

e-Wealth Secrets

By

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Lesson Six

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Make Money from...Import-Export Online

Import-Export: the Four Trillion Pound Business Now at Your Fingertips!

World trade has been conducted for centuries. One of the earliest examples of organised world trade dates back to the Crusades in the 11th Century. Although the Crusades failed in their purpose of claiming the Holy lands, they were fantastically successful in opening up import-export between Europe and the Middle East. Returning Crusaders brought back spices, sugar, rice, perfume, cotton and technology, and European cities like Venice became rich on this trade.

World trade stayed largely unchanged for centuries. Even for most of the 20th Century communication was still mainly by letter (or telegraph), goods were still mainly transported by ship and most trade was conducted by merchants who had to make long, difficult and often dangerous journeys to conduct deals in other parts of the world.

And then along came the Internet!

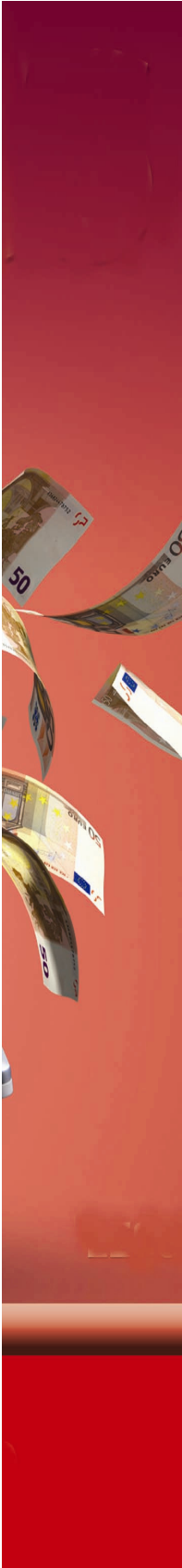
While world trade is still basically just buying and selling, the way in which it is conducted has changed for ever... because of the Internet. No longer is importing or exporting difficult, dangerous, time consuming, expensive and restricted only to wealthy merchants. Now virtually anyone, using the Internet, research, can set up and carry out world trade deals without ever leaving home. At last importing and exporting is easy in practice as well as in principle!

Although the method of conducting world trade has been transformed by the Internet one thing hasn't changed ...the fact that import-export continues to expand massively every year. Official World Trade Organisation (WTO) figures show that world trade grew by 16% last year alone ...and now totals £4,000,000,000,000 (four trillion pounds) annually!

In this lesson, we will explain how you can claim a share of this massive business for yourself by harnessing the power of the Internet and working part time at home as an *import-export agent*.

How You Can Make Money from Import-Export Agency

Of all the many product manufacturing companies in the world, only a very small percentage – typically less than 18% in most countries – actually sell goods outside of their own country. Most of them would like to, but they never do. The reasons for this are not as complicated as you might think.



In an International Chamber of Commerce survey the most common reasons given for not importing or exporting were: ‘We don’t have the time’ or, ‘we don’t know how’!

Although it seems obvious that all manufacturers would want to be involved in international business, it isn’t always that easy for a company which is preoccupied with manufacturing its products.

That’s where you come in! An import-export agent is an international trade *specialist*. Rather than being occupied with designing and manufacturing a product, or marketing it in the home market, an import-export agent can concentrate on finding import and export opportunities, setting them up and co-ordinating everything. That used to be difficult, but now the Internet makes it relatively easy.

The import-export market is literally unlimited and there are millions of manufacturers who would like to buy or sell abroad. Whether it is textiles and clothing, electronics, tools and machinery, food, commodities, toys and gifts, household goods, furniture, pharmaceuticals or vehicles, anything can be readily imported or exported if you can simply find a seller and a buyer and bring them together.

Of course, you’re thinking that’s all very well, but I don’t have a ship to transport goods, a warehouse to store goods, or millions of pounds capital to tie up in buying them. *The good news is that, as an agent, you don’t need any of this.* An import-export agent isn’t a importer nor an exporter as such. An import-export agent is essentially just a *matchmaker*. You just find opportunities, set them up and co-ordinate them. You never have to handle, see or buy any goods. And the Internet is a perfect way of doing this from home.

The fact that you are ‘only’ an agent doesn’t mean that import-export agency isn’t a profitable activity. Like other types of agent, an import-export agent takes a commission from each deal. Typically this is around 5%. That might not seem much. But when you’re talking about deals in industrial machinery, bulk textiles or a container of computers – that might easily be worth £500,000 or £1million – you can see that an agency business can be extremely lucrative. Even more lucrative when you consider that you can set up deals like this from home, over the Internet, with hardly any overheads!

The World’s Top Ten Trading Countries

(By value of imports and exports.)

- United States
- Japan
- United Kingdom

- 
- Germany
 - China
 - Taiwan
 - France
 - South Korea
 - Singapore
 - Mexico

The World's Top Ten Traded Products

(By value of imports and exports, not including services.)

- Petrochemicals and energy.
- Electrical products and electronics.
- Agricultural products and processed foodstuffs.
- Pharmaceuticals.
- Construction and building materials.
- Metals and metal products.
- Textiles, clothing and footwear.
- Ships, aircraft and vehicles.
- Furniture.
- Machinery and tools.

Getting Started Easily and Simply

You can start your import-export agency business at home with your PC and broadband Internet connection. You don't need any licences or other permission to operate in this business. (Although certain types of goods do need licences before they may be imported or exported – this is covered later.)

Remember that good online businesses also exist in the real world too. So, it is also an advantage to have a telephone answering machine and a fax facility on your PC, since in import-export there are still some things that can't be handled by e-mail. Some printed business letterheads and business cards will also be useful in those situations where correspondence can't be handled online. Make it look professional – use two colour or even full colour printing.

You won't usually need to travel to operate an online import-export agency – unless of course you want to. In that case, you'll have the opportunity to take trips all around the world and claim the cost of them as a legitimate business expense! You don't normally need to speak a foreign language, as there are lots of countries where international traders speak English.

More than office equipment, you need the determination to make it all work. It will call for persistence. You'll need to plan your moves, make contacts and sell your agency positively. But once you sign your first few agency agreements and make a few sales you'll know that all your effort was worthwhile.



Safety and Security: Important Considerations

The Internet has proven itself to be a powerful tool for researching and conducting import-export deals. *But be aware of the potential for fraud.* Companies operating online might not always be who they claim to be. Goods might not always be what they claim to be, or even exist at all. Websites can be set up and vanish overnight. Electronic documents can easily be changed – or faked. So although most of your agency work can be conducted on the Internet, don't rely on it entirely. There will still be cases in import-export agency where 'old fashioned' personal contact, detective work and paper documents are necessary to back up whatever you do online.

Building Your Own Network of Import-Export Contacts

Successful import-export agency is all about *finding and building contacts* – contacts who want to buy, contacts who want to sell, or contacts who can help you find them. You then bring them together in a deal that is to their advantage but is also, of course, to your advantage. *The Internet is perfect for this*, since you can build contacts for the price of an e-mail (almost nothing). Just as importantly, you can separate those who are of little use to you, from those who can be very valuable, without having to make a lot of expensive business trips, telephone calls or writing conventional letters.

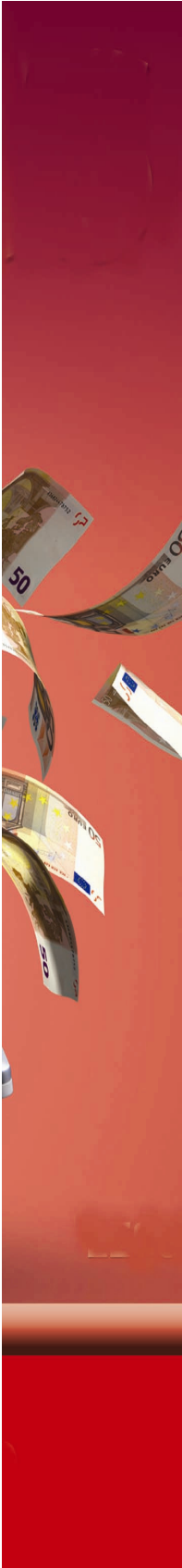
E-mail is a cheap, fast way to communicate. However, remember that while most companies use e-mail to correspond with their regular contacts, some companies and individuals don't take much notice of unsolicited e-mails – the problems of spam and viruses are to blame for this. So, if you do not get a response to initial e-mailed approaches, consider telephoning, faxing, writing or (in a few cases) making a personal visit first of all.

When contact building in import-export agency, don't be in too much of a hurry to turn every contact into a deal. Sometimes, a contact won't turn into a deal until months or even years later when they have a product to sell, or want to buy, and you know just the right party to match them with and make a deal. Then, all the work you did in building a contact will suddenly bear fruit.

Here are some contacts which will be invaluable to you in the import-export agency business:

Banks: Establish a good business relationship with an international bank that offers dedicated services for import-export. Many High Street banks have 'mini-sites' within their main website, where you can get general information on international trade procedures, and undertake some foreign financial transactions (such as Letters of Credit) online.

As well as online banking it's useful to develop a *personal relationship* with your chosen bank, through a business or international banker at the branch. Your



business banker can help you with finance, references when they are needed and with the more complex foreign transactions.

Government Agencies: Government agencies are good places to find contacts, since most Governments are keen to promote international trade – especially exports. These agencies publish much useful information online. They distribute continually updated reports on foreign markets, commerce and financing, risks, laws, rules, regulations and details of Government assistance which might be available you. Some recommended UK Government websites for import-export trade include the DTI, UK Trade & Investment and Business Link. Contacts are listed in the Appendix.

Foreign Embassies and Consulates: These foreign Government representative offices have *Commercial Attachés*, whose job is to establish trading relationships in this country and/or find markets for their country's exports. They are also keen to help importers. Most foreign Embassies in London now have a website, many of which list trade contacts and information.

UK Embassies and Consulates worldwide also have a function to assist UK exporters and can assist with helpful websites and individual information and advice on local markets.

You can find Embassies and Consulates using an Internet search, and through many of the contacts listed in the Appendix.

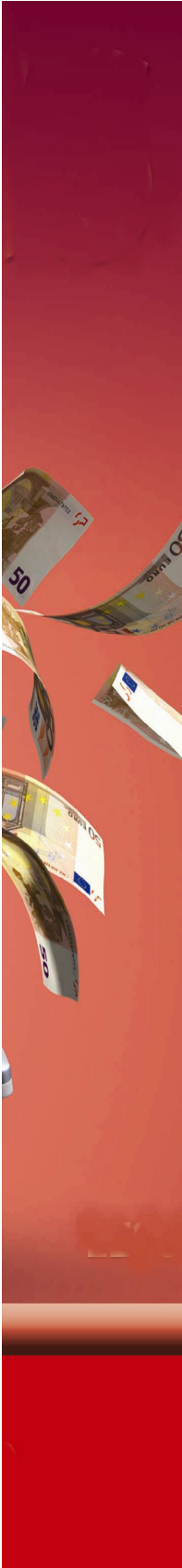
Chambers of Commerce and Trade Federations: Chambers of Commerce represent business on two levels. At one level, there are town and city Chambers. At another level, most countries have a national Chamber. Most Chambers have some involvement in international trade and some of them have specialist international trade departments.

You should consider joining your local town or city Chamber of Commerce and think about contacting the local and national Chambers in locations where you want to find import or export contacts. Chambers of Commerce can help with published information, personal information, contact referrals and help with administration/documentation. Some also organise exhibitions, or delegations to other countries.

If you know what type of product you wish to deal in, look for a trade federation representing that trade, as they can normally help with import-export information and contacts.

Most Chambers of Commerce and trade federations now have a website which you can find with an Internet search or through the World Chambers Network website – the address is in the Appendix.

Trading Companies: There is nothing to stop you contacting companies



where you feel there might be an opportunity to trade on a speculative basis – even if you don't have any particular opportunities in mind at the moment. To get started, use a large scale e-mail campaign. Don't use spam – each e-mail should be individually targeted. To every possible contact, write an e-mail introducing your company, outlining the types of products you wish to trade in and requesting the names and addresses of appropriate people to contact.

Advertising in the Printed Media: One contact-building method used by some enterprising import-export agents, is to advertise in the *printed media* for 'goods for sale' or 'goods wanted', even if at the present time you are not exactly sure what you want to buy and sell! By comparing and matching the responses from those offering goods for sale and those wanting to buy, you can very often strike a lucrative import-export deal! National and international daily newspapers and business magazines are good for this purpose, and many also have a website where you can place and read the advertising online.

You can also advertise on Internet websites offering goods for sale and wanted – more about this later.

Finding Lucrative Import-Export Opportunities Online

To succeed in import-export agency you need to keep informed. The Internet makes it easy to research, retrieve and read the latest information.

A good tip is to start small – don't try and take on the world. So try and narrow your search down to specific products, and/or specific countries. Where do you want to sell the UK sourced goods you have in mind? Which countries have the merchandise you want to import? What new or up-and-coming products can you find out about that you could successfully be an agent for?

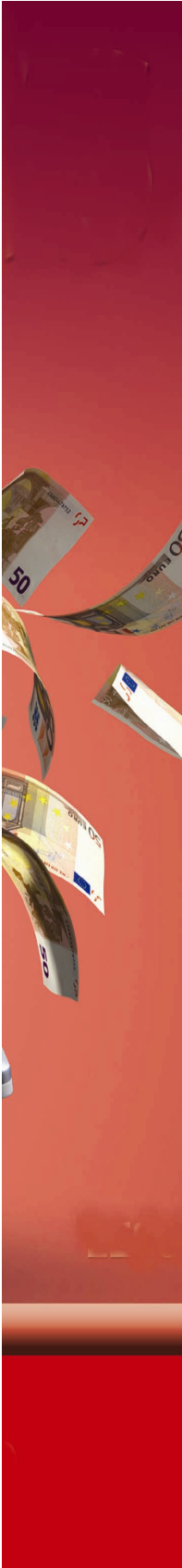
Read everything you can find about world trade and then home in on your chosen product areas and countries. Find out who is selling what to whom and where? Look at trade publications, international newspapers, news magazines, and financial reports, all of which are available online. There are now several international trade portals, news sites, bulletins boards and chat rooms – many of which are free – and which are good for keeping up to date.

Some useful websites for information are listed in the Appendix.

Spotting Importing Opportunities

It is generally accepted that the easiest way to start in international trade is as an import agent.

To get ideas, take a look at the household items and equipment you have in your home. Made in Germany made in Japan made in China. You may have clothing from India, shoes from Brazil, a leather wallet from Italy. Your car is probably imported. Your computer equipment was almost certainly



manufactured elsewhere. There are thousands and thousands of items manufactured all over the world, now being bought by the UK consumer.

The market is huge. Foreign firms see the UK as a lucrative market they want to be involved in, if they aren't already. And there are many UK firms looking for foreign made merchandise to sell, or incorporate into their own products. The reasons for this are many: Some imported items are less expensive, some are better made and some are imported because they are made in a country which is simply considered more fashionable!

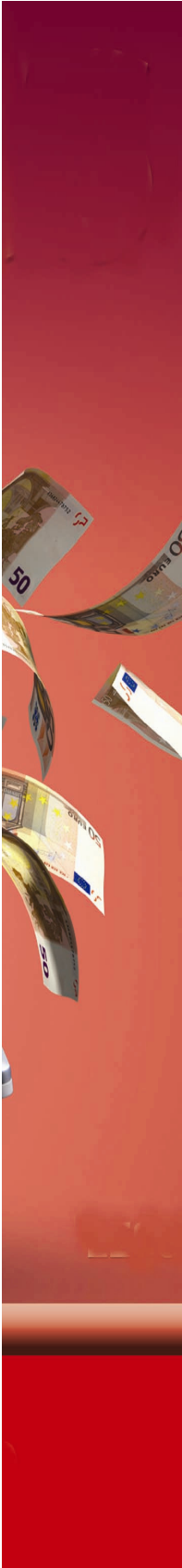
There are two good areas offering potential for the agent: Traditionally, some of the highest profits that you can make in import are for raw materials taken from the source and delivered directly to a manufacturer for use in their own product. Consumer goods, which can be bought in low-cost countries for pence but which sell in Europe for pounds, are also in high demand and very profitable. So use this overall strategy as your lead when looking for opportunities.

Although the market for some common products is extremely competitive, there are thousands of opportunities in little-known niches. The major imported product lines – such as cars and electronics – are already exploited by multinational companies. So, look for smaller *niche products*, or products which are incorporated into a larger product, such as a component part. It doesn't matter whether the product is physically big or small since, as an agent, you never have to handle it yourself.

If you are importing goods, you'll need to find UK buyers that can handle the quantity of goods at high enough prices for you to profit from. Your main buyers will probably be *manufacturers, distributors or wholesalers*. A single retail outlet or two is not enough to produce a substantial profit. However, chain stores, supermarkets and department stores usually buy in large quantities and often buy from import agents.

Whatever you decide to import, check the likely demand before signing any agreements. Find out what sort of quantities will be involved, what quality standards your buyers will require, what delivery deadlines will be expected and what price they will be willing to pay. Good Tip: Being able to offer a buyer something they already buy, but at a lower price, is an excellent way to get a toehold in the import business.

When importing, however, you need to be equally as diligent about the supplier as the buyer. The Internet is a good tool for doing this. Investigate the reputation of the manufacturer and the reliability of the goods. Find out where the products are already sold, and the quantities that are involved. Obtain samples and research into what quality standards they meet and what competition they face.



You'll also need to obtain sample price quotations from the manufacturer in the quantities your buyer is likely to need. These quotes should be converted into the appropriate UK pound figures representing the currency exchange. Remember that the UK market for imported products fluctuates with the value of the pound, in comparison to the value of each other country's currency. And, import prices reflect that directly. You might have found a great product, but will it be price competitive?

Finally, remember that with importing, your commission will come through from the foreign manufacturer. So, investigate the solvency of that company and their track record in keeping to agreements. Essentially your 'wages' are being paid by a foreign company. If problems occur, it is likely to be more difficult to resolve them using foreign laws.

Spotting Exporting Opportunities

There are tens of thousands of UK manufacturers with limited distribution looking for an overseas market. Exporting their goods is often a better way to expand their businesses rather than trying to develop a mature 'home' market.

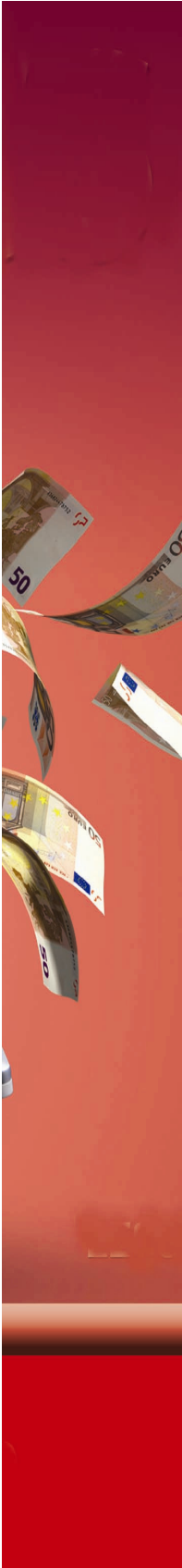
If you have started out in importing, you will already have many of the qualities needed to convince these manufacturers to engage you as their export agent. You will have foreign contacts and know the demand for specific goods, together with when UK goods are competitive and when they are not. You will have experience of handling the sale, the paperwork, the money, the shipping and the Customs – which a majority of UK companies do not have.

In an export agency situation, the manufacturers have so much to gain that it is relatively easy to convince them to grant you an agency. Not only do they gain extra sales and turnover, but increased production may actually help to cut their costs and make them more efficient.

Contact local manufacturers first and then move nationwide. (Later you can engage in so-called *triangular trade*, i.e. buy goods in one country and then sell them in another country, neither of which are your own country.) Another possibility is to advertise in business publications, newspapers and on websites where local business and enterprise is promoted.

The second approach to exporting is to become a *country specialist*. Rather than looking for a product and then a country to sell it to, learn everything you can about one particular country or a small number of countries. You can then approach UK manufacturers (including manufacturers who already export), with an offer to expand their business into countries with whom they do not already trade.

A good technique is to ask your new contacts to complete a questionnaire. This is easy to deal with (it can be submitted by e-mail) and invites a response.



What goods do they want to export? What products are now exported and how are they distributed? Does the company already sell to certain markets – and does it have sales representatives or branches in other cities? What are the basic details of their operation: History, management, workforce, production facilities, the facts and figures of current production and demand in the UK and plans for growth? Ask for samples or, if they are local, a factory tour. You will then be in a good position to assess potential and possible export markets.

Again, as with importing, be sure to check the reputation of the company before you make a formal agreement. Do not be too eager to sign an agency agreement for what seems the perfect product, if the company behind it is not sound. How long has it been in business? What sort of backing does it have? What is the solvency and reliability of the company and its goods? When you make your sales, you'll want to be confident that your manufacturer can deliver.

Don't forget to check out your intended markets for the UK manufacturer's goods. There may be a healthy demand for these particular products – but will customers be prepared to pay what you can sell them for and are they reliable?

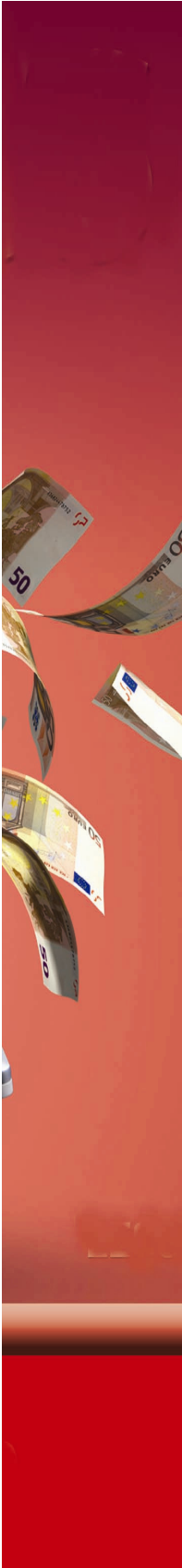
Using 'Gopher' Sites to Find Import-Export Deals

The Internet has made finding import-export deals easier and quicker through the use of what have come to be known as Gopher ('go-for' or goods-for-sale-and-wanted) sites. Gopher sites are essentially Internet bulletin board sites. They have been created to allow manufacturers and agents with goods to sell, to post details of those goods, as well as manufacturers, distributors, wholesalers or agents looking for goods to buy to post their requirements. In effect Gopher sites act as a quick, simple electronic 'dating service' to help create deals.

There are a growing number of Gopher sites, although like many Internet sites they tend to appear and disappear on a regular basis. One of the most successful Gopher sites is *Alibaba*. For buyers, Alibaba's website offers an award-winning sourcing tool that contains the world's largest database of active suppliers in 27 industry categories, including suppliers who are pre-qualified by Alibaba via a credit agency. For sellers, Alibaba is the platform for displaying products and company information and also for targeting the global buying community.

Once registered with a Gopher site you can browse the 'for sales' and list your own 'wants'. (When selling, upload a photograph of a sample where possible.) Some Gopher sites are free to use, although some charge a registration fee or a commission on deals made. Most Gopher sites offer powerful search tools, and some also offer import-export news and information resources.

In most cases, Gopher sites only act as introduction agencies. They do not become involved with the buying and selling in any way. (It is important to note that buyers and sellers are not in any way endorsed by the site. It is not unknown



for fraudulent buyers and sellers to try to use Gopher sites and you must make your own checks before dealing with them.)

A number of import-export Gopher sites have an *auction facility*. This allows sellers to put shipments up for auction and for buyers to make offers on them, just as with a conventional auction. eBay also has a section dedicated to ‘Wholesale Lots’, which offers some products suitable for import-export agency.

Exploiting Agency Opportunities in the EU

The countries of the European Union (EU), make up a huge market of potential customers and suppliers for your agency. Trading with other EU countries offers a number of key benefits to import-export agencies in the UK. Very importantly, the EU’s member states include some of the world’s wealthiest and most productive countries.

At the core of the EU is the *single market* – the programme of freeing up the trade of goods and services and the movement of people between EU countries. The aim is that doing business with other EU countries should become increasingly like doing business within your own country.

The following are some of the advantages of importing and exporting with other EU countries:

- Reduced bureaucracy and paperwork: Goods shipped within the EU are not subject to Customs clearance and inspection. (Strictly speaking shipments within the EU are not imports and exports at all, but ‘movements’ of goods.) Trade with the EU can be recorded on your VAT form in the same way as any of your sales and purchases in the UK.
- Harmonised standards: EU-wide technical and safety standards ensure that if any given product meets UK requirements, for example, it will generally meet the requirements in every other EU country and vice versa. Many trade-related practices and procedures are already the same across the EU and more harmonisation will occur in the future.
- Movement of people: UK citizens have the right to travel, live and work in any EU country. You can also employ EU citizens to work in the UK.
- The Euro: The single European currency has reduced the problems posed by ‘different money’ for businesses trading within the Eurozone. Although the UK and some other EU countries do not use the Euro, it still allows simplification of trade and reduction of the risk of fluctuating exchange rates for those who do.
- Legal status: Agents and distributors have a special legal status under EU rules which regulate their agreements with manufacturers and entitle them

to fair treatment.

The following countries are now EU member states:

Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

Information about opportunities in the various EU countries is available from a number of online sources including:

- Euro Information Centres (EIC's): Euro Information Centres are a network of bodies around Europe which provide information to small and medium-sized businesses. They can help you find trade partners in other EU countries. You can consult a list of UK Euro Information Centres on the EIC website.
- Action Single Market: This is a DTI initiative to help UK businesses make the most of the single market across the EU. You can read more about the Action Single Market programme on the DTI website.
- UK Trade & Investment and Business Link: To use their specialised import-export support services, contact the international trade team through the UK Trade & Investment website, or contact through your local branch of the Business Link organisation (Business Gateway in Scotland, Business Eye in Wales).

Many of the other contacts which we listed earlier will also be able to help you explore the possibilities open to you in the EU, especially Chambers of Commerce.

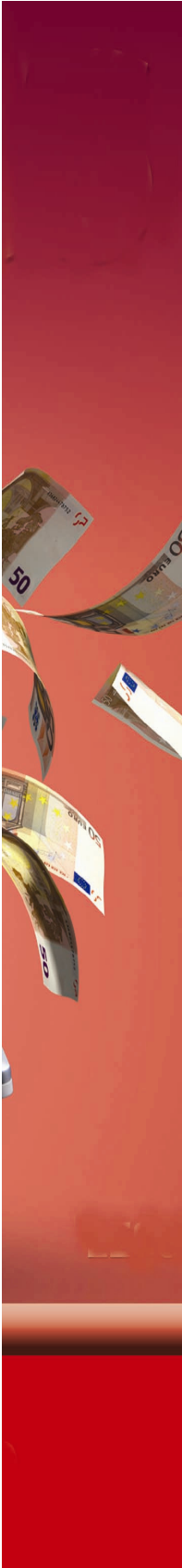
Useful website contacts are given in the Appendix.

Getting Your First Agency Deal: Import-Export Agreements

As soon as you have agreed in principal to represent a company to sell their goods as an import or export agent (or both), you should make a *formal written agency agreement* with them. This will set down each party's rights and responsibilities.

Any solicitor can draw up an agreement for you, and you can also find sample agreements using an Internet search. In future you can just use the same one, substituting names of other manufacturers.

An import-export agency agreement should include, as a minimum:

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- The full name and address of both parties.
 - Details of exactly what product or products are covered by the agency agreement.
 - Details of how long the agreement will last, when it will end and how it can be terminated.
 - Details of what commission is payable to the agent and when.
 - Details of which country, countries or parts of a country are the responsibility of the agent. (This is known as the agent's *territory*.)
 - Whether the agent has sole rights to sales of the named product in the territory concerned, or whether they are shared with others.
 - Details of the arrangements for marketing and advertising. (The manufacturer should usually provide catalogues and samples for your use.)

Agency agreements also usually include some other general provisions, such as the import-export agent promise to do everything possible to make contacts and distribute the manufacturer's goods, while the manufacturer undertakes to provide support and fill all orders received within a reasonable period and, most importantly, not to deal with a buyer which you find for them directly.

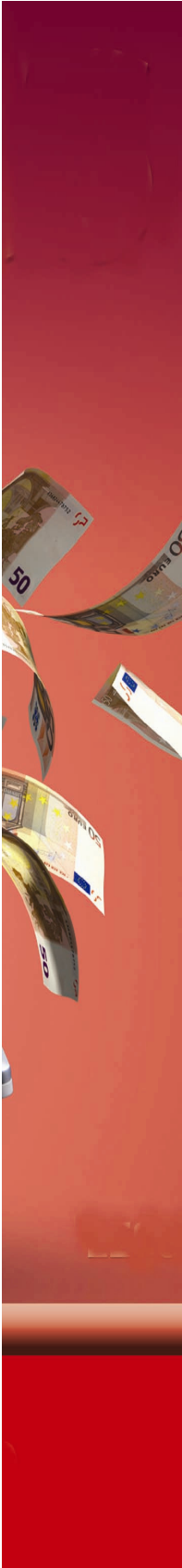
Important: Your agency agreement *shouldn't* be made by e-mail (or even faxed). The lack of 'real' signatures and witnessing means that it might not be legally binding in some countries if you do so. So, you'll need to revert to old-fashioned 'snail mail' in order to finalise your agreement.

Processing the Import-Export Deal

You've made your contacts with manufacturers who want you to sell their products. You've found a customer who wants to buy them. You've signed an agency agreement. Now all you need to do is process the import-export deal! Here's how

First obtain the exact quantity required from the buyer and details of where they should be delivered to. Next, go to the manufacturer and get a price quotation on the quantity of goods. Obtain a date the quotation is valid to, which is typically three months but can be more or less.

Take the price of the goods and add on your commission. Then you add on all the extra costs of getting the merchandise from the factory to the buyer. The



manufacturer may agree to transport the goods to the buyer. If not, you can organise this using a freight forwarder (see later).

In preparing a price quotation there are various standard delivery options known as terms of shipping, which are covered next. This governs exactly what needs to be included in your quotation (or excluded from it), so be sure that you agree them and understand what is or is not required. Be sure to include any land transport, insurance, dock fees, storage fees and taxes when this is requested. A spreadsheet is a good way of accurately compiling quotations.

Be especially careful when you prepare your quotation. It certainly isn't professional to have to go back to the buyer later with a higher quote including fees you forgot. Your quotation should be made in the form of a formal letter. This may be e-mailed, but it should be followed up by a hard copy sent in the post.

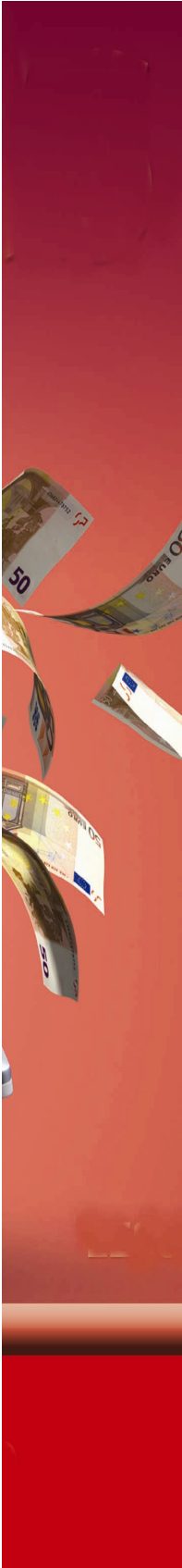
If the buyer accepts your quotation they may do this by e-mail but, again, this should be followed up by a hard copy sent in the post. Upon receipt of an authorised order, double check all the figures and place an order with your manufacturer.

When obtaining an import-export order you may occasionally ask for payment in advance or grant the buyer credit but it is more usual to use a *Letter of Credit*. This is a formal arrangement which guarantees the seller payment when the goods are delivered as agreed.

We will explain how Letters of Credit work in more detail later but here is briefly how the procedure operates: A Letter of Credit will be sent from the buyer's bank to the seller's bank. All terms and agreements regarding goods, prices, charges and delivery will be outlined in the letter. The seller's bank will (hopefully) confirm acceptance of the Letter of Credit, which will release the goods for shipment.

As soon as the goods have arrived at the proper assigned destination, all the relevant papers – most particularly the Bill of Lading that acts as a receipt and title to the goods – have to be presented to the bank that holds the Letter of Credit. If everything is in order they will then release the money. All relevant fees then need to be paid before the manufacturer receives the money and in turn pays you your commission.

As an import-export agent all the work you do is administrative, and can be undertaken and monitored online in many cases. Your main responsibility at this stage is to ensure everything runs smoothly: Check that the goods leave the factory on time. Check the date the goods are loaded onto the ship or other method of transport. Check the arrival date, and the anticipated time required for Customs clearance if required. Ensure that all the shipping documents are correct



and to hand. Since all conditions of the sale must be met to comply with the terms of the Letter of Credit, you need all the signed documents correctly completed to ensure payment is made.

Terms of Shipping: What You Need to Know

You will become more familiar with the terms of shipping used in quoting prices and delivering goods as you gain experience. Your responsibilities vary with the terms of the agreements and orders. Check with your freight forwarder to be clear about your responsibilities.

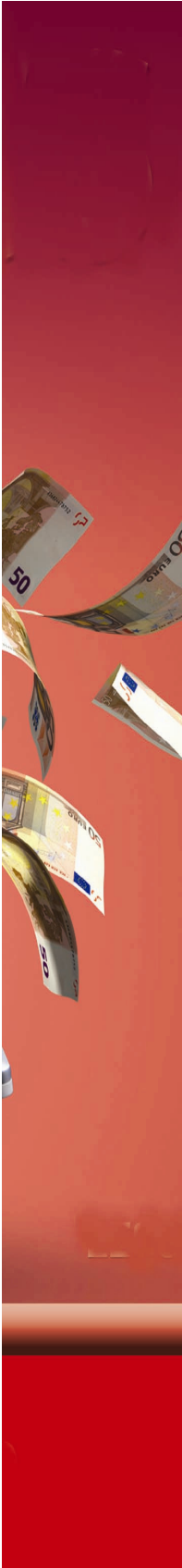
A *Bill of Lading* is the main documentation used in transporting goods internationally. It is a receipt for goods shipped. It is signed by the agent of a ship or other carrier and assures the buyer that the goods were unloaded in the same condition as they were accepted. These are also the documents you'll need to produce for the bank to pay out on the Letter of Credit.

Certain terms are used in shipping, which are known as INCOTERMS. You can get full details from the International Chamber of Commerce's website, but here are some of the main ones:

- EXW: Ex works. The seller makes the goods available to the buyer at their own premises or another named place. The buyer assumes all the costs and risks of loading and transporting the goods.
- FOB: Free on board. The seller delivers the goods to a certain destination with no additional charges. The seller insures and takes the responsibility until that point. The buyer takes the responsibility and pays the charges after that. For example, FOB Rotterdam means the seller's price quotation includes full responsibility and shipping to Rotterdam.
- FAS: Free alongside. The seller delivers the goods to the ship that will carry the merchandise. The buyer pays to load onto the ship and takes responsibility from there. FAS Rotterdam, for example, means that the seller will deliver and store the goods until they are ready for loading onto the ship.
- C&F: Cost and freight. The seller pays the freight charges. The buyer insures the merchandise and takes full responsibility after the destination.
- CIF: Cost, insurance, freight. The seller is responsible for the value and condition of the goods, and pays both insurance and freight charges to a certain point. The buyer is responsible from there.

Freight Forwarders: What You Need to Know

The great thing about being an import-export *agent* is that you don't have to ship, store, handle or even see the goods which make you your money. You



might have to arrange delivery of them, but a lot of the organisation of this can be done from your PC.

A *freight forwarder* is a company who takes care of the important steps of shipping the goods. They can quote shipping rates, provide the best routing information and book ship, rail or truck space. Freight forwarders also prepare documentation, arrange insurance and arrange Customs clearance where required. They are valuable to you as an import-export agent and they are important in handling the all-important journey from the factory to the final destination.

You can find a selection of freight forwarders through the British International Freight Association or using a simple Internet search. Take time to find someone who can do a good job for you. You'll need someone you can work with since this may become a long term business relationship.

You'll need the help of a freight forwarder when you make up the total price quotation to the buyer. Not only do you include the manufacturer's price and your commission (usually added together) but you need to include freight charges, the forwarder's fees, insurance, Customs duty and any administration or documentation costs.

There are several websites which can help you find the best freight forwarder to handle a particular type of shipment based on locations and the type of shipment that it is. Some of these sites can also provide approximate estimates of the costs and fees of shipping to help you in preparing your quotations to buyers.

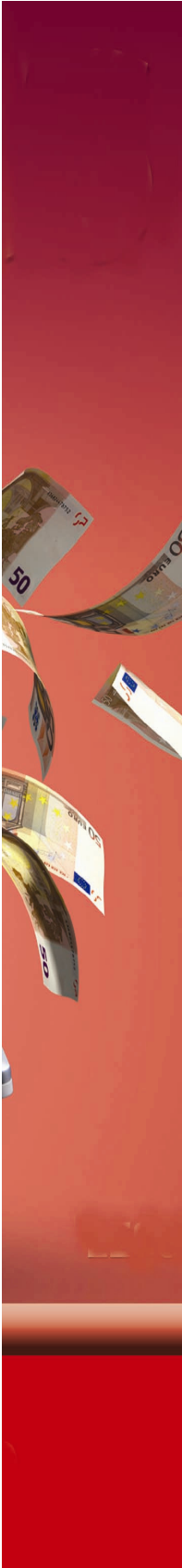
Letters of Credit: What You Need to Know

Payment for imports and exports is usually made using a Letter of Credit. A Letter of Credit virtually eliminates financial risks for both you and the manufacturer/supplier when selling goods abroad. When your buyer places an order a Letter of Credit is drawn from that company's bank to the seller's bank.

A Letter of Credit confirms that funds are available from the buyer to cover the cost you have quoted. (An *Irrevocable Letter of Credit* also assures you the order will not be cancelled at any time.) When that Letter of Credit is likewise *confirmed* by the seller's bank, the buyer is assured of delivery of the goods on the terms on which they have ordered them. Also, once the Letter of Credit is confirmed the exchange rate is fixed and you don't have to worry about the fluctuation in currency.

With Letters of Credit the buyer's bank issues the documents and holds the money until all shipping documents are presented. The Letter of Credit states the terms and conditions which apply to the transaction. When these are fulfilled (i.e. the goods are delivered as ordered and in good condition), the money is released.

Most major banks allow you to 'initiate' or apply for a Letter of Credit to be



issued using their *online business banking service*. However, the actual Letter of Credit will still usually be issued as a paper document. Due to the risk of fraud it is inadvisable to accept a Letter of Credit that is delivered by e-mail.

Export Licences: What You Need to Know

If you are involved with exporting goods, you will need to check if you need an export licence. Exporting controlled goods without a licence is a criminal offence so it's important to check first. Occasionally, an import licence is also required, although this is much less usual.

Whether a licence is required depends on the type of goods and also what the goods can *potentially* be used for. For example, an item produced by an engineering firm that has a largely civil use, might also have a military application and therefore possibly need a licence. It may also depend on the country the goods are being exported to, in that certain goods need a licence to go to some countries but not to others.

These are the main categories of goods which usually require an export licence:

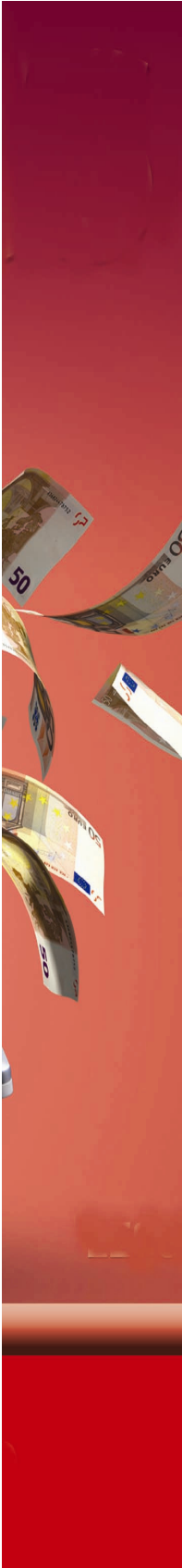
- Technology and defence exports.
- Animals and animal products.
- Antiques and works of art.
- Prescription drugs and medicines and materials used to manufacture them.
- Flowers, wildlife, plants and seeds.
- Chemicals and pesticides.

Several Government departments are involved in export licensing. However, ELVIS (Export Licensing via the Internet System) enables Internet submissions of many applications for export licences. Electronic submission allows you to submit your applications between 8am-8pm, and supplies a receipt for every successfully received application. Supporting documents can also be submitted electronically using this method.

Customs Procedures: What You Need to Know

Clearing imports and exports through Customs is the responsibility of the buyer but it is usually actually handled by a *clearance agent*, sometimes one appointed by the freight forwarder. However, when you work as an agent you may wish to monitor the process to ensure that it runs as smoothly as possible.

The Internet has had a major effect on Customs processing in recent years. Most developed countries now allow imports and exports to be processed electronically, using online systems, which in some cases no longer use paper documents. Even developing countries like India and China have online Customs clearance systems.



In the UK, electronic processing of imports and exports is provided by a system called CHIEF. CHIEF provides: Direct trader access to electronic processing of imports and exports – including the calculation of duties, currency and quantity conversions – and the automatic clearance of consignments. It allows identification of goods which require documentary or physical examination making use of a highly sophisticated risk profiling system. It provides information for the production of external trade statistics. It also provides a means of electronic communication between Customs and business users. Finally, it allows straightforward recording, monitoring and accounting for duties and taxes incurred by individual importers.

If your business is required to account for VAT (if your turnover exceeds the current VAT registration threshold), you can also submit your VAT return and provide the statistics required online using the eVAT system.

Further details of the online Customs processing of goods in the UK can be obtained from the HM Revenue & Customs website.

Note that deals involving buying and selling goods from or to other EU countries are technically not imports and exports for Customs purposes, but movements of goods.

Expanding Your Online Import-Export Agency

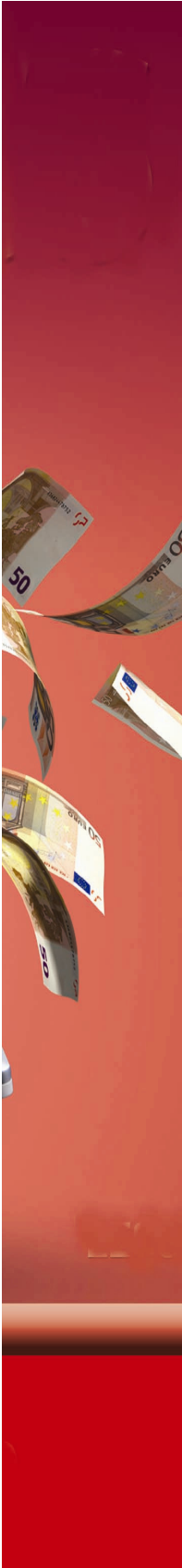
Once you are established as an online import-export agency, it is relatively easy to expand your profits without necessarily expanding the amount of work you have to do! Remember that your profit as an agent is in the value of the transaction, not necessarily the size, quantity or complexity of the goods themselves.

Here are three good expansion strategies to follow:

Strategy One: Focus on customers and products which lead to regular orders. Products which are consumed, i.e. food or fuel, bring better long term commissions than, for example, a one-off order for a new IT system. Once you have established how to handle one transaction online, each subsequent transaction can be handled just the same way – and you may even be able to automate many aspects of it.

Strategy Two: Use your experience and the confidence you have gained from dealing with satisfied small buyers and sellers to approach much bigger buyers and sellers. Their orders could be ten, twenty or fifty times higher yet, once your procedures are established, the work involved is much the same. It takes no extra work to handle an order worth £1 million than it does one worth £100,000.

Strategy Three: Encourage your customers to upscale their orders. Larger orders make more money for exactly the same work. You can do this by



negotiating better discounts from the manufacturer, or reducing your commission for a larger order. For example, 5% commission on a £200,000 order is £10,000. 4% on a £350,000 order is £14,000. You make 40% more for hardly any extra work!

Import-Export Agency Terms Revealed

Ad Valorem: A charge or tax assessed according to value of goods.

Advising Bank: Bank operating in an exporter's country which confirms that a Letter of Credit has been issued in the exporter's favour.

Air Waybill: A Bill of Lading (see Bill of Lading) that covers goods transported by air.

Bill of Exchange: A written document in which a supplier is guaranteed payment of a specified amount by another party on a fixed date. The bill can request immediate payment ('at sight' or 'on demand'). It can also specify payment at a later date (the 'term').

Bill of Lading: Document issued by a shipper which acts as a receipt of goods received for carriage. In addition it provides evidence of the terms of contract between a shipper and a transport company, and is a document of title to goods.

Bonded Warehouse: Warehouse authorised by Customs for storing goods, on which payment of duty is deferred, until the goods leave the warehouse.

Carnet: Customs document allowing temporary import of goods without payment of duty. (Sometimes used for samples etc.)

Cash In Advance (CIA): Full payment for exported goods before shipment is made.

Cash With Order (CWO): Payment for goods when ordering.

Certificate of Inspection: Document certifying that certain types of goods (such as perishable items) were in good condition before shipment.

Certificate of Origin (C/O): Statement confirming the origin of goods required by some countries. You can normally obtain one from a Chamber of Commerce.

Confirmed Letter of Credit: A Letter of Credit issued by a buyer's bank, that has also been confirmed by a seller's bank, as being acceptable. Under these circumstances you'll be paid by the confirming bank even if your buyer or the other bank defaults, providing the terms of the letter are met fully.



Consignment: When goods are exported subject to consignment, the exporter only receives payment on completed sales. Any unsold items may be returned.

Convertible Currency: Currency that can be bought and sold for other currencies easily.

Correspondent Bank: Bank acting as an agent for another (usually foreign) bank.

Credit-Risk Insurance: Insurance for exporters designed to cover risks of non-payment. (See Export Credits Guarantee Department.)

Customs Commodity Code: Eight-digit commodity code required for exports outside the EU.

Customs Freight Simplified Procedures (CFSP): Electronic declaration methods that simplify customs procedures for clearing non-EU imported goods.

Dangerous Goods Note (DGN): Document required when shipping hazardous goods.

Documentary Collection: A situation where you draw up a Bill of Exchange; which allows you to keep control of your goods and raise additional finance. A second bank, acting on your bank's behalf, will only release the documents necessary for your customer to take possession of goods, once it formally accepts the terms of the bill.

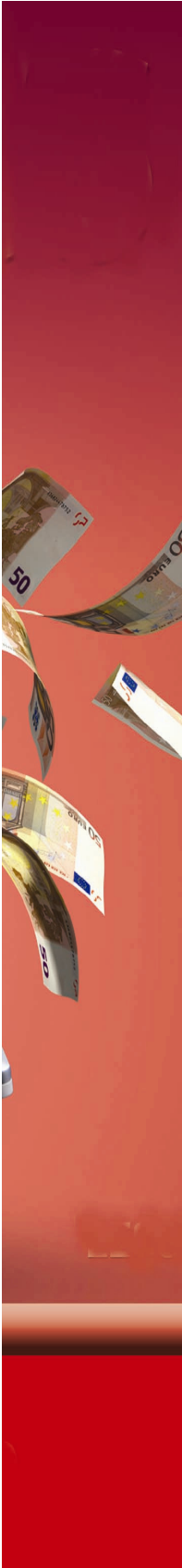
Documentary Credits: A general term for all types of credit arrangement, where payment for goods is guaranteed by a bank subject to submission of documents, which show they have been delivered as per the original order. Documentary Credits are the most secure method of payment (other than payment in advance). See also Letter of Credit.

Duty: Tax on imported goods. Duty is based on the cost, insurance and freight value (ad valorem duties) of the goods.

Export Credits Guarantee Department (ECGD): The UK's official export credit agency. It helps UK manufacturers and investors trade overseas by providing them with insurance and backing for finance to protect against non-payment.

Export Invoice: Official export sales document which should contain a full description of your goods, their price, weight and country of origin.

Export House: Any intermediary organisation operating between an exporter and a buyer.



Export Licence: Permit legally required for the export of certain goods such as pharmaceuticals, chemicals and weapons. It is the exporter's responsibility to obtain it if needed.

Export Preferences: Lower rates of duty charged on certain goods exported from the UK, in effect allowing the buyer to benefit from a lower or zero rate of Customs duty.

Forwarding Agent: A service which handles Customs clearance for imported goods which require it.

Forward Foreign Exchange Contract: Exporters can 'insure' against the risk of adverse exchange rate movements by using a forward foreign exchange contract. In practice you agree to sell the bank a particular foreign currency at a fixed future date for a price that is set now.

Free Circulation: Goods are in free circulation within the EU if they originate from an EU country, or have already been imported into another EU country.

Free Trade Zone: Area designated by a country's government for duty-free entry of non-prohibited goods.

Groupage: Term for grouping together of small shipments to fill a container.

Import Licence: Permit for importing certain or all goods required by some countries. It is the customer's responsibility to obtain one if it is required.

INCOTERMS: Internationally agreed rules which set out the delivery terms for goods.

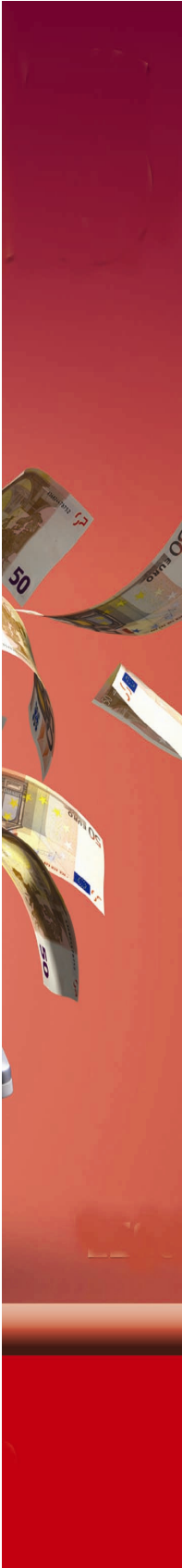
INTRASTAT: System for collecting statistics on the physical trade in goods between the member states of the EU. Businesses which trade in goods worth more than a fixed threshold must complete INTRASTAT declarations.

Letter of Credit: Bank document that promises that the bank will pay an exporter on an importer's behalf, assuming that they deliver the goods as ordered. Letters of Credit allow exporters to offer credit terms to importers. See also Documentary Credits.

Marking: Any letters, numbers or other symbols placed on cargo to enable it to be identified.

Marine Insurance: Warehouse-to-warehouse insurance that covers exporters transporting goods abroad by all methods, not just by sea.

Movement Certificate: Needed where goods are being exported from the EU to a country covered by EU trade agreements. These certificates ensure



preferential rates of duty on an exporter's goods.

Open Account: System where goods are shipped by an exporter without guarantee of payment. This is risky, and should only be offered to buyers whom you know and trust.

Payment In Advance: An export agency may be able to negotiate these terms for all or part of its shipment. This way, the exporter bears no risks or financing costs. Payment or part-payment in advance is typically used for low-value sales to individuals or new customers.

Pre-Shipment Inspection (PSI): A few countries require goods and documents to be examined before export by an independent agency. An official inspection agency is normally used for this.

Quota: Quantity of a particular type of goods that a country allows to be imported before levying duty or restrictions.

Quotation: An offer to sell goods at a stated price and under specified conditions.

Re-Exports: Goods temporarily imported into a country and then exported again in 'triangular trade'. (Because they are only imported temporarily the importer is usually permitted to reclaim some or all of the import duty and VAT paid.)

Single Administrative Document (SAD): Officially known as the C88. This document is used to record movements of goods within the EU.

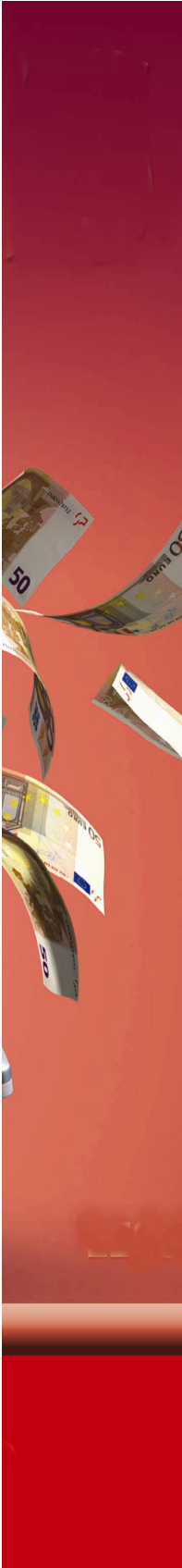
SITPRO: Organisation which aims to help businesses trade more effectively across national borders and cut the red tape associated with international trade, by standardising and simplifying documentation.

Standard Industrial Classification (SIC): Standard numerical code used in the UK to classify products and services.

Standard International Trade Classification (SITC): Standard numerical code system developed by the United Nations to classify commodities used in international trade.

Tariff: Customs duties charged on imports of goods.

Tariff Quotas: European Union (EU) system to allow the importation of limited amounts of certain goods (sometimes from specified countries) at a rate of duty lower than would otherwise apply.



TIR: Transports Internationaux Routiers: International system that allows goods to be packed in a container under Customs inspection at point of origin. The container can then pass across international frontiers without being checked.

World Trade Organisation (WTO): International organisation created in 1995 to negotiate and administer trade agreements, handle trade disputes and monitor national trade policies.

Appendix of Websites: Lesson 6

Selected Import-Export Sites

There are thousands of import-export websites all around the world and a simple Internet search can be used to find virtually any information you require. However, here is a selection of some of those which we think are particularly useful. This list is for information only and these sites are not endorsed in any way.

Alibaba
www.alibaba.com
Worldwide Gopher (goods for sale and wanted) site.

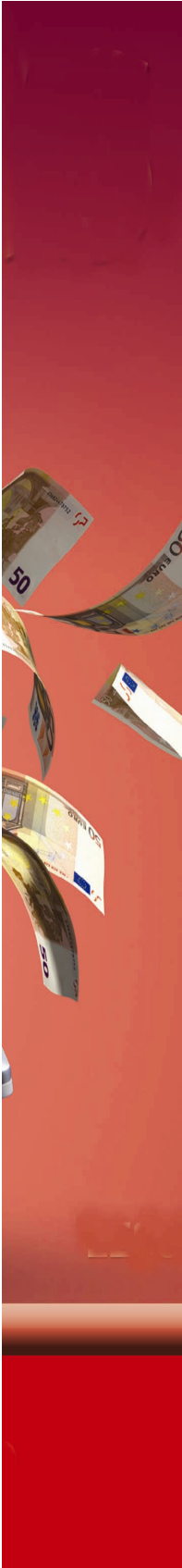
British Chambers of Commerce
www.chamberonline.co.uk
Online service of the BCC.

British International Freight
www.bifa.org
Association Body representing the UK international freight services industry. BIFA can provide you with a list of freight forwarders and Customs clearing agents.

British Standards Institution
www.bsi-global.com
BSI aims to support business improvement and trade worldwide and can provide information on product standards.

Business Link
www.businesslink.gov.uk
UK Government agency which assists with all kinds of business development in England and can offer help and advice on import-export.
(Corresponding organisations are: In Scotland Business Gateway at www.bgateway.com. In Wales Business Eye at www.businessseye.org.uk.)

CIA World Factbook
www.cia.gov/cia/publications/factbook
The USA's CIA publish one of the world's most detailed and accurate insider



guides to almost every country of the world. Known as 'The World Factbook' and available online this guide provides you with data on geography, politics, key imports and exports, population, financial data, cultural do's and don'ts, communications, business hours, currencies, local customs and practices and much more.

Department of Trade and Industry

www.dti.gov.uk/export.control

Export Control Organisation

Offers essential and up-to-date information about export controls, via a number of official regulatory documents which are available online.

EC21

www.ec21.com

Worldwide Gopher (goods for sale and wanted) site.

Europages

www.europages.com

European business directory listing 550,000 companies in 35 European countries.

European Information Centres

www.euro-info.org.uk

Euro Info Centres (EIC's) provide local access to a range of specialist information and advisory services to help companies develop their business in Europe.

European Market Access Database

mkaccdb.eu.int

Aims to reduce the obstacles faced by European exporters. The database provides information about market access conditions and is free, interactive and easy to use.

Export Credits Guarantee Department

www.ecgd.gov.uk

Assists UK exporters by providing guarantees, insurance and reinsurance against loss, taking into account the Government's international policies.

Foreign and Commonwealth Office

www.fco.gov.uk

Useful information on overseas destinations, including travel advice notices. Also provides details, including website links, for UK Embassies and Consulates overseas.

HM Revenue & Customs

www.hmrc.gov.uk

Information on Customs procedures and regulations and VAT.



Institute of Export
www.export.org.uk

A national professional body offering courses of study in international trade leading to professional qualifications and graduate membership of the Institute of Export.

International Union Of Commercial Agents & Brokers (IUCAB)
www.iucab.nl

IUCAB represents over 470,000 import-export agents in Austria, Bulgaria, Canada, Cyprus, Denmark, Finland, France, Germany, Great Britain, Ireland, Italy, Mexico, Netherlands, Norway, Spain, Sweden and Switzerland. Their site enables you to search for agents by name, location or products handled.

The world business organisation
www.iccwbo.org

Serves world business by promoting trade and investment, open markets for goods and services, and the free flow of capital . Provides information on INCOTERMS.

International Trade Center
www.intracen.org/tpo

Directory of trade promotion organisations and other trade support institutions. The aim of the directory is to provide partner countries with information on trade promotion organisations and institutions which can help obtain relevant market information (on supply and demand) and establish trade contacts.

International Trade – Import- Export Portal
www.fta.org

The official website of the Federation of International Trade Associations.

Moneycorp

www.moneycorp.com

Specialised foreign currency exchange service.

Thomas Register

www.thomasnet.com

US site where you can search quickly by company name, product type or brand and find import-export partners.

SITPRO

www.sitpro.org.uk

Information on the procedures and documentation associated with international trade. Manages the UK aligned system of export documents and licences the printers and software suppliers who sell the forms and export document software.



Trade Fairs & Exhibitions UK

www.exhibitions.co.uk

Comprehensive site of UK trade fairs searchable by subject, date, organiser or venue.

TradeXpro

www.tradepro.com

Worldwide Gopher (goods for sale and wanted) site.

UK Trade & Investment

www.uktradeinvest.gov.uk

The UK Government's international trade and investment agency offers a comprehensive programme of help for exporters, existing and potential investors in the UK, and also a range of advice to importers into the UK. The website offers extensive useful information resources, especially on countries and industrial sectors, and online help.

Wade World Trade

www.wadetrade.com

Wade World Trade publishes import-export courses and their site also has much useful information for importers and exporters.

World Chambers Network

www.worldchambers.com

Aims to open up global markets and increase trade and sales opportunities for dynamic, entrepreneurial and growing businesses. Has a useful directory of Chambers of Commerce worldwide.

WorldInformation

www.worldinformation.com

Site for general country information, giving key facts, statistical data, current news and business information.

Please Note: Websites included in this appendix, or elsewhere within the course, are all operational at the time of writing and I do aim to check and update these listings on a regular basis. However, due to the nature of the Internet and the way in which websites can appear and disappear without notice it is always possible you may find some sites which have been renamed, moved or removed.