION AND AGREEMENT FOR COMMERCIAL LETTER OF CREDIT

To: [Blank]  
From: [Blank]

Please issue an irrevocable Letter of Credit as set forth below:

**Letter of Credit to be sent by:**
- [ ] Full details by telex
- [ ] Airmail with Pro-forma by telex
- [X] Airmail
- [ ] Express mail (domestic only)

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

<table>
<thead>
<tr>
<th>Account Party (Applicant)</th>
<th>Beneficiary (Holder)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name:</td>
<td>Name:</td>
</tr>
<tr>
<td>Address:</td>
<td>Address:</td>
</tr>
</tbody>
</table>

**Amount:**
- [ ] Maximum
- [ ] About

**In Words:**

**Drafts for:**
- [ ] Sight
- [ ] Time

**Tenor:**

- [ ] Maximum is 180 days

**Discount Charges paid by:**
- [ ] Buyer
- [ ] Seller

**SHIPMENT**

<table>
<thead>
<tr>
<th>Partial shipments:</th>
<th>Transshipments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>[ ] allowed</td>
<td>[ ] allowed</td>
</tr>
<tr>
<td>[ ] not allowed</td>
<td>[ ] not allowed</td>
</tr>
</tbody>
</table>

**Shipment from:**

**to:**

**Shipment not later than:**

**between: A and B**

**Brief merchandise description:**

**TRANSPORT DOCUMENT**

- [ ] Full set clean on board ocean bills of lading
- [ ] Clean air waybill in duplicate consigned to
- [ ] Truck bill of lading addressed/consigned to notify party
- [ ] Other

**Bills of lading / air waybills to be marked:**
- [ ] Freight prepaid
- [ ] Freight collect (payable at destination)

**NOTES:**

**OTHER DOCUMENTS**

- [ ] Signed Commercial Invoice
- [ ] Packing List
- [ ] Certificate of Origin
- [ ] Form A
- [ ] Insurance certificate or policy covering marine and war risks
- [ ] 110% of invoice value or insurance to be effected by the seller
- [ ] Other documents

**OTHER CONDITIONS**

- [ ] Containerized Shipments
- [ ] Required
- [ ] Prohibited
- [ ] Special instructions:

**(FOR BANK USE ONLY)**

Account officer approval

**AUTHORIZED SIGNATURE**

**(DATE)**

**(22) We agree to all the terms and conditions on the face and reverse hereof.**

**COMPANY:**

**BANK NAME:**

**BY:**

**AUTHORIZED SIGNATURE, TITLE:**

**(DATE)**

Figure 10.2. Application for Letter of Credit
**Figure 10.3. Letter of Credit**

### Marine Midland Bank, N.A.

**URREVOCABLE DOCUMENTARY LETTER OF CREDIT**

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

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

<table>
<thead>
<tr>
<th>APPLICANT:</th>
<th>BENEFICIARY:</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.B.C. Co.</td>
<td>XYZ Trading Co., Ltd.</td>
</tr>
<tr>
<td>000 Main Street</td>
<td>000 Kuanchul-Dong</td>
</tr>
<tr>
<td>New York City, New York</td>
<td>Chongro-Ku, Seoul, Korea</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADVISING BANK:</th>
<th>AMOUNT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine Midland Bank, N.A</td>
<td>TWENTY EIGHT THOUSAND FIVE</td>
</tr>
<tr>
<td>C.P.O. Box 4369</td>
<td>HUNDRED TWENTY FIVE AND 00/100</td>
</tr>
<tr>
<td>Chongro-Ku, Seoul, Korea</td>
<td>U.S. DOLLARS</td>
</tr>
<tr>
<td></td>
<td>$28,525.00</td>
</tr>
</tbody>
</table>

**PARTIAL SHIPMENTS: ALLOWED**

**TRANS SHIPMENTS: ALLOWED**

**SHIPMENT/Dispatch TAKEN IN CHARGE**

**FROM/AT: FOR GLOBAL KOREA NOT LATER**

**THAN APRIL 15, 19**

**TO: N.Y., U.S.A.**

---

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 SHIPMENT 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).**
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
# Table of People and Paperwork

<table>
<thead>
<tr>
<th>PEOPLE</th>
<th>Export License</th>
<th>Bank Account</th>
<th>Brochure or Photographs</th>
<th>Tagged Samples</th>
<th>Price List</th>
<th>Statement of Terms &amp; Conditions</th>
<th>Letter of Inquiry</th>
<th>Request for Quotation</th>
<th>Quotation Cover Letter</th>
<th>Pro Forma Invoice</th>
<th>Purchase Order</th>
<th>Acceptance or Confirmation of Order</th>
<th>Supply or Sales Agreement</th>
<th>Notification of Wire Transfer</th>
<th>Production Schedule</th>
<th>Work Order</th>
<th>Quality Control Check List</th>
<th>International Commercial Invoice</th>
<th>Packing List</th>
<th>Instructions to Packer</th>
<th>Insurance Request</th>
<th>Inland Bill of Lading (if any)</th>
<th>Certificate of Origin (Form A)</th>
<th>Shippers Bill of Lading</th>
<th>Airway Bill or Bill of Lading</th>
<th>Arrival Notice</th>
<th>Customs Entries</th>
<th>Wire Transfer Request</th>
<th>Wire Transfer Notification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seller</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw Materials Supplier</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sample Maker</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality Control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graphics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Agency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attorney</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banker</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Licensor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chamber of Commerce</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inspector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight Forwarder</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Truck Driver</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shipper</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your Country's Customs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Customs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customhouse Broker</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Truck Driver</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warehouse</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ADMINISTRATIVE MESSAGE

ADMINISTRATIVE MESSAGE 96-0626

TITLE: TEX-NEW RULES OF ORIGIN

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 INTERACT 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 ANSWERED 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.

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 CUSTOM REGULATION 102.21 (19 CFR 102.21) AND IN THE LAW AT SECTION 334 (OR THE BREAX 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, O 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

Appendix 2. Textiles - New Rules of Origin
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 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. PLED, 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, PLACKET, ETC.).

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

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, PLACKET, 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 HARMONIZED 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

6302 - BED LINEN, TABLE LINEN, TOILET LINEN, KITCHEN LINEN
6303 - CURTAIN, DRAPES, INTERIOR BLINDS, VALANCING
6304 - BEDSPREADS, FURNISHINGS
6305 - SACKS AND BAGS FOR PACKING
6306 - TARPALIN, 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 LACING, TOYS FOR PETS, WALL DANNERS, SURGICAL TOWELS, TUFTED TOWELS, PILLOW SHELLS, QUILT SHELLS, 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
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 PLED 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.

**Hierarchical Order of Rules**

The above rules are arranged in a hierarchy to be applied in the
FOLLOWING SEQUENTIAL UPDRC 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).

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.

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.


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.
SPECIAL CONSIDERATIONS

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 106.21) 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.

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

BEST AVAILABLE COPY

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.


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.

-10-

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
ADMINISTRATIVE MESSAGE

MADE. BECAUSE THE PROCESSING IN CANADA (IN 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 9202 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 C WILL CONTINUE TO APPLY FOR DUTY ASSESSMENT;

B. CUSTOMS REGULATION 12.130(C) 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(C) (19 CFR 102.21(C)).

MAJOR CHANGES BETWEEN THE OLD AND NEW RULES

1. CUTTING DOES NOT DETERMINE THE COUNTRY OF ORIGIN
(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 12.120 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

•, 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
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 1 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.

90
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 supersede 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 th the Buyer shall have the option to increase such quantity by an amount up on the same terms and conditions with no additional costs if [telex, telecop] 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 U.S. $*. [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 *] provided 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 MAJEUERE**

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 4%, 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 12 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;
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

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 hereunto duly executed this Agreement.

By: _____________________________ c/s

By: _____________________________

By: _____________________________ c/s

By: _____________________________
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.


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 attaché—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 States 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
For Force majeure—The title of a standard clause in marine contracts exempting the parties from 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.


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 (O/L)—A negotiable Bill of lading made out to the order of the shipper.

✓ Packing list—A list showing the number and kind 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)—Tends 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
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 tariffs.

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

http://www.sbaonline.sba.gov/uscustoms/homel.html

US Customs Home Page

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

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.

Appendix 6. UPS Guidelines to Good Packaging
• 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.