

# ***Your Guide on the Road to Export***

*An Introductory Guide for Victorian Businesses  
Seeking to do Business in Overseas Markets*



**Australian Government**  

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**Austrade**



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# CHAPTER 1: INTRODUCTION

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## Who Are We?

The Australian Trade Commission (Austrade) is the Federal Government agency that helps Australian companies win overseas business for their products and services. We offer practical advice, market intelligence and ongoing support (including financial) to Australian businesses looking to develop international markets. We assist all sorts of businesses, urban and regional, large and small - with a particular focus on small-to-medium-sized enterprises.

Our goal is to identify opportunities for our clients in overseas markets, find them partners and buyers, and help develop relationships and strategies for international expansion. We have a team of almost 1,000 people at home and abroad - half of whom are locally engaged in overseas markets - able and ready to help you develop business overseas.

## Developing Your Business Internationally

Developing international markets can be a profitable and exciting way to expand your business, but can be costly in terms of time, money, resources and commitment. It can also involve a level of risk for outward looking companies: exporters are sometimes faced with political, legal, cultural and credit/financing issues that they would not experience in the domestic market.

## Benefits of Exporting (International Trade)

### Benefits to Your Business

- International competition encourages businesses to be more innovative, efficient and apply new technologies.
- Exporting businesses generate growth in infrastructure, production facilities and research and design.
- Trading overseas introduces Australian companies and their people to international best practice business approaches and marketing strategies.
- Develops business values through international relationships.

### National Benefits

- One in five Australian jobs rely on exports and one in four jobs in regional Australia. 1.7 million Australians are employed directly or indirectly by export initiatives. A 10 per cent increase in exports has the potential to create 70,000 new Australian jobs.
- Exports provide almost a quarter of Australia's total income.
- Foreign exchange earnings allow Australians to import a wider range of products.
- The number of Australian companies trading internationally has led to an increase in average annual family income by \$1000 each year since 1986.
- Encourages closer links with the international economy, adding to Australia's cultural, social and intellectual capital.
- Exports add diversity to Australia's national income sources, providing wider markets and less vulnerability to global economical downturns.

## CHAPTER 2: WHAT MAKES A SUCCESSFUL EXPORTER?

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Companies generally exhibit different attributes, even within the same industry sector. This becomes more evident as companies move offshore and compete against new firms for export business.

Although exporting is certainly a more challenging enterprise than operating in a domestic market, research suggests that companies can be successful when they pursue business in offshore markets by following similar strategies to those applied successfully in the domestic market.

### **The Team Approach**

Exporting is best carried out by a team. Even small companies have the ability to bring together people who represent the various aspects of production, management, technology development, administration, and marketing.

When putting a team together, if possible, include all the functions likely to contribute to a successful sustainable export venture. Likely team members would include:

- Your financial controller, or accountant
- Technical/engineering staff, and/or production staff
- Marketing staff or consultant
- Administration, senior management (including the Chief Executive)

To ensure that everyone is well informed and understands the overall company initiative it is important to:

- Involve all teams members from an early stage.
- Meet as a team at regular intervals.

### **Management Commitment Is Essential For Export Success**

Management commitment is the factor that stands out as essential for export success. Senior management showing leadership in the setting of export objectives and dedicating the appropriate resources best demonstrates this commitment.

Management must be willing to accept some impact on near-term profits for long-term returns. In most situations, this adverse short-term impact is unavoidable as it takes times to establish relationships and put in place the arrangements needed for successful entry into new markets. Reluctance to accept this fact is probably unrealistic optimism and may well have the opposite effect that aggressive 'can-do' mentalities are meant to bring.

Other key success factors for export success are:

- Cooperative long term relationships with local distributors; and
- First hand knowledge of the market place

### **What Strengths Can I Build on?**

It is important to define why you are successful in the domestic market and determine how best to adapt that competitive advantage to your target foreign market.

### Key points:

- Identify the strengths you believe your company has in the domestic market.
- Be honest about your company's competitive capabilities.
- Identify one or more real strengths you can build on. If you cannot identify any strengths at this time, consider which area would be most likely to develop.

### **Assess Your Company's Weaknesses**

It is important to have a realistic picture of your company's weaknesses. Remember, competitors do exist in export markets just as they do in your domestic market - only there are likely to be more of them.

Typically impediments to success may include:

- Lack of experience
- Lack of marketing ability
- Slow or inflexible production
- Need for more staff
- Need for improved or new technology
- No customer feedback
- Lack of investment dollars for export
- Inability to change product or packaging

## CHAPTER 3: WHERE DO I BEGIN?

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The following steps are designed to identify the principal issues involved in trading overseas.

### **Familiarise Yourself with Regulations**

Exporters can be sole proprietors, partnerships or companies. The regulations, permits or licences which affect exports apply to the goods or services exported not to the individual or organisation exporting them. There are no restrictions on who or what type of business may export from Australia, while goods or services must comply with export regulations.

All consignments leaving Australia with a value in excess of AU\$2,000 must be declared to the Australian Customs Service. It is advisable to contact the Australian Customs Service or an international freight forwarder to ascertain if any export regulations apply to your specific product or service before proceeding further with your export plans. The Australian Customs Service website provides more information on export regulations. Go to <http://www.customs.gov.au> and click on the button labelled Import/Export.

Examples of exports which are subject to regulations are meat, fish and other fresh produce. Goods of this type must come from premises, which are licensed to export by Australian Quarantine and Inspection Service (AQIS). If it is your intention to export goods of this type then you should obtain a licence from AQIS or check that your intended supplier has a valid export licence.

Exports of Australian wine are subject to control by the Australian Wine and Brandy Corporation. If you intend to export wine from Australia look at the information on the Australian Wine and Brandy Corporation's website <http://www.awbc.com.au> and check carefully that your supplier has a valid export licence.

### **Market Research**

Extensive research is necessary to accurately assess the potential market for a given product or service in a defined region. It may be conducted by employees of a business or by an external consultant appointed by the business.

The ultimate aim of the market research program should be to provide comprehensive, accurate information on which to base a successful export marketing strategy. Export market research can be divided into two phases, desk research and overseas research.

#### **Phase 1 — Desk Research**

This is the process of gathering information from sources within Australia. There are many such sources able to provide a wealth of information.

These include:

- Austrade
- Australian Bureau of Statistics
- Banks
- Bilateral, social and business organisations
- Chambers of commerce
- Consulates/embassies
- Department of Foreign Affairs and Trade

- Export consultants
- International freight forwarders
- International business and telephone directories
- State Libraries
- The Internet (please refer to page 36 for a list of useful online resources)
- Universities or other tertiary institutions

## **Phase 2 — Overseas Research**

This is the process of gathering information in the market itself. A first hand evaluation of the sales potential for the product or service in the overseas market is essential. This may involve discussions with potential buyers, agents, distributors, joint venture partners and government authorities, attendance at trade fairs and exhibitions, product testing in the market place, or customer surveys.

This phase of the research program should only be commenced after every aspect of Phase 1 has been exhausted.

Ultimately the information gathered must result in the production of a practical export marketing strategy.

### **Preliminary Export Research Program**

A typical research program should seek to ascertain:

- Preferred target market
- Economic overview of the target market
- Demographic overview of the target market
- Cultural and religious environment
- Basic import regulations
- Tariffs, taxes and quotas
- Transport infrastructure
- Distribution networks
- Potential customers within the target market
- Entrenched competition
- Pricing policy
- Preferred trading terms
- Packaging and presentation.

This list above is not exhaustive but represents the prime factors you need to be aware of before venturing into an export market. For support and advice on any of these research areas contact Austrade.

## **Language and Culture**

### **Language**

While English is rapidly becoming the language of international trade and many business people in overseas markets display remarkable English proficiency, the time may come when you will have to communicate with people who do not speak English.

Even with reasonable proficiency in a foreign language you may not be able to follow all the nuances of trade and technical negotiations. Conversely, just because a person in a foreign market is fluent in English does not mean they will be able to understand all the terminology peculiar to a particular industry sector or area of commerce.

For these reasons it is preferable to utilise the services of a skilled translator and/or interpreter. In such cases it is always better to use your own appointee rather than depend upon the staff of your potential trading partner. Austrade's representative in the market place may be able to recommend an independent translating/interpreting service appropriate to your needs.

### **Culture**

It is axiomatic in any business context that one should understand the prime factors which motivate the clients to whom you hope to sell. This is particularly true when trading in international markets where the religious, social and business culture may be entirely different to your own.

While it is not possible to become an expert on every set of differing social, cultural and commercial values, you should try to understand a few of the major cultural aspects of the markets in which you wish to deal. For example, what is the attitude in respect to dress, alcohol, drugs, etc? Are there religious festivals or holidays which should be avoided, aspects of social etiquette about which you should be aware? What factors are important in personal perceptions, eg religion, caste, education, political affiliations, wealth, age, etc?

There are many consultants, organisations and other agencies able to assist with religious, social and cultural matters. Remember that Australia is one of the most culturally diverse countries in the Asian region. You will find more ethnic, religious and cultural minorities here than in any other country in our region.

Before venturing into overseas markets it is advisable to gain some understanding of the people you are attempting to do business with by contacting one or more of the many ethnic business organisations, chambers of commerce and social groups within your own capital city. In addition some academic institutions have agencies devoted to a particular region, such as the Japanese Centre at Monash University.

## **Prepare Your Export Strategy**

Start by preparing a preliminary export strategy. You can use the guide below to form the basis of your critical action path to export success. Incorporate the content of this document into your own Export Strategy, overall Business Plan or when preparing a case for finance.

Visit Vic Export <http://www.export.vic.gov.au> for further information on these subjects.

### **Step 1. Internal Review**

The aim of an internal review is to identify your business's strengths and weaknesses so you can capitalise on your strengths and identify improvements for greater export success. Start by setting out who you are, what you do, and where you want to be, together with a frank appraisal of your own

and/or your business's background. Try to assess your competitive advantages, or the things you believe have made your operation successful in Australia. These can include financial strengths, particular skills your personnel bring to your business, or unique technical know-how. In the same way, it is important to accurately identify your competitive weaknesses.

## **Step 2. External Review**

Now examine your motives for wanting to trade internationally.

Thinking about the internal review you have just completed, first look at the regulations which may affect the export of your product. The next step is to focus on those countries where your products are likely to find acceptance. You will probably start with a large number of potential markets but export success is more likely if you initially focus on a selected number of countries.

To screen for the most attractive markets ask yourself:

- Which countries use your products/services?
- Which of these particular countries have a large market segment that uses your product?
- Alternatively, can you produce new or modified products to meet the needs of these market segments?
- Can you easily provide customer service to these markets?

### **Rank Target Market/s**

Now, investigate the following factors, which will determine the likelihood of your products gaining acceptance in your selected markets.

### **Target Customer Segments**

Develop a profile of your potential client groups in the market. Investigate their characteristics, expectations and preferences: the reasons they buy, how and when they do it, and who the key decision makers for purchase are. This analysis will help you decide which of your products to market to which type or group of overseas customers, whether your product requires changes to suit overseas buyers, or if you should consider tailoring new products to suit your intended destination.

### **Client Base - Demand / Market Potential**

Determine the amount of demand for the product/service you are trying to market.

### **Competition**

Determine if the product/service is being produced locally or imported. Investigate whether you can compete in the following areas:

- Quality
- Price
- Delivery and credit
- Customer service
- Warranties

### **Political/Legal Environment**

Areas to investigate include the role of the government, the country's political stability, international trade policy and trademark protection laws, restrictions on capital flows, price regulations, restrictions on foreign ownership, competition regulations, local standards and specifications, labelling and packaging requirements.

### **Economic and Business Environment**

Assess the country's GDP growth, inflation rate, currency and banking, transport and communications systems, population growth.

### **Cultural/Social Environment**

Look at foreign language requirements and adherence to religion, business ethics, attitudes towards foreign products, negotiation customs, resolution of disputes, social norms, values, and how they affect the acceptance of your product/service.

### **Technological Environment**

Some products may become obsolete very quickly while other products may enjoy high demand because of technological changes. Investigate what the technological environment of the selected markets means for your export business.

### **Distribution Systems**

What would be the best distribution channel for your products/services to reach your target markets?

## **Step 3. Product Review**

Now identify the products/services you believe can find a market overseas. Think about whether you will market:

- Your current products to the new markets
- Modify your current products, and/or
- Develop new products

To help you answer the above questions, consider the following areas:

- Packaging (labelling, size, colour and shape, user convenience, protection)
- Brand name
- Quality and durability
- Physical appearance (size, styling, colour)
- Features
- Method of operation or usage
- Customer service

#### **Step 4. SWOT Analysis**

You will probably find that you have collected a large amount of data and information in Steps One, Two and Three (above). Summarising the key issues via a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) will help build your export business based on your strengths while at the same time minimising your weaknesses.

To compile a SWOT analysis, start by listing the strengths and weaknesses discovered in your internal review, with a maximum of five strengths and five weaknesses each. Next, list the major opportunities and threats for your business, revealed in your external review, again recording five opportunities and five threats.

#### **Step 5. Critical Success Factors**

Every business has certain Critical Success Factors (CSFs). Thinking about your business and the environments in your selected markets, identify no more than three CSFs for your export business.

#### **Step 6. Setting Objectives, Strategies and Action Plans**

##### **Preliminary Export Objectives**

Now you are ready to set some preliminary export objectives. In setting your export objectives, think about what revenue you aim to produce from which products/services, and over what time period.

##### **Export Strategies**

Next, think about how you will achieve these export objectives. Decide which of your products/services would best be marketed to different groups of customers/clients in the selected overseas markets. Start by setting down product, pricing, distribution and advertising and promotion strategies.

##### **Product Strategy**

Thinking about all you have learnt about your selected market's potential to accept your product and your internal resources, determine whether you will market your products in their present state, if they require modifications in order to conform, or whether you will develop and market more suitable new products for your intended destination.

##### **Pricing Strategy**

Consider how you will price your products in the overseas market. What will be your price point compared to your competitor(s)? Will you quote FCA FOB, CFR or CIF\* prices? Will you offer discounts from your standard list price for specified quantities, etc? How will you expect to be paid for your exports?

##### **Distribution Strategy**

Investigate how you will make your products/services available to your overseas customers. Consider such things as warehousing, transportation, inventory control, order processing and what type of intermediaries you may need to appoint. Will you appoint a commission agent in the overseas territory and what will be the arrangements with regard to commission?

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\* See Glossary of Export Terms on page 35.

## Commission Arrangements

Will you be prepared to grant exclusivity to a distributor in the overseas market? What form will the exclusive agreement take?

## Advertising and Promotion

If you are planning to advertise and/or promote your product/service in overseas markets, decide who will do this. Will it be your company, your importer/intermediary, or both? Who will prepare and pay for the advertisements and promotional materials, and in what language will they appear? Will it be your company, your importer/intermediary, or both?

## E-business Strategy

E-business combines business processes, technology and organisational structure changes. Your company's e-business efforts should form part of your total strategic planning. It may incorporate e-commerce but can affect areas such as finance, production, logistics, marketing and human resources.

Common e-business tools used by companies for international marketing include e-mail, websites, e-marketplaces, and collaboration tools.

An integrated online export strategy is one that involves a hybrid mix of online and offline tools to achieve export marketing goals. It can help your company reduce the time and cost of going international while optimising your export outcomes, offering improved flexibility, better communication with customers, suppliers and government - and improved access to global supply chains that only allow electronic interfacing and engagement.

Some useful questions to help you uncover your e-business goals:

- How does e-business impact my customers, business channels and market segments?
- Can e-business solutions increase satisfaction with our products and services?
- How do our e-business initiatives compare to those of our competitors?
- Can e-business attract customers from our competitors and/or generate new customers?
- Can e-business technologies make it easier for organisations to conduct business with our company?
- Do we understand the e-business regulatory environments of our export markets?
- Does our export market have the required e-business infrastructure?

While e-business may often appear complex and daunting to the beginner, Austrade can assist in helping you incorporate e-business into your overall business strategy. Speak to Austrade's e-business adviser about e-business export strategies tools, tel: 13 28 78.

## Action Plan

Finally, developing an action plan will help you organise what actions need to be taken to meet these export objectives and strategies. List what needs to be done, by whom and by when.

## Step 7. Implementation

### Resource Requirements

Now begin to assess what you already have and what you need to obtain to achieve your export objectives.

- Relevant Skills
- Market Connection
- Supply Requirements
- Finance
- Time
- Information

### **Assumptions**

List the major assumptions on which your export strategy is based. These assumptions will be outside factors, such as the market growth rate and/or your organisation's growth rate that would significantly impact upon your export objectives.

### **Summary**

The Preliminary export strategy you have prepared by working through this process is a first step on the road to export success. It is an important document in that it identifies the strength and opportunities your business has in an export context.

It will also provide invaluable support when you apply to external agencies for assistance with your export plans.

But just as important is the knowledge about the issues involved in exporting you have gained while preparing it. Your export strategy should be constantly reviewed in light of changing circumstances both within your business and in the markets in which you operate.

## CHAPTER 4: EXPORT PRICES, OFFERS AND CONTRACTS

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### Export Prices

Calculation of export prices is usually based on the differential costing method. This method treats exports as additional business; incremental to the main core of domestic trading. Exports therefore bear a reduced contribution to the manufacturer's fixed costs. Export prices may also be affected by duty drawback. Where an export product contains imported material or components on which duty has been paid, the amount of duty paid can be claimed back from Australian Customs Service when the product is ultimately exported. The export price will reflect this reduction in cost. These are matters of accountancy and should be discussed in detail with your accountant.

Additional costs such as bank charges, cost of Forward Exchange Cover, etc., may also have to be taken into account before arriving at a firm export price.

### A Cautionary Word

It is unwise to set an artificially low price when trying to enter an export market because it is usually very difficult to raise this to a realistic level at a later date. It is preferable to enter the market at a realistic level with an undertaking to hold prices firm for a fixed period of time, say 90 or 120 days after the date of the quotation. Ultimately export pricing will be determined having regard to two fundamental points; the price the exporter needs to cover all costs and make a reasonable margin of profit, and what price the market is prepared to pay. There is little point in sacrificing profit if the market is willing to pay a higher price.

### Export Offers

To correctly evaluate an export offer, an importer requires the following basic information:

#### Description of the Goods

A detailed description of the goods is necessary to avoid misunderstanding between exporter and importer and so that the importer can correctly classify the goods for Customs purposes.

#### Price

Exporters should always specify the currency in which the price is quoted.

#### Trading Term

The price should always be accompanied by the appropriate trading term (see the section on *Incoterms*) indicating which elements of the transport and insurance costs are included in the quoted price.

#### Delivery Schedule

Delivery schedules should set out the quantity which can be made available for shipment within a specified period eg "3,000 units within 2/3 weeks of receipt of firm order and 2,000 every week thereafter". It is preferable that delivery schedules be slightly conservative, to deliver ahead of time rather than after the promised date.

#### Packing Specification

Sets out how the goods will be packed, the number of units per carton or pallet and the weight and dimensions of the packages. This will enable the importer to determine how the goods will be warehoused upon arrival and to ascertain the cost of transporting the consignment if this is not included this in the quoted price.

## Payment Terms

It is important to state your preferred payment terms for two reasons:

- So that there will be no misunderstanding as to how the importer is to make payment; and
- Because some methods of payment will involve the importer in significant additional expense and this must be taken into account when costing imports.

The most commonly used payment terms are:

### Prepayment

Absolutely secure from the exporter's point of view. Payment is received prior to dispatch of the goods.

### Documentary Letter of Credit

Almost completely secure for the exporter. A Letter of Credit (more correctly called a *Documentary Credit*) is an arrangement whereby a bank, operating on the instructions of an importer, authorises another bank to pay a fixed sum to an exporter on production of specified documents. The rules governing the use of Letters of Credit are contained in Uniform Customs and Practice for Documentary Credits (ICC No. 400) available from most Banks.

### Bills of Exchange/Cash Against Documents

From an exporter's point of view not as secure as Prepayment or Letter of Credit. The *Australian Bills of Exchange Act 1909-73* defines a bill of exchange as:

An unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand *or at a fixed or determinable future time, a sum certain in money to, or to the order of, a specified person or bearer.*

Where Bills of Exchange are accompanied by shipping documents they are usually referred to as *documentary collections*.

### Open Account

No security of payment. Payment is made by the importer after the goods have been despatched by the exporter.

### Validity

Indicates the period during which the export offer will remain unchanged.

### Warranty

A certification as to quality.

### Other

Provision of samples for testing etc.

Export Contracts come into being by a **process of offer and acceptance**. When an offer has been accepted by the buyer, the contract exists and is legally binding on both buyer and seller. It is difficult to withdraw or amend an incorrect offer after it has been accepted. Accurate pricing and careful preparation of the export offer is, therefore, essential given that this represents a formal offer of goods for sale.

## Insurance

In an export context insurance can be said to fall into two types:

### Insurance Against Loss or Damage

Consignments with anything over minimal value should be insured against loss or damage during transit. Who has responsibility for effecting insurance is totally dependent upon the terms of the contract of sale negotiated between exporter and importer. In a FOB or CFR contract this responsibility lies with the importer, in a CIF contract with the exporter (*see section on Incoterms*). The extent of cover, whether it is from wharf to wharf or warehouse to warehouse, will vary from contract to contract. It is customary in most types of international trade to insure goods for CIF value plus 10% in order to recover all costs associated with the shipment including the cost of the premium paid to the insurance company.

### Insurance Against Default of Buyer

If the payment terms negotiated with an overseas buyer are less than secure, it is possible to insure against the risk of non payment through the Commonwealth Government's Export Finance and Insurance Corporation (EFIC), or through private insurers.

The risks covered by this type of insurance include:

- Default by the buyer
- Buyer's refusal to accept delivery
- Buyer insolvency
- Inability to deliver due to unforeseen circumstances
- War, hostilities or civil disturbances
- Government intervention

Exporters should also be aware that if their product has the propensity to cause damage or personal injury, it is advisable to explore the possibility of taking out product liability insurance to cover this risk. This is particularly advisable when considering export to markets where litigation is common.

## Freight

Freight is the name usually given to cargo transported from one designated point to another, but is also used to denote the cost of transport. In view of this, exporters should make absolutely clear what is meant by use of the term "Freight".

### Freight Rates (air and sea)

While it is almost always true that kilo for kilo sea freight will be less expensive than airfreight, it is also true that the minimum freight payable for dispatch by sea is usually much higher than the minimum payable for dispatch by air. This means that it is often less expensive to dispatch small consignments by air than by sea.

### Conference Rates

Ship owners operating vessels on a particular run - say Australia to West Coast USA - form a cartel to fix freight rates and sailing schedules. This cartel is called a Shipping Conference and is one of the few forms of price fixing cartel deemed legal in Australia. This is because it ensures stability of freight rates which enables exporters to prepare export quotations in the knowledge that the freight rate will not change without adequate warning. It also rationalises sailing schedules thus ensuring that sailings to a particular destination will be at regular intervals. It follows that all shipping lines that are members of the Conference will offer identical freight rates for the carriage of cargo. It should be noted that the

conference system does not operate in respect of airlines so rates for airfreight can differ. It is advisable to obtain several quotes for airfreight consignments in order to take advantage of the best available rate.

### **Weight Measurement Ratio**

The total amount of freight payable for the transport of cargo is usually calculated by applying the quoted freight rate to the weight or measurement of the cargo, whichever offers the greater return to the shipping company or airline.

### **Hazardous cargo**

Freight rates will always vary depending upon the type of cargo to be carried. If the cargo is deemed to be of a hazardous nature, eg. volatile, noxious, injurious to health, likely to contaminate other cargo. Special rates will usually apply and the carrier may require special packing to prevent damage. Check with your freight forwarder for standards or regulatory requirements which may affect the transport of your cargo.

Because of the above it is recommended that exporters seek the services of a reputable international freight forwarder when considering selling into overseas markets.

### **International Freight Forwarders**

The services usually offered by international freight forwarders are:

#### **Booking Space**

Forwarders will make the necessary bookings with shipping companies or airlines to ensure that the cargo is transported in the correct manner with the minimum amount of delay.

#### **Freight Savings**

Most forwarders make regular "block bookings" of space on ships and aircraft. They are thus able to consolidate the cargo from a number of individual exporters and, in some circumstances, pass on the savings achieved to their clients in the form of reduced freight rates.

#### **Costing**

They are able to assist exporters in calculating the cost involved in exporting goods to a particular destination. They can also advise on the most economical means of transport, ie. air versus sea or a combination of both. They can also advise if savings can be achieved by deferring dispatch, for example, until the next consolidated consignment leaves.

#### **Cargo Monitoring**

Forwarders are able to monitor the movement and location of particular cargo from the time it leaves the exporter's premises to the time it arrives at the importer's premises.

#### **Documentation**

It is essential that export documents be absolutely free of error if international transactions are to be trouble free (see section on *Documentation*). Forwarders are able to produce documents which comply with exporter's instructions, letters of credit and the regulatory requirements in the importer's country. Where speed is essential in the transmission of documents, forwarders are able to fax or email copies to importers or their agents thus ensuring faster customs clearance and delivery. This in turn reduces the risk of incurring storage charges at the port of destination.

## Storage

Most forwarders have the facility to store outgoing and incoming cargo and this facility usually extends to Bond Storage. They are also able to arrange inspection by the Australian Customs Service or other agencies if this cannot be conveniently accomplished at the exporter's premises.

## Market Information

Because of their strong overseas connections, forwarders are often able to provide their clients with information about market conditions, export and import requirements, duty rates, etc. The amount of duty paid in the importer's country will depend upon how the product is classified in terms of the customs tariff. Your freight forwarder can advise on ways to achieve the best tariff classification in order to legitimately minimise customs duty. When using the services of a forwarder your instructions should be clear and concise. Most forwarders have their own forms on which to provide instruction.

When seeking information from forwarders about freight rates, it is essential to provide accurate and adequate details with regard to the nature of the cargo, its destination and packing specification. It is also important that you obtain from the forwarder written confirmation of the rates quoted and the range of services offered in order to avoid confusion and misunderstanding in the future.

## Export Marketing

There are many ways in which a product or service can be marketed to buyers overseas. These fall into two main categories, *direct* and *indirect marketing*.

The main distinction between direct and indirect export marketing lies in the contractual relationship between the parties concerned.

By *direct exports* we mean those transactions where the manufacturer or exporter has a direct contractual relationship with the importer overseas.

*Indirect exports* are those arranged by contractual relationship with an intermediary, usually in the country of export.

An important test in determining if the transaction is direct or indirect is whether the exporter will be paid from a local (indirect export) or an overseas (direct export) source.

In the main export marketing options are:

### Direct Export to an Importer

Where the exporter identifies a buyer overseas and negotiates a contract for the sale of goods or services.

### Direct Export Using a Commission Agent

Similar to the above but using a commission agent in the overseas market to solicit orders and provide after sales service. This can either be a one step or multiple step distribution process.

### Indirect Export Through Local Merchants

Sales are negotiated with a trader in the manufacturer's country, with payment being made in local currency from the trader's office. For example a great deal of trade between Australia and Japan is done through the Australian offices of Japanese companies. Mitsui and Co, Mitsubishi Australia Ltd, Marubeni Australia Ltd, Itochu Australia Ltd and Sumitomo Australia Ltd are listed among the top 20 Australian exporters. There are many such trading companies ranging from the very large Japanese trading houses to small single operators. Most traders will specialise in a specific product type and/or geographic area.

## **Manufacture Under Licence**

The Australian company sells technical know-how to an established manufacturer overseas who is licensed to produce the product or service in that country.

## **Joint Venture**

The Australian company enters into an arrangement with a company overseas to set up a third business entity, the joint venture company, which will be responsible for production and/or distribution of the product or service in the overseas market place.

## **Wholly Owned Company in the Export Market**

The Australian company establishes a branch or subsidiary in the overseas territory.

**Note:** When entering into distribution, agency, licensing or joint venture arrangements, it is advisable to seek advice from a lawyer specialising in the drafting of these types of agreements.

In marketing a product or service to potential buyers in an overseas market certain points need to be borne in mind.

- Does the product and its packaging comply with all regulatory requirements in the market.
- Does it conform to social, cultural and religious norms in the market?
- Who are the potential buyers and users of the product or service?
- How can you reach them?
- What message will make them buy?
- What after sales service will they expect?
- What delivery and payment terms are customary in the market?
- What are the usual distribution channels?

## **Exclusive Agreements**

It is customary for agents, distributors or importers to require some form of exclusive right in the product or the territory in which the product is to be sold. The agreements which convey these exclusive rights should be negotiated with great care because once made they can be difficult to revoke and it is vital that you appoint the best possible people to represent your product in the market place. Such agreements will vary considerably depending upon the market, the nature of the product and many other factors.

Clauses which are common to all such agreements are:

### **Nature of Agreement**

Is the agreement an exclusive distributorship, licence arrangement or agency agreement?

### **Territory**

This clause defines the territory covered by the agreement.

### **Period**

This clause defines the period over which the agreement will run and also any review options, for example - an agreement to run for 5 years with a review after 1 year.

## **Remuneration**

In an agency agreement this clause defines how commission will be calculated and how and when it will be paid.

## **Exceptions**

In an exclusive distributorship or agency agreement this clause details any exceptional circumstances when the exporter may deal directly with importers in the market.

## **Warranties and Repairs**

This clause details the warranties, which the supplier offers to the distributor and which the distributor may in turn offer to the end user. It also details the after sales service available in the market place.

## **Promotional Expenditure**

This clause defines who will pay for advertising and sales promotional material including samples. It should also define the limit of expenditure, which can be incurred by the agent without authorisation from the principal.

## **Dispute Resolution**

This clause determines which legal or arbitration system will apply in the case of a dispute that cannot be resolved by the parties to the agreement themselves.

## **Performance Level**

Defines the minimum level of sales to be achieved in a given period. If this level is not achieved the agreement may be reviewed.

## **Rights**

Defines the parties' rights to use brand names, trade marks etc. Having determined the type of agreement required and the principal points to be covered, it is essential that you consult a legal firm with experience in the area of international agreements. They will ensure that the final agreement reflects the wishes of both parties thus avoiding potentially disruptive and costly disputes.

## **Export Finance**

The amount of finance required to enter overseas markets will vary from business to business and depend largely upon the export strategy which individual companies adopt. However, it is true that in all circumstances, export will require additional financial resources. In an export context additional financial resources may be required for the following:

### **Pre-shipment Finance**

Finance required for the purchase of product, raw materials or components prior to manufacture and export of the goods.

### **Post-shipment Finance**

Finance required to continue operations in the period between dispatch of the goods and receipt of payment.

## **Working Capital**

To facilitate the day-to-day operation of the firm, for expenses such as overheads, wages, maintenance of plant and equipment. In an export context this may also involve documentation charges, entertainment for overseas visitors, market research, overseas visits, and translations.

## **Applying for Finance**

Banks and other lending institutions will usually provide their own forms on which to apply for finance. Naturally these will vary from bank to bank. However, most loan applications will require the following details:

- The amount of money required
- The purpose for which it is required
- Preferred repayment terms
- Security offered
- Cash flow projections
- Details of existing debt
- Financial details of the business
- Trading history
- Stock valuation
- Experience/qualifications of the proprietors
- Management structure
- Short term objectives
- Long term objectives
- Market research findings
- Other relevant considerations, such as contracts, intellectual property
- Lending institutions will probably also require a copy of your export strategy

## **Documentation**

Export documents form a very important aspect of international trade. It is usually true to say that without the correct documents the exporter may not be paid and the importer may not be able to take possession of the consignment. An understanding of the most commonly used documents in international trade is essential for successful export operation.

The most important export documents are:

### **Letter of Credit**

A Letter of Credit (more properly called a documentary credit) is an advice issued by the importer's bank authorising payment of a specified sum of money by a correspondent bank to a named beneficiary upon delivery by the beneficiary of specified documents. The internationally accepted rules for the use of Letters of Credit are contained in "Uniform Customs and Practice for Documentary Credits" (commonly called UCP). Most Banks provide a booklet which contains these rules.

### **Bill of Lading**

This is probably the most important document in international trade. It performs two completely separate functions. It defines the contract between the exporter and the ship owners to carry the goods from one named port to another. It is also the document of title to the goods and as such is fully

negotiable. Legitimate transfer of the Bill of Lading effectively transfers ownership of the goods from one party to another.

### **Air Waybill**

In the case of dispatch by air performs roughly the same function as a Bill of Lading with one notable exception. An Air waybill is not fully negotiable, so passage of the cargo to an importer is not dependent upon production of the original Air waybill. Cargo will be delivered to the importer immediately it arrives at the airport in the importer's country.

### **Certificate of Origin**

May be required for some destinations.

### **Bill of Exchange**

In effect a Bill of Exchange is a demand for payment which the exporter prepares and presents to the importer. The importer will pay at sight or, if it is a term Bill, on the date it matures.

### **Certificates of Insurance**

In a CIF contract, insurance is effected by the seller who will usually be required to provide to the importer a certificate to this effect.

## CHAPTER 5: SUPPORT SERVICES FOR EXPORTERS

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### Public Sector Agencies

#### Austrade

Austrade can provide general information and advice, help assess your company's export readiness and opportunities, provide breaking market research and intelligence, and assist in identifying overseas business partners. On-the-ground support overseas and in Australia is provided at no charge and is available on the website or by speaking with an export adviser. Consulting services tailored to your company are quoted in advance.

Austrade has offices in every capital city and many regional centres - through a network of 50 TradeStart offices in rural and regional Australia. Austrade is represented in more than 58 countries, with 100 overseas staff able to leverage business connections in almost every international market you aim to reach. Our advisers possess an in-depth knowledge of local cultures, business practices and the challenges facing Australian companies looking to win business.

#### Austrade Services

##### Export Marketing Information

- Country and industry information
- Seminar/event participation
- Information and referrals to other government agencies and industry associations

##### Export coaching

- Export capability assessment
- Specific export advice. For example, logistics and advice on factors determining export pricing
- Advice on export planning, budgets and payment
- Advice on marketing strategies, marketing materials and company websites

##### Export Market Development Grants and information on export financing

- Information on sources of finance
- Export Market Development Grants (EMDG). The scheme reimburses up to 50 per cent of your expenses for eligible promotional activities after the first \$15,000.
- Referrals to other State, Federal and Industry financial assistance programs
- Referrals to finance and insurance providers

##### Assistance in overseas markets

- Briefings by Austrade staff in-market on industry sector, local practices and culture
- Referrals to assist with dispute resolution and market challenges
- Support for business meetings/missions
- Arrange interpreters and translation of documents
- Trade exhibitions support
- Marketing samples of your product or service to potential customers when you are not in the market
- Follow up with potential customers and partners
- Logistical support

#### Online Resources

Austrade also provides comprehensive online resources including:

- **Export Update:** Subscribe to a free newsletter on related news and events here and overseas tailored to specific industries.
- **Trademark:** Inspiring success stories showing how Australians like you have succeeded in export.
- **Networking Seminars:** Regular events held throughout Australia - Ticket to Export and Getting into Export.
- **Free e-business Courses:** Learn how email, websites, electronic marketplaces, portals and online collaboration tools can enhance the export capability of your company. To register, go to: <http://austradeebusiness.southrock.com/cgi-bin-secure>
- **New Exporter Development Program:** This is a package of free export services to help develop your business overseas and make your first export sale. The program runs for 18 months.
- **Export Market Development Grants (EMDG) scheme:** Advice and information on how to apply.
- **Trade Fairs:** Austrade coordinates displays for Australian exporters at a range of industry-specific trade fairs around the world. Your business may be eligible for financial support from Austrade towards the cost of participating in trade fairs.
- **Alerting You to Trade Opportunities:** Through our global network Austrade gathers details of specific export opportunities for Australian businesses.
- **Australian Suppliers' Database:** Nearly 4,000 Australian companies and their products and services can be accessed by potential customers from anywhere in the world. Listing is free of charge for Australian businesses.
- **World Import Regulations Directory:** Valuable information on documentation requirements, tariffs and taxes.
- **International Development Projects:** Austrade assists Australian businesses to obtain work related to development projects sponsored by international financial institutions such as the World Bank and Asian Development Bank.

Visit our detailed website, <http://www.austrade.gov.au>

Ring an Austrade consultant on 13 28 78

Email us at [info@austrade.gov.au](mailto:info@austrade.gov.au)

### **Export Facilitation Program – AQIS**

The Australian Quarantine and Inspection Service AQIS provide inspection and certification necessary to maintain market access for most primary produce. The Export Facilitation program provides potential and existing exporters of agricultural and fisheries produce with information on export issues such as:

- Import conditions of destination countries
- Australian export legislation requirements
- Export documentation
- Inspection procedures
- AQIS quality assurance arrangements

Export facilitators can also act as the initial contact point for exporters who are experiencing difficulties in relation to government health documentation or other quarantine barriers.

The information services available through the Export Facilitation program are free for potential and existing exporters.

For more information call (03) 8318 6754.

### **Export Finance and Insurance Corporation (EFIC)**

The Export Finance and Insurance Corporation (EFIC) is Australia's official export credit agency. EFIC's products and services fulfil a 'market gap' by providing financial support for exporters and investments

in high risk countries or industries where there is insufficient commercial market capacity. Medium to long-term finance and insurance products include Direct Loans, Export Finance Guarantees, Bonds, Medium-term Payments Insurance and Political Risk Insurance.

For smaller exporters, EFIC can help secure working capital from financial institutions through the Export Working Capital Guarantee facility and can provide the bonding often required for export contracts.

For more information visit their website <http://www.efic.gov.au> or call 1800 887 588.

### **Tradex Scheme - AusIndustry**

The Tradex Scheme aims to provide relief to exporting businesses that pay customs duty and GST on imported goods that are to be re-exported or used as inputs to other goods that are exported.

Tradex allows duty draw back users to gain up-front exemption from import duties and sales tax on goods imported for re-export either in original or modified form. Tradex has no requirement for goods to undergo industrial processing in Australia. Appropriate record keeping is an essential requirement of holding a Tradex Order.

For more information call 13 28 46.

### **Australian Customs Service (Australian Government)**

Australian Customs Service controls both imports and exports in and out of Australia. Staff in the Export Section are able to advise of any export restrictions, permits or regulatory requirements for any commodity being exported from Australia. Note that all consignments having a value in excess of AU\$2,000 must be declared to Australian Customs Service. They also administer the Duty Drawback legislation and other schemes, which can be of benefit to Australian exporters. ACS also has a *Business Guide to Export* section of their website. Another section of the site provides a Guide to Manufacturing Goods; if you manufacture goods within Australia you may be affected by one of a number of schemes administered by Customs. Even if you do not import or export goods you should be aware of the opportunities these schemes may provide.

For more information visit <http://www.customs.gov.au> or call 1300 363 263.

### **Department of Agriculture, Fisheries and Forestry - Australia (AFFA)**

AFFA offers information about research and services to operators in the Agriculture, Fisheries or Forestry industries. Their Export page includes links to the ANIMEX (animal) and PHYTO (plant) export conditions databases and more. AFFA also administers AQIS.

For more information visit <http://www.affa.gov.au>

### **Department of Foreign Affairs and Trade (Australian Government)**

The Department of Foreign Affairs and Trade (DFAT) provides a wide range of services to Australian exporters through diplomatic posts overseas, at headquarters in Canberra, and at regional offices in the state capitals. DFAT can provide advice and assistance on practical matters for business visitors and for companies interested in exploring export markets. They are also up to date on international trade negotiations and regional trade issues. Of particular interest to smaller firms are publications such as *Country Economic Briefs*, *Economic and Trade Review* and *Asialine*.

For more information visit <http://www.dfat.gov.au> or call 1300 555 135.

## **Standards Australia**

Standards Australia may be able to provide information about local Standards for goods or services in the markets you have selected. Visit their website <http://www.standards.com.au> or call (03) 9693 3555.

## **Department of Transport and Regional Services (DOTRS)**

DOTRS administers matters such as road, rail and air infrastructure and safety, international shipping regulations and research and statistics on the Australian transport industry and freight or passenger movements. DOTRS helps businesses and industry associations to better integrate the different parts of the transport chain from production to export markets through a Transport Logistics Team.

For more information visit <http://www.dotrs.gov.au>

## **Victorian Government Programs for Exporters**

### **First Step Exporter**

All Victorian-based manufacturers established for a minimum of two years that are financially viable and export focused are eligible to apply for assistance to undertake the Export Programs. All financial assistance is subject to a rigorous assessment. In general, criteria include:

- Soundness of management skills
- The existence of identifiable high-growth opportunities
- Strategic importance of the industry

The market exploration program helps manufacturers research new market possibilities and support them in their efforts to explore offshore opportunities.

Level of Assistance:

- Support of up to \$10,000 (50% subsidy) against associated expenditures.
- Subsidies are limited to eligible expenses, commissioned market research, economy class travel, promotional material, trade fair participation.

For more information email Helen Rowell at [helen.rowell@iird.vic.gov.au](mailto:helen.rowell@iird.vic.gov.au) or call (03) 9651 9838.

### **Victorian Government Business Offices**

Victorian government business offices overseas can help you find international business services and contacts. They are located in San Francisco, Chicago, London, Hong Kong, Nanjing, Frankfurt, Tokyo and Dubai.

### **Overseas Trade Fairs and Outward Trade Missions**

These programs are designed to provide a vehicle for Victorian businesses to enter or expand their presence in overseas markets, and to expand their knowledge of export market requirements and opportunities.

**Overseas Trade Fairs: The Department of Innovation, Industry and Regional Development supports participation by groups of firms by offsetting part of their direct display costs - space rental, stand design and construction**

Financial assistance of up to \$30,000 per fair, depending on the number of participants, is available for groups of companies to participate in overseas trade fairs. Up to 15 assistance packages per annum are available

**Outwards Trade Missions:** Financial assistance of up to \$20,000 per mission is available. Support is limited to group costs such as consultant support, group mission brochures and business matching

**ICT Tradefairs & Missions**

This program provides financial assistance for Victorian information and communications technology (ICT) companies to attend recognised overseas trade fairs and missions.

For more information visit <http://www.mmv.vic.gov.au/tradefairs>

**Vic Export**

Vic Export provides a website offering information on all export-related matters to potential and existing exporters. The website also offers links to other agencies able to assist in export development. Vic Export can also assist in preparation of a draft export strategy.

For more information visit <http://www.export.vic.gov.au/> or call 13 22 15.

**Access America Program**

The Victorian Government Business Office (VGBO) in San Francisco, through the Access America Program, is offering short term desk and office facilities to pre-qualified Victorian companies requiring a temporary base for exploring market opportunities in the US.

Services include access to a desk, conference room facilities, telephone/voicemail, broadband connection and printer. Clients must bring their own laptop. Companies will be required to pay for long distance calls.

Short term desk use can be accommodated, for example, where Victorian firms attend an approved trade show and wish to spend a further few days following up contacts. Desks are free for up to 2 weeks, then \$US250 per month or part thereof, for up to 3 months. One month deposit will be payable in advance.

To assist the business matching process, specialist industry networking advice and support is available to companies seeking assistance in finding contacts within the business community in the US.

The Victorian Government Business Office in San Francisco may be able to provide initial assistance in sourcing US partners, venture capital providers, market research or helping to arrange meetings.

The VGBO can also provide initial advice about visas, hotels, housing, transport, internationally accepted credit cards etc. to prospective users.

The desks are offered on a "first come - first served" basis. Contact Invest Victoria.

For more information call (03) 9651 9519.

## **Export Communication Network**

The Export Communication Network is a dynamic, growing information resource provided free for Victorian manufacturers and designed to help facilitate the growth of exports. It uses Web technology to deliver export information specific to the areas of interest of registered users.

ECN registration form is available at <http://www.export.vic.gov.au/ecn>.

For more information email [ecn@export.vic.gov.au](mailto:ecn@export.vic.gov.au) or phone the Office of Manufacturing on (03) 9651 9498.

## **Victorian Business Line at DIIRD**

The Victorian Business Line (VBL) acts as a single point of contact offering customer service and referral to industry expertise and programs of the Department of Innovation, Industry and Regional Development and other Government agencies. Access to Department of Innovation, Industry and Regional Development publications is available by telephoning the VBL on 13 22 15. The VBL service is open from 8.00 am to 8.00 pm Monday - Friday and 9.00 am to 12 noon Saturday.

## **Office of Small Business**

The Office of Small Business is part of the Department of Innovation, Industry and Regional Development (DIIRD). It provides a range of business support services through its city office and a network of regional offices throughout Victoria.

Services provided include:

- Information and Referral
- Referral to Professional
- Business Channel
- Business Licence Information Service (BLIS)
- Small Business Counselling Service

For further information visit <http://www.businessaccess.vic.gov.au> or call 13 22 15.

## **Food Victoria**

Food Victoria "provides the food sector with access to the highest levels of government and assures them of a 'whole-of-government' approach to food industry issues. The website gives you access to the latest information on the production of food in Victoria.

For more information visit <http://www.food.vic.gov.au>

## **State Library of Victoria / Express Information**

The State Library of Victoria has a business collection which consists of overseas and Australian company, product and industry directories, statistical information, trade journals and newspapers. The State Library of Victoria provides a quick inquiry service whereby inquiries taking around five minutes are answered at no cost. **Express Information** offers a fee-based research service accessing the collection of the State Library of Victoria and a range of national and overseas electronic resources.

For more information visit <http://www.expressinfo.com.au> or call (03) 8664 7000 or TTY (03) 9639 7006.

## **Local Government**

Local government agencies deliver a wide range of economic services through 79 economic development units.

For more information visit <http://www.mav.asn.au>

The **City of Melbourne** delivers a suite of international business development programs to assist Melbourne businesses to expand into overseas markets. Programs include Export training, Export Entry Grants and Overseas Business Missions. The City of Melbourne maintains an office in Tianjin to provide on-ground business matching and facilitation services. The City also has a Business Partner City Network of local government and associated economic and trade associations in 13 key Asia Pacific cities.

For more information, please visit <http://www.businessmelbourne.com.au>

## Private Sector Agencies

### Banks

Most trading banks have international trade divisions able to advise on the most appropriate payment terms and methods of financing exports. It is also advisable to discuss with your bank ways in which the risk of adverse currency fluctuations can be managed. Excellent publications are available from most trading banks dealing with export related matters such as finance, documentation, forward exchange cover, payment terms, etc.

### Consultants

There are many different types of consultants who can assist exporters in a variety of ways. For example:

- Marketing Consultants - who can undertake market research assignments and devise export marketing strategies
- Finance Consultants - who can advise on finance strategies and the availability of funding
- Credit Rating Agencies - who can check the bona fides of overseas trading partners

### Export Merchants and Agents

There are agents and merchants in Australia and overseas who can help exporters efficiently identify opportunities because of their special knowledge of products and industries and of the success factors in specific markets. These people are potentially extremely valuable to exporters. There are larger trading groups that are quite accessible, but the smaller traders are not easy to identify as they are small specialist businesses without a national association or membership group.

*Existing exporters* may want to try to access these people to supplement their knowledge about target markets and to lead them to business prospects for their particular products or services.

*New exporters* will need broader advice to assist them to develop marketing strategies, as well as to do deals. Their role is to provide - generally for agreed fees - knowledge and advice that will win export business.

### Trade contacts in foreign country - Consulates

Search your phone directory for specific foreign Consulate trade officers in Victoria. Austrade, (who may charge fees) provide lists of agents in Australia and in your target countries.

For more information visit <http://www.austrade.gov.au>

*Existing exporters* from Victoria or Australia active in your target countries. These companies may be known to you or can be identified by Austrade, Chambers of Commerce, Industry Associations or Consulates. Office of Small Business maintains a database of **consultants** who may help facilitate your entry into specific markets. They can be contacted on the Victorian Business Line 13 22 15 (local call).

### International Freight Forwarders

International Freight Forwarders are in the business of organising the movement of other people's cargo from one location to another. They usually have a network of offices or agents in a number of international locations to facilitate this process. They can assist exporters in a number of ways. The Australian Federation of International Forwarders Limited (AFIF) is the freight industry's representative body charged with the responsibility of promoting the interests of freight forwarders as well as ensuring uniform standards of professional conduct and education relevant to air and sea freight activities.

For more information visit <http://www.afif.asn.au>

## **Bilateral Chambers of Commerce**

There are many bilateral chambers of commerce and business associations located in Victoria including the Italian Chamber of Commerce and Industry, French Chamber of Commerce and Industry, Australian-China Business Council, Australian Netherlands Chamber of Commerce. They have close contact with governments, chambers of commerce and business associations in their countries of origin and can provide comprehensive services to both importers and exporters wishing to trade with those countries.

Their services include:

- Assistance in locating trading partners
- Research into specific trade enquiries
- Organising delegations to trade fairs, conferences, etc
- Organising trade missions
- Supplying certificates of origin
- Providing trade information publications
- Providing letters of introduction
- Organising business itineraries.

## **Industry Associations**

Many industry associations offer a comprehensive range of services to their members, including export services.

Some of the major associations include:

### **Victorian Employer's Chamber of Commerce & Industry**

The Victorian Employer's Chamber of Commerce & Industry (VECCI) has assistance programs for members who wish to export. VECCI also acts as agents for the Export Access Program. International *carneys*, for the duty free transmission of trade samples from one country to another are issued by VECCI.

For more information visit <http://www.vecci.org.au>

### **Australian Business Limited**

Australian Business Limited is "a member-based business improvement organisation with more than 100 years experience in advice, networking, support and advocacy".

For more information visit <http://www.australianbusiness.com.au>

### **Australian Institute of Exports**

The Australian Institute of Export is a non-profit private sector organisation, which assists Australian exporters and export service providers by providing export education and training. Prime areas of activity are: Education and Training, Networking, Representation and Export Achievement Recognition. The Institute conducts a course on *Export Essentials Training Program* for the 'would be' export executive or operator.

For more information visit <http://www.aiex.com.au>

## **Australian Trade Centre**

The Australian Trade Centre is a permanent show case of Australian products for export. Located at 53 Queen Street, in Melbourne's Central Business District, the ATC can showcase approximately 220 exporters' leading and innovative products and services, spanning all major industry groups from food, beverage & wine to clothing, beauty & cosmetics, machinery, building, timber, plastics & packaging, technology, health, sports & leisure and business services. Some ATC exhibitors are relatively new to exports with innovative new products and are looking for direct sales or new distributors. Others have established distribution networks worldwide, and are using the Centre to attract new export enquiry which they can handle through these distributor networks.

For more information visit <http://www.australiantradecentre.com.au>

## **Australian Industry Group**

The Australian Industry Group "has been created to help Australian industry be more competitive, both domestically and internationally, so that it takes its rightful place in the emerging global economy. Representing some 11,000 companies, large and small, in every state and territory, the Australian Industry Group is the largest industry body in Australia".

For more information visit <http://www.aigroup.asn.au>

## **Australian Marketing Institute**

Australian Marketing Institute members are marketing consultants and researchers. A searchable database of AMI members is also available on the site, at <http://www.ami.org.au>

## **Institute of Management Consultants**

The IMC is the body that sets and annually monitors professional standards for management consultants in Australia. IMC is affiliated with professional counterpart bodies worldwide. You can search for members at the IMC website, <http://www.imc.org.au>

## **Other Associations**

Other industry associations are also involved in export assistance for their members; if you're in an association, ask them what help they can give. Visit the Office of Small Business website <http://www.businessaccess.vic.gov.au> and click on the Industry Associations links page for a listing of Australian associations with websites, or use a commercial directory such as Crown Content's *Directory of Australian Associations*.

## **Winning Exports: A Planning Guide**

A self-help manual which is intended for smaller-sized businesses that are new or early exporters. The manual uses a step by step approach to planning and developing export market activities and provides practical advice to:

- Enable success with export orders
- Determine export marketing objectives
- Develop an achievable export market plan

The cost of the manual is \$79.95. Contact Woodslane Publishing on (02) 9970 5111.

## GLOSSARY OF EXPORT TERMS

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It is important to know the terms used in international trade, not only in order to understand exactly the offer which is being made or accepted, but also in order to present a fully professional approach to your potential trading partners. The most important part of the export vocabulary is the set of terms universally known as *Incoterms*.

### Trading Terms (Incoterms)

The most commonly used rules for the interpretation of trading terms in international trade are those defined by the International Chamber of Commerce (ICC). They are internationally recognised and are known as Incoterms. Incoterms signify to the buyer what is, and more importantly what is not, included in the selling price. They also indicate where the exporter's responsibility ends and the importer's responsibility begins in respect of the goods exported. Which term will apply to a particular export transaction is a matter for negotiation between buyer and seller. However, inclusion of the appropriate term in export quotations is crucial in order to determine the responsibilities of both parties in the contract of sale.

#### A brief definition of Incoterms:

##### *EXW - Ex Works (... named place)*

This term signifies that the price quoted is for supply of goods, packed for export, at the seller's premises. The seller's contractual obligation is discharged when the goods are made available to the buyer at the seller's premises. The seller is not responsible for any element of transport or insurance cost or the cost of compliance with export formalities. However, the seller does have an obligation to load the goods onto the buyer's collecting vehicle.

##### *FCA - Free Carrier (... named place)*

The seller's obligations are fulfilled when goods are delivered to a carrier nominated by the buyer at a named point. It is the seller's responsibility to clear the goods for export. If delivery takes place at the seller's premises the seller has an obligation to load the goods onto the buyer's collecting vehicle.

##### *FAS - Free Alongside Ship (... named port of shipment)*

This term means that the seller's obligations are fulfilled when the goods are placed alongside a ship at a designated port. It is the seller's responsibility to clear the goods for export. Note FAS can only be used for sea or inland waterway transportation.

##### *FOB - Free On Board (... named port of shipment)*

FOB is one of the most commonly used trading terms. The seller is responsible for all costs up to the point where the goods actually cross the ship's rail at the named port of loading. This term should only be used for non-containerised sea transport. For airfreight and containerised sea freight use FCA.

##### *CFR - Cost and Freight (... named port of destination)*

"The seller's price includes all charges up to the arrival of the goods at the point of discharge from the vessel. It does not, however, include the cost of insuring the goods against loss or damage while in transit to that point. This term should not be used for airfreight or containerised sea freight - see CPT

##### *CIF - Cost, Insurance and Freight (... named port of destination)*

Very widely used, use of this term indicates that the seller's price includes all charges up to the arrival of the goods at the point of discharge from the vessel including the cost of insuring them against loss or damage whilst in transit. This term should not be used for airfreight or containerised seafreight - see CIP.

***CPT - Carriage Paid To (... named place of destination)***

The seller is responsible for the cost of freight up to the point where the goods are delivered to a specified destination but is not responsible for insuring the goods against the risk of loss or damage whilst in transit. It is the buyer's responsibility to clear the goods for import.

***CIP - Carriage and Insurance Paid To (... named place of destination)***

"CIP" indicates that the seller is responsible for the cost of freight up to the point where the goods are delivered to a specified destination including the cost of insurance against loss or damage during transit.

***CAD - Cash against documents***

Payment for goods in which a commission house or other intermediary transfers title documents to the buyer upon payment in cash.

***CIA - Cash in advance***

***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.***

***CWO - Cash with order***

Payment for goods in which the buyer pays when ordering and in which the transaction is binding on both parties.

***DAF - Delivered At Frontier (... named place)***

Use of this term indicates that the seller's obligation is fulfilled when the goods are delivered to a specified point at the frontier. There is no responsibility on the part of the seller to declare the goods to

the customs in the importing country but it is the seller's responsibility to clear the goods for export.

***DES - Delivered Ex Ship (... named port of destination)***

The seller accepts responsibility to make the goods available to the buyer on board the ship at the port of discharge. Obviously this term cannot be used for airfreight consignments. It is the seller's responsibility to clear the goods for export but not for import at the port of discharge.

***DEQ - Delivered Ex Quay (duty paid) (... named port of destination)***

The seller is responsible for making the goods available to the buyer on the wharf at the port of discharge. The seller must bear all costs and risks involved in placing the goods at the disposal of the buyer at the port of destination. This term cannot be used for airfreight shipments.

***DDU - Delivered Duty Unpaid (... named place of destination)***

The seller's obligation is fulfilled when the goods have been made available at a specified point in the seller's country. The buyer bears all costs incurred in delivering them to that point. The buyer is responsible for duties and taxes etc. payable when goods are cleared through customs.

***DDP - Delivered Duty Paid (... named place of destination)***

The seller's obligation is fulfilled when the goods have been made available at a specified point in the buyer's country. In this case the seller is also responsible for payment of duties, taxes and other customs clearance charges.

The International Chamber of Commerce (ICC) offers a full definition of incoterms in their booklet *INCOTERMS 2000*.

For more information <http://www.iccbooks.com>

## Commonly Used International Trade Terms

### *Acceptance*

This term has several related meanings: (1) A time draft (or bill of exchange) that 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 the value" or "on the value". Rates of duty expressed as a percentage of the value of goods are known as ad valorem rates.

### *Advance against documents*

A loan made on the security of the documents covering the shipment.

### *Affreightment*

Contracts to carry goods by ship. A bill of lading is a contract of affreightment.

### *Airway Bill*

A contract to carry goods by air. Note that unlike the *Bill of Lading*, an Airway Bill is not a fully negotiable instrument.

### *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

### *Assessor*

A person who assesses the value of cargo for the purposes of settling insurance claims.

### *BSR*

The Basic Service Rate (BSR) charged for wharfage and other port charges at both port of loading and port of unloading.

### *Bill of Lading*

The contract of *affreightment* and the document of title to the goods. Bills of Lading are fully negotiable instruments. Transfer of the Bill of Lading transfers ownership of the goods from one party to another.

### *Bill of Exchange*

An order in writing given by one person to another requiring the receiver to pay a certain sum of money to another person at a fixed or determinable future date.

### *Bond Store*

A store where goods are held under Customs control pending the payment of duty.

### *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.

### *Certificate of inspection*

A document certifying that merchandise (such as perishable goods) was in good condition immediately prior to its shipment.

### *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.

### *Cloused Bill*

A *Bill of Lading* cloused to show that the goods received by the shipping company were not in good order and condition.

### *Charter Party*

An agreement for the hiring of a vessel for a specific purpose

### *Conference*

An agreement between ship owners, which rationalises sailing, schedules and stabilises freight rates.

### *Consignee*

The person to whom cargo is consigned.

### *Consignor*

The person consigning the cargo to the consignee.

### *Container Vessel*

A vessel designed to carry ISO (International Standards Organisation) containers. These are generally 40ft (12m) or 20ft (6m) long and may be refrigerated depending upon the type of cargo to be carried.

### *Currency Adjustment Factor*

A compensation factor for currency fluctuations, which might adversely affect freight rates.

### *Combined Transport or Multimodal Bill of Lading*

A contract of carriage which covers transport of cargo from one point to another even though this may involve road, rail or other forms of transport as well as shipment by sea.

### *Countertrade*

Where the seller of goods receives payment in other than monetary form.

### *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.

### *Countervailing duty*

A duty imposed to counter unfairly subsidized products.

### *Demurrage*

A charge levied on a charter vessel or cargo for delay or detention.

### *Disbursement*

A sum of money paid by an agent on behalf of a principal eg a freight forwarder pays freight to a shipping company on behalf of an exporter. Usually such disbursements will be requested from the exporter prior to payment being made to the shipping company.

### *Drawback*

*Customs duty paid on imported goods and reclaimed when those goods, or goods into which they have been incorporated, are subsequently exported.*

### *Deferred payment credit*

Type of letter of credit providing for payment some time after presentation of shipping documents by exporter.

### *Exchange permit*

A government permit sometimes required by the importer's government to enable the import firm to convert its own country's currency into foreign currency with which to pay a seller in another country.

### *Entrepot*

A place where goods are transshipped.

### *Force Majeure*

An event outside the control of the parties to the contract.

### *Freight Forwarder*

An agent who arranges transport of export cargo.

### *Freight Rate*

The rate at which the amount charged for transporting cargo is calculated.

### *FCL*

Full Container Load (FCL). One shipment from one exporter which fully utilises one shipping container.

### *Hazardous Cargo*

Cargo, which is deemed to be hazardous by the carrier by reason of its flammable, corrosive, poisonous nature or other inherent vice.

### *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.

### *LCL*

Less than Container Load (LCL). Small shipments from several exporters consolidated into one shipping container.

### *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.

### *Manifest*

A list of the cargo loaded on a carrying vessel.

### *On-consignment*

Goods for which payment will be made to the exporter after they have been sold by the importer.

### *Open Cover*

A blanket insurance policy, which covers all consignments, shipped by the insured within the terms of the open cover. Individual shipments are declared against the open cover as and when they are made.

### *On board bill of lading*

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.

### *Revocable letter of credit*

A letter of credit that can be canceled or altered by the drawee (buyer) after it has been issued by the drawee's bank. Compare Irrevocable letter of credit.

### *Received Bill of Lading*

A *Bill of Lading* which clearly shows only that the goods have been received for shipment, unlike a *Shipped on Board Bill*, which clearly shows that the goods are actually on board a named vessel.

### *Ro-Ro Vessel*

A Ro-Ro (Roll on/Roll off) vessel is constructed so as to allow cargo to be driven directly on board from the dockside.

### *Shipper's export declaration*

A form required for all shipments by the U.S. Treasury Department and prepared by a shipper, indicating the value, weight, destination, and other basic information about an export shipment.

*Transshipment*

Usually means where goods are transferred from one vessel to another at a port other than the port of destination.

*Value for Duty*

The value which is declared to the customs at the port of discharge for the purpose of assessing customs duty.

## ONLINE RESOURCES

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### Useful Australian Websites

Austrade

<http://www.austrade.gov.au>

Australian Customs Service – Exporting Goods

<http://www.customs.gov.au/bizlink/exports/index.htm>

Australian Quarantine Inspection Services (AQIS)

**Follow link from the Department of Agriculture, Fisheries and Forestry Australia website** <http://www.affa.gov.au>

AusIndustry

<http://www.ausindustry.gov.au>

Australia Business Ltd

<http://www.australianbusiness.com.au>

Australia Industry Group

<http://www.acm.org.au>

Department of Foreign Affairs and Trade (DFAT)

<http://www.dfat.gov.au/>

TradeWatch

<http://tradewatch.dfat.gov.au/>

Export Finance Insurance Corporation (EFIC)

<http://www.efic.gov.au>

Patent and Trademarks

<http://www.ipaustralia.gov.au/>

Monash/Austrade Business Case Studies and Surveys

<http://www.monash.edu.au/casestudies>

Signposts to Asia and the Pacific

<http://www.signposts.uts.edu.au/>

### Useful International Websites

Asian Development Bank

Use search facility to go to 'Business Opportunities'

<http://www.adb.org/>

Corporate Information

<http://www.corporateinformation.com/>

Food and Agricultural Organisation of the United Nations (FAOSTAT)

<http://apps.fao.org.default.htm>

International Chamber of Commerce (ICC)

<http://www.iccwbo.org>

International maps – by nation

<http://www.mapquest.com/>

International Trade Centre – Aggregated Trade Statistics

<http://www.intracen.org/tradstat/mainprod.htm>

Japan External Trade Organisation

<http://www.jetro.go.jp/>

TRADE NZ (New Zealand)

<http://www.tradenz.govt.nz>

TradePort

<http://www.tradeport.org/ts/planning/index.html>

US Commercial Service – Country Commercial Guides

<http://www.usatrade.gov/website/ccg.nsf/ccghomepage>

World Bank Projects

<http://www.worldbank.org/>

World Trade Organization – International Trade Statistics

[http://www.wto.org/english/res\\_e/statis\\_e/statis\\_e.htm](http://www.wto.org/english/res_e/statis_e/statis_e.htm)

USDA Foreign Agricultural Service

<http://www.fas.usda.gov/>

<http://www.fas.usda.gov/scripts/attacherep/default.asp>

Search Engines

<http://www.dmintl.com> takes you to a search engine called SONAR with links to trade sites around the world

Some well known other search engines are:

<http://www.altavista.com>

<http://www.google.com>

<http://www.looksmart.com>

<http://www.yahoo.com>