



REDUCING EXPORT RISKS

A QUICK CHECKLIST FOR SAFER
FOREIGN TRANSACTIONS

Risk Reduction Checklist

Export risk is a fact of life that can impact the daily operations of your manufacturing business. Reducing risk in any export transaction requires education, careful planning and research. Basic business fundamentals and assistance from government agencies can help to protect your business from financial loss.

A Checklist for Safer Foreign Trade Transactions:

Knowing the three main types of risks you may face when selling to foreign customers is the first step to mitigating your export vulnerabilities:



**FINANCIAL
RISKS**



**POLITICAL/SAFETY/
THEFT RISKS**



**COMPLIANCE & FOREIGN
REGULATIONS**

Financial Risks

According to the 2016 Small Business Exporting Survey, small business owner respondents cited “worrying about getting paid” as their biggest exporting challenge. Uncertainty of payment and the requirement of a liquidity buffer puts added pressure to accelerate receivables collection while buyers will be seeking to extend their payables cycle.

- ✓ **Export Credit Insurance:** Reduce risk of non-payment with Export Credit Insurance. Export credit insurance can eliminate your need to secure loan collateral or require foreign buyers to pay cash in advance. Export credit solutions are easy to apply for, generally cover up to 95% of your business loss due to commercial or political risk, and come with an adjustable premium that you pay only when you need the insurance. Learn more at grow.exim.gov/eci-ebook.
- ✓ **Indirect Exporting:** Fulfill orders from domestic companies that export your product. Consider a relationship with one or more intermediary companies that provides a range of services including: Confirming houses, export management companies, export trading companies, export agents, and piggyback marketing. Learn more at grow.exim.gov/export-relationships.
- ✓ **Foreign Buyer's Credit Report:** Knowing the history of your foreign buyer's credit behavior can help you determine whether or not they are likely to be a reliable customer who pays on time and in full. Learn more at grow.exim.gov/export-evaluation.



A Checklist for Safer Foreign Trade Transactions (continued)

Political/Safety/Theft Risks

The U.S. Census Bureau reports that U.S. exports to the European Union surged 10.2% in February from January of this year. At the same time, the immigrant crisis, acts of terrorism and continuing political turmoil in the Eurozone are increasing the risk of business operations on the continent. Materials Handling and Logistics (MH&L) reports that the biggest threat in 2015 was cargo theft, with nearly \$23 billion in losses from a variety of non-commercial sources.

Doing business in any foreign country can be challenging where incorrect decisions or oversight can pose serious consequences to a company. It is important to recognize the unique risks associated with any specific country and how best to manage.

- ✓ **Do Your Homework:** Research your destination country to understand the economic factors, leadership, policies and social conditions. Visit export.gov/ccg to download detailed country guides for over 125 international markets.
- ✓ **Leverage Government Resources:** There are powerful resources to empower exporters to overcome obstacles to global growth. One such resource – the network of U.S. Export Assistance Centers (USEACs) – should be on every exporter’s radar. Learn more at grow.exim.gov/useacs.

Compliance & Foreign Regulations

Compliance with with U.S. export and foreign import documentation, shipping methods and payment collection standards is a must when exporting your product overseas. While expanding opportunities allow importers and exporters to do business with distant counterparties, it also opens up new operational risks requiring active management.

- ✓ **Know the Rules:** In addition to market considerations for packing and labeling your product you will need to comply with U.S. export and foreign import documentation, shipping methods and payment collection standards. While many documents are standard, requirements will vary depending on the transaction, for example: U.S. export and foreign country import requirements for the product, the port of entry, shipping method and final destination. Learn more at grow.exim.gov/product-principles.
- ✓ **Partner with a Freight Forwarder:** You should seriously consider using the services of a reputable freight forwarder to handle the many documentary requirements that exporting requires. An international freight forwarder is an agent that ships cargo to an overseas destination. Services provided by freight forwarders include: preparation of price quotations such as, freight costs, port charges, consular fees, additional documentary requirements, insurance costs and freight forwarders handling fees.

Case Study - Los Kitos Produce

Learn how Los Kitos Produce uses Export Credit Insurance to expand into new markets and protect against the risk of foreign buyer nonpayment.



[Los Kitos Produce](#)

(LKP)¹ is a California-based network of growers, packers, and shippers of fresh fruits and vegetables. LKP sources their produce from minority-owned growers in areas with high unemployment. Once the produce is sourced, LKP packages the products for export and domestic distribution using uniform labels that emphasize the source and the quality of the produce.

LKP's packaging allows it to both communicate with its consumers on the nutritional value of the products, and also to entice new customers, domestically and internationally, to try its U.S. produced goods. LKP's most significant exporting challenges have

been two-fold: assuring their domestic supply chain that they will be paid while exporting, and assuring their foreign customers that LKP will deliver their quality produce as promised.

This results in LKP having to play the role of a goodwill ambassador, convincing its domestic supply chain that exporting is just as safe as selling its produce domestically, while assuring its foreign customers that it can offer the credit terms they demand.

LKP is able to succeed in doing this by using multi-buyer Small Business Export Credit Insurance from the Export-Import Bank of the United States (EXIM). [Multi-buyer Export](#)

[Credit Insurance](#)² does exactly what it sounds like: insures a business' foreign accounts receivable. With EXIM's [Export Credit Insurance](#)³, LKP can guarantee its domestic supply chain that should a foreign customer default or not pay for a shipment, EXIM will cover up to 95% of LKP's international sales invoice. In short, if LKP isn't paid, they will be reimbursed by EXIM meaning, in turn LKP's producers will also be paid.

[Export Credit Insurance](#)⁴ further allows LKP to extend competitive credit terms to its foreign customers, knowing that should a foreign buyer default, LKP is insured against commercial and political risk.

¹www.loskitos.com/

²www.exim.gov/what-we-do/export-credit-insurance

³grow.exim.gov/eci-ebook

⁴grow.exim.gov/export-credit-insurance-video



“Since beginning to export, LKP has established a solid infrastructure, a great team, and a direct vendor network overseas.”

With EXIM's credit reporting standards, LKP has been able to create a weekly report to help build confidence for its local growers and overseas buyers, keeping them informed of the variables that could affect international sales. The overseas buyers really appreciate the extra effort put in for them.

With Export Credit Insurance, LKP and its suppliers have been assured that when shipping internationally, they

will be paid. Additionally, LKP is able to compete internationally by offering the credit terms its foreign buyers demand to complete its international sales.

LKP's job has further been simplified domestically. With Export Credit Insurance, LKP's job explaining international risk has been dramatically reduced. Knowing that its foreign invoices are covered up to 95% assures local producers of LKP's

ability to deliver on its international sales. Since beginning to export, LKP has established a solid infrastructure, a great team, and a direct vendor network overseas. LKP currently exports to Mexico, Korea, Saudi Arabia, and Hong Kong, with Mexico being its largest exporting partner. ■

Case Study - Collection 2000 Cosmetics

Learn how Collection 2000 Cosmetics, Inc. uses Export Credit Insurance to offer its international clients competitive payment terms with the peace of mind knowing they will get paid if anything goes wrong.



[ollection 2000, Inc.](http://www.collection2000cosmetics.com)¹

is a manufacturer and marketer of personal care and perfume products targeting women. Although their products are made and branded for consumers, their buyers are distributors and resellers. Based in Florida, the company is a small business fully owned and operated by women and currently has customers in 29 countries. Collection 2000 had long been a customer of

the [Export-Import Bank of the U.S. \(EXIM\)](#)² and used Multi-Buyer [Export Credit Insurance](#)³ to send dozens of shipments to foreign buyers. This insurance policy allowed them to sell to customers in many different countries, mitigating the risk of nonpayment, while equipping them to provide their customers open account terms.

Then it happened. Collection 2000 shipped more than \$100,000 worth

of products to a longtime customer in Trinidad and Tobago. Up until that point, the buyer had always been diligent about paying on time. As with previous orders, the buyer was given 60-day credit terms. However, the invoice due date came and went and the payment never arrived.

Collection 2000 made several attempts to contact the buyer to collect the outstanding debt to no avail. The buyer kept saying it would

¹ www.collection2000cosmetics.com

² www.exim.gov

³ grow.exim.gov/export-credit-insurance-video



With EXIM's Export Credit Insurance in hand, Collection 2000 was able to recoup 95% of its loss.

wire the funds the next day, but never transferred the payment as promised. In a last ditch effort to collect the payment, Collection 2000 commissioned a law firm to follow up with the buyer one last time.

With the invoice four months past due, Collection 2000 filed a claim with EXIM. Through EXIM's policy, Collection 2000's invoiced amount was covered at 95% against buyer default, with no deductible. After carefully

assessing the situation and reviewing the supporting documents, EXIM approved and paid Collection 2000's claim in June 2014, less than a month after filing.

With EXIM's export credit insurance in hand, Collection 2000 was able to recoup 95% of its loss. Additionally, as a small, women-owned business, Collection 2000 is able to continue to compete internationally with no fear. Collection 2000 continues to offer

competitive payment terms to its foreign buyers with the peace of mind that it will get paid if anything goes wrong. ■



Request a Free Consultation

EXIM has experienced export finance professionals throughout the United States. A local EXIM Export Specialist can help determine whether you qualify, and get you started on your path to growing your business abroad!

Fill out our short questionnaire and an EXIM Export Specialist will respond shortly!

grow.exim.gov/contact-a-trade-finance-specialist



exim.gov

