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6 Ways to Ease Exporting

Simple steps to help steer your shipments through bureaucratic red tape and complex tax laws

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By Diana Ransom

Among all of the president's plans to boost jobs, [some economists](#) say his goal to double exports in five years could do the trick. To steer your shipments through bureaucratic red tape and complex tax laws, make sure to follow these six tips:

1. Commit a manager to the project

Exporting isn't a once-and-done event, so you'll want to make a commitment to it.

Consider dedicating a top-level manager to the project who can help form [your company's](#) export strategy, suggests Fred P. Hochberg, the chairman and president of Ex-Im Bank, the official export credit agency of the U.S. You might also spend some time analyzing your company's possible competitive advantages abroad, as well as whether your company has the [financial resources](#) to support exporting. To export products successfully, you may need to hire added staff members, as well as devote working capital to boost production.

2. Examine market opportunities

"You will have a far greater impact by focusing on two to three potential markets or regions where your business is needed than by trying to cast a net over an entire country," says Victor Notaro, a group manager of Global Treasury Management for The PNC [Financial Services](#) Group in Pittsburgh. And although countries with growing economies like India and China may look like ideal targets, "oftentimes the most prudent first country for a small business to consider exporting to is Canada, thanks in part to the extensive bilateral trade between Canada and the U.S., and to the cultural and legal similarities," he says.

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3. Consider product adaptations

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Then consider adapting your company's products and services for different markets. For instance, products that are big sellers in the U.S. may not be as popular in other countries. Also, the price may be too steep. "For us, we had to consider that while the iPhone is a big deal in the U.S., if I try to find an iPhone case in India, I won't get very far. Plus, Indians will not pay more than \$8 for a case," says Shashi Reddy, the founder of [Case-Mate](#), a cellphone accessories company in Atlanta.

4. Pick a form of distribution

Companies can ship products internationally from the U.S. via freight forwarders and fulfillment companies such as [eFulfillment Service](#) and [Shipwire](#). The latter ships to Canada and the U.K., where it has warehouses that will transport goods internationally to any country covered by FedEx, UPS or the local parcel carrier. [Businesses](#) might also consider using export management software such as [Integration Point](#) and [TridentGLOBAL](#) to help manage tariff schedules and foreign regulations.

For the most control over shipment needs, companies could opt for a joint venture with a foreign company or establish a presence within the countries to which they export. Scott Layman, a co-owner of [Zyvax](#), a specialty chemicals supplier in Ellijay, Ga., which exports to about 100 countries, subscribes to the latter strategy. "Having my own people there to handle interactions with customs, rotating inventory, and establishing bank accounts in the local currency made transactions effortless," he says.

5. Keep taxes in mind

However, keep in mind tax consequences, advises Jeffrey Olin, an expert in international tax for management consultancy Grant Thornton. Typically, representative offices establish preparatory services such as [market research](#) and coordinating between companies. However, if the office engages in any direct profit-making activities, "You may have an income tax liability, even if the product derives from the U.S.," Olin says. Plus, countries like China may levy a value-added tax, which is an indirect consumption tax on products and services. (For help wading through international tax laws and regulations, check out the [U.S. Commercial Service](#) and the [District Export Council](#), as well as bankers and international law firms.)

6. Secure financing

Typically, commercial banks shy away from lending against foreign receivables, says Victor Sandy, the executive vice president of Global Commercial Credit, a business-credit insurance broker in Bingham Farms, Mich. That can be a problem for small firms in need working capital to fulfill orders and sustain themselves until payments come in. However, you can address a bank's concerns and protect your company's foreign receivables from buyer default with insurance. To do so, Sandy suggests working with a bank that has a partnership with the Export-Import Bank of the United States. Currently, the Ex-Im Bank, which has partnerships with about 50 lenders, will generally provide [insurance](#) coverage of up to 95 percent of an invoice, at a cost of roughly 55 cents per \$100 of shipment for 60-day repayment terms.

Small firms might also check out the Small Business Administration's [Export Working Capital Program](#), which offers a line of credit or a loan of up to \$2 million, as well as 90 percent guaranteed loans worth up to \$1.5 million. For small firms that qualify for this program, insurance through the Ex-Im Bank can be had for a 25 percent premium discount.

--Write to Diana Ransom at dransom@smartmoney.com

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