GUAM EXPORT RESOURCE GUIDE

2013
GUAM EXPORT RESOURCE GUIDE

Become a skilled exporter starting today

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University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
Introduction

The following are top priorities in getting your product or service into a foreign market. This guide will help you determine what you can do on your own and when you may need expert advice.

Step #1: Getting Started

Step #2 Market Research

Step #3: Market Entry

Step #4: Legal and Regulatory Compliance

Step #5: Transportation

Step #6: Payments/Finance

Step #7: Cultural Differences

Step #8: Resource Links & Phone Numbers

The intent of the guide is to support your efforts to profitably export from Guam to a foreign market. We will show you some of the steps you need to take along the way and supply you with the resources to become a profitable exporter. Welcome to the Guam Export Resource Guide!

Our goal is to make the process of doing the export business from Guam easier for you. We do this by setting out the basic information that export businesses operating in Guam need to know, and by providing contact information to professional and industry specialists that can help you start-up, grow and expand your export business.

Please note that export businesses operating in Guam must comply with the laws and regulations of both the United States and the Government of Guam. You will find the export business to be personally rewarding and a profitable experience. With proper planning, the appropriate level of investment, and
access to these resources, we believe that you will then have the foundation for a bright and prosperous future in Guam.

This guide is provided for you by the Guam Small Business Development Center (SBDC), which is sponsored by the U.S. Small Business Administration (SBA). Please note that while every reasonable effort has been made to ensure that the information contained herein was accurate as of the date of posting, the information is subject to change without notice. **Please use caution when considering a product or service or opinion offered by a linked web site.** The SBA and SBDC therefore shall be deemed not to be held liable for any damages arising from the use of or reliance on the information contained in this publication.

The Guam Small Business Development Center is a member of the Pacific Islands Small Business Development Center Network (PISBDCN). The Pacific Islands Small Business Development Center Network is your resource for expert business advice and guidance in all areas of business management, including pre-venture feasibility, business plan development, marketing, record keeping, financial and human resource management, operations management, and access to capital (loans & investors), as well as specialized areas such as international trade and technical services. SBDC Counselors offer one-on-one confidential counseling at no charge to make sure you have the information you need to make the decisions that are right for you and your company. Small Business trainings are also offered at low to no cost. Conveniently located in 7 locations throughout Micronesia (Guam, Palau, Marshall Islands, Yap, Chuuk, Kosrae, and CNMI), the SBDC offers a host of services designed to help start, sustain and/or grow your business, achieve higher profits and improve operations.

For more information about our network and programs, please visit our website at [www.pacificsbdc.com](http://www.pacificsbdc.com) or communicate directly with our service centers at the contacts listed below.

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Chapter 1 Guam: A Land of Opportunities

An Overview of Guam Specifics

In many cases, when you export from Guam, the worldwide recognized and sought after label “Made in the USA” can attach to your product. Guam, as well as countries in the CNMI, are prime ports for exporting. Take a walk through the popular tourist shops on Guam such as Duty Free Shops, JP Superstore, ABC Stores, and others. You will find locally produced products being sold every day in quantities to support a profitable business. Here are some of the product categories you will find:

- varieties of cookies and candies made with local ingredients such as coconut and mango;
- lotions, oils, and soaps made from local plants;
- flavors of the island specialty jams.
- construction, engineering and architectural services
- Tourism

Two of the five products are processed foods. Some of the main reasons for this are low cost to get started, know how, and the demand by tourists for local products to take home as gifts to friends and family. Look at the global picture to see how big your own export business can become.

Guam has a unique set of circumstances surrounding ocean cargo and air freight to the U.S. mainland and foreign markets. The first place to start gathering information is with a local freight forwarder and ask where ships and cargo planes go when they leave Guam. Oftentimes, there is no “direct shipping” available from Guam to a foreign country. Your product may be on board a container ship for weeks before arriving at its destination. There may also be limitations on how often ships or cargo planes go to your chosen foreign port. Talking to your freight forwarder first will allow you to decide if your product can be shipped to your chosen destination in a timely fashion and often enough to meet the customer’s demand. Can you produce enough of your product if it must go in one big shipment every four weeks? Find out about shipping before making an export plan.

Are You The Next Guam Opportunity?

The tourism market continues to provide a steady flow of buyers of locally produced products. Plus, there is a new category of products called “Hand Carry Exports” which give business owners opportunities to expand their distribution and sales with products that can be sold at Guam Duty Free Shops and the airport as carry-on, then taken to the destination country, and declared as a purchase made overseas. Hawaii has succeeded with pineapple, sugarcane, coffee, etc. Guam can do it with coconut products, native plant lotions, and oils, flavor of the island jams, etc. What will be next? Eco-friendly toys? Agro-tours of your production plantation? Hand-crafted Guam beer or liquor? Reef shoes from recycled
products? An inspired clothing line? Come up with a product and let this Export Resource Guide steer you to becoming a profitable exporter.

Main Reasons for Change in the World Market

What is an Export?

Any item that is sent from the United States to a foreign destination is an export. “Items” include commodities, software, or technology, such as clothing, building materials, circuit boards, automotive parts, blueprints, design plans, retail software packages, and technical information.

How an item is transported outside of the United States does not matter in determining export license requirements. For example, an item sent by regular mail or hand-carried on an airplane, a set of schematics sent via facsimile to a foreign destination, software uploaded to or downloaded from an Internet site, or technology transmitted via e-mail or during a telephone conversation are all considered exports. Regardless of the method used for the transfer, the transaction is considered an export.

An item is also considered an export even if it is leaving the United States temporarily, if it is not for sale (e.g., a gift), or if it is going to a wholly-owned U.S. subsidiary in a foreign country. Even a foreign-origin item exported from the United States, transmitted or transshipped through the United States, or being returned from the United States to its foreign country of origin is considered an export. Finally, release of technology or source code subject to the Export Administration Regulations [EAR] found at [http://www.ntis.gov/products/export-regs.aspx#about](http://www.ntis.gov/products/export-regs.aspx#about) to a foreign national in the United States is “deemed” an export to the home country of the foreign national under the EAR.

The vast majority of exports do not require the prior approval of the U.S. government with a license. It is important to emphasize that only exports for which the U.S. government requires a license are those that are listed on the export Commerce Controlled List found at [http://www.ecfr.gov/cgi-bin/text-dx?c=ecfr&sid=c5cc9a1c749a6f225283bdfa124431d0&rgn=div9&view=text&node=15:2.1.3.4.45.0.1.3.87&idno=15](http://www.ecfr.gov/cgi-bin/text-dx?c=ecfr&sid=c5cc9a1c749a6f225283bdfa124431d0&rgn=div9&view=text&node=15:2.1.3.4.45.0.1.3.87&idno=15)

Food Exports

Today, the opportunities to export consumer-oriented and value-added food products are great. In fact, there has probably never been a better time for companies to begin exporting local products as people around the world become curious about other cultures through Internet interaction and world travel. The
process of selling food is unique compared to other consumer products. However, it is good to remember in many markets, food choices are more sensitive to particular tastes and cultures. Positioning your product correctly in a foreign market will result in success rather than failure.

**Global Markets Are Consumer-Oriented**

Many world markets are considered “global” markets, and more markets are becoming global every year. Global markets have:

- access to communication and transportation systems;
- knowledge of overseas travel and products;
- an increased level of education and wealth; and
- a more democratic society with an interest in imported goods.

Global marketing is often based upon standardization of products rather than adapting to each individual export market. However, culture, government regulations, distinctly different business practices, different cultural norms, packaging preferences, and distribution channels are still areas where local adaptation may be necessary. The following “drivers” have increased trade opportunities for small exporters of value-added food products from Guam:

**Lowering Tariffs and Non-Tariff Trade Barriers**

*Red Flag*

Food products are produced in many countries, and are subject to both tariff and non-tariff barriers. The tariff is often referred to as the “duty” on a product, but technically duties make up the large part of the tariff as well as many other customs fees. The duty on an imported product is usually measured as a percentage of its invoice value. Some country tariff barriers become too expensive for a small to medium size wholesaler to produce a final retail price acceptable in that country. You would then reevaluate your market research for an alternate country destination for your product.

**Duties.**

Duties make it more expensive to import certain products, and decrease the chances of success in a market. A non-tariff barrier may include regulations such as: quotas, which limit the amount of product, allowed into a country, difficult inspections, and other bureaucratic policies designed to keep certain products out of the country. The good news is duties and non-tariff trade barriers continue to fall creating more opportunities for U.S. exporters than ever before.

**Improvements in Distribution**

Distribution channels around the world are opening to new types of products and meeting the demands of consumers with increased buying power. Many large supermarkets and box stores now have their own purchasing agents who specialize in food items. Most of these buyers also have their own logistics system and are able to source directly from the manufacturer [you], which allows them to control costs and work directly with producers on Guam.
Importers, wholesalers, distributors, and retailers of value-added food products have more access to U.S. dollars than in the past, which makes payment quicker, more efficient, and less risky. The devaluation of the U.S. dollar in the last few years has made U.S. products much more affordable, although that is always subject to change.

**Increase in Consolidated Orders Benefits the Smaller Exporter**
Many importers “consolidate” small orders from multiple vendors into one container for shipping at key ports of export across the U.S. This is because exports of value-added products do not usually ship in large quantities and consolidation lowers costs on their import customs clearance at the destination. This also helps the small exporter by placing less demand on capacity at the manufacturing level.

**Improvements in Transportation Technology**
Increases in transportation technology have made global shipping more efficient, with shorter transit times, increased tracking capability, higher security, and less delay and damage. Containerships consolidate their routes to fewer locations with more containers, rather than serving offline ports with smaller ships. Many ports now feature temperature controlled, technically sanitary and high security services, and warehouses for products in transit.
Chapter 2 Export Basic Assessment

Export Basics found at http://export.gov/exportbasics/ helps you assess your export readiness and understand what you need to consider before pursuing international markets. Likewise, the subsequent sections of this Resource Guide will help you assess, develop, and implement your export plan. Each section corresponds to the key components of an effective export plan by posing questions you should answer to complete your plan and provide resources to help you answer those questions.

Getting Started

Your product or service must sell successfully in your local marketplace before you can begin exporting to foreign countries.

Foreign countries will expect your product to have sold successfully in your own marketplace before considering import into their country. A service or product’s success in the local marketplace is the best indicator of its potential success in markets abroad. If your product or service is untried in your local marketplace, you must concentrate on getting it successfully into your own marketplace first. Guam specific advice follows.

Packaging your product the first time on Guam for Asian distribution in the future.

Red Flag

Guam products are often packaged for a Guam consumer. Guam companies will invest large sums of money in packaging only to find the Japanese and other Asian tourists on Guam reluctant to buy the product. For example, in some cases the reason a Guam product does not sell is packaging mistakes that do not attract an Asian buyer. You must start out with your Asian consumer in mind when you begin packaging for the local Guam market. Do not invest in large amounts of packaging until you know the Asian consumer likes it and will purchase your product.
### Asian Packaging Basics Table Case Study

<table>
<thead>
<tr>
<th><strong>Asian Consumer Packaging Do's</strong></th>
<th><strong>Guam Consumer Packaging Does Not Crossover</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brightly colored, expensive looking packaging.</td>
<td>Inexpensive looking, plain, oftentimes brown paper or &quot;burlap look&quot; packaging</td>
</tr>
<tr>
<td>Every color has a significant meaning in Asia. Study the meanings before making up your package. (i.e., black is the sign of depression and, in some countries, death.)</td>
<td>Color does not have significant meanings when packaging</td>
</tr>
<tr>
<td>New and cutting edge package materials and shapes</td>
<td>Traditional, standard, tried and true package materials in standard shapes</td>
</tr>
<tr>
<td>As few words as possible on front of package. Asians are not reading English words; they are looking at pictures and symbols. Most written information on back of package or bottom of box.</td>
<td>Not a concern.</td>
</tr>
<tr>
<td>Chrysanthemums, lotus flowers, and cherry blossoms on packaging. Flowers have significant meaning in Asia.</td>
<td>No flowers</td>
</tr>
<tr>
<td>Actual photo of food on front of package. Clear window to see the product somewhere on package.</td>
<td>No picture of the food. No window to see the food.</td>
</tr>
<tr>
<td>Made in the USA label prominent on the front of the package or box</td>
<td>Made in the USA label not often seen and not a concern</td>
</tr>
<tr>
<td>Made on Guam label &amp; word &quot;GUAM&quot; prominent on the front of the package or box</td>
<td>Made on Guam label only for the “buy local” campaign. Usually on side or back of box</td>
</tr>
<tr>
<td>Downsize products, like cookies, to the size of a 50 cent piece or small bottles of jam. Their preference is one or two bites at most, (i.e., Godiva Chocolates are downsized for the Asian market.)</td>
<td>The bigger the better.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Each item neatly packaged. Nothing that dumps out of a bag haphazardly. Orderly individually wrapped items or organized neatly in trays inside a box</td>
<td>Dumping from a bag is great!</td>
</tr>
<tr>
<td>Nothing packaged in numbers with the number 4 (i.e., 4, 24, 48)</td>
<td>Everything packaged in U.S. standards of 4, 12, 24, and 48.</td>
</tr>
<tr>
<td>Everything packaged with the number 8, a lucky number. (i.e., 8, 18, 38, NOT 48.)</td>
<td></td>
</tr>
<tr>
<td>Multiple packages in a see through carrying case to take back to their country on the airplane meeting TSA security regulations. These are gifts for friends and family. (i.e., three boxes of six pieces of candy each = 18 pieces of candy. Lucky!)</td>
<td>Single packaging only. Oftentimes, least expensive brown paper bags or non-see through carry cases used as an after-thought to qualify for DFS shelf space. Not TSA security friendly.</td>
</tr>
</tbody>
</table>

**Guam Product Seal Program**
A “Made in Guam” seal attracts foreign and local buyers to your product much more so than a “Made in China” mark. Contact Guam Economic Development Authority (GEDA) at [www.investguam.com](http://www.investguam.com) for more information on the Made in Guam Product Seal. The Guam Product Seal Program was created by Guam Public Law 18-42, and is aimed at promoting products made in Guam. It targets products made for the tourism industry and that have export potential, plus identifies all products manufactured in Guam. This is important to the “Buy Local” on Guam campaign as well as foreign markets. Make this one of your first steps. To be eligible for the Guam

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Product Seal, a manufacturer must:

- Possess a valid Guam business license;
- Substantially transform the material(s) so that the final product has a different and distinguishable commercial use or character when completed; and
- Must add at least 50% to product value during production on Guam if using imported items to produce your product.

Take the 9 question online test: “Export Basic Assessment Test” at http://export.gov/begin/assessment.asp

Export Basics Assessment and Assistance at Export.Gov
Are you ready to make international sales? Export Basics helps you assess your export readiness, understand what you need to know and consider before pursuing an international sales strategy, and, when you are ready, develop and implement your export strategy. The subsequent sections of Export Basics — starting with Develop Your Export Plan — will help you develop and implement your export plan. Each section corresponds to the key components of an effective export plan — posing questions you should answer to complete your plan and providing resources to help you answer those questions.

Start here!
- Take our Are you Export Ready? at online readiness assessment to find out if you are ready to pursue international sales. (Food and Agricultural Exporters)
- Read the ITA Blog on How the Commercial Service Helps Exporters
- The U.S. Commercial Service is pleased to offer you 4 ways to learn exporting.
- Watch our Are You Ready? and Going Beyond Borders videos to hear a U.S. Commercial Officer talk about issues you should consider before going global and to hear from companies that have worked with the U.S. Commercial Service to make international sales.
- Watch educational videos on how to Take Your Business Global. These videos discuss topics such as getting started, how to connect with your foreign buyer, and they highlight some case studies to show you just how easy it is to get started in exporting.
- Think export success is out of your reach? Read success stories about how companies like yours are succeeding in the international marketplace.
Export University 101

Export University 101 is a webinar that presents basic information on exporting, including:

- organizational and product readiness,
- market research,
- guidance for developing your strategy and marketing plan,
- promoting your products in target market, and
- complying with US and foreign regulations.

It presents useful methods and strategies to help you export your products successfully abroad.

Frequently Asked Questions

Go! If you are ready to begin developing your export plan, please proceed onto the next section,

Develop Your Export Plan

Does your company have or is your company preparing an international marketing plan with defined goals and strategies?

Many companies begin export activities arbitrarily, without carefully screening of markets or options for market entry. While these companies may or may not have a measure of success, they may overlook better export opportunities. If early export efforts are unsuccessful because of poor planning, your company may be misled into abandoning exporting altogether. Formulating an export strategy based on good information and proper assessment increases the chances that the best options will be chosen, that resources will be used effectively, and that efforts will consequently be carried through to success. Visit the Market Research Library at http://export.gov/mrktresearch/

Does your company have sufficient production capacity that can be committed to the export market?

It is important that your company can meet the demand that it is creating. You may need more space and equipment in order to manufacture for the specific countries you are selling to (who have their own product standards and regulations). Expanding into the international marketplace will result in a higher number of units to manufacture and you do not want this increase in production to affect quality of output. You should consider expanding your capacity or finding alternate means to meet the demand before beginning to export. Do you need new, higher capacity equipment? Can you borrow time on someone else’s equipment? Can you share time on your new equipment to cover the cost of the equipment?

Does your company have the financial resources to actively support the marketing of your products in the targeted overseas markets?

Market development requires funds. This is a big hurdle for many companies, as it involves activities such as international travel, trade show participation, market research, and international business training. However, there are many government programs to help finance selling overseas:

- Export-Import Bank at http://www.exim.gov/
- Small Business Administration at http://www.sba.gov/loanprograms
Is your company's management committed to developing export markets and willing and able to dedicate staff, time, and resources to the process?
Management commitment is the number one determining factor for export success. Developing an export market takes time and effort. If your company does not have the time and resources to commit to developing an export market, you might want to consider using the services of an export management company or trading company.

Is your company committed to providing the same level of service given to your local customers?
This is a commitment that you must make before beginning to sell overseas. A successful exporter treats his or her foreign business with the same commitment and service as the local business. This includes warranty programs, after-care repair services [if necessary for the product], and an active customer feedback program.

Does your company have adequate knowledge in modifying product packaging and ingredients to meet foreign import regulations and cultural preferences?
Selecting and preparing your product for export requires not only product knowledge but also knowledge of the unique characteristics of each foreign market being targeted. Your own market research conducted, and contacts with foreign representatives, should give your company an idea of what products can be sold and where. However, before the sale can occur, your company may need to modify a particular product to satisfy buyer tastes or needs in foreign markets, or legal and compliance requirements for the marketplace. Visit the Trade Information Center website at www.export.gov/tic.

Does your company have adequate knowledge in shipping its product overseas, such as identifying and selecting international freight forwarders and freight costing?
When shipping a product overseas, you must be aware of packing, labeling, documentation, and insurance requirements. An international freight forwarder can help. These agents are familiar with the import rules and regulations of foreign countries, the export regulations of the U.S. government, the methods of shipping, and the documents related to foreign trade. Freight forwarders assist exporters in preparing price quotations by advising on freight costs, port charges, consular fees, costs of special documentation, insurance costs, and their handling fees. Visit the National Customs Brokers and Freight Forwarders Association of America at http://ncbfaa.org/.

Does your company have adequate knowledge of export payment mechanisms, such as developing and negotiating letters of credit?
Experienced exporters have extensive knowledge of export payment mechanisms and extend credit cautiously. They evaluate new customers with care and continuously monitor older accounts. It is always advisable to check a buyer's credit. A U.S. Commercial Service International Company Profile (ICP)
provides useful information for credit checks. An ICP contains financial information on a foreign company and a discussion regarding its size, capitalization, and years in business. U.S. Commercial Services Gold Key Service is found in the “market entry” chapter of this guide to assist with these needs.

It is useful for you to look through the Basic Guide to Exporting found at http://export.gov/exportbasics/ to see what to expect before exporting.
Chapter 3 Develop an Export Plan

Once you have decided to sell your products abroad, it is time to develop an export plan. A crucial first step in planning is to develop broad consensus on the company’s goals, objectives, capabilities, and constraints. The first time an export plan is developed, it should be kept simple. It need be only a few pages long, since important market data and planning elements may not yet be available. The initial planning effort gradually generates more information and insight. As you learn more about exporting and your company's competitive position, the export plan will become more detailed and complete.

The purposes of the export plan are:

- to assemble facts, constraints, and goals; and
- to create an action statement that takes all of these into account. The action statement includes specific objectives, sets forth time schedules for implementation, and marks milestones so that degrees of success can be measured and help motivate personnel.

Questions to consider:

1. Which products will you selected for export development?
2. What modifications, if any, are necessary to adapt for overseas markets?
3. Which country(s) will you target for sales development?
4. In each country:
   a. What is the basic customer profile?
   b. What marketing and distribution channels will you use to reach customers?
5. What special challenges pertain to each market (competition, cultural differences, import controls, etc.)?
6. What strategy will you use to address them?
7. How will the product’s export sale price be determined?
8. What specific operational steps must be taken and when?
9. What will be the timeframe for implementing each element of the plan?
10. What personnel and company resources will you dedicate to exporting?
11. What will be the cost in time and money for each element?
12. How will you evaluate results and use those evaluations to modify the plan?
As you can imagine, many foreign markets differ greatly from the United States. Once you have decided that your company is able and committed to exporting, the next step is to develop a marketing plan.

**A clearly written marketing strategy offers six immediate benefits:**

1. Written plans display strengths and weaknesses and they help in formulating and polishing an export strategy.
2. Those charged with executing the written plan cannot easily forget or ignore necessary steps.
3. Written plans are easier to communicate to others and are less likely to be misunderstood.
4. Written plans allocate responsibilities and provide for an evaluation of results.
5. Written plans are helpful when seeking financial assistance. It indicates to lenders that you have a serious approach to the export venture.
6. Written plans give management a clear understanding of what will be required of them and thus help to ensure a commitment to exporting.

**Chapter 4 Asia Can Be In Your Company’s Future**

There are many countries to choose from when it comes to exporting. There are many important decisions for an exporter to make when choosing a country destination. One consideration is what is commonly called “barriers to entry.” Each country erects different walls to climb over for you to import your product or service into their country. Remember “export here means import there.”

To research the country of your choice go to [Export.Gov at http://export.gov/mrktresearch/index.asp](http://export.gov/mrktresearch/index.asp)

Access the U.S. Commercial Service Market Research Library containing more than 100,000 industry and country-specific market reports, authored by U.S. Commercial specialists working in overseas posts. Commercial Guides give you a better understanding of the opportunities and obstacles you need to consider. All these Guides are available free of charge from your pre-paid tax dollars. They are very complete, filled with facts and links to an abundance of valuable information. The online Research Library includes the most up to date information on:

- Country Commercial Guides (read latest “Doing Business In” guides)
- Industry Overviews*
- Market Updates*
- Multilateral Development Bank Reports*
- Best Markets*
- Industry/Regional Reports
The following countries have been highlighted for you to consider as foreign destinations for export goods. Let us look at South Korea, Japan, Hong Kong, The Philippines, Taiwan, and China.

**Market Research for South Korea**


Below is a table of contents to assist you in South Korea. This link will take you to the complete 104-page report.

[http://www.buyusainfo.net/docs/x_6114956.pdf](http://www.buyusainfo.net/docs/x_6114956.pdf)

- Chapter 1: Doing Business In South Korea
- Chapter 2: Political and Economic Environment
- Chapter 3: Selling U.S. Products and Services
- Chapter 4: Leading Sectors for U.S. Export and Investment
- Chapter 5: Trade Regulations, Customs, and Standards
- Chapter 6: Investment Climate
- Chapter 7: Trade and Project Financing
- Chapter 8: Business Travel
- Chapter 9: Contacts, Market Research

Sample of Contents in Korea’s Guide

**Market Overview**

Population 48,860,500
Languages: Korean and English
Religion: Mainly Christian and Buddhist

![Gyeongbokgung royal palace in northern Seoul. First constructed in 1394, it was reconstructed in 1867.](image)

The long anticipated Korea-U.S. Free Trade Agreement (KORUS-FTA) was implemented on March 15, 2012 and became our nation’s largest FTA since NAFTA. The agreement has the potential to increase U.S. exports to Korea by approximately USD 10-12 billion, and it will be especially beneficial for U.S. SMEs. In 2009, nearly 18,000 SMEs exported some USD 8.4 billion worth of merchandise to Korea.

Total 2011 U.S.-Korea trade exceeded USD 100 billion for the first time ever. U.S. exports reached an all-time high of USD 43.505 billion. U.S. exports increased 12% over 2010 levels.

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Korea is the United States’ seventh largest trading partner. The U.S. is the third largest exporter to Korea with a 9 percent market share. Key competitors include China with 16.8 percent, Japan with 15.3 percent, and the EU’s 27 nations with 10%. With the EU having already implemented its FTA with Korea, U.S. firms will now again be in a stronger competitive situation following KORUS implementation. (China’s trade reflects significant re-export activity.)

Korea’s projected 2012 GDP growth is forecasted at about 3.6%. Its commercial banks maintain strong reserves in case of a possible global slowdown or difficulties in the Euro zone.

Korea will continue to focus its development on key economic growth sectors. Patents and trademarks issued by the Korean Patent Office (PTO) exceeded 362,000 filings (2010). The increasing trend in local patent and trademark filings reflects the move towards more technology intensive and capital intensive industries and services.

![Graph of South Korea GDP Annual Growth Rate](image)

**Market Entry Strategy**

- A local presence is essential for success. Retain a manufacturer’s representative, distributor, or name a registered trading company as an agent or establish a branch sales office.
- Establishing and maintaining a strong business relationship is essential. Companies should visit Korea frequently to cultivate contacts and to understand business better.

University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
Conditions
- With the March 15, 2012 implementation of the Korea-U.S. Free Trade Agreement, several U.S. states will be organizing trade missions to Korea under the Small Business Administration’s STEP program. This would be an excellent opportunity for SME companies from Guam to establish closer business ties to Korea.


Selling Factors/Techniques
Korea is a country with intense, demanding, and eager consumers. U.S. companies wanting to sell into this market should follow these guidelines.
- Adapt company products and procedures to Korean tastes and conditions.
- Communicate regularly with both your Korean business partners and customers.
- Exhibit a consistent, firm, and long-term commitment to the Korean market.
- Work at building long-term relationships.
- Augment the efforts of your local representative by visiting Korea frequently.

Electronic Commerce
E-Commerce is a key component of the overall consumer market. Korea is a country where 98% of its population (15 million households) is connected to the Internet. Thus, E-commerce is a key component of Korea’s overall consumer market. Characteristics of E-Commerce in Korea include:
- Over 30,000 B2C Korean cyber shopping malls in Korea.
  
  • Major factors driving the growth include national broadband infrastructure with 37 million Internet users, and the introduction of 4G Long Term Evolution (LTE), Wireless Broadband (WiBro) as well as wide coverage of Wi-Fi services utilized by mobile computers and smart communication devices.

Opportunities
The recent introduction of on-line shopping malls, television home-shopping channels, such as QVC, pharmacies/drug stores, and catalogue orders have emerged as challengers to traditional retail channels such as direct selling, multi-level marketing, mom and pop stores, specialty retail establishments, department stores, and discount outlets.
Trade Regulations, Customs and Standards: Import Tariffs
The U.S.- South Korea FTA was implemented on March 15, 2012. Currently, the average basic tariff on U.S. goods at about 7.9% and Duty rates are high on a large number of high-value agricultural and fisheries products. Now that the FTA has been implemented, 95% of tariffs on U.S. imports will be eliminated within five years. The U.S. Department of Commerce FTA Tariff Tool at http://export.gov/fta/ftatarifftool/ can help U.S. exporters identify the harmonized system number for their products and the associated tariff rates over the next ten years. Exporters can also contact the U.S. Agricultural Trade Office, in Seoul South Korea, at http://www.atoseoul.com/ for specific information on agricultural tariff rates.

South Korea has a flat ten percent Value Added Tax (VAT) on all imports and domestically manufactured goods. A special excise tax of 10% to 20% is also levied on the import of certain luxury items and durable consumer goods. Tariffs and taxes must be paid in Korean Won within 15 days after goods have cleared customs. Use the link mentioned above for determine tariffs for your product.

Customs Valuation
Most duties are assessed on an ad valorem basis. Specific rates apply to some goods, while both ad valorem and specific rates apply to a few others. The dutiable value of imported goods is the cost, insurance, and freight (C.I.F.) price at the time of import declaration.

Import duties are not assessed on capital goods and raw materials imported in connection with foreign investment projects. Authorization to import on a duty-free basis is usually accompanied by the Ministry of Strategy and Finance’s approval of a foreign investment project. For illustrative purposes, the following table demonstrates import duty and other taxes affecting the final import price:
<table>
<thead>
<tr>
<th>Product Cost (Export Factory)</th>
<th>USD $100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance and Freight (C&amp;F)</td>
<td>USD $15</td>
</tr>
<tr>
<td>CIF Price</td>
<td>USD $115</td>
</tr>
<tr>
<td>Import Tariff/Duty (Valuation CIF + VAT)</td>
<td>USD $5</td>
</tr>
<tr>
<td>Value Added Tax (VAT)</td>
<td>USD $12.30</td>
</tr>
<tr>
<td>Final Imported Price</td>
<td>USD $132.30</td>
</tr>
</tbody>
</table>

**Trade Barriers**

South Korea continues a process of economic liberalization and deregulation, but the South Korean government (ROKG) has yet to adopt a fully laissez-faire policy where the economy and trade are concerned. The U.S. Embassy, in cooperation with the American Chamber of Commerce (AmCham) in Korea, works actively to lift or loosen the many regulatory trade restrictions that currently exist.

**Import Requirements and Documentation**

For companies exporting to the Republic of Korea the following shipping documents are required to clear Korean Customs:

**Commercial Invoice**

An original invoice and two copies must be presented with the shipping documents and must include total value, unit value, quantity, marks product description and shipping from/to information.

**Certificate of Origin**

Prior to implementation of the KORUS FTA, a Certificate of Origin in duplicate was required for some products. Exporters are encouraged to discuss shipping document requirements with their respective importer. Guam Customs issues Certificate of Origin. Talk to your freight forwarder about this.

**Preferential Treatment**

An importer must claim preferential treatment under the KORUS FTA in order to receive the lower tariff. The importer can do this by providing written or electronic certification to South Korean Customs from the manufacturer, the exporter, or the importer. The importer is required to retain all documents demonstrating that the good qualifies as a U.S.-origin good for five years.

**Self-certification of origin**

Self-certification of origin by the producer or exporter is normally the basis for deciding the good qualifies for preferential treatment. If the certification is in English, an official translation into Korean must be presented by the importer to South Korean Customs. A certification may be made for a single shipment or for multiple shipments of identical goods for up to twelve months by specifying this in the certification. The importer submits the certification to South Korea Customs, in writing or electronically.
Goods entering Korea for exhibition purposes must be stored in a bonded area.
For example, the Korea Exhibition Center (COEX) is a bonded area. Exhibition goods will be held without charge at COEX during the exhibition period, after which they must be:

1. reshipped directly out of Korea without payment of duty; or
2. presented at Customs for payment of regular duty on value declared at time of entry; or
3. transferred to the Seoul Customs house bonded storage area.

Goods stored in a bonded warehouse may incur storage costs, customs brokerage charges, local transportation costs, and moving equipment fees. Korea Customs have simplified clearance procedures for goods with particular purposes (samples, goods for warranty and non-warranty repair).

ATA Carnet
The ATA Carnet is an international Customs document that a traveler may use for temporary import of certain goods into a country without having to engage in the Customs formalities usually required for the importation of goods, and without having to pay duty or value-added taxes on the goods. Korea allows for the temporary importation of commercial samples, professional equipment, and certain advertising materials by a nonresident individual. By definition a temporary import is for six months or less, therefore, a Carnet is valid for a maximum of six months in Korea.

Labeling and Marking Requirements
Korea has specific labeling and marking requirements for products, such as pharmaceuticals, as well as for organic and functional food and food produced through biotechnology. Details regarding these and other general labeling and market requirements can be found on the Foreign Agricultural Service website pertaining to food and agriculture import requirements at: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Seoul_Korea%20-%20Republic%20of_1-11-2011.pdf.

Country of origin labeling is required for commercial shipments entering Korea.
The Korean Customs Service (KCS) publishes a list of country of origin labeling requirements by Harmonized System Code number. The usage of “Assembled in Country” has been allowed since October of 2010.

The Korean Ministry of Knowledge Economy began issuing the “KC” mark for items that fall under its jurisdiction. Formerly, some thirteen mandatory marks were issued, many that overlapped in testing procedures and functions. The consolidation of these marks into the “KC” mark ensures that companies, both Korean and foreign agencies, will save time and cost due to reduction of redundancies introduced into this new system. Further labeling and marking requirements for specific products, such as pharmaceutical and food products, are covered by specific regulations from the Korean Government agencies responsible for these items. Korean language labels, except for country of origin markings that
must be shown at the time of customs clearance, can be attached locally on products in the bonded area either before or after clearance.

**To view customs regulations, go to the website below.**
Korea Customs Service at [http://english.customs.go.kr/](http://english.customs.go.kr/)
Email: kcestcd@customs.go.kr
Phone 82-42-472-2196
Fax 82-42-481-7969
Other Useful Links for Korea

**Korean Organizations**
Korea Importers Association
[http://www.koima.or.kr](http://www.koima.or.kr)
[http://www.import.or.kr](http://www.import.or.kr)
Korea Trade Investment Promotion Agency (KOTRA)
[http://www.kotra.or.kr](http://www.kotra.or.kr)
[http://www.investkorea.org](http://www.investkorea.org)
Korea-U.S. Economic Council (KUSEC)
[http://www.kusec.or.kr/english/englishMain.action](http://www.kusec.or.kr/english/englishMain.action)
[http://www.kusec.or.kr](http://www.kusec.or.kr)

**Korea International Trade Agency (KITA)**
[http://www.kita.net](http://www.kita.net)
Korea Chamber of Commerce and Industry (KCCI or KORCHAM)
[http://english.korcham.net/](http://english.korcham.net/)
[http://www.korcham.net](http://www.korcham.net)
Business Contacts in Korea are found on the Country website at:
[http://www.buyusainfo.net/docs/x_6114956.pdf](http://www.buyusainfo.net/docs/x_6114956.pdf)
This website includes the following:
List of Law Firms
List of Major U.S. and Korean Banks
List of Major Real Estate and Real Estate Consultancy Firms, Accounting Corporations and Human Resources Firms in Korea
List of Major Newspapers and Business Journals
Korean Free Trade agreement; [http://export.gov/FTA/korea/index.asp](http://export.gov/FTA/korea/index.asp) The United States-Korea Free Trade Agreement entered into force on March 15, 2012. Since the day of implementation, almost 80% of U.S. industrial goods exports to Korea have been duty-free.

**More Web Resources**
U.S. Department of Commerce, Commercial Service Korea
U.S. Agricultural Trade Office in Seoul
[www.atoseoul.com](http://www.atoseoul.com)
U.S. Department of Agriculture
http://www.usda.gov
USDA Agriculture Exporters Guide
http://www.fas.usda.gov/agx/exporter_assistance.asp
USDA Animal Plant and Health Inspection Service (APHIS)
www.aphis.usda.gov
USDA Food Safety and Inspection Service
Foreign Agricultural Service (FAS), U.S. Department of Agriculture (Attaché reports)
www.fas.usda.gov
American Chamber of Commerce Korea
http://www.amchamkorea.org/about/about.jsp
Department of Commerce, Bureau of Industry and Security
http://www.bis.doc.gov/
Annual National Trade Estimate Report
Korean Agency for Technology and Standards (KATS)
Korea Customs Service
http://english.customs.go.kr/
Korean Food and Drug Administration (KFDA)
http://eng.kfda.go.kr/index.php
Korean Laboratory Accreditation Scheme (KOLAS)
http://www.kolas.go.kr/english/
Telecommunications Technology Association (TTA)
http://www.tta.or.kr/English/index.jsp

Below is a table of contents to assist you in Japan. This link will take you to the complete 142-page report.
http://www.buyusainfo.net/docs/x_8753419.pdf

- Chapter 1: Doing Business In Japan
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- Chapter 3: Selling U.S. Products and Services
- Chapter 4: Leading Sectors for U.S. Export and Investment
- Chapter 5: Trade Regulations, Customs, and Standards
- Chapter 6: Investment Climate
- Chapter 7: Trade and Project Financing
- Chapter 8: Business Travel
- Chapter 9: Contacts, Market Research, and Trade Events

University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
Sample Contents in Japan’s Guide
It has never been easier to do business in Japan. Savvy observers agree that an active engagement with the Japanese market remains critical to the success of American business, both big and small alike, as well as to U.S. states seeking trade and investment with Japan. While the reasons U.S. firms engage with Japan are diverse and often complex, most firms recognize that underestimating the strategic and tactical importance of selling to and competing in the Japanese market may disadvantage them not only in Japan, but also in the U.S. and third-country markets as well.

**Japan Market Overview**
Population: 127,368,088 (July 2012 est.)
Language: Japanese
Religion: Shintoism, Buddhism, and 2% Christianity

The temple gable mimics the shape of Mt. Fuji in the background.

Japan is very much open for business, despite the 9.0 magnitude earthquake and tsunami that devastated the Northeast coast of Honshu, Japan’s main island, on March 11, 2011. Indeed, U.S.-Japan trade actually increased in 2011 over 2010.

Japan remains the world's third largest economy, after the U.S. and China, with a GDP of roughly $5.9 trillion. Japan is the fourth largest export market for U.S. goods, and our fourth largest trading partner overall in 2011 with over $181 billion in two-way goods trade, a 23.1 percent jump over 2010. In 2011 the U.S. exported $66.2 billion in goods to Japan, up from $60.5 billion in 2010. In services trade, the United States maintains a $19.2 billion surplus with Japan on two-way trade totaling $71.1 billion.

Japan is the second largest foreign investor in the U.S., with more than $257 billion invested.

During 2011 the Japanese yen strengthened significantly against the U.S. dollar, reaching a 15-year high of 75.86 yen to the dollar in October 2011. American goods and services have never been more affordable for Japanese buyers.

Japan's large government debt, which is over 200 percent of GDP, persistent deflation, and an aging and shrinking population are major complications for the economy.
In 2011, the top exporters to Japan were China, US, Australia, Saudi Arabia, UAE, South Korea, and Indonesia. The top importers from Japan were China, US, South Korea, Taiwan, and Hong Kong.

The U.S.-Japan alliance is a cornerstone of U.S. security interests in Asia and is fundamental to regional stability and prosperity. Despite the changes in the post-Cold War strategic landscape, the United States-Japan alliance continues to be based on shared vital interests and values. These include stability in the Asia-Pacific region, the preservation and promotion of political and economic freedoms, support for human rights and democratic institutions, and securing of prosperity for the people of both countries and the international community as a whole. Japan is one of the world’s most prosperous and stable democracies.

**Market Challenges**
The difficulty of penetrating the Japanese market depends largely on the product or service involved. Key variables include the degree of local or third-country competition, the number of regulatory hurdles to be overcome, and cultural factors such as language (both spoken and written), strict service and quality expectations, and business practices.

Generally, tariffs on most imported goods into Japan are low. However, cultural, regulatory, or other non-tariff barriers continue to exist that can impede or delay the importation of foreign products into Japan. These can include Japanese import license requirements, restricted or prohibited imports, temporary entry of goods, certifications, standards, labeling requirements, etc. For more details, see Chapter 5, Trade Regulations, Customs, and Standards of this Guide.

**Market Opportunities**
The Japanese market offers numerous opportunities for U.S. companies in a wide variety of sectors. Best prospects for U.S. exporters in the Japanese market include the following sectors:

Aerospace
Market Entry Strategy

U.S. companies wishing to enter the Japanese market should consider hiring a reputable, well-connected agent or distributor, and cultivating business contacts through frequent personal visits. Japan’s business culture attaches a high degree of importance to personal relationships, and these take time to establish and nurture. Patience and repeated follow-up are typically required to clinch a deal. The customs and pace of deal-making in Japan are quite different from the United States. U.S. business executives are advised to retain a professional interpreter, as many Japanese executives and decision-makers do not speak English, or prefer to speak Japanese.
Distribution and Sales Channels
Distribution channels in Japan have undergone much consolidation over the past two decades. Many of the traditional channels have been streamlined, yet complexities still exist. Paradoxically, in some sectors, cutting edge technologies have been applied to channels that nevertheless retain significant structural inefficiency and redundancy. Channels vary significantly between consumer goods and industrial products. For detailed information on distribution channels for specific products and sectors, it is best to contact the relevant Commercial Specialist at CS Japan. Contact information can be found on the CS Japan website at http://export.gov/japan.

International Courier Services for Food Samples
In 2010, three major international couriers began enforcing a policy of not accepting packages that contain foods requiring phytosanitary certificates. This policy could potentially affect U.S. exporters’ ability to ship product samples to Japan. The reason for this policy shift is that these couriers are now refusing to handle any items involving animal or plant quarantine (including dried fruit and nuts) for express/overnight service since one parcel containing items subject to quarantine regulations can delay a whole container containing hundreds of parcels for about two hours until the package with the phytosanitary certificate is cleared. The carriers have decided that they cannot afford the delay in their express service but it should be noted that the carrier’s policies only affect express/overnight shipments. These couriers will still accept packages that require phytosanitary certificate as regular air freight services that may take an extra few days to be delivered. For more information please see the following report Express Services Food Sample Policy.

Selling Factors/Techniques
As in the United States, sustained personal contact with customers is usually essential for successful market entry and expansion in Japan. Having a visiting U.S. company representative accompany the firm’s Japanese agent or distributor on visits to existing or potential customers strengthens the potential for sales. Such joint sales calls demonstrate commitment to clients and provide unparalleled opportunities to obtain market feedback.

Learning how to negotiate and maintain relationships with Japanese face-to-face can significantly increase a U.S. company’s chances for success in the market. Japanese language skills and familiarity with the nation’s culture and etiquette can be invaluable. Be prepared to attend after-hours social events: these informal gatherings go a long way towards establishing mutual trust and understanding between new partners. It has been said that many business deals in Japan are made “after five,” though this does not mitigate the important roles that price, quality and after-sales service play in making an export sale. Initial contact between Japanese firms is usually formal and made at the executive level, with more detailed negotiations often delegated to the working level. Typically, the point of an initial meeting is to allow the parties to become acquainted, to establish the interest of the calling party, and to allow both sides an opportunity to size each other up. Don’t expect too much from a first visit – sometimes the actual business subject may be overtaken by more mundane topics. A series of meetings with a large number of Japanese company representatives is common, as part of the “sizing up” process. Business negotiations
may proceed slowly, as the Japanese side might prefer to avoid an agreement rather than risk being criticized later for making a mistake.

While many Japanese business executives speak some English, a skilled and well-briefed interpreter is essential to prevent communication problems. A good interpreter is worth the expense. Firms that choose to skimp on or forego this expense not only significantly increase their chances for miscommunication, but also risk sending a message that they lack commitment to their Japanese counterpart and to the Japanese market. Though there are some U.S. firms that do business in Japan without a signed contract, the use of written contracts between U.S. and Japanese firms is an accepted practice. Contracts satisfy tax, customs, and other legal requirements. Japanese companies prefer shorter and more general contracts as opposed to lengthy, detailed documents spelling out every right and obligation in detail. Personal contact and relationships are important in Japan, and a contract should be viewed as just one element of a broader effort to create a mutual understanding of obligations and expectations.

**Electronic Commerce**

A website is a must for any business looking to break into the market in Japan. Some key elements should be incorporated into your website to gain familiarity and trust among potential Japanese buyers. Details in the “About Us” section of your website are especially important as a main information source that potential Japanese buyers will review. An “About Us” page for a US website usually contains the company’s mission statement, description of the company’s business, management bios, and contact information. In Japan, however, an “About Us” page includes more details such as a section called “Corporate Profile” in which corporate information such as the official company name, date of establishment, capital stock, revenue, board member names, number of employees, business partners, industry associations, banking, and the period of accounting are included. This additional information is not a requirement in Japan but many companies, including small businesses, disclose this information to help build trust and legitimacy with potential customers.

According to statistics published in June 2011 [http://www.meti.go.jp/policy/it_policy/statistics/outlook/ie_outlook.htm](http://www.meti.go.jp/policy/it_policy/statistics/outlook/ie_outlook.htm) by the Japanese Ministry of Economy, Trade and Industry (METI), the market size of business-to-business (B2B) electronic commerce in Japan in 2010 was ¥169 trillion ($2.1 trillion), and the market size of the business-to-consumer (B2C) electronic commerce market in the same period was ¥7.8 trillion ($97.9 billion). METI notes that the e-commerce market size has recovered to levels recorded before the shocks to the global economy in 2008. For cross-border e-commerce, METI estimates US exports to Japan via e-commerce to be ¥61.3 billion ($769.1 million) in 2010.

There are few open B2B sites for foreign exporters in Japan, with most Japanese B2B sites focusing on domestic business transactions. Japan’s international B2B site is: [http://www.export-japan.com/](http://www.export-japan.com/) On the other hand, B2C ecommerce sites are flourishing, and include Amazon Japan, Yahoo! Japan, and Japan’s largest e-commerce site, Rakuten. The growth of online entertainment sites is also notable in Japan, especially in the mobile arena. Japan’s major providers of online games are:
U.S. firms interested in ecommerce might consider listing on the Japan External Trade Organization (Jetro)’s business matchmaking database known as TTPP http://www.jetro.go.jp/tppoaas/howto/index.html#. Registration is free and may be done in English. The company’s mission statement, description of the company’s business, management bios, and contact information. In Japan, however, an “About Us” page includes a brief description of the company’s business, management bios, and contact information.

**Trade Promotion and Advertising**

Unless a U.S. company is setting up operations directly in Japan, the company’s agent or distributor in Japan will likely execute the advertising and marketing effort. It is quite expensive to advertise in Japan. Because of this, local firms often look for some type of cooperation from their overseas suppliers. Willingness to support this effort sends a strong signal of commitment to the Japanese market. Not all companies can afford to place advertisements in Japan's major national daily newspapers or commercials on Japanese television. Regional and local newspapers and television stations, and daily sports newspapers are less expensive and might make sense for a product with strong potential in a specific region or demographic segment. A more affordable option for small- to medium-size or new-to-market U.S. companies might be advertising in some of Japan's roughly 4,500 weekly or monthly magazines.

These publications often represent a cost-effective means to reach a specific target consumer – whether gourmet or gardener, cyclist or camper. For industrial and commercial products, Japan's many industrial daily, weekly, or monthly newspapers and trade journals might offer the best advertising options. Japan's railways, as the primary transportation option for commuters in major cities, carry hundreds of millions of passengers every year. Therefore, transit advertising should not be overlooked. Transit advertisements can be found inside commuter rail cars, buses, and in stations. Advertisements inside trains and buses include hanging flyers, framed posters, stickers, and flat-panel video.

Internet advertising and email newsletters (generally called “mail magazines” or “merumaga”) have become popular in Japan. American companies considering using such methods in Japan should be aware of Japan’s Law on Regulation of Transmission of Specified Electronic Mail: unlike the “opt out” system in the United States where the sender must stop sending to recipients choosing not to receive future emails, Japanese law requires use of an “opt in” system. Thus, email can only be sent to people who have agreed in advance to receive it.

Japan’s media primarily arrange advertising placements by working with advertising agencies, and typically do not deal directly with advertisers themselves. Generally, mood or image advertising achieves the best results. Hard-sell, combative advertising is considered to be in bad taste and is usually counterproductive, but comparative advertising is becoming more accepted in an increasingly competitive and tight economy.

U.S. exporters can benefit from Japan’s extensive trade event circuit: not only in Tokyo and Osaka, but also in the huge regional economies and industrial centers where many of Japan’s international conferences, seminars, and trade shows take place. U.S. Department of Commerce-certified trade shows...
and trade missions, as well as events sponsored by U.S. states and industrial organizations, are an excellent means of gaining exposure in the Japanese market. For a listing of U.S. Department of Commerce supported events in Japan, please visit our website: http://export.gov/japan/tradeevents/index.asp

**Pricing**

Tough economic times have made price an increasingly important consideration for Japanese consumers. Traditionally, many people made their buying decisions based on a product's attributes, quality, and brand name and they were willing to pay more for superior quality, reputation, or reliability. However, Japanese consumers are now more price-conscious and notions such as bargains and value have become mainstream ideas. If an imported product can be purchased more inexpensively than a domestic product, consumers will be interested. This has proven to many Japanese that U.S. products can be affordable and offer quality that equals or even exceeds that of Japanese goods.

The strength of the yen, streamlining of distribution channels, and Japanese economic reforms have recently helped open doors for U.S. products by improving their price competitiveness. However, landed cost is only one part of a total pricing scheme and should not be the only consideration for U.S. firms interested in exporting to Japan.

Distribution markups often cause imports to price at levels far higher than comparable domestic products. For instance, shipping costs between the port of Osaka and Tokyo have been shown to be much higher than shipping costs from the U.S. West Coast to Osaka. A good example is imported U.S. apparel products, where street prices are often three to four times FOB.

Japanese manufacturers traditionally set prices at each level of the distribution chain and enforce compliance using complicated rebate systems. Such price maintenance has recently come under pressure from consumers who are demanding lower prices, and from manufacturers who themselves find the rebate system burdensome. As distribution practices have undergone reform, costs have come down and distributors have gained additional flexibility in selecting and purchasing items.

Distribution of imported goods has also traditionally followed a multi-layered system, with established lines of product flow and pricing structures that vary according to the types of services provided by the importer or wholesaler (e.g., inventory, advertisement costs, packaging costs, financing, acceptance of unsold/returned goods, etc.). As with the distribution of Japanese manufactured goods, increased price sensitivity among Japanese consumers has led to more and more middlemen either being forced to cut their markups or eliminated from the distribution chain altogether.

Some Japanese retailers now import products directly in order to offer lower retail prices. However, U.S. suppliers should understand that retailers usually import smaller quantities, and other importers and wholesalers usually are uninterested in representing products that are imported directly by retailers.
Finally, U.S. exporters should also consider yen/dollar fluctuations in their product pricing and sales strategies. Starting in late 2008 and continuing to early 2012, the yen has risen significantly against the dollar, boosting the price competitiveness of U.S. goods.

Protecting Your Intellectual Property in Japan:
Several general principles are important for effective management of intellectual property ("IP") rights in Japan. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Japan than in the U.S. Third, rights must be registered and enforced in Japan, under local laws. Your U.S. trademark and patent registrations will not protect you in Japan. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Japan market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Japan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Japan law. The U.S. Commercial Service can provide a list of local lawyers upon request: [http://japan.usembassy.gov/e/acs/tacs-7113.html](http://japan.usembassy.gov/e/acs/tacs-7113.html)

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end.
Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Japan require constant attention. Work with legal counsel familiar with Japan laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Japan or U.S.-based. These include:
- The U.S. Chamber of Commerce and local American Chambers of Commerce overseas
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

**IP Resources**
A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov

For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: 1-800-786-9199.

For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-877-476-0778 (toll free) or 1-202-707-5959.

For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.StopFakes.gov

For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, and Russia. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

**Japan Contacts, Market Research and Trade Events**
U.S. Embassy Trade Personnel
Commercial Service Tokyo
John Peters, Minister-Counselor for Commercial Affairs
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5060; fax: 3589-4235
Web: http://export.gov/japan/
E-mail: Office.Tokyo@trade.gov

Greg Loose, Counselor for Commercial Affairs
Greg Briscoe, Commercial Attaché (Operations Unit)
Kevin Chambers, Commercial Attaché (Consumer Goods Unit)
Aaron Held, Commercial Attaché (Major Projects Unit)
Helen Peterson, Commercial Attaché (Healthcare, Fisheries, and Tourism Unit)
Mark Wildman, Commercial Attaché (Advanced Technologies Unit)

Commercial Service Osaka-Kobe
John Fleming, Principal Commercial Consul
U.S. Consulate General Osaka, 2-11-5 Nishitenma, Kita-ku, Osaka 530-8543
Tel: +81/6/6315-5953; fax: 6315-5963
E-mail: osaka-kobe.office.box@trade.gov

Consulate Nagoya
Harry Sullivan, Principal Officer
Tamiki Mizuno, Economic/Commercial Specialist
U.S. Consulate Nagoya, Nagoya International Center Building, 6F
47-1 Nagono 1-chome, Nakamura-ku, Nagoya 450-0001
Tel: +81/52/581-4501; fax: 581-3190
E-mail: MizunoTX@state.gov

Consulate General Sapporo
John Ries, Consul General
Yumi Baba, Economic/Commercial Assistant
U.S. Consulate General Sapporo, Nishi 28, Kita 1, Chuo-ku; Sapporo 064-0821
Tel: +81/11/641-1115; fax: 643-1283
E-mail: BabaYX@state.gov

Consulate Fukuoka
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American Consulate Fukuoka, 2-5-26 Ohori, Chuo-ku, Fukuoka 810-0052
Tel: +81/92/751-9331; fax: +81/92/713-9222
E-mail: DiekerMS@state.gov

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Raymond Greene, Consul General
Matthew O’Connor, Political and Economic Officer
Akinori Hayashi, Commercial Specialist
American Consulate General Naha, 2-1-1 Toyama, Urasoe City
Okinawa 901-2101
Tel: +81/98/876-4211; fax: 876-4243
E-mail: HayashiAX@state.gov

Foreign Agricultural Service
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Jeffrey Nawn, Senior Agricultural Attaché
Benjamin Petlock, Agricultural Attaché
Jennifer Clever, Agricultural Attaché
U.S. Embassy Tokyo, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
(U.S. Address: Unit 45004, Box 226, APO AP 96337-5004)
Tel: +81/3/3224-5105; fax: 3589-0793
Web: www.usdajapan.org/
E-mail: agtokyo@fas.usda.gov

Agricultural Trade Office (Tokyo)
Steve Shnitzler, Director
U.S. Embassy Tokyo, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
(U.S. Address: Unit 45004, Box 241, APO AP 96337-5004)
Tel: +81/3/ 3224-5115; fax: 3582-6429
Web: www.usdajapan.org/
E-mail: atotokyo@fas.usda.gov

Agricultural Trade Office (Osaka)
Chika Motomura, Ag. Marketing Specialist
American Consulate General Osaka, 2-11-5 Nishitenma, Kita-ku, Osaka 530-8543
(U.S. Address: Unit 45004, Box 239, APO AP 96337-5004)
Tel: +81/6/6315-5904; fax: 6315-5906
Web: www.usdajapan.org/
E-mail: atoosaka@fas.usda.gov

Economic Section (State Department)
Marc Wall, Minister-Counselor for Economic and Science Affairs
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5020; fax: 3224-5019

Energy Department
Jeffrey Miller, Energy Attaché
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5444; fax: 3224-5769
Treasury Department
Robert Kaproth, Financial Attaché
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5486; fax: 3224-5490

Chambers of Commerce/Trade Associations
American Chamber of Commerce in Japan (ACCJ)
Sam Kidder, Executive Director
Masonic 39 MT Bldg. 10F; 2-4-5 Azabudai, Minato-ku; Tokyo 106-0041
Tel: +81/3/3433-5381; fax: 3433-8454
Web: http://www.accj.or.jp

American Chamber of Commerce in Japan (ACCJ) Kansai Chapter
Keizo Yamada, Director Chapter Office - Kansai
Dōjima Park Bldg. 5F, 1-1-8 Dōjimahama, Kita-ku, Osaka 530-0004
Tel: +81/6/6345-9880; fax: 6345-9890
Web: http://www.accj.or.jp/user/293/Kansai/

American Chamber of Commerce in Japan (ACCJ) Chūbu Chapter
Noriko Kato, Chūbu Operations Manager
Marunouchi Fukao Bldg. 5F; 2-11-24 Marunouchi, Naka-ku, Nagoya 460-0002
Tel: +81/52/229-1525; fax: 222-8272
Web: http://www.accj.or.jp/user/298/Chubu/

Japan Business Federation (Nippon Keidanren)
International Economic Affairs Bureau
1-3-2 Otemachi, Chiyoda-ku, Tokyo 100-8188
Tel: +81/3/6741-0171; fax: 6741-0301
Web: http://www.keidanren.or.jp

Japan Association of Corporate Executives (Keizai Doyukai)
Nihon Kogyo Club Bldg. Annex 5F, 1-4-6 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Tel: +81/3/3284-0220; fax: 3212-3774
Web: http://www.doyukai.or.jp/en

Japan Foreign Trade Council, Inc.
International Affairs and Research Group
World Trade Center Bldg. 6F, 2-4-1 Hamamatsu-cho, Minato-ku, Tokyo 105-6106
Tel: +81-3-3435-5972/5964; fax: +81/3/3435-5979
Web: http://www.jftc.or.jp/english/home_e.htm

Japan-U.S. Business Council
Keidanren Kaikan, 1-3-2 Otemachi, Chiyoda-ku, Tokyo 100-0004
Tel: +81/3/6741-0401; fax: 6741-0402
Web: http://www.jubc.gr.jp/eng/index.html

Japan Chamber of Commerce and Industry
International Division
Tosho Bldg., 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Tel: +81/3/3283-7601; fax: 3216-6497
Web: http://www.jcci.or.jp/home-e.html

Tokyo Chamber of Commerce and Industry
International Division
Tosho Bldg., 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Tel: +81/3/3283-7523; fax: 3216-6497
Web: http://www.tokyo-cci.or.jp/english/index.html

Osaka Chamber of Commerce and Industry
International Division
2-8 Honmachi-bashi, Chuo-ku, Osaka 540-0029
Tel: +81/6/6944-6400; fax: 6944-6293
Web: http://www.osaka.cci.or.jp/e

Kansai Economic Federation (Kankeiren)
International Affairs Department
Nakanoshima Center Bldg. 30F, 6-2-27, Nakanoshima, Kita-ku, Osaka 530-6691
Tel: +81/6/6441-0104; fax: 6441-0443
Web: http://www.kankeiren.or.jp/English

Kansai Association of Corporate Executives (Kansai Keizai Doyukai)
Executive & Administrative Dept./Planning & Research Dept.
Nakanoshima Center Bldg. 28F, 6-2-27, Nakanoshima, Kita-ku, Osaka 530-6691
Tel: +81/6/6441-1031; fax: 6441-1030
Web: http://www.kansaidoyukai.or.jp

Nagoya Chamber of Commerce & Industry (NCCI)
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2-10-19 Sakae, Naka-ku, Nagoya 460-8422
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Kyushu Economic Federation (Kyukeiren)
Tenjin Central Place 6F, 1-10-24 Tenjin, Chuo-ku, Fukuoka 810-0001
Tel: +81/92/761-4261; fax: 724-2102
Web: http://www.kyukeiren.or.jp/english/index.html

Fukuoka Chamber of Commerce and Industry
International Center  
9-28 Hakata Ekimae 2-chome, Hakata-ku, Fukuoka 812-8505  
Tel: +81/92/441-1117; fax: 441-1600  
Web: http://www.fukunet.or.jp/english/index.html

Fukuoka Foreign Trade Association  
Fukuoka Chamber of Commerce and Industry Bldg., 7F  
Hakata Ekimae 2-9-28, Hakata-ku, Fukuoka 812-8505  
Tel: +81/92/452-0707; fax: 452-0700  
Web: http://www.fukuoka-fta.or.jp/english/index.html

**Agricultural Trade Associations**

Japan Chain Stores Association  
Toranomon NN Bldg., 11F., 1-21-17 Toranomon, Minato-ku, Tokyo 105-0001  
Tel: +81/3/5251-4600; fax: 5251-4601  
Web: www.jcsa.or.jp/

All Nippon Kashi Association  
6-9-5 Shimbashi, Minato-ku, Tokyo 105-0004  
Tel: +81/3/3431-3115; fax: 3432-1660  
Email: anka-0@nifty.com

Japan Convenience Foods Industry Association  
Kimura Bldg. 3F, 5-5-5 Asakusabashi, Taito-ku, Tokyo 111-0053  
Tel: +81/3/3865-0811; fax: 3865-0815  
Email: daihyo@sokuseki-kyokai.com

Web: http://www.instantramen.or.jp/about/index.html

Japan Dairy Industry Association  
Nyuugo Kaikan 4F, 1-14-19 Kudan Kita, Chiyoda-ku, Tokyo 102-0073  
Tel: +81/3/3261-9161; fax: 3261-9175  
Web: http://www.nyukyou.jp/

Japan Dehydrated Vegetable Association  
1-9-12 Irifune, Chuo-ku, Tokyo 104-0042  
Tel: +81/3/5117-2661; fax: 3552-2820  
Email: kaz@primero.jp

Japan Food Service Association  
Hamamatsucho Central Bldg. 9F.10F  
1-29-6, Hamamatsucho, Minato-ku, Tokyo 105-0013  
Tel: +81/3/5403-1060; fax: 5403-1070  
Email: info-jf@jfnet.or.jp  
Web: http://www.jfnet.or.jp

University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
Japan Frozen Food Association
Kowa Nitto Bldg. 4F, 3-17-9 Tsukiji, Chuo-ku, Tokyo 104-0045
Tel: +81/3/3541-3003; fax: 3541-3012
Email: info@reishokukyo.or.jp
Web: www.reishokukyo.or.jp/

Japan Fruit Juice Association
Zenkoku Tobacco Bldg., 3F., 1-10-1 Shibadaimon, Minato-ku, Tokyo 105-0012
Tel: +81/3/3435-0731; fax: 3435-0737
Email: kaju-kyo@cello.ocn.ne.jp
Web: www.kaju-kyo.ecnet.jp/

Japan Health Food & Nutrition Food Association
2-7-27 Ichigaya Sadohara-cho, Shinjuku-ku, Tokyo 162-0842
Tel: +81/3/3268-3134; fax: 3268-3136
Email: jhnfa@jhnfa.org
Web: www.jhnfa.org/

Japan Nut Association
Kohinata Bldg #203, 2-18-10, Shinkawa, Chuo-ku, Tokyo 104-0033
Tel: n/a fax: 81/3/6662-6528
Email: jna@jt5.so-net.ne.jp
Web: http://www.jna-nut.com/

Japan Self-Service Association
Sakurai Bldg. 4F, 3-19-8 Uchi-kanda, Chiyoda-ku, Tokyo 101-0047
Tel: +81/3/3255/4825; fax: 3255-4826
Email: selkyo@jssa.or.jp
Web: www.jssa.or.jp/

Japan Restaurant Association
BM Kabutocho Bldg., 11-7 Nihonbashi Kabutocho, Chuo-ku, Tokyo 103-0026
Tel: +81/3/5651-5601; fax: 5651-5602

Japan Wine And Spirits Importers' Association
Daiichi Tentoku Bldg., 1-13-5 Toranomon, Minato-ku, Tokyo 105-0001
Tel: +81/3/3503-6505/6506; fax: 3503-6504
Web: www.youshu-yunyu.org/english/index.html

Japanese Government Agencies
Ministry of Economy, Trade and Industry (METI)
Trade & Investment Facilitation Division

University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8901
Tel: +81/3/3501-1662; fax: 3501-2082
Web: http://www.meti.go.jp/english/index.html

Japan External Trade Organization (JETRO)
Invest Japan Dept.
Ark Mori Bldg., 6F, 1-12-32, Akasaka, Minato-ku, Tokyo107-6006
Tel: +81/3/3582-5511
Web: http://www.jetro.go.jp

JETRO “Invest Japan” Business Support Center
Ark Mori Bldg., 7F, 1-12-32, Akasaka, Minato-ku, Tokyo107-6006
Tel: +81/3/3582-4686; fax: 3584-6024

Manufactured Imports and Investment Promotion Organization (MIPRO)
World Import Mart Bldg 6F, 3-1-3 Higashi-Ikebukuro, Toshima-ku, Tokyo 170-8630
Tel: +81/3/3988-2791; fax: 3988-1629
Web: http://www.mipro.or.jp/english

In addition, each year the Foreign Agricultural Service offices in Tokyo and Osaka prepare more than 100 reports on food market developments in Japan. These include sector studies, product-specific market briefs and reports on market-opening and other trade policy developments. All reports are available on-line by accessing the Foreign Agricultural Service web site at http://www.fas.usda.gov/scriptsw/attacherep/default.asp

Trade Events
Please click on the link below for information regarding upcoming trade events in Japan specifically.

Other Contacts for Japan
U.S. Department of Commerce, Market Access and Compliance Country Desk
Office of Japan
Keith Roth, Director
International Trade Administration
Room 2320, 14th Street and Constitution Avenue, N.W.
Washington, DC 20230
Tel: 202-482-2515; fax: 202-482-0469
Email: Keith.Roth@trade.gov
Web: http://www.mac.doc.gov/japan

Below is a table of contents to assist you in Hong Kong. This link will take you to the complete 117 page report.

http://www.buyusainfo.net/docs/x_8660207.pdf

- Chapter 1: Doing Business In Hong Kong and Macau
- Chapter 2: Political and Economic Environment
- Chapter 3: Selling U.S. Products and Services
- Chapter 4: Leading Sectors for U.S. Export and Investment
- Chapter 5: Trade Regulations, Customs and Standards
- Chapter 6: Investment Climate
- Chapter 7: Trade and Project Financing
- Chapter 8: Business Travel
- Chapter 9: Contacts, Market Research and Trade Events
- Chapter 10: Guide to Our Services

Sample Contents in Hong Kong’s Guide

Market Overview
Population: 7,153,519 (July 2012 est.)
Nationality: Chinese
Languages: Cantonese, other Chinese dialects, and 2.8% English
Religions: Eclectic mixture of local religions 90% and Christian 10%

Amid a weak, uneven global economic recovery, the Hong Kong economy grew moderately in 2011. Hong Kong, a Special Administrative Region of the People’s Republic of China (PRC) since its reversion in 1997, has proven in past economic crises to be exceptionally resilient. Dominant and sustained drivers of economic growth include private consumption (retail), logistics and business services, real estate development (bolstered by ongoing public infrastructure works), and tourism. Hong Kong has benefited from continued economic integration with mainland China’s strong economy. In particular, Beijing’s policy of opening its service sector and gradually expanding the scope of the offshore Renminbi (RMB – the PRC’s currency) market in Hong Kong and the sustained high numbers of mainland Chinese visitors have strengthened Hong Kong’s economy.
Hong Kong is an ideal platform for doing business in Asia, especially for mainland China. Hong Kong is a free port that does not levy any customs tariff and has limited excise duties. Its strong rule of law and respect for property rights make it a strategic platform for U.S. companies, especially small and medium sized firms, seeking to do business in Asia. Hong Kong’s statutory trade promotion body, the Trade Development Council, seized upon this unique positioning to create the Pacific Bridge Initiative in late-2010, the first such agreement with a foreign government affiliate to support the U.S. National Export Initiative (NEI). Hong Kong’s businesses enjoy close links to mainland China and the rest of Asia. According to Hong Kong Government statistics, there are 1,328 subsidiaries of U.S. parent companies in Hong Kong, making the United States the largest source of subsidiaries in Hong Kong. Among those U.S. subsidiaries, 840 are regional headquarters or regional offices. Hong Kong’s Key Characteristics are its openness, tourism, trade, and investment.

- U.S. Exports: US$27.3 billion, 5.6 percent of Hong Kong's imports (2011).
- Major Trading Partners: mainland China, United States, EU, Japan, and Taiwan.

### Key characteristics

World-class infrastructure; free flow of information; no restrictions on inward or outward investment; no foreign exchange controls; no nationality restrictions on corporate or sectorial ownership; simple, low-tax regime; and world financial hub. Hong Kong is a Special Administrative Region of China.

Hong Kong enjoys a high degree of autonomy. It has its own common law legal system (as distinct from the People’s Republic of China), currency, and customs jurisdiction. There are numerous business opportunities given Hong Kong's expertise in finance and marketing, sophisticated infrastructure, and...
access to mainland China’s manufacturing base. A majority of Hong Kong manufacturers have moved production to South China’s Pearl River Delta (PRD), with Hong Kong functioning as the region’s services and trade hub. Mainland China is Hong Kong’s largest trading partner. Hong Kong enjoys gradually growing preferential access to mainland China.

The mainland China and Hong Kong “Closer Economic Partnership Arrangement” (CEPA) is the first trade agreement ever concluded by mainland China and Hong Kong. It offers Hong Kong’s products and firms preferential access to the mainland's market. CEPA goes beyond China's World Trade Organization (WTO) commitments, eliminating tariffs and allowing earlier or preferential access to some services sectors. Overseas companies can also benefit from CEPA. For trade in goods, foreign investors can set up production lines in Hong Kong to produce goods that meet the CEPA rules of origin requirements. For trade in services, companies incorporated in Hong Kong by foreign investors can make use of CEPA as long as they satisfy eligibility criteria of a “Hong Kong Service Supplier” (for example, they must be engaged in business operations in Hong Kong for three to five years) or by partnering with or acquiring a CEPA-qualified company.

Market Challenges
Increasing competition from mainland China has meant that Hong Kong’s mainland China market access and opportunities have grown. However, higher costs in Hong Kong have led to a hollowing out of its manufacturing sector. Mainland rivals present increasing competition, even in sectors where Hong Kong has long been dominant, like container port operations, logistics, and related trade and financial services.

Some foreign firms are bypassing Hong Kong. The trend of foreign firms heading directly to the mainland was accelerated by China’s 2001 admission to the WTO. Companies that go directly to China without sufficient due diligence, however, often face higher costs and longer delays than if they had first engaged a Hong Kong-based intermediary. Most often, beginning to trade in Hong Kong better prepares them for the mainland China requirements and market differences.

Market Opportunities
Excellent prospects for U.S. suppliers. Leading export sectors for U.S. firms include electronic components, medical equipment and pharmaceuticals, environmental technologies and services, aviation and airport equipment, transportation infrastructure, environmental technologies, safety and security equipment, financial services, education and training services, travel and tourism services, retail, and consumer goods such as packaged food, wine, cosmetics, and toiletries.

Hong Kong public infrastructure works valued at over US$16 billion are in various stages of planning or execution: These include Hong Kong International Airport Expansion Plan, Kai Tak Airport Redevelopment, Tourism Infrastructure and City Improvement, West Kowloon Cultural District, Hong Kong University Campus Expansion, Ocean Park amusement park enhancement, Harbor Area Treatment Scheme, the Hong Kong-Macau-Zhuai Bridge, multiple subway and light rail lines, and the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Notably, over eleven percent of all Hong Kong Government procurement contracts were awarded to U.S. firms in 2011.
**Hong Kong-based Private Procurement**
Hong Kong is home to a large number of procurement agents and purchasing offices. Many purchasing decisions for major projects and conglomerates in Macau, mainland China, or other economies are made in Hong Kong.

**Pacific Bridge Initiative**
Another strong reason to look at Hong Kong as a destination and platform: The Pacific Bridge Initiative (PBI) is a collaboration between the U.S. Commercial Service, the Hong Kong Trade Development Council, and other organizations to support President Obama’s National Export Initiative (NEI), which has the goal of doubling U.S. exports within five years and supporting two million U.S.-based jobs. The PBI was the first-ever collaboration with a foreign statutory trade body to support NEI objectives and has brought additional resources to U.S. exporters interested in selling to, or through, Hong Kong to reach the China or Asian regional markets. More information is available on the PBI Web portal at [www.hktdc.com/mis/pbi/en/Pacific-Bridge-Initiative---US-Hong-Kong-Business-Partnership.html](http://www.hktdc.com/mis/pbi/en/Pacific-Bridge-Initiative---US-Hong-Kong-Business-Partnership.html).

**SelectUSA**
Hong Kong serves as a pilot market to attract foreign investment to the U.S. Established in 2011 by Executive Order of the President, SelectUSA is a government-wide initiative to promote foreign direct investment (FDI) in the United States to create jobs, spur economic growth, and promote American competitiveness. SelectUSA works in partnership with state, regional, and local economic development organizations to promote FDI into the U.S. and works on behalf of the entire nation, exercising strict geographic neutrality. SelectUSA has chosen ten pilot markets, including Hong Kong, to initiate the program in 2012, because of the territory’s special role as a commercial and financial hub through which over 60% of China’s overseas investment flows. SelectUSA can work with locations in the U.S. interest in attracting FDI and with FDI support service providers (such as consultants, law firms, financial service providers, etc.) For inquiries, please visit [www.SelectUSA.gov](http://www.SelectUSA.gov) or contact: (202) 482-6800 / (852) 2521-1467 in Hong Kong.
Market Entry Strategy
Hong Kong agents and distributors can increase sales of U.S. products in both Hong Kong and mainland China. Given mainland China's size and diversity, it is usually advantageous to work with different agents for different regions of mainland China. Hong Kong-based agents and distributors usually include Macau and Southern China in their coverage territory, and often have networks to other major regions in mainland China.

Hong Kong firms are eager to work with serious exporters. U.S. firms can show commitment to success in this market by using metric measurements, providing Chinese-language materials, responding quickly to inquiries, meeting relevant standards, and visiting the market for first-hand understanding and relationship building.

Companies considering entering this market should understand Hong Kong's fast-paced business climate. Decisions are made quickly. Firms must respond immediately to inquiries or risk losing opportunities to faster-moving competitors.

Using an Agent or Distributor
Working with agents and distributors in Hong Kong and Macau is very much like working with agents and distributors in the United States. Hong Kong and Macau have no special legislation regarding agents and distributors. Virtually anything to which both sides can agree to and put into a written contract is acceptable and enforceable; this includes restrictions on territory and a grace period for termination of the agreement.

U.S. firms should consult local legal counsel when drafting contract terms. Items that are often in contracts include:
• Exclusivity and sales territories – businesses should be careful about granting an exclusive agency too soon or in too large a territory if the agent is to have coverage beyond Hong Kong or Macau;
• Proprietary information – local laws prohibit theft of intellectual property, but prevention of piracy is always less expensive and more effective than post-facto remedial legal action;
• Levels of sales activity – set specific targets and goals the agent or distributor must meet in order to maintain or renew the agreement;
• Duration;
• Payment terms;
• Quality control – inspection – verification;
• Legal jurisdiction – generally, Hong Kong is chosen, but another location sometimes (U.S. or Macau) may be specified; and
• Covenants restricting business activity following cancellation of the contract.
There are many types of agents and distributors in Hong Kong and Macau, ranging from those who simply stock retail stores with standard items to agents who provide sales, engineering and technical support for complex systems. It is common for a single company to deal in a wide variety of products in a particular sector. Agents and trading companies may be less specialized than companies in a large economy like the United States, but the best ones are focused and have contacts in a specific line of business. Although it may be desirable to identify distributors based in Macau, many Hong Kong distributors are capable of covering Macau.

**Establishing an Office in Hong Kong**
Foreign companies are allowed to incorporate their operations, register branches, or set up representative offices freely in Hong Kong with no restriction on ownership. Company directors need not be citizens of, nor reside in, Hong Kong. Reporting requirements are straightforward and not onerous. There is no distinction in law or practice between investment by foreign-controlled companies and those controlled by local interests. There are no disincentives to foreign investment such as limitations on the use or transfer of foreign currency, or any system of quotas, performance requirements, bonds, deposits, or other restrictive regulations.

To incorporate or register in Hong Kong, a foreign company should first file statutory declarations and submit the necessary documents to the Administration Section of the Companies Registry. Specific information on establishing an office in Hong Kong is available at:

New Companies Section  
Companies Registry  
14/F, Queensway Government Offices  
66 Queensway, Hong Kong  
Tel: (852) 2867-2587  
Email: crenq@cr.gov.hk  
Website: www.cr.gov.hk

Additional information including detailed step-by-step guidance for setting up in Hong Kong can also be found at [www.investhk.gov.hk](http://www.investhk.gov.hk)

**Establishing an Office in Macau**
There are no restrictions or constraints for establishing a company in Macau. There are however, regulations that govern various economic activities and specific licenses. Authorizations are required for certain types of businesses, such as banking, insurance, manufacturing, tourism, civil construction, education and telecommunications. All business entities carrying out business activities in Macau must be registered with the Macau Commercial Registration Bureau, and with the Macau Finance Bureau. All legal and administrative procedures apply to all local and foreign individuals or organizations interested in setting up a company in Macau.
A limited liability company by quota in Macau and a branch of a company incorporated outside of Macau are the most common types of business entities operating in Macau. Foreign entities with only one-off or occasional contractual projects in Macau may choose to apply for a tax registration status on a project basis.

Investors may obtain details of the necessary procedures for setting up a business from the Macau Trade and Investment Promotion Institute’s private notary, the “One-Stop Service,” a public notary, the Macau Commercial Registration Bureau, or a lawyer. Information on the One-Stop Service is available at www.ipim.gov.mo/business_macao_detail.php?tid=496

**Franchising**
Hong Kong’s legal framework and high per capita income attracts foreign franchisors looking to sub-franchise. It is relatively easy to set up a foreign franchise operation in Hong Kong as there is no specific legislation governing franchising operations, no foreign exchange controls, and no foreign equity participation or local management participation regulations. Disputes arising from a franchise agreement are subject to common law (and specifically to contract law) and to legislation relating to licensing, protection of intellectual property rights, and registration of trademarks/service marks. In recent years, several U.S. franchises have established relationships with Hong Kong based firms to develop the mainland China market.

**Direct Marketing**
Direct marketing is now recognized not just as the fastest growing segment of the marketing business, but also the segment that produces the most substantial profits for every business, from financial services to fast moving consumer goods. Direct marketing in Hong Kong has changed significantly over the last decade and is now multichannel and electronic to a large extent.

Transactions via online business-to-business (B2B) marketplaces are increasing at an astonishing rate. Well-known online B2B platforms in Hong Kong include Alibaba and Global Sources.

The direct marketing business environment relies on a highly developed supply chain infrastructure so even small firms can sell directly to their consumers with minimal complications. Smaller-scaled companies, which do not have an in-house supply chain department, often make use of professional logistics service providers established in Hong Kong or having an international presence.

Regulations regarding direct marketing are primarily centered on customer privacy.
rights, data security and postal regulations. The Hong Kong Direct Marketing Association (HKDMA, www.hkdma.com) works with regulatory bodies to ensure that regulations do not have an adverse effect on direct marketing users and suppliers.

Hong Kong is the marketing services capital of Asia. The sophistication of the market has attracted a strong presence of multinational agencies and a pool of marketing services talent. A number of multinational PR, marketing, and advertising agencies have regional headquarters in Hong Kong.

Hong Kong's marketing services companies are first-movers in the mainland market. Mainland business has also become an increasing source of income for Hong Kong marketing services companies. The CEPA agreement has further facilitated Hong Kong marketing firms’ expansion in the mainland market.

**Import Tariffs: Hong Kong**

Hong Kong is a free port that does not levy a customs tariff. The HKG levies excise duties on four commodities, namely: hard alcohol, tobacco, hydrocarbon oil, and methyl alcohol. The excise tax on distilled spirits (hard alcohol) is 100 percent, and the rate for unleaded gasoline is US$0.78 per liter. Duties on wine and beer were reduced to 0 percent effective February 27, 2008. Lastly, a steep "First Registration Tax," which ranges from 35-100 percent of price, is levied on new car purchases. The current list of dutiable goods and corresponding rates is available at: www.customs.gov.hk/en/trade_facilitation/dutiable/types/index.html

To inquire about specific products contact:
Customs and Excise Department
Address: Customs Headquarters Building
222 Java Road, North Point
Hong Kong
Tel: (852) 3759-2606
Fax: (852) 2541-3039 (Office of Dutiable Commodities Administration)
Website: www.customs.gov.hk

**Import Tariffs: Macau**

Macau is a free port with no tariffs on general imports. Macau, however, does impose a consumption tax on alcohol, tobacco, and fuels, ranging from 5 – 20 percent (based on cost, insurance, and freight) and a motor vehicle tax of 10 – 55 percent on imported motorcycles and motor vehicles (based on the initial sale price).

To inquire about specific products contact:

Macau Customs Service
Rua S. Tiago da Barra
Doca D. Carlos I, SW
Customs Headquarters, Macau
Trade Barriers
Hong Kong and Macau are duty-free ports, with few barriers to trade in goods and services and few, if any, restrictions on foreign capital flows and investment.

Import Requirements and Documentation
U.S. standard trade documentation is acceptable.

U.S. Export Controls: Hong Kong
Hong Kong maintains an autonomous and transparent export control regime. The United States continues to provide Hong Kong importers a comparable level of access to controlled dual-use U.S. technologies as before Hong Kong’s 1997 reversion to China. In some cases, items that do not require a license for export to Hong Kong may require a license to mainland China. U.S. companies should understand whether Hong Kong recipients of U.S. exports are end-users or merely intermediaries, as U.S. export control requirements are generally based on the final destination of the export.

The Hong Kong Government imposes restrictions on the import and export of certain items based on control lists maintained by the internationally observed multilateral export control regimes (Wassenaar Arrangement, Missile Technology Control Regime, Nuclear Suppliers’ Group, Australia Group and the Chemical Weapons Convention). For items on these control lists, Hong Kong importers may require evidence of compliance with U.S. export control laws in order to obtain the necessary Hong Kong import or export licenses. Hong Kong has also adopted “catch-all” export license requirements that cover exports and re-exports of non-listed items to entities and institutions involved in promoting the production of weapons of mass destruction. A caution to U.S. exporters: the United States imposes unilateral export controls that are broader than those maintained by Hong Kong and will penalize companies involved in exports to Hong Kong that are destined for countries or entities restricted under U.S. law.

U.S. Export Controls: Macau
Macau is treated differently than Hong Kong by the Bureau of Industry and Security for export control purposes. In the case of Macau, exports or re-exports to Macau are generally treated as exports or re-exports to mainland China.

Bureau of Industry and Security
For more information on U.S. export control regulations, please visit: www.bis.doc.gov
**Temporary Entry**
Most products are not subject to any Hong Kong or Macau duties or taxes. For alcohol, cigarettes and fuel, however, companies must fill out a duty waiver form, which can be obtained from Hong Kong Customs at [www.customs.gov.hk](http://www.customs.gov.hk) or Macao Customs Services at [www.customs.gov.mo](http://www.customs.gov.mo).

**Labeling and Marking Requirements**
The following information on labeling and marking refers to Hong Kong unless indicated. Hong Kong’s non-tariff barriers related to labeling requirements, standards, and other requirements are generally minimal, but will become more restrictive for foods, beverages, and supplements.
Pharmaceuticals and over-the-counter (OTC) drugs must have indications of dosage and frequency on the label in both Chinese and English.

**Food Labeling**
Hong Kong’s food labeling regulations are developed and administered by the Centre for Food Safety. According to Schedule 3 to the Food and Drugs (Composition and Labeling) Regulations (Cap. 132W), the following information should be marked in either English or Chinese language or in both languages on the label of prepackaged food:
(1) Name of the food
(2) List of ingredients (including allergens)
(3) Indication of "use by" or "best before" date
(4) Statement of special conditions for storage or instructions for use
(5) Name and address of manufacturer or packer
(6) Count, weight or volume of food

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**New Food Labeling Requirements**
Hong Kong’s nutritional labeling regulation took effect July 1, 2010. The regulation requires all prepackaged food sold in Hong Kong to label the product’s energy content plus seven nutrients: protein, carbohydrates, fat, saturated fat, trans fat, sodium and sugars. Packaged products which make claims such as “low fat” or “high in Vitamin A” must meet additional labeling and definitional requirements as uniquely spelled out in the legislation. Manufacturers and traders may apply for a small volume exemption for individual prepackaged food products with annual sales in Hong Kong of less than 30,000 units, provided that the products do not carry any nutritional claims. Traders applying for the exemption have to pay the equivalent of US$44 per product variety for the first year and US$43 for annual renewal. The new labeling regulation does not follow the labeling practices of major suppliers. Given the small size of Hong Kong’s market, most packaged food manufacturers find it economically unviable to provide new labels specifically for Hong Kong. However, stick-on labels are acceptable by the Hong Kong government. To remain competitive by offering product choices, retailers and/or importers choose to apply stick-on labels for good selling potential food items after they are imported into Hong Kong.
In 2010, Hong Kong was the 4th-largest market for U.S. grocery products, with sales of almost US$2.1 billion. Any food supplement not assigned a “pharmaceutical number” is considered a food and will be subject to the legislation.

**Hong Kong Contacts, Market Research and Trade Events**

**U.S. Consulate General Contacts:**
U.S. Consulate General: hongkong.usconsulate.gov
U.S. Commercial Service: www.export.gov/hongkong
U.S. Agricultural Trade Office: **www.usfoods-hongkong.net**

**Hong Kong Government Offices and Related Organizations:**
Hong Kong SAR Government: **www.gov.hk**
Census and Statistics Department: **www.censtatd.gov.hk**
Commerce and Economic Development Bureau: **www.cedb.gov.hk**
Companies Registry: **www.cr.gov.hk**
Customs and Excise Department: **www.customs.gov.hk**
Hong Kong Productivity Council: **www.hkpc.org**
Hong Kong Tourism Board: **www.discoverhongkong.com/eng/index.html**
Hong Kong Trade and Industry Department: **www.tid.gov.hk**
Hong Kong Trade Development Council: **www.hktdc.com**
Intellectual Property Department: **www.ipd.gov.hk**
Invest Hong Kong: **www.investhk.gov.hk**
Office of Telecommunications Authority: **www.ofta.gov.hk**
Trade and Industry Department: **www.tid.gov.hk**

**Macau Government Offices and Related Organizations:**
Macau SAR Government: **www.gov.mo**
Macau Customs Service: **www.customs.gov.mo**
Macau Trade and Investment Promotion Institute: **www.ipim.gov.mo/**
World Trade Center Macau: **www.wtc-macau.com**
SDPIM-Macao Industrial Parks Development Co., Ltd.: **www.sdpim.com.mo**

**Trade Associations: Hong Kong**
American Chamber of Commerce in Hong Kong: **www.amcham.org.hk**
The Chinese Manufacturers’ Association of Hong Kong: **www.cma.org.hk/**
The Cosmetic & Perfumery Association of Hong Kong Ltd.: **www.cosmetic.org.hk**
Federation of Hong Kong Industries: **www.industryhk.org**
Hong Kong Computer Society: **www.hkcs.org.hk**
Trade Associations: Macau
American Chamber of Commerce in Macau: www.amcham.org.mo
Macau Chamber of Commerce: www.acm.org.mo
Industrial Association of Macau: www.madeinmacau.net
Macau Importers and Exporters Association: www.macauexport.com
Macau Small and Medium Enterprises Association: www.sme.org.mo
The Association of Advertising Agents of Macau: www.aaam.org.mo
Macau Convention & Exhibition Association: www.mcea.org.mo
Macau Fair & Trade Association: www.macaufta.com

Market Research
To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports. Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events
Please click on the link below for information on upcoming trade events.
www.export.gov/tradeevents/index.asp
For major trade events that will be held in Hong Kong, information is available on the Hong Kong Trade Development Council website: www.hktdc.com/info/tradeevents/ci/HK-upcoming/en/All-Hong-Kong-Events.htm
For major trade events that will be held in Macau, information is available on the Macao Trade and Investment Promotion Institute website:

Market Research for The Philippines

Below is a table of contents to assist you in The Philippines. This link will take you to the complete 130-page report.
http://www.buyusainfo.net/docs/x_9571450.pdf

• Chapter 1: Doing Business In The Philippines
• Chapter 2: Political and Economic Environment
• Chapter 3: Selling U.S. Products and Services
• Chapter 4: Leading Sectors for U.S. Export and Investment
• Chapter 5: Trade Regulations, Customs and Standards
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Sample of Contents in The Philippine Guide

Market Overview: Key Economic Indicators and Trade Statistics
Population: 103,775,002 (July 2012 est.)
Nationality: Filipino (s)
Languages: Filipino based on Tagalog and English along with eight other Filipino dialects
Religion: Christian (mainly Roman Catholic) and 5% Muslim

Philippine Gross Domestic Product growth slowed from 7.6% in 2010 (the highest in over three decades) to 3.7% in 2011 following one-off factors in 2010 (election spending and heavy post-typhoon reconstruction); lower-than targeted government expenditures; adverse developments in Japan, Thailand, and the Middle East and North African region; and the weak global economic recovery.
• The Government reverted to a deficit reduction path in 2011 after opting for higher deficits in 2008 to 2010 to help support economic growth and generate employment. However, the Government spent significantly below target, contributing to the economy’s weaker-than-expected expansion. The 2011 budget deficit is estimated at roughly US$4.5 billion, 2% of GDP versus the approximately US$7 billion (3% of GDP) ceiling programmed for the year, which officials attributed to continuing efforts to promote good governance in public expenditure management.

• Average consumer price inflation accelerated from 3.8% in 2010 to 4.4% in 2010, due mainly to higher fuel and food prices, but was contained within the Government’s target range of 3.0% to 5.0% for the year.  

• The foreign exchange rate averaged 43.31 Philippine pesos (PhP) to the U.S. dollar during 2011, up 4.2% from the previous year. However, the peso closed 2011 flat from the end of 2010 (PhP43.84 per U.S. dollar) as escalating concerns about the Eurozone debt crisis and the global economic recovery exerted downward pressure on the local currency during the last quarter of the year.  

• The Philippine Stock Exchange Index, which had increased 63% in 2009 and another 38% in 2010, increased by a modest 4% in 2011 due to global economic and financial uncertainties.

• The balance of payments ended 2011 with a US$10.2 billion surplus, despite a wider merchandise trade deficit and lower foreign direct investment flows, supported by higher Filipino overseas remittances, business process outsourcing revenues, and foreign portfolio capital.  

• Gross international reserves rose 20.7% in 2011 to a new yearend record of
US$75.3 billion, a value equivalent to approximately 11 months of goods and service imports.

• The ratio of public and private sector foreign debt-service payments to merchandise and service exports declined from 9.3% to 8.9% during the first nine months of 2011 as somewhat lower foreign debt service payments combined with the continued expansion of overseas workers’ remittances.

• The January-November 2011 merchandise trade deficit widened by about 48% year on year to more than US$14 billion. Exports declined by 5.8% while imports increased by 3.6%. Revenues from electronics slumped 22%. According to U.S. Government data, January-November 2011 Philippine exports to the U.S. increased 15.1% year-on-year to US$ 8.4 billion while Philippine imports from the U.S. increased 5.2% to US$ 7.1 billion, resulting in a wider US$ 1.4 billion Philippine trade surplus with the U.S. than in 2010 (US$ 0.6 billion).
http://www.census.gov/foreign-trade/balance/c5650.html#2011

• For the first eleven months of 2011, Japan and the U.S. were the Philippines’ top import sources, each accounting for nearly 11% of total imports.
• Other major import sources include China (9.9% of the import market), Singapore (8.2%), Republic of Korea (7.2%), and Taiwan (6.9%).

Political Situation and Other Issues that Affect Trade
• Philippine voters elected President Benigno S. Aquino on May 10, 2010, by a wide margin to a six-year term in the country's first nationwide automated elections. Voters also elected the Vice President, half the Senate, the entire House of Representatives, as well as provincial and local leaders. The elections were credible, generally fair, and relatively peaceful, although observers expressed concern about reports of electoral fraud, which has traditionally occurred.
• With U.S. assistance, the Philippine government continues to make progress against Jemaah Islamiyah (JI) and Abu Sayyaf Group (ASG) terrorists operating in some areas of the southern Philippines. The Aquino administration has indicated support for continuing peace talks with domestic insurgent groups, including the communist National Democratic Front (NDF) and the Mindanao-based Moro Islamic Liberation Front (MILF).
• The U.S. Government in FY 2010 provided US$128 million in development assistance through USAID and USDA, as well as US$67 million in foreign military assistance. In FY 2011, the U.S. Government provided relief efforts totaling US$1.4 million for typhoon victims in Luzon, and flooding that hit the Visayas and Mindanao regions. This is in addition to logistical support provided for the delivery of relief supplies.
• The U.S. and Philippines in September 2010 signed a US$434 million, five-year Millennium Challenge Corporation Compact to reduce poverty and promote...
economic growth. The agreement will provide financial and technical assistance for three projects on institutional reform, community development, and infrastructure.

**Red Flag Market Challenges**

- **Graft and Corruption:** Graft and corruption in government and business remain a major business constraint, despite the Government’s effort to combat them. President Aquino’s ascent to power is due largely to his campaign promise to fight corruption, and promote and be an example of transparency and good governance.
- **Ineffective Judicial System:** A severe shortage of judges and prosecutors, corruption, and a weak record of prosecution plague the judicial process.
- **Limited Ownership:** The Philippines has restricted foreign ownership in selected industries. See Chapters 5 and 6 for complete restrictions.
- **Poor Intellectual Property Rights Protection:** A variety of counterfeit goods are commonly sold throughout the country. Due to the efforts of the Intellectual Property Office (IP Philippines) to control these sales, the U.S. Trade Representative moved the Philippines from the Special 301 Priority Watch List to the Watch List in 2006. However, enforcement remains inconsistent. There have been some notable accomplishments, such as the Anti-Camcording Act of 2010 and the October 2011 Supreme Court approval of the Rules of Procedure for Intellectual Property Rights Cases. Also in 2011, the Philippines was included in the Special 301 Out-of-Cycle Review for Notorious Markets. See Chapter 3 for a more detailed discussion on Intellectual Property Rights.
- **Regulatory System:** Product registration, product standards, and environmental and labeling requirements place restrictions on certain products. See Chapter 5 for additional information.
- **Value-Added Tax (VAT):** VAT is in place, by virtue of the Republic Act (RA) 9337. VAT is a 12% tax levied on the sale of goods and services and on the imports of goods into the Philippines. It is an indirect tax, which can be passed on to the buyer.
- **Infrastructure:** The Philippines lags behind many of its neighbors in infrastructure development. Major improvements are needed in transport infrastructure. Capacity at Ninoy Aquino International Airport (NAIA), the primary international gateway, is beyond rated levels and is a significant impediment to development and tourism. There is a need for a transportation master plan to determine what modes of transportation will best address vehicle congestion in key parts of the country. The new Aquino administration has launched its Public-Private Partnership (PPP) program in 2010 to address the country’s pressing infrastructure needs. Through the PPP, the government invites private corporations to invest in ten priority PPP projects. However, only one road project was bid and awarded in 2011. The critical aviation and rail infrastructure projects have been postponed for 2012. [http://ppp.gov.ph/](http://ppp.gov.ph/)
- **Air Transportation Safety:** In 2007, the Federal Aviation Administration (FAA) revised the Philippines’ aviation safety oversight category from Category 1 to
Category 2. In Category 2, Philippine air carriers will be permitted to continue current operations servicing the United States, but will be under heightened FAA surveillance. In 2010, the Philippines received further censure on its air safety practices. The Philippine Civil Aviation Authority was blacklisted by the European Union, and was found by the International Civil Aviation Organization (ICAO) to have Significant Safety Concerns (SSC). The Philippines air safety challenges have remained unresolved.

**Market Opportunities**

- For the fifth consecutive year the promising market sectors in the Philippines for U.S. companies are information technology, telecommunication, medical, electric power, and water resources, respectively.
- These sectors are further intertwined in the current Philippine government’s Public-Private Partnership (PPP) program targeting those projects of priority to the government. The Government of the Philippines actively seeks foreign investment to promote economic development of these PPP projects.
Market Entry Strategy

- Agents and distributors are commonly used in the Philippines. U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service, Manila (CS Manila).

Using an Agent or Distributor

Agent/distributor arrangements are common. Local companies are often eager to pursue discussions once they have examined a U.S. firm's website/product literature and have determined that there is a market for the product. Contracts between U.S. manufacturers and their Filipino agents/distributors typically contain the following key elements:
1. General Provisions: Identification of parties to the contract, duration of the contract, conditions for cancellation, definition of covered goods, definition of territory or territories,
and, whenever necessary, sole and exclusive rights;

2. Rights and Obligations of Manufacturer: Conditions of termination, protection of sole and exclusive rights, sales and technical support, tax liabilities, conditions of sale, delivery of goods, prices, order refusal, inspection of distributor's books, trademark/patent protection, information to be supplied by the distributor, marketing, advertising and sales promotion, responsibility for claims/warranties, and inventory requirements;

3. Rights and Obligations of Distributor: Safeguarding manufacturer's interest, intellectual property rights, payment arrangements, contract assignment, customs clearance, observance of conditions of sale, after-sales service, and information to be supplied to the manufacturer.

There are no laws that impede termination of an agent/distributor contract, should either party wish to do so. Contracts usually specify that a 30-day notice be given in the event of cancellation, or as mutually agreed upon by both parties. Standard agent commissions range from five to 10 percent, but vary by industry. Legal assistance in drafting and enforcing contracts is highly recommended.

A prototypical Philippine agent or distributor profile does not exist. Firms can range in size, from small (fewer than 25 employees handling a few specialized products on behalf of a limited number of manufacturers) to large trading companies handling a wide range of products and suppliers. Some firms focus on the Metro Manila area, whereas others provide additional service to provincial commercial centers such as Cebu, Davao, Iloilo, and Baguio; either directly or through a network of dealers, retailers, sub-agents, and/or re-sellers.

Local agents and distributors working with foreign suppliers often employ forward sales or indent arrangements. In a forward sales arrangement, distributors place an order from the foreign supplier and then sell the product to the local end-user or customer. Under an indent arrangement, end-users or customers directly place orders with the supplier. The indenter then receives a pre-determined commission for each successful sale. In some instances, distributors and/or their respective dealers also maintain inventories to serve the recurring requirements of major customers.

Corporate agents/distributors must register with the Philippine Securities and Exchange Commission (SEC). Sole proprietorship agents must register with the Department of Trade and Industry (DTI).

U.S. firms selecting a Philippine representative should consider, among other factors, the following: (a) whether the distributor has sufficient financial strength to maintain appropriate stock, provide effective after-sales service, or offer competitive payment terms; and (b) whether the representative's geographic sales area covers strategic markets in the Luzon, Visayas, and Mindanao regions.
U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service Manila, which include an International Partner Search (IPS), International Company Profile (ICP), the Gold Key Service (GKS), and Platinum Key Service at www.export.gov/eac.

**Establishing an Office**
The principal forms of business organization in the Philippines are sole proprietorships, partnerships, and corporations. Other less common business structures include joint stock companies, joint accounts, business trusts, and cooperatives.

Multinational firms, depending on the nature of their intended business activity in the Philippines, may establish and register any of the following: branch, subsidiary, licensing or franchising agreement, joint-venture agreement, regional headquarters (RHQ) and regional operating headquarters (ROHQ). Under the Republic Act (RA) 8756.

Foreign personnel working for regional headquarters are issued special multiple-entry visas (within 72 hours), upon submission of complete documents to the Bureau of Immigration (BI). They are also exempted from payment of attendant fees and enjoy tax and duty-free importation of personal and household effects.

**Import Tariffs**
The Philippines’ simple average applied tariff was 6.3 percent in 2011 according to the Philippine Tariff Commission, significantly below its WTO bound tariff rate of 25.44 percent. The Government of the Philippines (GPH) commenced a new five-year program schedule (2011-2015) in 2011. As a general rule, imported manufactured goods in competition with locally produced goods face higher tariffs than those without strong local competition. The GPH cites domestic and global economic developments to justify the modification of applied rates of duty for certain products, as a temporary protection for local producers in the agriculture and manufacturing sectors.

In January 2010, the Philippines reduced its duties to zero on 99 percent of all ASEAN Harmonized Tariff Nomenclature tariff lines (a total of 8,897 lines) to meet its commitments under the ASEAN Free Trade Area. For more information about free trade agreements, see the section on "Trade Agreements."

For additional information on Philippine applied tariffs:
http://www.tariffcommission.gov.ph/
http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm

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**Trade Barriers**

Agriculture Tariffs and Quotas
The average tariffs on agricultural products increased from 11.85% in 2006 to 11.94% in 2011 (http://www.tariffcommission.gov.ph/tariff2010.htm). The Philippines maintains a two-tiered tariff policy for sensitive agricultural products including rice, corn, pork, chicken meat, sugar and coffee. These products are subject to a tariff rate quota (TRQ) and all imports outside of the minimum access volume are taxed at a higher out-of-quota rate. In 2005, in-quota and out-of-quota tariff rates averaged 36.5% and 41.2%, respectively, and have not changed since. At present, a few TRQ products have achieved unified in-quota and out-of-quota tariff rates including: chicken, duck and goose meat, frozen or chilled (40%); turkey livers, frozen or chilled (40%); potatoes, fresh and chilled (40%); and roasted coffee beans (40%). Currently, there is an additional special safeguard duty in place for chicken meat, which effectively doubles the rate of out-of-quota tariff protection. Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established rules for implementing TRQs and allocating import licenses.

Safeguards, Antidumping, and Countervailing Duties
The Secretary of Trade and Industry and the Secretary of Agriculture have the legal authority to raise tariffs that protect a domestic industry from an import surge by virtue of the Safeguard Measures Act. In the case of an agricultural good, they may impose a quantitative cap in the form of the maximum access volume restriction. The Government of the Philippines (GPH) continues to levy safeguard duties on glass products, ceramic floor and wall tiles, and steel-angle bars.

Detailed information on the imposition of a safeguard measure and government agencies involved in a safeguard investigation can be obtained from the following websites: http://www.tariffcommission.gov.ph/safeguar.html

As of 2010, the Government of the Philippines maintains anti-dumping duties on clear float glass from Indonesia. For a comprehensive list of anti-dumping investigations initiated by the Philippines, you may refer to the following websites:
http://www.tariffcommission.gov.ph/orders_issued%20by%20DTI.htm
http://www.tariffcommission.gov.ph/semi-ann1.html

The GPH does not impose a countervailing duty on any product.
For additional information on safeguard measures, anti-dumping and countervailing duties, you may refer to the following:
http://www.tariffcommission.gov.ph/safeguar.html

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University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
Excise Taxes on Alcohol and Tobacco Products
The Philippines raised excise taxes on alcohol and tobacco products in 2005, extending preferential treatment for distilled spirits produced from indigenous raw materials and imposing significantly higher excise taxes on spirits made from non-indigenous raw materials. In October 2009, the United States formally observed WTO consultations between the European Communities and Philippine Government in Manila and requested its own WTO consultations with the Philippines in January 2010 on the discriminatory excise tax treatment on imported distilled spirits. A panel was formed in July 2010 and has expressed its intent to release the final report by June 2011. The Government of the Philippines continues its multi-tiered excise tax system for cigarettes. Some cigarette exporters note that Philippine law pegs excise taxes for older brands to their October 1996 retail prices, while new brands are taxed at their current retail price.

Import Requirements for Food Products
The Philippines is a signatory to the World Trade Organization (WTO) and has lifted quantitative restrictions (QRs) on imports of food products except for rice. Tariff-Rate Quotas (TRQs) still remain on a number of sensitive products such as corn, poultry meat, pork, sugar and coffee. Minimum Access Volumes (MAV) have been established for these commodities.

The GPH opened its rice market in 2002 when it allowed the private sector, mainly traders, to import rice. Prior to this, the National Food Authority (NFA) was the sole importer of rice. Private sector rice imports are assessed a 40 percent in-quota tariff rate and a 50 percent tariff for volumes beyond the quota. Import licenses are regulated by the NFA. In 2004, the GPH completed negotiations with other WTO members for the extension of its quantitative restrictions on rice, and in December 2006, their request for extension was approved by the WTO subject to certain concessions. In November 2011, the Philippine government formally signified to the WTO its intention to start discussions on extending the rice import quota for another three years.

On June 15, 2007, President Gloria Macapagal Arroyo signed Executive Order No. 627 (EO 627) which lowered the tariff rates of various agricultural products, in order to
implement the Philippine commitment on rice under the World Trade Organization (WTO) Agreement on Agriculture. EO 627 was published on June 28, 2007 and took effect immediately after.

Quarantine clearances that serve as import licenses are required prior to the importation of fresh fruits and vegetables as well as meat and meat products. All other food product imports do not have licensing requirements except for commodities entering duty-free or subject to an in-quota tariff such as pork, poultry, corn, coffee and coffee extract. In all cases, imported meat, fish and produce require a registered importer to be the receiver of the shipment.

**Important**

**Import Regulations for Processed Food Products**

Philippine food regulations generally follow the U.S. Food and Drug Administration policies and guidelines for food additives, good manufacturing practices, and suitability of packaging materials for food use. Hence, compliance with U.S. regulations for packaged foods, particularly for labeling, will almost always assure compliance with Philippine regulations. All food products offered for sale in the Philippines must be registered with the Philippine Food and Drug Administration (FDA). Registration of imported products may only be undertaken by a Philippine entity, although some documentation and, for certain types of products, samples need to be provided by the exporter. Products have been divided into two categories with distinct sets of registration requirements and procedures.

Category I includes: bakery & bakery related products; non-alcoholic beverages & beverage mixes; candies & confectionery products; cocoa & cocoa related products; coffee, tea & non-dairy creamer; condiments, sauces & seasonings; culinary products; gelatin, dessert preparation & mixes; dairy products; dressings & spreads; flour/flour mixes & starch; fish & other marine products; fruits, vegetable & edible fungi (prepared); meat and poultry products (prepared); noodles, pastas & pastry wrapper; nut & nut products; native delicacies; oils, fats & shortening; snack foods & breakfast cereals; and sugar & other related products.

Category II includes: alcoholic beverages; food supplements; tea (herbal); bottled drinking water; foods for infants and children; foods for special dietary use; transgenic food products (use of genetic engineering/biotechnology); and, ethnic food products with indigenous ingredient(s) not common in the Philippines.

Each class per brand of product must be registered with FDA by the importer before the product can be imported. Only products with a valid Certificate of Product Registration from FDA will be allowed for sale in the Philippines.
The following is the list of requirements for the registration of food products:

Category I
1. Letter of application for registration from importer/distributor
2. Accomplished Affidavit of Undertaking, typewritten and notarized
3. Accomplished product list by product classification, three (3) copies
4. Valid License to Operate (from FDA) with name of supplier/source(s) of imported food products
5. Copy of sales invoice
6. One sample of each product in commercial presentation and a copy of the label that is in conformance with Codex Labeling Regulations and FDA requirements. In lieu of product sample, a colored picture of each product may be submitted. A sticker indicating the name and address of the importer must be attached if such information is not printed on the label.
7. Registration fee of US$4 (PhP200) per product

Category II
1. Letter of application for registration from importer/distributor
2. Valid License to Operate (LTO) as an importer/distributor issued by FDA
3. Product Information
   a. List of ingredients in decreasing order of proportion. For additives with prescribed limit, the amount added must be indicated;
   b. Finished product specification (physic-chemical and microbiological)
4. Samples of the product in its commercial presentation for laboratory analysis
5. Loose label and labeling materials to be used for the products
6. Estimated shelf-life parameters used and methods for determining shelf-life
7. Brief description/flow diagram of the method of manufacture
8. Certificate of analysis. Include analytical methods used. Additional requirements for food supplements may apply as necessary;
9. Registration fee of US$5 (PhP250) to US$20 (PhP1,000) per product plus cost of laboratory analysis.

Laboratory testing by FDA for products under Category II is mandatory to determine the safety of the product and to assure that there will be no misbranding or adulteration of products. Products under Category I may be subject to random examination at any time, with the cost of laboratory analysis charged to the importer.

A Certificate of Product Registration (CPR) shall be issued by FDA and shall be valid for one (1) year. Subsequent renewal of CPR shall be valid for a period of five (5) years. Exporters must be aware that the Philippine importer needs to secure a license from FDA to bring in any of the products. This is a prerequisite for the registration of any food product. The license lists names of foreign suppliers or sources of the products being registered. Thus, the importer is required to obtain from the exporter and submit to FDA the following: a copy of the Foreign Agency Agreement duly authenticated by the Philippine Consulate in the country of origin; and a Certificate of Status of Manufacture.
by the exporter issued by the Government Health Agency from the country of origin, which should also be authenticated by the Philippine Consulate.

In March 2008, FDA issued Bureau Circular No. 6-A (2007) imposing additional requirements for imported products to be sold in the Philippines. FDA requires all importers to obtain a Certificate of Free Sale for the said product from the regulatory agency of the exporting country.

The cost of initial one-year licensing fee is US$80 (PhP4,000). Renewal of License to Operate, valid for two (2) years, is US$160 (PhP 8,000).

**Import Regulations for Fresh Produce and Meat**

The Bureau of Plant Industry (BPI) of the Philippine Department of Agriculture (DA) regulates imports of fresh fruits and vegetables. In response to pressure from domestic vegetable producers to limit imports as well as to crack down on illegal importation of fruits and vegetables into the Philippines, the DA has further tightened its import permit application procedures.

In September 2009, BPI issued a memorandum regarding the implementation of plant quarantine regulations. The memorandum reiterates that a Plant Quarantine Clearance (PQC) certificate issued by DA-BPI and a USDA Animal Plant Health Inspection Service (APHIS) Phytosanitary Certificate are both required for all imports of plant products and planting materials, including highly processed plant products such as frozen potato fries and raisins. Moreover, PQCs and Phytosanitary Certificates must be first secured for all imports before the shipment leaves the country of origin, unless covered by an Exemption Certificate issued by DA-BPI. Importers of soybean meal, Dried Distiller Grains with Solubles, etc. may obtain Exemption Certificates from DA-BPI at no cost. As previously done, these permits must be applied for by the Philippine importer for each shipment and secured prior to export from the United States. The date of shipment should not be earlier than the import permit.

In December 2009, the DA-BPI issued another memorandum clarifying this policy and enumerating alternative documents that are acceptable. Effectively immediately, the following documents will now be accepted for highly processed plant products lieu of the USDA phytosanitary certificates:

1. A certified true copy of the Philippine Food and Drug Administration/Bureau of Food and Drug (FDA) Certificate of Product Registration (CPR); and a photocopy of the U.S. Federal or State Government Health Certificate/Certificate of Free Sale; OR

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University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
In January 2006, the APHIS Regional Office in Manila submitted the pest list for the following U.S. vegetables: broccoli, cauliflower, lettuce, carrots, cabbage and celery to BPI as requested, in order for it to conduct a pest risk analysis. BPI and APHIS are currently in the process of negotiating the import protocols for the concerned vegetables. In the interim, BPI has expressed willingness to allow these products entry into the country provided that they are intended for the high-end market (i.e., hotels, restaurants and supermarkets). However, in August 2009, Memorandum Order No. 206, issued by DA-Bureau of Plant Industry limits the definition of high-end markets to hotels, restaurants and airlines only, and removes supermarkets, hypermarkets and groceries from the list of previously accepted high-end institutions. Moreover, all local importers must now show proof of high-end clients or buyers by presenting certifications of orders with corresponding volumes. This severely restricts the entry and availability of U.S. vegetables in the country.

**U.S. vegetables in the country.**

In 1995, BPI established plant health regulations, which allow the import of U.S. apples, grapes, oranges, potatoes, onions, and garlic from the United States, provided these products when necessary, undergo a specified cold treatment to control targeted pests. Importation of Florida grapefruit, oranges, and tangerines into the Philippines is permitted under a March 2000 protocol between the Philippines and the United States. In 2004, BPI formally allowed the entry of U.S. fresh cherries into the country. More information on import requirements for fresh fruits and vegetables may be downloaded from [http://bpi.da.gov.ph/](http://bpi.da.gov.ph/)

In September 2005, the DA issued Administrative Order No. 26 (AO26) or the “Revised Rules, Regulations and Standards Governing the Importation of Meat and Meat Products into the Philippines.” AO26 reiterates the need for a DA-accredited importer to obtain a Veterinary Quarantine Clearance (VQC) certificate prior to the importation of meat and meat products. A VQC will now be valid for 60 days from the date of issuance, within which the meat or meat products are to be shipped from the country of origin, and may no longer be extended beyond that. A VQC is non-transferable and can only be used by the consignee to whom it was issued. A one shipment/bill-of-lading per VQC issued policy will be strictly adhered to. The complete text of Administrative Order No. 26 may be obtained from: [http://www.da.gov.ph/](http://www.da.gov.ph/)

At present, all U.S. meat establishments that are regulated and inspected by the USDA Food Safety and Inspection Service (FSIS) are eligible to export meat and poultry to the Philippines.

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**Sensitivity about labels**

There is a great deal of sensitivity in the Philippines about U.S. food products that are
packed in cartons with labels indicating shipment to another country. It is recommended that such markings be covered or removed since the Philippines does not require the cartons to be marked for export to the Philippines.

In December 2009, the Philippines DA issued Administrative Order No. 22 (AO22) or the “Regulations on the Hygienic Handling of Meat”. AO22 requires frozen meat sold in retail to be stored in freezers, individually packed, and properly labeled while including no such cold chain, packaging and labeling requirements for freshly slaughtered “warm” meat. The United States and other major trading partners have strongly opposed this regulation and see it as discriminatory against imported meat, the vast majority of which is frozen.

**Sensitive Agricultural Products**
Tariff rates for sensitive agricultural products were established in Executive Order 313 of March 1996, which set varying in-quota and out-quota rates for products considered important to domestic agriculture: pork, coffee, poultry, sugar and corn. In-quota rates apply to products imported within established minimum access volumes (MAV). Any imports in excess of the MAV are assessed the out-of-quota rate. MAV products are those for which the GPH committed to providing minimum market access in exchange for the lifting of quantitative import restrictions in the WTO. The MAV Administration including its allocation is handled by a special MAV Management Committee. Please contact the USDA Foreign Agricultural Service in Manila (AgManila@usda.gov) for further information on minimum access volumes and current MAV license holders.

**Import Regulations for Biotechnology-Derived Products**
In April 3, 2002, the DA issued Administrative Order No. 8 (AO 8) which regulates the importation and release into the environment of genetically modified plants and plant products. Under AO 8, no regulated article shall be imported or released into the environment without the conduct of a satisfactory risk assessment. The BPI issues permits for the importation of regulated articles for contained use or trials, as well as for direct use as food or feed or for direct processing of GM plants and plant.
A detailed report that specifically addresses import regulations and standards is available, entitled: The Philippines: Food and Agricultural Import Regulations & Standards Country Report (FAIRS) and can be obtained from the FAS homepage www.fas.usda.gov choose Market and Trade Data, Attaché Report Search, then select FAIRS Country Reports and the Philippines. You can also access the report through the following URL:

**Import Requirements and Documentation**
As a general rule, all types of merchandise are allowed for importation into the Philippines. However, for reasons of public health and safety, national security, international commitments, and development/rationalization of local industry; the
importation of certain commodities is regulated or prohibited. Imports are classified as follows:
1. Freely Importable Commodities - The importation of these commodities is neither regulated nor prohibited as defined under (2) and (3). They may be imported without the prior approval of or clearance from any government agency.
2. Regulated Commodities - The importation of these commodities requires clearances/permits from appropriate government agencies, including the Philippine Central Bank or Bangko Sentral ng Pilipinas (BSP) (http://www.bsp.gov.ph).
3. Prohibited Commodities - The importation of these commodities is not allowed under existing laws.


The importation status of any commodity (whether prohibited, regulated, or freely importable) may be checked/verified with the Bureau of Customs (BOC) (http://www.customs.gov.ph), Bureau of Import Services (BIS) of the Department of Trade and Industry (DTI) (http://www.dti.gov.ph), or BSP and any of its authorized agent banks. The Department of Agriculture (DA) (http://www.da.gov.ph) can verify the importation status of agricultural products, as well as, indicate whether a Minimum Access Volume Import Certificate is required, such as for the importation of swine, chicken, etc.

**Import documents required for shipments to the Philippines include:**
- Commercial invoice/Pro Forma invoice
- Bill of lading (for sea freight) or air waybill (for air freight)
- Certificate of origin (if requested)
- Packing list
- Special certificates/Import clearance/permit depending on the nature of goods being shipped and/or requested by the importer/bank/letter of credit clause (e.g., Bureau of Food and Drugs (BFAD) license)
- Commercial Invoice of Returned Philippine Goods and/or Supplemental

**Declaration on Valuation**
For a Letter of Credit (L/C) transaction, a duly accomplished L/C, including a Pro-forma Invoice and Import Entry Declaration for Advance Customs Import Duty (ACID), is required. A Pro-forma Invoice is required for a non-L/C transactions (e.g., Draft Documents against Acceptance (D/A), Documents against Payment (D/P), Open Account (OA) or self-funded documentation).
U.S. Export Controls
For information on the latest U.S. export and re-export control regulations, please go to the following website: http://www.bis.doc.gov

Temporary Entry
Section 105 of the Tariff and Customs Code of the Philippines (TCCP) contains the regulations and requirements for products entering the Philippines temporarily, such as but not limited to the following: equipment for use in the salvage of vessels or aircraft; articles brought into the Philippines for repair, processing or reconditioning to be re-exported upon completion of the repair, processing, or reconditioning; articles used exclusively for public entertainment, and for display in public expositions, or for exhibition or competition for prizes, and devices for projecting pictures and parts; and articles brought by foreign film producers directly and exclusively used for making or recording motion picture films on location in the Philippines. The articles listed in Section 105 of the TCCP are exempted from the payment of import duties subject to conditions as defined in the TCCP.

Section 2103 of the TCCP covers certain cases wherein an intent to export is shown in the covering commercial documents of imported articles where the Collector of Customs may authorize the filing of an entry for immediate exportation, under bond.

Labeling and Marking Requirements
The marking and labeling requirements are specified in the Consumer Act of the Philippines (Republic Act No. 7394) and in the specified Philippine National Standards (PNS).

To guide the consumers in the purchase of critical products, including electrical, and electronics, consumer and chemical and construction and building materials, they are encouraged to look for the Philippine Standard (PS) and Import Commodity Clearance (ICC) marks on the products or product packages.

Consumers are educated on these quality and safety marks through the Department of Trade and Industry-Bureau of Product Standards (DTI-BPS)’ Standards Blitz Program. For additional information on labeling and marking requirements, visit: http://www.bps.dti.gov.ph/

Contact details:
Ms. Carmencita B. Magno
Officer-in-Charge
Bureau of Product Standards
Department of Trade and Industry
3rd Floor, Trade and Industry Building
361 Sen. Gil J. Puyat Avenue
Makati City, Philippines
Tel: (632) 751-3123, 751-3125
Red Flag Prohibited and Restricted Imports

Philippine law restricts the importation of certain goods for reasons of national security, environmental and public health protection, order and morality; and to comply with international treaties and obligations.

Prohibited Goods Include:
- Used Clothing and Rags (Republic Act No. 4653);
- Toy Guns (LOI[Letter of Instruction-should it be written out?] 1264);
- Right-Hand Drive Vehicles (Republic Act No. 8506); and
- Laundry and Industrial Detergents containing hard surfactants (Republic Act No. 8970).

Section 101 of the Tariff and Customs Code of the Philippines also includes the following import restrictions:
- Dynamite, gunpowder, ammunitions and other explosives, firearms, weapons of war, and parts thereof, except when authorized by law;
- Written or printed articles in any form containing any matter advocating or inciting treason, or rebellion, insurrection, sedition, or subversion against the Government of the Philippines (GPH), or forcible resistance to any law of the Philippines, or containing any threat to take the life of, or inflict bodily harm upon any person in the Philippines;
- Written or printed articles, negatives or cinematographic film, photographs, engravings, lithographs, objects, paintings, drawings, or other representation of an obscene or immoral character;
- Articles, instruments, drugs and substances designed, intended or adapted for producing unlawful abortion, or any printed matter, which advertises or describes or gives directly or indirectly information where, how or by whom unlawful abortion is produced;
• Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes, or other when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;
• Lottery and sweepstakes tickets except those authorized by the Philippine government, advertisements thereof, and list of drawings therein;
• Any article manufactured in whole or in part of gold, silver or other precious metals or alloys thereof, the stamps, brands or marks or which do not indicate the actual fineness of quality of said metals or alloys;
• Any adulterated or misbranded articles of food or any adulterated or misbranded drug in violation of the provisions of the Food and Drug Act;
• Marijuana, opium, poppies, coca leaves, heroin or any other narcotics or synthetic drugs, which are or may hereafter be declared habit forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, except when imported by the GPH or any person duly authorized by the Dangerous Drugs Board, for medical purposes only;
• Opium pipes and parts thereof, or whatever material; and,
• All other articles and parts thereof, the importation of which is prohibited by law or rules and regulations issued by competent authority as amended by Presidential Decree No. 34.

Regulated/Restricted Commodities
A broad range of commodities require import clearance/licenses from appropriate government agencies prior to importation into the Philippines. Discretionary licensing arrangements are in place for rice imports. The National Food Authority (NFA) is the sole importer of rice and continues to be involved in imports of corn. Private grain dealers may be allowed to import rice only with an import clearance.

Imports of fresh, chilled, or frozen fish and fish products may be allowed only when certified by the Secretary of Agriculture as necessary for food security. One explicit criterion is potential threat to domestic industry.

Furniture manufacturers, agents, log and lumber contractors and lumber dealers may import wood materials under several different licensing regimes. Importers must submit a Phytosanitary Certificate issued by the country of origin to the Department of Agriculture-Bureau of Plant Industry (DA-BPI).

Imports of biotech plants and plant products for direct use as seeds, feeds, food, and further processing may be allowed only if these products are authorized for commercial distribution as food or feed in the country of origin, and upon presentation by the importer of documents showing that its use will not pose significant risks to human and animal health. The DA issues five-year permits either for contained use or for direct use as food, feed, or further processing.

Products approved for importation are added to the approval registry for direct use, and
these importers do not need to secure an import permit, but only provide notice to the 
DA-BPI of the arrival of their shipments within fifteen days of actual arrival.

Contacts, Market Research and Trade Events

**U.S. Embassy Contacts:**
U.S. Embassy Manila  
http://manila.usembassy.gov/  
U.S. Commercial Service  
http://buyusa.gov/philippines  
Foreign Agricultural Service (FAS)  
http://www.fas.usda.gov  
Animal Plant Health Inspection Service (APHIS)  
http://www.aphis.usda.gov  
Joint U.S. Military Assistance Group to the Republic of the Philippines (JUSMAG)  
http://manila.usembassy.gov/us-agencies2/joint-u.s.-military-assistance-group  
U.S. Agency for International Development (USAID)  
http://philippines.usaid.gov  
U.S. Liaison to the Asian Development Bank (CS-ADB)  
http://www.buyusa.gov/adb  
U.S. Defense Attaché Office (DAO)  
http://manila.usembassy.gov  
U.S. Embassy Economic Section  
http://manila.usembassy.gov/www3009.html

**Trade and Industry Associations:**
American Chamber of Commerce Philippines (AMCHAM)  
http://www.amchamphilippines.com  
Chamber of Furniture Industries of the Philippines (CFIP)  
http://www.cfip.org.ph  
Chamber of Mines of the Philippines  
http://www.chamberofmines.com.ph  
Chamber of Real Estate & Builders Associations, Inc. (CREBA)  
http://www.creba.ph  
Chemical Industries Association of the Philippines  
http://www.spik-ph.org  
Computer Distributors and Dealers Association of the Philippines (COMDDAP)  
http://www.comddap.org  
Filipino-Indian Chamber of Commerce (Philippines), Inc.  
http://www.come.to/ficc  
Integrated Telecommunications Suppliers Association of the Philippines (ITESAP)  
http://www.itesap.com  
Institute of Integrated Electrical Engineers of the Philippines, Inc. (IIIE)  
http://www.ieee.org.ph
Philippine Association of Medical Technologists (PAMET)
http://www.pametinc.org
Philippine Association of Water Districts (PAWD)
http://www.pawd.org.ph
Philippine Constructors Association (PCA)
http://www.philconstruct.com
Philippine Exporters Confederation Inc. (PHILEXPORT)
http://www.philexport.ph
Philippine Retailers Association (PRA)
http://www.philretailers.com
Society of Philippine Electrical Contractors (SPECS)
http://www.specs.org.ph

**Government Agencies:**
Bangko Sentral ng Pilipinas (BSP)
http://www.bsp.gov.ph
Bureau of Export Trade Promotion
http://tradelinephil.dti.gov.ph/betp/dti2.main
Bureau of Immigration
http://www.immigration.gov.ph
Bureau of Internal Revenue (BIR)
http://www.bir.gov.ph
Bureau of Product Standards (BPS)
http://www.bps.dti.gov.ph
Civil Aviation Authority of the Philippines (CAAP)
http://www.caap.gov.ph
Clark Development Corporation (CDC)
http://www.clark.com.ph
Department of Agriculture (DA)
http://www.da.gov.ph
Department of Energy (DOE)
http://www.doe.gov.ph
Department of Environment and Natural Resources (DENR)
http://www.denr.gov.ph
Department of Finance (DOF)
http://www.dof.gov.ph
Department of Health (DOH)
http://www.doh.gov.ph
Department of the Interior and Local Government (DILG)
http://www.dilg.gov.ph
Department of Public Works and Highways (DPWH)
http://www.dpwh.gov.ph
Department of Science & Technology (DOST)
http://www.dost.gov.ph
Department of Trade and Industry (DTI)
http://www.dti.gov.ph
Energy Regulatory Commission (ERC)
http://www.erc.gov.ph
Housing and Urban Development Coordinating Council (HUDCC)
http://www.hudcc.gov.ph
Institute of Integrated Electrical Engineers of the Philippines, Inc. (IIIEE)
http://www.iiee.org.ph
Insurance Commission
http://www.insurance.gov.ph
Intellectual Property Office (IPO)
http://www.ipophil.gov.ph
Mines and Geosciences Bureau (DENR-MGB)
http://www.mgb.gov.ph
National Computer Center (NCC)
http://www.ncc.gov.ph
National Economic and Development Authority (NEDA)
http://www.neda.gov.ph
National Grid Corporation of the Philippines (NGCP)
https://www.ngcp.ph
National Power Corporation (NPC)
http://www.napocor.gov.ph
National Telecommunications Commission (NTC)
http://portal.ntc.gov.ph
National Transmission Corporation (TransCo)
http://www.transco.ph
Philippine Coast Guard (PCG)
http://www.coastguard.gov.ph
Philippine Economic Zone Authority (PEZA)
http://www.peza.gov.ph
Philippine National Government Website
http://www.gov.ph
Philippine National Police (PNP)
http://www.pnp.gov.ph
Philippine National Railways (PNR)
http://www.pnr.gov.ph
Philippine Ports Authority (PPA)
http://www.ppa.com.ph
Power Sector Assets Liabilities and Management Corporation (PSALM)
http://www.psalm.gov.ph
Securities and Exchange Commission
http://www.sec.gov.ph
Subic Bay Metropolitan Authority (SBMA)
http://www.sbma.com
Tariff Commission  
http://www.tariffcommission.gov.ph

**Market Research**  
To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports. Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

**Trade Events**  
Please click on the link below for information on upcoming trade events.  
http://www.export.gov/tradeevents/index.asp or  

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Below is a table of contents to assist you in Taiwan and China. This link will take you to the complete 112 page report.  
http://www.buyusainfo.net/docs/x_1045101.pdf

- Chapter 1: Doing Business In Taiwan  
- Chapter 2: Political and Economic Environment  
- Chapter 3: Selling U.S. Products and Services  
- Chapter 4: Leading Sectors for U.S. Export and Investment  
- Chapter 5: Trade Regulations, Customs and Standards  
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**Sample of Contents in Taiwan’s Guide**

**Taiwan Market Overview**  
Population: 23,234,936 (July 2012 est.)  
Nationality: Taiwanese 84% and mainland Chinese 14%  
Languages: Mandarin Chinese (official) and Taiwanese
Religions: Mixture of Buddhist and Taoist 93% and Christian 4.5%

View from Memorial Hall in Taipei, Taiwan

Taiwan was the United States' 15th largest goods export market in 2011. U.S. goods exports to Taiwan in 2011 were $25.9 billion, down 0.6% ($145 million) from 2010. U.S. exports to Taiwan accounted for 1.7% of overall U.S. exports in 2011.

Top U.S. export categories to Taiwan in 2011 were
- Electrical Machinery ($5.0 billion),
- Machinery ($4.6 billion),
- Iron and Steel ($1.9 billion),
- Optic and Medical Instruments ($1.9 billion), and
- Organic Chemicals ($1.4 billion).

U.S. exports of agricultural products to Taiwan totaled $3.6 billion in 2011, the 6th largest U.S. Ag export market.

Top U.S. export agricultural and food products to Taiwan in 2011 were
- coarse grains ($810 million),
- soybeans ($704 million),
- wheat ($398 million),
U.S. exports of private commercial services* (i.e., excluding military and government) to Taiwan were $10.7 billion in 2011 (preliminary data), 15% ($1.4 billion) more than 2010. Royalties and license fees, and other private services (business, professional and technical services and education) categories accounted for most of U.S. services exports to Taiwan. Find more information at United States Trade Representative website at http://www.ustr.gov/countries-regions/china/taiwan

**Market Challenges**
Taiwan is a sophisticated consumer market. Plugged into consumer trends in Japan and Korea, awash in products from mainland China and other lower-cost producers in Asia, and well aware of market developments in America and around the globe. Taiwan is generally a target market for high quality, differentiated or unique products, rather than commodity items.

At the same time, it is generally a very price-sensitive market, and imported products must conform to certain standards and labeling regulations required of all products in this market. Generally, a local agent will assist with this.

**Market Opportunities**
The fact that Taiwan is the America’s 15th largest export market despite its small size indicates a general openness to U.S. products and services. Taiwan’s accession to the World Trade Organization (WTO) in 2002 and the WTO Government Procurement Agreement in 2009 led to further dismantling of non-tariff barriers and a general lowering of the remaining tariffs.

These actions further enhance U.S. opportunities in this market, which break down generally into high-value-added components and other inputs for the high-tech manufacturing sector (e.g., electronic production and test equipment, petrochemical products); food and other agricultural products; and “American lifestyle” goods and services sought by Taiwan’s affluent population, running the gamut from luxury consumer goods to healthcare products.
Market Entry Strategy
Most new-to-market exporters entering Taiwan begin by finding a local partner to serve as agent, distributor, and/or representative. The Commercial Section of the American Institute in Taiwan at http://www.ait.org.tw/en/commercial-section.html can offer assistance in locating pre-qualified partners, agents, and distributors, and can also answer many of your questions regarding doing business in Taiwan.

Taiwan’s banking and international remittance systems are well developed, and there are no foreign exchange regulations that would significantly hamper a U.S. exporter from getting paid. Irrevocable letters of credit are widely used and “L/Cs” from leading Taiwan financial institutions can generally be confirmed by U.S. banks.

One characteristic of Taiwan’s economy is the relative importance of small and medium sized enterprises (SMEs). While Taiwan does have large state-owned enterprises (now moving towards privatization in some sectors), and has produced some very large private companies such as the Formosa Group and Taiwan Semiconductor Manufacturing Company, the vast majority of firms on the island employ fewer than 200 people. SMEs (small to medium enterprises) are quite active in trading as well as manufacturing, and offer a large pool of prospective agents, distributors, and representatives that can capably represent U.S. companies in Taiwan.

Contacts, Market Research and Trade Events

Contacts
American Institute in Taiwan (AIT)
Commercial Section
Chief: Helen Hwang
Suite 3207, No. 333 Keelung Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2720-1550 ext. 382
Fax: 886-2-2757-7162
Website: http://export.gov/taiwan
Agriculture Trade Office
Director: Vacant
Suite 704, No. 136 Jen Ai Rd., Sec. 3, Taipei, Taiwan
Tel: 886-2-2705-6536 ext. 287
Fax: 886-2-2706-4885
Website: http://www.ait.org.tw
Agriculture Section
Chief: Jeffrey Hesse
No. 7, Lane 134, Hsin Yi Rd., Sec. 3, Taipei, Taiwan
Tel: 886-2-2162-2000 ext. 2317
Fax: 886-2-2162-2238
Website: http://www.ait.org.tw
Economic Section
Chief: Alan R. Tousignant
No. 7, Lane 134, Hsin Yi Rd., Sec. 3, Taipei, Taiwan
Tel: 886-2-2162-2000 ext. 2374
Fax: 886-2-2162-2240
Website: http://www.ait.org.tw
Washington, D.C.-Based Country Contacts
U.S. Department of Commerce
Trade Information Center
1401 Constitution Ave., NW, Washington, D.C. 20230
Tel: 1-800-USA-TRADE
Fax: 202-482-4473
Website: http://export.gov
AIT/Washington
Trade and Commercial Programs
Director: Rick Ruzicka
Suite 1700, 1700 N. Moore Street
Arlington, VA 22209
Tel: 703-525-8474; Fax: 703-841-1385
U.S. Department of Commerce
US & Foreign Commercial Service, East/Asia Pacific
Regional Director: Daniel Harris
Room 3009, 14th and Constitution Ave. NW, Washington, D.C. 20230
Tel: 202-482-0423; Fax: 202-501-6165
Website: http://export.gov
U.S. Department of Commerce
US & Foreign Commercial Service
Market Access and Compliance
Senior Taiwan and Malaysia Affairs Officer, Room 2328
14th and Constitution Ave. NW, Washington, D.C. 20230
Tel: 202-482-2611; Website: http://trade.gov/mac/
U.S. Department of Agriculture
Foreign Agricultural Service (FAS)
Office of Trade Program
South Building, 1400 Independence Ave. SW, Washington, D.C. 20250
Tel: 202-690-3576
Website: http://www.usda.gov
Trade or Industry Associations
American Chamber of Commerce in Taipei
President: Andrea Wu
Suite 706, No. 129 Minsheng E. Road, Sec. 3, Taipei, Taiwan
Tel: 886-2-2718-8226
Fax: 886-2-2718-8182
Website: http://www.amcham.com.tw
Importers and Exporters Association of Taipei
Chairman: Kuo, Chao-Liu
No. 350 Sungchiang Rd., Taipei, Taiwan
Tel: 886-2-2581-3521
Fax: 886-2-2523-8782
Website: http://www.ieatpe.org.tw
Chinese National Association of Industry & Commerce
Chairman: Kenneth C.M. Lo
13F, No. 390 FuXing S. Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2707-0111
Fax: 886-2-2707-0977
Website: http://www.cnaic.org
US-Taiwan Business Council
President: Paul D. Wolfowitz
Suite 1703, 1700 North Moore Street
Arlington, Virginia 22209
Tel: 703-465-2930; Fax: 703-465-2937
Website: http://www.us-taiwan.org
Taiwan External Trade Development Council (TAITRA)
President and CEO: Chao, Yuen-Chuan
5-7F, No. 333 Keelung Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2725-5200
Fax: 886-2-2757-6652
Website: http://www.taitra.org.tw
Chinese National Federation of Industries
Chairman: Preston W. Chen
12F, No. 390 FuXing S. Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2703-3500
Fax: 886-2-2705-8317
Website: http://www.cnfi.org.tw

Taiwan Agencies
Ministry of Economic Affairs (MOEA)
Minister: Shih, Yen-Shiang
No. 15 FuZhou St., Taipei, Taiwan
Tel: 886-2-2321-2200
Fax: 886-2-2391-9398
Website: http://www.moea.gov.tw

Ministry of Finance (MOF)
Minister: Liu, Christina
No. 2 AiGuo W. Rd., Taipei, Taiwan
Tel: 886-2-2322-8000
Fax: 886-2-2356-8774
Website: http://www.mof.gov.tw

Board of Foreign Trade (BOFT), MOEA
Director General: Cho, Shih-Chao
No. 1 HuKou St., Taipei, Taiwan
Tel: 886-2-2321-0271
Fax: 886-2-2351-7080
Website: http://www.trade.gov.tw

Financial Supervisory Commission (FSC)
Chairman: Chen, Yuh-Chang
18F, No. 7 SianMin Blvd., Sec. 2, Banciao City, Taipei County, Taiwan
Tel: 886-2-8968-0899
Fax: 886-2-8968-1215
Website: http://www.fscey.gov.tw

Ministry of Transportation and Communications (MOTC)
Minister: Mao, Chi-Kuo
No. 50, Ren-Ai Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2349-2900
Fax: 886-2-2349-2491
Website: http://www.motc.gov.tw

Council of Agriculture (COA)
Minister: Chen, Bao-ji
No. 37 NanHai Rd., Taipei, Taiwan
Tel: 886-2-2381-2991
Fax: 886-2-2331-0341
Website: http://www.coa.gov.tw

Department of Health (DOH)
Minister: Chiu, Wen-Ta
No. 36 Tacheng St., Taipei, Taiwan
Tel: 886-2-8590-6666
Fax: 886-2-8590-6051
Website: http://www.doh.gov.tw
Environmental Protection Administration (EPA)
Minister: Shen, Shih-Hung
No. 83 ZhongHua Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2311-7722
Fax: 886-2-2311-6071
Website: http://www.epa.gov.tw
Bureau of Standards, Metrology and Inspection (BSMI), MOEA
Director General: Chen, Jay-San
No. 4 Jinan Rd., Sec. 1, Taipei, Taiwan
Tel: 886-2-2343-1700
Fax: 886-2-2356-0998
Website: http://www.bsmi.gov.tw
Small & Medium Enterprise Administration, MOEA
Director General: Dr. Robert Sun-Quae Lai
3F, No 95 Roosevelt Rd., Sec. 2, Taipei Taiwan
Tel: 886-2-2366-2200
Fax: 886-2-2367-3896
Website: http://www.moeasmea.gov.tw

Other U.S. Government Contacts
U.S. Department of State
Bureau of Economic and Business Affairs
Office of Commercial and Business Affairs
2201 C Street NW
Washington, D.C. 20520
Tel: 202-647-4000
Fax: 202-647-3953
Website: http://www.state.gov
Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Tel: 202-565-3910
Fax: 202-565-3930
Website: www.exim.gov
Overseas Private Investment Corporation
1100 New York Avenue, NW
Washington, D.C. 20527
Tel: 202-336-8400
Fax: 202-336-7949
Website: http://www.opic.gov

Market Research
To view market research reports produced by the U.S. Commercial Service please go to
the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports. Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

**Trade Events**
Please click on the link below for information on upcoming trade events.
http://export.gov/tradeevents/index.asp
http://export.gov/taiwan
Market Research for China

Below is a table of contents to assist you in Taiwan and China. This link will take you to the complete 120 page report.
http://export.gov/china/static/2012%20China%20CCG%20Final_Latest_eg_cn_025684.pdf

- Chapter 1: Doing Business in China
- Chapter 2: Political and Economic Environment
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Sample of Contents in China’s Guide

China Market Overview
Population: 1.3 billion
Religion(s): Officially atheist; most common religions are Taoism and Buddhism, followed by Islam and Christianity.
Government: Communist Party-led state; President: Hu Jintao
Language(s): Mandarin; many local dialects

China responded quickly to the global economic downturn in 2008, and as a result of a combination of monetary, fiscal, and bank-lending measures, China’s GDP grew 9.2 percent in 2009, 10.3 percent in 2010, and 9.2 percent in 2011. GDP in 2012 is expected to grow 7.5 percent, with GDP projections for

The Hall of Supreme Harmony as seen from the Inner Courtyard of the Forbidden City in Beijing. The Hall was destroyed by fire seven times and was last rebuilt in 1695-97.
2013 not expected to be far off that mark at between 8.3 percent and 8.8 percent. After a 2010 consumer price index (CPI) of 3.3 percent, China’s inflation rate rose to 5.53 percent in 2011.

China’s economy has seen enormous benefits from fixed asset investments, particularly in response to the financial crisis of 2008, which significantly reduced net exports. This investment-led growth, however, is widely perceived as non-sustainable and China’s leadership addressed this concern in its 12th Five-Year Plan (12th FYP), which came out in 2011. The plan aims to increase consumption activity from approximately 35 percent of GDP in 2010 to 50 percent by 2015. In comparison, about 70 percent of the United States’ GDP is derived from consumption, whereas 63 percent of Brazil’s GDP is driven by consumption. The rebalancing of China’s economy should create opportunities for U.S. companies that provide consumer products and services. Environmental protection is also a high priority in the 12th FYP. Despite China’s gradually slowing GDP, U.S. exports to China increased to $100 billion in 2011, up from $91 billion in 2010. The U.S. trade deficit with China widened to $295 billion, up from 2010’s deficit of $273 billion. China remains the United States’ second largest trading partner after Canada. U.S. agricultural, fishery, and forestry exports to China from January to December 2011 reached a new high of $21.9 billion, up 13 percent from 2010. China is the second-largest U.S. overseas market for agriculture, fish, and forestry exports. Given China’s rising incomes and demand for raw materials and finished foodstuffs, FAS forecasts that China’s imports will continue to grow well into the future.

China’s inbound FDI climbed nearly 16 percent in the first three quarters of 2011, reaching $95 billion, up from 15.9 percent in 2010. Similarly China’s outbound FDI rose 14.1 percent, for a total of $46.3 billion.

China’s rapid economic growth, especially in the urban areas, has led to a booming consumer market for high-end goods and services, including tourism and education. China will account for the consumption of about 20 percent of global luxury goods by 2015, or $27 billion. About 80 percent of people buying luxury items in China are 45 years or younger, whereas that percentage is only half for the United States.
By 2020, China's middle class is expected to account for around 45 percent of the population, or approximately 700 million people.

Despite these remarkable changes, China is still a developing country with significant economic divisions between urban and rural areas, albeit one with vast potential. The number of migrant workers remains high. In 2011, the urban population exceeded that residing in rural areas for the first time, with 690.79 million urbanites (more than double the U.S. population) versus 656.56 million rural dwellers. As of 2011, the per-capita disposable income of urban residents was $3,454 and the per-capita disposable income of rural residents stood at $1,105.

**Red Flag Market Challenges**

In addition to large multinationals, many of which continue to earn impressive returns on their exports to and investments in China’s market, American small and medium-sized enterprises (SMEs) are also active here. The U.S. Department of Commerce's Commercial Service (CS) counsels American companies that in order to succeed in China’s market, they must thoroughly investigate their specific market, take heed of product standards, and pre-qualify potential business partners. Stumbling blocks that foreign companies often run into while doing business in China can be grouped into the following broad categories.

China often lacks predictability in its business environment. China’s current legal and regulatory system can be opaque, inconsistent, and often arbitrary. Implementation of the law is inconsistent. Lack of effective protection of intellectual property rights is a particularly damaging issue for many American companies. Both those that already operate in China and those that have not yet entered the market have had their product IP stolen by Chinese companies.

China has a government that, in some sectors of the economy, could be called mercantilist due to the significance of exports in the growth model. China has made significant progress toward a market-oriented economy, but parts of its bureaucracy still seek to protect local firms, especially state-owned enterprises, from imports, while encouraging exports.

China retains much of the apparatus of a planned economy, with five-year plans setting economic goals, strategies, and targets. The State and the Communist Party directly manage the only legal labor union.

**Market Opportunities**

The growth of imports from the United States in many key sectors, such as energy, chemicals, transportation, medical equipment, construction, machinery and a range of services, suggests that China will remain an important and viable market for a wide range of products and services. With growing numbers of Chinese traveling abroad for education and leisure purposes, China’s contribution to U.S. educational institutions and the tourism industry is increasingly important as well.
China is a challenging market and requires a strong understanding of a firm’s capabilities and in-depth knowledge of the market. Before making a decision to enter the Chinese market, potential exporters should first consider their own resources, past exporting experience, and have a willingness to commit a significant amount of time exploring opportunities for their products and services in China. CS has continued to emphasize that long-term relationships are key to finding a good partner in China. To maximize their contacts, companies should aim at forming a network of relationships with people at various levels across a broad range of organizations.

**Market Entry Strategy**

CS welcomes contact with American companies that aim to initiate or expand exports to the Chinese market. Two of the primary objectives of U.S. policy with regard to China are (a) creating jobs and growing the American economy by increasing exports, and (b) ensuring our companies’ ability to compete on a level playing field. A company should visit China in order to gain a better perspective and understanding of its potential as a market. Given the size of China and its rapidly changing market, a visit to China can provide great insight into the country’s business climate and its people. Chinese company representatives respect face-to-face meetings, which can demonstrate a U.S. company’s commitment to working in China. Prospective exporters should note that China has many different regions and that each province has unique economic and social characteristics.

U.S. companies commonly use agents in China to initiate these relationships. Localized agents possess the knowledge and contacts to better promote U.S. products and break down institutional, language, and cultural barriers. CS in China offers a wide array of services to assist U.S. exporters in finding Chinese partners through a network of five Commercial Service posts in China (Beijing, Shanghai, Shenyang, Guangzhou, Chengdu). They also have a partnership with the China Council for the Promotion of International Trade (CCPIT) to provide services in 14 other major cities in China. U.S. companies are strongly encouraged to carefully choose potential Chinese partners and take the time to fully understand their distributors, customers, suppliers, and advisors.

Using an Agent or Distributor

China’s fast-growing economy attracts international participation, including exports from U.S. small and medium-sized enterprises (SMEs). Unlike large international or multinational companies that establish operations for branding, marketing and various business activities in China, SMEs with limited budgets, when expanding their business, usually start with fostering a sales network through regional agents or distributors. Sales agents and distributors, however, can assist in keeping track of policy and regulation updates, both locally and nationally, collect market data, and quickly respond to changes. In addition, U.S. SMEs can take advantage of existing networks enjoyed by their agents and distributors and expand their business through such contacts.

Trading Companies

China’s current regulations are designed to allow manufacturing-focused foreign invested enterprises (FIEs) to become export trading companies that may purchase and export any products or technologies free from quotas, license controls or government monopoly. FIEs are able to establish trading companies and to obtain trading rights before the phase-in of distribution rights. Chinese companies that are registered and have RMB 1 million (US$148,000) in capitalization can obtain an import/export license. In 2005, the Ministry of Commerce (MOFCOM) issued documents outlining the application procedures for investors to establish new foreign-invested commercial enterprises (FICEs), for existing FICEs to open new distribution and trading businesses, and for existing FIEs to expand their business scope. The documents give provincial level agencies the authority to review and approve applications. Approval for new foreign enterprises occurs at the provincial level, and not the national level.

In 2006, MOFCOM issued a notice on —Entrusting Local Authorities with the Examination and Approval of Commercial Enterprises with Foreign Investment. While this decision to delegate approval authority to provincial-level authorities for most distribution rights has sped up the application process, technical challenges still remain. Existing foreign-invested manufacturers that have expanded their business scope are limited to distributing goods that they produce. Uncertainty over what constitutes similar goods has created difficulties for some companies seeking to exercise their distribution rights. In addition, existing manufacturers that have expanded their business scope to include distribution must ensure that half of their revenue stems from their buy-sell activity.

Important

Distributors

A U.S. exporting company that hopes to successfully enter China must gain both trading and distribution rights. Distribution covers: 1) commission agent services, 2) wholesale services, and 3) retailing. Chinese law allows foreign companies to establish wholly-owned distribution entities for chemical fertilizers, processed oil and crude oil, as well as other imported and domestically produced products. Limits exist on products including books and periodicals, pharmaceutical products and pesticides. Foreign companies
may choose one of two ways to acquire trading and distribution rights: they can set up a new, stand-alone FICE or apply to expand the business scope of an existing FIE.

Given the complexities of the Chinese market, foreign companies should also consider using a domestic Chinese agent for both importing into China and marketing within China. With careful selection, training, and constant contact, a U.S. exporter can obtain good market representation from a Chinese trading company, many of which are authorized to deal in a wide range of products. Some of the larger companies have offices in the U.S. and other countries around the world, as well as a network of offices and affiliates in China.

**Local agents**
China has many local sales agents who handle internal distribution and marketing. Most of these firms do not have import/export authorization. They are the next layer down the distribution chain, buying foreign products and importing them through import/export licensees. These sales agents then pay a commission to the licensee. They may be representative offices of Hong Kong-based or other foreign trading companies, or domestic Chinese firms with regional or partial national networks.

**Establishing an Office**
How to Establish a Representative Office in China. Note: Regulations in China change frequently. we highly recommend that companies engage competent professional service providers to assist in this process. In the last few years many companies have opted for a wholly foreign owned consulting or service enterprise rather than a representative office, as this offers more flexibility and allows invoicing and collection of RMB payments.

**Direct Marketing**
Direct selling is a type of business model involving the recruitment of direct marketing sales agents or promoters and the selling of products to end-consumers outside fixed business locations or outlets. As part of China’s WTO commitment, the Chinese Government agreed to allow market access for wholesale or retail trade services away from a fixed location. These new regulations are quite restrictive, however. Multi-level marketing (MLM) organizations are characterized as illegal pyramids, compensation is capped at 30 percent based on personal sales, and language exists that requires the construction of fixed location —service centers — in each area where sales occur. To obtain a direct sales license from the government, further barriers exist as evidenced by a three-year foreign experience rule, and a required RMB 20-100 million bond deposit, among other requirements. Several major international companies have had success in overcoming these barriers. Having said this, the Chinese Government is slow to approve direct-sales license applications for new entrants over the past few years. In general, the Chinese central government and the relevant authorities at central and local levels tend to heavily regulate and supervise this industry.

**Joint Ventures / Licensing**
Joint ventures, although a useful way to limit investment and quickly access the market, entail some degree of risk (loss of control of investment, theft of intellectual property, conflicts of interest, etc.). Most
U.S. investment in China is now in the form of 100 percent U.S.-owned companies, rather than joint ventures. As China has opened its market, the number of wholly owned foreign entities (WOFE’s) has increased. To date nearly 75 percent of new investments are WOFE’s. A U.S. company contemplating a JV should clearly understand what their partner brings to the table and what benefits there might be to establishing a JV rather than a WOFE.

**Distribution and Sales Channels**

In recent years, China liberalized its distribution system to provide full trading and distribution rights for foreign firms in most industry sectors, yet exceptions remain in place for the distribution of books, film and audio recordings. New laws removed earlier restrictions on size requirements for trading and distribution firms, thus paving the way for competition from small businesses.

While the outright prohibition of foreign invested firms to import, export and distribute goods in China has improved, the licensing and approval process remains difficult, time consuming and highly opaque. A standard business license is typically issued by municipal commercial agencies, in China referred to as the Administration of Industry and Commerce. Distribution rights for such industries are often approved by a higher-level authority, a municipal or provincial Commission of Commerce. This effectively adds another layer of bureaucratic hurdles a foreign investor will need to navigate.

There are different sales channels available to foreign companies selling in China, including trading companies, distributors, and local agents. Trading companies with import/export rights take care of customs formalities; distributors build sales channels and handle stock and inventory; and local agents retail products to consumers.

**Important**

**Selling Factors / Techniques**

Relationships. Personal relationships (guanxi in Chinese) in business are critical. Guanxi is deeply rooted in Chinese culture and a necessary tool for getting things done. In any business transaction, your counterpart will want to know with whom they are dealing before getting in too deeply. It can sometimes take many months to develop these types of relationships. American businesses need to understand this aspect of the business culture and take a patient approach.

Thus, it is important for exporters, importers, and investors to establish and maintain close relationships with their Chinese counterparts and relevant government agencies. It is equally important that American exporters encourage strong personal relationships between their Chinese agents or distributors and the buyers and end-users. A web of strong personal relationships can often help ensure expedited governmental procedures and smoother business development in China.

Localization. Though Chinese customers welcome U.S.-made products in general, they still prefer to have localized customer support from a manufacturer, such as on-site training, service centers in China, local representatives, and catalogues and manuals in Chinese. While a rapidly growing percentage of the
management work-force in first-tier cities speak English, U.S. exporters should understand the limits of English language proficiency in China and do their utmost to see that all materials are user friendly, in other words, in good Chinese. On a similar note, certain modifications must be made to accommodate local tastes, customs and systems.

Logistics. U.S. exporters should keep in mind that timely delivery and adequate inventory are crucial to success in the Chinese market. Thus, it is important to consider the capabilities of an agent or distributor. Logistics in China have become easier in recent years with the continuous improvement of highway, air, rail and port infrastructure, and transportation options have increased. Most of the major international logistic companies are now operating in China, although the Chinese Government still imposes some restrictive policies when it comes to providing domestic services.

**Red Flag Electronic Commerce – Credit Cards are Not Common in China**

The Chinese Government has a fairly open attitude towards e-commerce in China. Both Chinese and international businesses are actively investing and establishing online sales channels. According to the Boston Consulting Group (BCG), the number of internet shoppers in China hit 145 million in 2011, ranking second in the world after the United States. The group also predicts that China will become the world’s largest e-commerce market in 2015 with the number of internet shoppers hitting 329 million. Just about everything is being purchased online. Examples include household goods, apparel, books, electronics, food items and luxury goods. China Internet Network Information Center (CINIC) estimates have total online sales in China exceeding RMB 523 billion for 2010, up 109 percent from 2009. Online sales now account for almost 3.3 percent of China’s total retail sales.

While e-commerce in China has great potential, some major impediments exist. China remains a cash-based society, and the use of credit cards is limited. Local distribution channels are not well developed for delivery of items purchased over the internet. Online retailers have a reputation for poor after-sales service versus traditional retail stores. Consumers still have less confidence with the internet environment and limited awareness of the need for appropriate internet security software products.

Despite these impediments, several Chinese internet companies have been very successful in adapting to the local market and developing an effective cash-on-delivery or bank transfer payment model. Players such as [http://tmall.com](http://tmall.com) (part of taobao.com which is China’s largest online retailer), [http://amazon.cn](http://amazon.cn) [http://dangdang.com](http://dangdang.com) and [http://360buy.com](http://360buy.com) are key online retailers. In fact, it is becoming common for Chinese consumers to shop online at one of these websites, and well-known Western brands are continuing to flock to these websites. However, U.S. companies wanting to sell products on Chinese e-commerce portals must establish a firm presence in China. A presence can be a subsidiary company, a JV, a wholly-owned entity or even a local distributor/agent. Few Chinese e-commerce portals are able or willing to deal with custom clearance and after-sales management for importing products. Chinese portals rely heavily on foreign companies to handle these issues themselves. Of course, this may change at some point in the years to come as Chinese portals expand domestically and globally and logistics companies work more closely with these portals.
Trade Promotion and Advertising

Advertising is an effective way to create product awareness among potential consumers in China. Channels for mass advertising include publications, radio, television, outdoor, online (blogs, bulletin boards, search engines), in-store and sponsorship. Advertising in China is regulated by the Advertising Law of the People’s Republic of China (Advertising Law), which was passed in 1994. This law outlines content prohibitions and advertisers’ responsibilities. Advertising should be good for the physical and mental health of the people as well as conform to social, public and professional ethics and safeguard the dignity and interests of the state. Specific rules include a prohibition on the use of national symbols and government images, and prohibit advertisements that are obscene, superstitious, discriminatory and/or dangerous to social stability. The advertising industry in China is heavily regulated, and the government still exercises ultimate control over content. The Advertising Law is not completely transparent; therefore, interpretation and enforcement may be arbitrary and varied, and legislation usually favors consumer protection over business promotion. Notably, foreign businesses without a Chinese business license gained through establishing an office in China are not permitted to advertise in China.

The State Administration for Industry and Commerce (SAIC) is the primary regulatory organization for the advertising sector, but many other organizations such as the Ministry of Culture and the State Administration of Radio, Film and Television, play an active role in controlling print or television content.

China's retail boom and increasing competition among retailers is causing China's advertising industry to grow even faster than the economy as a whole. All of the major international advertising firms are present in China. According to the China Investment Consulting website, overall advertising revenues were $33.6 billion (142.48 RMB) in 2010. The 2011 estimated advertising revenues hit $38.3 billion. While television advertising remains the largest percentage of total expenditures, internet advertising is expected to outpace newspaper advertising by 2012.

Now that China is in the midst of a consumer revolution, foreign products that make use of advanced marketing, advertising and research techniques are leading the way. Brand awareness is increasingly important and sophisticated advertising is beginning to play a key role in charming the Chinese consumer.

Trade Shows and Missions.

In 2010, approximately 5,040 trade events were held in 76 cities in China. The total number of shows, many held in smaller cities, continues to grow between 15 to 20 percent annually. Of the 5,040 shows, 837 were held in Beijing, Shanghai and Guangzhou. In general, exhibitions can be excellent venues to gauge market interest, develop leads and make sales. Most are sponsored or co-sponsored by government agencies, professional societies, or the China Council for the Promotion of International Trade (CCPIT). Some shows are organized by American, Hong Kong or other foreign show organizers. Show participation costs are sometimes high since pricing options for available booth space for foreign companies at shows is often limited to certain areas within events. Some shows may reach only a local
audience or cater primarily to Chinese exporters despite being described as Import/Export Fairs. Therefore, companies are advised to scrutinize shows carefully before confirming participation. In 2012, CS in China will support U.S. Pavilions at trade shows around China in different industry sectors. The U.S. Pavilion concept is part of the U.S. Department of Commerce's initiative to promote American goods and services in key Chinese markets. Updated information about these shows can be found on our website at: http://www.buyusa.gov/china/entrade_events.html. Upcoming Department of Commerce trade missions can be found at: http://www.trade.gov/trade-missions

**Pricing**

Most Chinese consumers are highly sensitive to price. The 9.1 percent annual inflation on food items in 2011 demonstrates this steep rise in prices. Industrial and government procurement purchasing decisions are also often focused primarily around price points and less around product and service quality. With carefully packaged service programs, however, Chinese industrial buyers can be convinced to pay a premium for higher quality products. Attractive export/import financing programs can also be an important tool for exporters, and Japanese and European equipment manufacturers often use them. Chinese consumers do, however, regularly demonstrate a keen desire to pay a significantly higher price for products that provide a sense of prestige and sophistication. In 2011, China became the third largest market for global luxury brands, accounting for almost 25 percent of global sales of consumer luxury products. Simply carrying an imported label can often, though not always, be enough to put products into a premier price category. A recent store check by the Commercial Service’s Shanghai office found imported U.S. children’s vitamins priced at $55 for a 100-tablet bottle, with the same product selling for $12 in the United States. While a significant portion of such price differences is attributable to import duties and value-added tax, perceived higher quality and greater prestige of imported products has allowed importers to build in large profit margins. Refer to chapter 5 for more information on duties and taxes.

**Sales Service / Customer Support**

The ability to provide adequate after-sales service is an important selling point and can distinguish a company from its competitors. Wholly owned service companies and foreign invested enterprises are now able to provide sales service and after-sales customer support in China. Heightened consumer awareness has given U.S. companies with strong international brands an advantage in the Chinese market, as American products and services are generally considered to have superior sales and customer support standards. This, of course, requires a certain degree of localization, and a commitment to training the local sales and service force.
Red Flag Due Diligence
While China is one of the most promising global markets, it is also one of the most challenging environments for American companies. Many U.S. companies are able to profitably enter and operate in the Chinese market, but each year a large number of firms face serious difficulties that frequently result in costly and disruptive local business disputes. A large number of these disputes might have been successfully avoided through due diligence. The primary causes of commercial disputes between Chinese and American companies include breach of contractual payment obligations, irregularities in accounting practices, financial mismanagement, undisclosed debt, and the struggle for control within joint ventures. These problems can be minimized by investigating the financial standing and reputation of local companies before signing contracts or entering into a partnership agreement.

Local Professional Services
The system for regulation of foreign commercial activity in China is difficult to navigate and is not fully transparent. Companies new to the market are strongly encouraged to retain professional services to structure commercial transactions. Establishing a wholly foreign owned subsidiary, joint venture, or representative office requires compliance with complex contract approval requirements, business registration requirements, taxation regulations and statutes, and labor regulations. Many U.S. banks, accountants, attorneys, and consultants have established offices in China and are familiar with Chinese requirements.

Red Flag Protecting Your Intellectual Property in China
Several general principles are important for effective management of intellectual property (IP) rights in China. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in China than in the United States. Third, rights must be registered and enforced in China under local laws. Intellectual property rights are territorial and stop at the border’s edge. Your U.S. trademark and patent registrations will not protect you in China. Similarly, there is no international copyright that will protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions. Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Chinese market. Intellectual property is primarily a private right. The U.S. Government generally cannot enforce rights for private individuals in China or elsewhere. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Chinese law. The U.S. Commercial Service can provide a list of local lawyers:

Shanghai: http://shanghai.usembassy-china.org.cn/law_firms.html

While the U.S. Government stands ready to assist, there is little it can do if the rights holders have not taken these fundamental steps to secure and register their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. Government can provide a political resolution to a legal problem may find their rights eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. Under no circumstances should U.S. Government advice be seen as a substitute for a rights holder’s obligation to promptly pursue its case.

Red Flag Warning Signs of a Scam

Although China’s booming economy offers great opportunities for U.S. companies, businesses looking to invest or export to any foreign country should always exercise caution. Several exporters have reported unsolicited buyer interest from China and elsewhere that later turned out to be bogus. While not all unsolicited interest is fraudulent, American companies should always be wary when considering such invitations. Requests for advance payments, samples or prototypes to be sent in advance of sales negotiations, cash for a banquet far in excess of typical costs, cash for travel expenses for an essential U.S. meeting, all pose red flags indicating that a business opportunity may be fraudulent. To report a suspicious business offer from China, contact your local U.S. Export Assistance Center (http://export.gov/usoffices/index.asp) or the China Business Information Center at: chinabic@trade.gov

CS in China can assist exporters through a range of fee-based due-diligence services listed on our website: http://www.buyusa.gov

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both China and U.S. based. These include:

- The U.S. Chamber of Commerce in Washington, D.C., and local American Chambers of Commerce in various Chinese cities
- The National Association of Manufacturers (NAM)
- The International Intellectual Property Alliance (IIPA)
- The International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy of the U.S. Chamber of Commerce
- The International Anti-Counterfeiting Coalition (IACC)
- The Pharmaceutical Research and Manufacturers of America (PhRMA)
- The Biotechnology Industry Organization (BIO)

IP Resources

Much information on protecting IP is freely available to American rights holders. Some excellent resources for companies regarding intellectual property include the following:

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University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
Information about patent, trademark, or copyright issues – including enforcement issues in the U.S. and other countries: Call the STOP! Hotline at 1-866-999-HALT (4258), or register at: www.stopfakes.gov

Information about registering trademarks and patents in both the U.S. and foreign countries: Call the U.S. Patent and Trademark Office (PTO) at 1-800-786-9199, or visit: www.uspto.gov.

Information about registering for copyright protection in the United States: Call the U.S. Copyright Office at 1-202-707-5959, or visit: www.copyright.gov

Information about evaluating, protecting, and enforcing intellectual property rights, and IPR’s importance to businesses: Review the free on-line training program available at: www.stopfakes.gov

For small and medium-sized enterprises (SME), the U.S. Department of Commerce offers a "SME IP-Advisory Program," available through the American Bar Association, which provides one hour of free IP legal advice for those wishing to do business in Brazil, China, Egypt, India, Russia, and many other countries. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

Information on obtaining and enforcing intellectual property rights and market-specific IP toolkits, visit www.stopfakes.gov. This site is linked to the PTO web site (www.uspto.gov) for registering trademarks and patents in both the U.S. and foreign countries. It also is connected to the web site of U.S. Customs and Border Protection's e-recordation portal https://apps.cbp.gov/e-recordations/

which allows rights holders to record registered trademarks and copyrights, empowering CBP officers with more information to interdict imports of infringing products. Rights holders also can peruse recordings of previous webinars that cover a wide variety of IP topics.

The U.S. Patent and Trademark Office has positioned IPR Attachés and Officers in key markets around the world. The PTO has two representatives in China. In Beijing, Ms. Nancy Kremers serves as the Senior IPR Attaché at the U.S. Embassy, and can be reached at: nancy.kremers@trade.gov. In Guangzhou, Mr. Conrad Wong is the IPR Officer at U.S. Consulate General. Please contact him at: conrad.wong@trade.gov.

Contacts, Market Research and Trade Events

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Fax: (86 10) 6850-2117
Website: http://en.ndrc.gov.cn
Chinese Ministries

Ministry of Agriculture
11 Nongzhanguan Nanli, Chaoyang District, Beijing 100125, China
Minister: Han Changfu
Main Line: (86 10) 5919-1830/1883
Mr. Xu Yubo, U.S.-China Cooperation: (86 10) 5919-3327; Prior referral needed via U.S. Embassy if requesting a meeting
Fax: (86 10) 5919-1831
Website: http://english.agri.gov.cn

Ministry of Transport
11 Jianguomennei Dajie, Dongcheng District, Beijing 100736, China
Minister: Li Shenglin
Main Line: (86 10) 6529-2327
International Affairs: (86 10) 6529-2206/2208
Fax: (86 10) 6529-2345
Website: www.moc.gov.cn (no English page)
Public Holiday Contacts:
jtbweb@moc.gov.cn
1371-779-3170

Ministry of Housing and Urban-Rural Development
9 Sanlihe Lu, Haidian District, Beijing 100835, China
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Technical matters: (86 10) 5893-3575
International Affairs: (86 10) 5893-4049
Fax: (86 10) 6831-2524 114
Website: http://www.mohurd.gov.cn/ (no English page)

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Fax: (86 10) 5988-1986/2005
Website: http://www.ccnt.gov.cn/English/index.html

Ministry of Education
37 Damucang Hutong, Xidan, Xicheng District, Beijing 100816, China
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Fax: (86 10) 6601-3647
Website: http://www.moe.gov.cn/publicfiles/business/htmlfiles/moe/moe_2792/index.html

Ministry of Finance
3 Nansanxiang, Sanlihe, Xicheng District, Beijing 100820, China
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Website: www.mof.gov.cn (no English page)

**Ministry of Foreign Affairs**
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International Affairs: (86 10) 6596-3100
Fax: (86 10) 6596-1808
Website: www.fmprc.gov.cn/eng/default.htm

**Ministry of Commerce**
2 Dongchang'an Avenue, Beijing 100731, China
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International Affairs: (86 10) 6519-8830
Fax: (86 10) 6567-7512
Website: http://english.mofcom.gov.cn/

**Ministry of Environmental Protection (MEP)**
115 Xizhimennei Nanxiaojie, Beijing 100035, China
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International Affairs: (86 10) 6655-6495/6496
Fax: (86 10) 6655-6010
Website: http://english.mep.gov.cn

**Ministry of Health (MOH)**
1 Xizhimenwai Nanlu, Xicheng District, Beijing 100044, China
Minister: Chen Zhu
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International Affairs: (86 10) 6879-2297
Fax: (86 10) 6879-2295
Website: www.moh.gov.cn (no English page)

**Ministry of Industry and Information Technology (MIIT)**
13 Xichang'anjie, Beijing 100804, China
Minister: Miao Wei
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International Affairs: (86 10) 6601-1365
Fax: (86 10) 6601-1370
Website: www.miit.gov.cn

**Ministry of Justice**
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No.16, Xibianmen Xilijia, Xuanwu District, Beijing 100053, China
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International Affairs: (86 10) 6520-6239
Fax: (86 10) 6520-5866
Website: http://english.moj.gov.cn/

Ministry of Human Resources and Social Security (MOHRSS)
12 Hepingli Zhongjie, Dongcheng District, Beijing 100716, China
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Fax: (86 10) 8423-3320
Website: www.mohrss.gov.cn  (no English page)

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Website: www.mlr.gov.cn/mlrenglish/

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14 Dongchang'anjie, Beijing 100741, China
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Website: www.mps.gov.cn  (no English page)

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Website: www.mwr.gov.cn/english/
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Government Offices Administration of the State Council
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Fax: (86 10) 6401-6918
Website: www.caac.gov.cn (no English page)

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6 Jianguomennei Dajie, Beijing 100730, China
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International Affairs: (86 10) 6519-5980
Fax: (86 10) 6519-4354
Website: http://english.customs.gov.cn/publish/portal191/

China National Tourism Administration
9A Jianguomennei Dajie, Beijing 100740, China
Chairman: Shao Qiwei
Main Line: (86 10) 6520-1114
Marketing and International Cooperation Department: (86 10) 6520-1810
Fax: (86 10) 6513-7871
Website: http://en.cnta.gov.cn/

State Administration for Industry and Commerce
8 Sanlihe Donglu, Xicheng District, Beijing 100820, China
Director: Zhou Bohua
Main Line: (86 10) 6801-0463/6801-3447
International Affairs: (86 10) 6803-1508
Fax: (86 10) 6801-0463/6802-3447
Website: http://www.saic.gov.cn/english/index.html
dfa@saic.gov.cn

The State Administration for Religious Affairs
No.44, Hou Hai Bei Yan, Xi Cheng District, Beijing 100009, China
Director: Ye Xiaowen
Tel: (86 10) 6409-5114
Fax: (86 10) 6409-5000
Website: www.sara.gov.cn (no English page)

The State Administration of Radio, Film, and Television
2 Fuxingmenwai Dajie, Beijing 100866, China
General Administration for Quality Supervision, Inspection and Quarantine
No.9 Ma Dian Road East, Haidian District, Beijing 100088, China
Director: Zhi Shuping
Main Line: (86 10) 8226-0114
International Affairs: (86 10) 8226-1693/1955
Fax: (86 10) 8226-0552
Website: http://english.aqsiq.gov.cn/

State Administration of Taxation
5 Yangfangdian Xilu, Haidian District, Beijing 100038, China
Commissioner: Xiao Jie
Main Line: (86 10) 6341-7114
International Affairs: (86 10) 6341-7901
Fax: (86 10) 6341-7870
Website: http://202.108.90.130/n6669073/index.html

The State Food and Drug Administration (SFDA), under the Ministry of Health - MOH
26 Xuanwumen Xidajie, Beijing 100053, China
Commissioner: Shao Mingli
Main Line: (86 10) 6831-3344 118
International Affairs: (86 10) 8833-0813
Fax: (86 10) 6831-0909
Website: http://www.sfda.gov.cn

State Forestry Administration
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Fax: (86 10) 6421-9149
Website: www.forestry.gov.cn

State Intellectual Property Office
6 Xituchenglu, Jimenqiao, Haidian District, Beijing 100088, China
Director: Tian Lipu
Main Line: (86 10) 6208-3114
International Affairs: (86 10) 6208-3268
Fax: (86 10) 6201-9615
Website: http://english.sipo.gov.cn/

National Copyright Administration
40# Xuanwumenwai Dajie, Xuanwu District, Beijing 100052, China
Director: Liu Binjie
General Administration of Sport
2 Tiyuguanlu, Chongwen District, Beijing 100763, China
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Main Line: (86-10) 8718-2008
International Affairs: (86-10) 8718-2732
Fax: (86 10) 6711-5858
Website: www.sport.gov.cn

National Bureau of Statistics
75 Yuetannanjie, Xi Cheng District, Beijing 100826, China
Director: Ma Jiantang
Main Line: (86 10) 6857-3311
International Affairs: (86 10) 6857-6355
Fax: (86 10) 6857-6354
Website: http://www.stats.gov.cn

National Energy Administration (NEA)
38 Yuetannanjie, Xicheng District, Beijing 100824, China
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Tel: (86 10) 6850-5670
Fax: (86 10) 6850-5673
Website: www.ndrc.gov.cn

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Website: www.scio.gov.cn

Legislative Affairs Office
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Director: Song Dahan  
Tel: (86 10) 6309-7599  
Website: www.chinalaw.gov.cn/article/english

Office of Overseas Chinese Affairs office of the State Council  
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Fax: (86 10) 6832-7538  
Website: www.gqb.gov.cn

Research Office of the State Council  
Zhongnanhai, Beijing 100017, China  
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Fax: (86 10) 6309-7803

Taiwan Affairs Office  
No.6-1 Guang’An Men South Avenue, Xuanwu District, Beijing 100053, China  
Director: Wang Yi  
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Fax: (86 10) 6832-8321  
Website: www.gwytb.gov.cn

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Tel: (86 10) 6840-7703  
Website: www.cma.gov.cn

China Securities Regulatory Commission  
19 Jinrong Avenue, Xicheng District, Beijing 100033, China  
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Fax: 86-10-6621-0205  
Website: www.csrg.gov.cn  
consult@csrg.gov.cn

Chinese Academy of Engineering  
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President: Zhou Ji  
Tel: (86 10) 5930-0000  
Fax: (86 10) 5930-0001  
Website: www.cae.cn/en/

Chinese Academy of Sciences  
52 Sanlihe Road, Xicheng District, Beijing 100864, China  
President: Lu Yongxiang  
Tel: (86 10) 6859-7114  
Website: www.cas.ac.cn  (no English page)
Chinese Academy of Social Sciences
5 Jiannei Dajie, Beijing 100732, China
President: Chen Kui Yuan
Tel: (86 10) 8519-5999
Website: www.cass.net.cn (no English page)

Development Research Center of the State Council
225 Chaoyangmennei Avenue, Dongcheng District, Beijing 100010, China
President: Li Wei
Tel: (86 10) 6523-6066
Fax: (86 10) 6523-6060
Website: www.drc.gov.cn/english/

Chinese Academy of Governance
6 Changchunqiaolu, Haidian District, Beijing 100089, China
President: Ma Kai
Tel: (86 10) 6892-9260
Website: www.nsa.gov.cn (no English page)

China Earthquake Administration
63 Fuxing Lu, Haidian District, Beijing 100036, China
Director: Chen Jianmin
Tel: (86 10) 6821-9525
Website: www.cea.gov.cn (no English page)

State Administration of Foreign Exchange
Huarong Plaza, 18 Fuchenglu, Haidian District, Beijing 100048, China
Director: Yi Gang
Tel: (86 10) 6840-2265
Website: http://www.safe.gov.cn/model_safe_en/index.jsp?id=6

State Administration of Traditional Chinese Medicine
1 Gongti West Road, Chaoyang District, Beijing 100026, China
Commissioner: Mr. Wang Guoqiang
Tel: (86 10) 5995-7666
Website: www.satcm.gov.cn/ (no English page)

State Administration of Cultural Heritage
10 Chao Yang Men Bei Da Jie, Dongcheng District, Beijing 100020, China
Director: Li Xiaojie
Tel: (86 10) 8463-6599
Fax: (86 10) 5988-1573
Website: http://www.sach.gov.cn/

State Administration of Foreign Experts Affairs
Room 50307, No.1 ZhongGuanCun South Street, Haidian District, Beijing 100873, China
Director: Zhang Jianguo
Tel: (86 10) 6894-8899
Fax: (86 10) 6846-8006
Website: http://www.safea.gov.cn/english/
State Bureau of Surveying & Mapping
28 Lianhuachi West Road, Beijing 100830, China
Director: Mr. Xu Deming
Tel: (86 10) 6388-2221
Fax: (86 10) 6388-2221
Website: www.sbsm.gov.cn and (en) http://en.sbsm.gov.cn/

State Administration of Grain
A11, Guohong Building (C), Muxudi Beili, Xincheng District, Beijing 100038, China
Director: Nie Zhengbang
Tel: (86 10) 6390-6078
Website: http://www.chinagrain.gov.cn/english/index.html

China National Light Industry Council
22 Fuchengmen Waidajie 2nd St., Haidian District, Beijing 100833, China
Chairman: Bu Zhengfa
Tel: (86 10) 6839-6114

China Iron and Steel Association
46 Dongsi Xidajie, Dongcheng District, Beijing 100711, China
Chairman: Xie Qihua
Tel: (86 10) 6513-3322
Website: http://www.chinaisa.org.cn/index.php?styleid=2

State Oceanic Administration
1 Fuxingmenwai Dajie, Beijing 100860, China
Director: Sun Zhi-Hui
Tel: (86 10) 6803-2211
Website: http://www.so.gov.cn/soa/index.htm

China Petroleum and Chemical Industry Association
Building 16, 4th District, Anhuili, Yayuncun, Beijing 100723, China
Director: Li Yong-Wu
Tel: (86 10) 8488-5415
Fax: (86 10) 8488-5391
Website: www.cpcia.org.cn/English.htm

State Postal Bureau
A8 Bei Lishilu, Xicheng District, Beijing 100868, China
Director: Ma Junsheng
Tel: (86 10) 8832-3021/3022
Fax: (86 10) 8832-3014
Website: www.chinapost.gov.cn
(English) www.chinapost.gov.cn/folder12/2008/10/2008-10-3117985.html

China National Textile and Apparel Council
Rm 207, Tower B, Huaye International Center, 39 Dongsihuan Zhonglu, Beijing 100025, China
President: Xia Lingmin
Tel: (86 10) 8587-2528
Fax: (86 10) 8587-2555

University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
State Tobacco Monopoly Bureau
55 Yuetan South Street, Xicheng District, Beijing 100045, China
Chief Commissioner: Jiang Chen Kang
Tel: (86 10) 6360-5000, 5852/5782
Fax: (86 10) 6360-5036
Website: www.tobacco.gov.cn

All-China Federation of Industry and Commerce
70 Deshengmen Xidajie, Beijing 100035, China
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Tel: (86 10) 5805-0500
Website: www.acfic.org.cn

China Council for the Promotion of International Trade (CCPIT)
1 Fuxingmenwai Street, Beijing 100860, China
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Tel: (86 10) 8807-5769/5729
Fax: (86 10) 6803-0747
Website: www.ccpit.org
(English) http://english.ccpit.org/

China Huaneng Group
4 Fuxingmennei St., Xicheng Dist., Beijing 100031, China
President: Cao Peixi
Tel: (86 10) 6322-8800
Fax: (86 10) 6322-8866
Website: www.chng.com.cn
(English) http://www.chng.com.cn/eng/

China Nonferrous Metals Industry Association
Rm 1106, 11/F. 62 Xizhimen Beidajie, Haidian District, Beijing 100082, China
President: Kang Yi
Tel: (86 10) 8229-8684
Fax: (86 10) 8229-8548
www.cmra.cn/en

People's Insurance Company of China
#69 Xuan Wu Men Dong He Yan Jie, Beijing 100052, China
President: Wang Yincheng
Tel: (86 10) 8315-7607
Fax: (86 10) 8315-7607
Website: www.piccnet.com.cn
(English) http://www.piccnet.com.cn/english/ggtheng/index.shtml

China International Trust and Investment Corporation
Capital Mansion, 6 Xinyuan Nanlu, Chaoyangqu, Beijing 100004, China
China National Offshore Oil Corp.
No. 25 Chaoyangmen Beidajie, Beijing 100010, China
President: Yang Hua
Tel: (86 10) 8452-1010
Fax: (86 10) 6460-2600
Website: www.cnooc.com.cn
(English) http://en.cnooc.com.cn/
cnooc@cnooc.com.cn

China National Petroleum Corp.
9 Dongzhimen Beidajie, Dongcheng District, Beijing 100007, China
President: Zhou Jiping
Tel: (86 10) 6209-4114
Fax: (86 10) 6209-4205
Website: http://www.cnpc.com.cn/en/

China National Tobacco Corporation (see State Tobacco Monopoly Bureau)
55 Yuetan South Street, Xicheng District, Beijing 100045, China
President: Zhang Yuxia
Tel: (86 10) 6360-6303
Fax: (86 10) 6360-5793

China North Industries Corp.
12 Am Guang An Men Nan Jie, Beijing 100053, China
President: Mr. Zhao Gang
Tel: (86 10) 6352-9988
Fax: (86 10) 6354-0398
Website: www.norinco.com.cn
(English) http://www.norinco.com.cn/c1024/english/index.html

China Petro-Chemical Corporation
22 Chaoyangmen North Street, Chaoyang District, Beijing 100728, China
President: Wang Tianpu
Tel: (86 10) 5996-0114
Fax: (86 10) 5976-0111
Website: www.sinopec.com.cn and (en) http://english.sinopec.com/

China State Construction Engineering Corporation
15 Sanlihe Rd., Xicheng District, Beijing 100037, China
President: Yi Jun
Tel: (86 10) 8808-2888
Fax: (86 10) 8808-2958

China State Shipbuilding Corporation
No. 72 Kunminghu Nanlu, Haidian District, Beijing 100097, China
President: Li Changyin  
Tel: (86 10) 8859-8000  
Fax: (86 10) 8859-9000  
Website: www.csic.com.cn  
(English) http://www.csic.com.cn/en/default.htm

Everbright Industrial Corporation  
25 Taipingqiao St., Beijing 100045, China  
President: Tang Shuangning  
Tel: (86 10) 6363-6363  
Fax: (86 10) 6363-9963  
Website: www.ebchina.com (no English page)

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Association for Manufacturing Technology  
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Beijing 100027, China  
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Tel: (86 10) 6410-7374/7375  
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Website: www.amtchina.org/

American Chamber of Commerce China  
Chairman: Ted Dean  
The Office Park, Tower AB, 6th Floor  
No. 10 Jintongxi Road, Chaoyang District  
Beijing 100020, China  
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Website: www.amchamchina.org

American Soybean Association  
Mr. Zhang Xiaoping, Country Director  
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Fax: (86 10) 6505-2201  
Website: www.asaimchina.org

American Equipment Manufacturers (AEM)  
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8 Jianguomenbei Avenue  
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Amy Wang, Representative  
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awing@aem.org

Council of American States in China (CASIC)
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Packaging Machinery Manufacturers’ Institute (PMMI)
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U.S. Grains Council
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Fax: (86 10) 6505-0236
Website: www.grains.org.cn

U.S. Wheat Associates
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Fax: (86 10) 6505-5138
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**Chengdu Agricultural Trade Office**
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**Guangzhou Agricultural Trade Office**
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**Shanghai Agricultural Trade Office**
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**Animal and Plant Health Inspection Service**
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**American Consulate General Chengdu**
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Fax: (86 28) 8556-5356
Principal Commercial Officer: William Marshak
Tel: (86 28) 8558-3992, ext. 6961
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**Guide to U.S. Commercial Services**
The President’s National Export Initiative aims to double exports over five years by ordering Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
• Meet the best distributors and agents for your products and services
• Overcome potential challenges or trade barriers
• Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources.

To learn more about the Federal Government’s trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov
For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: http://export.gov/hongkong/servicesforu.s.companies/index.asp
U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E).
Chapter 5 Approaches to Exporting

US Commercial Services Greatly Assists You in Exporting to a Foreign Country

**U.S. Commercial Service Trade Information Center**
The Trade Information Center (TIC) is a comprehensive resource for information on all federal government export assistance programs and for information and assistance on exporting to most countries. TIC can be reached at (800) USA-TRADE (800-872-8723) or [www.export.gov](http://www.export.gov).

**U.S. Commercial Service Export Assistance Centers**
The U.S. Commercial Service of the U.S. Department of Commerce maintains a network of international trade specialists in the United States to help American companies export their products and conduct business abroad. International trade specialists are employed in offices known as Export Assistance Centers in more than 100 cities in the United States and Puerto Rico to assist U.S. exporters, particularly small and medium-sized companies. Export Assistance Centers are known as “one-stop shops” because they combine the trade and marketing expertise and resources of the Commercial Service along with the financial expertise and resources of the Small Business Administration and the Export-Import Bank.

Export Assistance Centers also maximize resources by working closely with state and local governments as well as private partners to offer companies a full range of expertise in international trade, marketing, and finance. International trade specialists will counsel your company on the steps involved in exporting, help you assess the export potential of your products, identify markets, and locate potential overseas partners. They work with their international colleagues in more than 80 countries to provide American companies with turnkey solutions in foreign markets.

Each Export Assistance Center can offer information about the following:

- Services to locate and evaluate overseas buyers and representatives, distributors, resellers, and partners
- International trade opportunities
- Foreign markets for U.S. products and services
- Foreign economic statistics
- Export documentation requirements
• U.S. export licensing requirements and import requirements of foreign nations
• Export trade finance options
• International trade exhibition participation and certification
• Export seminars and conferences

To find the Export Assistance Centers nearest you, visit [www.export.gov/eac](http://www.export.gov/eac).

**U.S. Commercial Service Overseas Posts**
Much of the information about trends and actual trade leads in foreign countries is gathered on site by the officers of the Commercial Service. Those officers have a personal understanding of local market conditions and business practices in the countries in which they work. The Commercial Service officers work in more than 150 offices located in more than 80 countries. They provide a range of services to help companies sell in foreign markets:

• Background information on foreign companies
• Agent-distributor locator services
• Market research
• Business counseling
• Assistance in making appointments with key buyers and government officials
• Representations on behalf of companies adversely affected by trade barriers.

You can access those services by contacting your nearest U.S. Export Assistance Center. The centers can also provide assistance with business travel before departure by arranging advance appointments with embassy personnel, market briefings, and other services in the cities you will be visiting. Call (800) USA-TRADE (800-872-8723) or find the Export Assistance Centers nearest you by visiting [www.export.gov/eac](http://www.export.gov/eac).

We chose the US Commercial Services in South Korea to illustrate the level of services, pricing and research available to you as an exporter. A variety of services are available to help you in each foreign country. The best way to begin is with the US Commercial Services most often located at the US Embassy in your chosen export destination country. The employees are bi-lingual and understand the business culture and process you will need to go through to successfully export. Here is a list of services available at low cost to US citizens who want to do business in most foreign countries.
U.S. Commercial Services “Gold Key Service” will be the best investment you can make in your export business. A must for companies traveling to foreign countries looking for agents, buyers, distributors, or joint venture partners. With Gold Key service, you make the most effective use of your time through prescreened and pre-arranged appointments with qualified partners interested in your products or services. Large companies that would normally be difficult to attract are readily available through the U.S. Commercial Services Gold Key Service.

**South Korea Gold Key Service includes:**
Four to five scheduled appointments per day at the U.S. Embassy in Seoul or 2-3 appointments at the Korean contacts' offices. Extensive background information is provided prior to your meeting with each company, distributor, sales associate, or possible partner along with relevant marketplace information. Pricing in chart below.

**Video Gold Key Service**
The Video Gold Key (VGK) is a video enhancement of CS Korea's highly successful Gold Key Service. The VGK provides an opportunity to test the market prior to traveling to Korea for a regular Gold Key, to pre-screen foreign buyers and possible joint venture partners, and to help focus a company's sales, marketing, and investment efforts. Since the VGK is not intended to replace our Gold Key Service, pricing includes the cost of the first day of regular Gold Key preparation plus the video conferencing costs. See pricing chart below.

**International Partner Search**
Find qualified South Korean buyers, partners, or agents without traveling overseas. Our team will deliver detailed company information to you on up to five prescreened South Korean companies that have expressed an interest in your company's products and services.

You provide your marketing materials and company background information to the U.S. Commercial Services office. We use our strong network of South Korean contacts to locate and pre-qualify partners that have an interest in your product or service. International Partner Search Service includes: contact information on up to five potential partners, background information on each company, our staff's opinion of each firm, the potential partners' opinion of your product/service, and relevant market information. See pricing chart below.

**International Company Profile Service**
Do not enter into an agreement blind. Get the due diligence you need to make sure you are working with the right partner in South Korea. We will provide you with essential company background information that will help you make far more informed decisions.

The International Company Profile helps U.S. companies evaluate
potential business partners by providing a detailed report on South Korean companies. A report usually includes financial information (a credit check), reputability, our staff's opinion, and relevant strength of the company. When feasible, we will visit the firm and interview their officers. See pricing chart below.

**Platinum Key Service for South Korea**

The Platinum Key Service allows U.S. companies to take advantage of longer term, sustained and customized U.S. Commercial Service assistance on a range of issues. The service is solution-oriented and tailored to your needs through a mutually agreed upon scope of work. The service can include a range of issues including, but not limited to, identifying markets, launching products, developing major project opportunities, resolving commercial disputes and providing assistance on regulatory or technical standards matters. Ongoing service is available for six months, one year, or a specified timeframe based on the mutually agreed-upon scope of work. Our team will work closely with you to identify and outline specific needs, provide progress reports and ensure timely delivery of service. **Cost:** Will vary depending on scope of work, usually between US$1000 – US$6000. **Delivery:** Sustained support up to one year depending on type of project.

For more information, e-mail

For more information regarding any of the above services in South Korea, U.S. Commercial Service South Korea Services for U.S. Companies Counseling and Advocacy [http://export.gov/southkorea/](http://export.gov/southkorea/) or email office.seoul@trade.gov
## Example of South Korea Gold Key Service Fees

As of October 2012. Fees subject to change without notice. Check each country for their specific fees.

<table>
<thead>
<tr>
<th>Type of U.S. Commercial Service in South Korea</th>
<th>Description</th>
<th>Cost First Day in U.S. Dollars</th>
<th>Cost for Each Additional Day in U.S. Dollars</th>
<th>ISDN Dial up Internet Service charge per hour in U.S. Dollars (if using IP no charge)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Key Service for In-Country Appointments. Delivery Requires at Least Six (6) Weeks Lead Time</td>
<td>SME¹</td>
<td>$700</td>
<td>$300</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>SME New-to-export companies using service for first time</td>
<td>$350</td>
<td>$300</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Large Company²</td>
<td>$2,300</td>
<td>$1,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Video Gold Key Service.³ Delivery Requires at Least Six (6) Weeks Lead Time</td>
<td>SME</td>
<td>$850</td>
<td>$400</td>
<td>$100</td>
</tr>
<tr>
<td></td>
<td>SME New-to-export companies using service for first time</td>
<td>$500</td>
<td>$400</td>
<td>$100</td>
</tr>
<tr>
<td></td>
<td>Large Company</td>
<td>$2,450</td>
<td>$1,100</td>
<td>$100</td>
</tr>
<tr>
<td>International Partner Search. Delivery in 30 business days.</td>
<td>SME</td>
<td>$500</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>SME New-to-export companies using service for first time</td>
<td>$350</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Large Company</td>
<td>$1,400</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>International Company Profile. Delivery in 15 business days.</td>
<td>SME</td>
<td>$600</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>SME New-to-export companies using service for first time</td>
<td>$350</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Large Company</td>
<td>$900</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

¹ A Small or Medium-Sized Enterprise (SME) is defined as a firm with 500 or fewer employees or self-certified as a small business under SBA regulations. Subsidiaries will be classified based on the size of the parent company.

² A large company is defined as a firm with more than 500 employees. Subsidiaries will be classified based on the size of the parent company.

³ If the first day of the Gold Key has been paid and a company decides to go "in country" for in-person meetings, added charges are for technical set up cost (USD $150 for first day and USD $100 for following days) subsequent days of appointments, transportation costs, interpreter fees, and other incidental expenses.
The way your company chooses to export its products can have a significant effect on its export plan and marketing strategies. The basic distinction to exporting relates to the company's level of involvement in the export process. There are at least four approaches, which may be used alone or in combination:

**Passively filling orders from domestic buyers who then export the product.**
These sales are indistinguishable from other domestic sales as far as the original seller is concerned. Someone else has decided that the product in question meets foreign demand. That party takes all the risk and handles all of the exporting details, in some cases without even the awareness of the original seller. (Many companies take a stronger interest in exporting when they discover that their product is already being sold over-seas.)

**Seeking out domestic buyers who represent foreign end users or customers.**
Many foreign distributors and retailers, and others in the United States purchase for export. These buyers are a large market for a wide variety of goods and services. In this case a company may know its product is being exported, but it is still the buyer who assumes the risk and handles the details of exporting.

**Exporting indirectly through export management companies.**
With this approach, a company engages the services of an Export Management Company (EMC) capable of finding foreign markets and buyers for its products. EMC’s and others can give the exporter access to well-established expertise and trade contacts. Yet, the exporter can still retain considerable control over the process and can realize some of the other benefits of exporting, such as learning more about foreign competitors and other market opportunities.

**Exporting directly.**
This approach is the most ambitious and difficult, since the exporter personally handles every aspect of the exporting process from market research and planning to foreign distribution and collections. Consequently, a significant commitment of management time and attention is required to achieve good results. However, this approach may also be the best way to achieve maximum profits and long-term growth. With appropriate help and guidance from the Department of Commerce, freight forwarders, international banks, and other service groups, even small or medium-sized firms can export directly if they are able to commit enough staff time to the effort.

If the nature of the company's goals and resources makes an indirect method of exporting the best choice, little further planning may be needed. In such a case, the main task is to find a suitable export management company that can then handle most export details. Companies that are new to exporting or are unable to commit staff and funds to more complex export activities may find indirect methods of exporting more appropriate.
**Direct Exporting**
The advantages of direct exporting for a U.S. company include more control over the export process, potentially higher profits, and a closer relationship to the overseas buyer and marketplace.

When a company chooses to export directly to foreign markets, it usually makes internal changes to support more complex functions. A direct exporter normally selects the markets it wishes to penetrate, chooses the best channels of distribution for each market, and then makes specific foreign business connections in order to sell its product.

**Organizing for Exporting**
A company new to exporting generally treats its export sales no differently than its domestic sales, using existing personnel. As international sales and inquiries increase, the company may separate the management of its exports from that of its domestic sales.

A small company's initial needs may be satisfied by a single export manager who has responsibility for the full range of international activities. Regardless of how a company organizes its exporting efforts, the key is to facilitate the marketer's job. Good marketing skills can help the firm operate in an unfamiliar market. Experience has shown that a company's success in foreign markets depends less on the unique attributes of its products than on its marketing methods.

Once your company is organized to handle exporting, a proper channel of distribution needs to be carefully chosen for each market. This is the time to consider using the U.S. Commercial Service Gold Key Service for the country(s) of your choice. They will assist you in finding the resources mentioned below. Contact the Trade Information Center (TIC) for comprehensive information on all federal government export assistance programs and for information and assistance on exporting to most countries and/or using available Gold Key Services. TIC can be reached at (800) USA-TRADE (800-872-8723) or **www.export.gov**.

**Sales Representatives**
Overseas, a sales representative is the equivalent of a manufacturer's representative in the United States. The representative uses the company's product literature and samples to present the product to potential buyers. A representative usually handles many complementary lines that do not conflict. The sales representative usually works on a commission basis, assumes no risk or responsibility, and is under contract for a definite period of time (renewable by mutual agreement). The contract defines territory, terms of sale, method of compensation, reasons and procedures for terminating the agreement, and other details. The sales representative may operate on either an exclusive or a nonexclusive basis.

**Distributors**
The foreign distributor is a merchant who purchases goods from a U.S. exporter (often at a substantial discount) and resells it for a profit. The foreign distributor generally provides support and service for the
product, thus relieving the U.S. Company of these responsibilities. The distributor usually carries an inventory of products and a sufficient supply of spare parts and also maintains adequate facilities and personnel for normal servicing operations. Distributors typically handle a range of non-conflicting but complementary products. End users do not usually buy from a distributor; they buy from retailers or dealers.

The terms and length of association between the U.S. Company and the foreign distributor are established by contract. Some U.S. companies prefer to begin with a relatively short trial period and then extend the contract if the relationship proves satisfactory to both parties.

**Foreign Retailers**
A company may also sell directly to foreign retailers, although in such transactions, products are generally limited to consumer lines. The growth of major retail chains in markets such as Japan has created new opportunities for this type of direct sale. This method relies mainly on traveling sales representatives who directly contact foreign retailers, although results might also be achieved by mailing catalogs, brochures, or other literature. The direct mail approach has the benefits of eliminating commissions, reducing traveling expenses, and reaching a broader audience. For optimal results, a firm that uses direct mail to reach foreign retailers should support it with other marketing activities.

**Export Agents, Merchants, or Remarketers**
Export agents, merchants, or remarketers purchase products directly from the manufacturer, packing and marking the products according to their own specifications. They then sell these products overseas through their contacts in their own names and assume all risks for accounts.

In transactions with export agents, merchants, or remarketers, a U.S. firm relinquishes control over the marketing and promotion of its product. This situation could have an adverse effect on future sales efforts abroad if the product is underpriced or incorrectly positioned in the market, or if after-sales services are neglected. On the other hand, the effort required by the manufacturer to market the product overseas is very small and may lead to sales that otherwise would take a great deal of effort to obtain.

**Piggyback Marketing**
Piggyback marketing is an arrangement in which one manufacturer or service firm distributes a second firm's product or service. The most common piggy-back situation is when a U.S. company has a contract with an overseas buyer to provide a wide range of products or services.

Often, this first company does not produce all of the products it is under contract to provide, and it turns to other U.S. companies to provide the remaining products. The second U.S. company thus piggybacks its products to the international market, generally without incurring the marketing and distribution costs associated with exporting. Successful arrangements usually require that the product lines be complementary and appeal to the same customers.
Locating Foreign Representatives and Buyers
A company that chooses to use foreign representatives may meet them during overseas business trips or at domestic or international trade shows. There are other effective methods that can be employed without leaving the United States. Ultimately, the exporter may need to travel abroad to identify, evaluate, and sign overseas representatives; however, a company can save time by first conducting background research in the United States. The Commercial Service contact programs, banks and service organizations, and publications are available to help in this manner.

Contacting and Evaluating Foreign Representatives
Once your company has identified a number of potential representatives or distributors in the selected market, it should email and fax directly to each. Just as the U.S. firm is seeking information on the foreign representative, the representative is interested in corporate and product information on the U.S. firm. The prospective representative may want more information than the company normally provides to a casual buyer. Therefore, the firm should provide full information on its history, resources, personnel, product line, previous export activity, and all other pertinent matters. The firm may wish to include a photograph or two of plant facilities and products, and even product samples when practical. You may also want to consider inviting the foreign representative to visit its operations.

A U.S. firm should investigate potential representatives or distributors carefully before entering into an agreement. The U.S. firm also needs to know the following points about the representative or distributor's firm:

- Current status and history, including background on principal officers;
- Methods of introducing new products into the sales territory;
- Trade and bank references;
- Data on whether the U.S. firm's special requirements can be met; and
- A view of the in-country market potential for the U.S. firm's products. This information is not only useful in gauging how much the representative knows about the exporter's industry, it is valuable market research in its own right.

A U.S. company may obtain much of this information from business associates who currently work with foreign representatives. However, U.S. exporters should not hesitate to ask potential representatives or distributors detailed and specific questions. Suppliers have the right to explore the qualifications of those who propose to represent them overseas. Well-qualified representatives will gladly answer questions that help distinguish them from less-qualified competitors. Your company should also consider other private-sector sources for credit checks of potential business partners.

Reports from a number of companies are available from commercial firms and from the Department of Commerce's International Company Profiles. Commercial firms and banks are also sources of credit information.
information on overseas representatives. They can provide information directly or from their correspondent banks or branches overseas.
Chapter 6 Legal and Compliance

What you need to know.
First, you must know the governing legal systems, written and customary legal approaches for the country to which you are exporting: civil law, common law, muslim/sharia law, customary law, or bi-juridical law (civil and common law, also known as mixed jurisdiction.)

Key: Legal Systems of the World
- Civil law
- Common law
- Bi-juridical (civil and common law, also known as mixed jurisdiction)
- Customary law
- Islamic law (Sharia)

Red flags Legal
- Designate the country for legal jurisdiction for your contracts and state it clearly in your contract.
- Always include a contract clause that names the other party only as an independent contractor that carries NO legal rights.
- BEWARE distributor “exclusivity” clauses with the goal to stop the sale of your product in favor of their main customer. A distributor may exclusively put you out of business in that country.
- Show specific country currency in all contracts (i.e., “USD $100” = $100 United States Dollars)

Protecting Intellectual Property
Intellectual property is any product of the human intellect that is unique, novel, and unobvious. If your business idea has some value in the marketplace, you should take steps to protect it. Examples of intellectual property include but are not limited to:

- An idea
- Invention
- Literary work
- Unique name

University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
Red Flag Never allow someone else to register for a trademark, copyright, or patent “for you.”

Many inventors and company owners have found their registered trademark or patent now belongs to that “nice guy” who offered to do the work for them. Keep it between you and your attorney. If dealing in a specific country, be sure to consider translations and transliterations of your trademark in the foreign country’s language using their alphabet when registering your trademark or copyright.

A special concern of American firms over the past few decades has been the protection of intellectual property rights (IPR). With accession to the World Trade Organization in 2002, the passage of IPR legislation, and improved enforcement on the streets and sentencing in the courts, there is general agreement that IPR protection has improved noticeably in the past few years. However, the United States continues to be concerned about a number of IPR issues in Taiwan and China, including the availability of counterfeit pharmaceuticals, infringement of copyrighted material on the Internet, illegal textbook copying, and the level of protection for the packaging, configuration, and outward appearance of products (trade dress). The U.S. is actively working with the Taiwan and Chinese authorities to address these issues.

Before attending a trade show, exhibition, introducing a product to a potential foreign customer, or putting your product on the Internet, visit a patent attorney and discuss the following:

- design patent;
- utility patent;
- plant patent;
- supra national patent vs. separate nation patent. Note: there is no such thing as an “international patent;”
- annual patent maintenance fee;
- the PCT-Patent Cooperation Treaty and how it holds a reserved space for a registered patent;
- registered trademark protection through Supra-National Madrid Convention and International registration by WIPO (World International Property Organization);
- Trademark use requirement of six years;
Copyright protection;
trade secret protection.
Understand the first inventor to file for a patent wins. NOT the first invention made.
legal options should your product or service be stolen.

If your attorney does not know about the above categories, please look for a more knowledgeable patent attorney. All of the above are very important. Also, decide if you have the financial means to defend your product should it be stolen and reproduced in a foreign country. Many tradeshow participants have been saddened to find that days after they exhibited their product in Taiwan or China a knockoff was available in those countries. Protecting your intellectual property, product, service, AND packaging is a major concern. Don’t give your idea away. Talk to a good patent attorney and think carefully about how you plan to sell in Taiwan and China.

Copyright
Copyright is a form of protection provided to the authors of “original works of authorship” including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. The 1976 Copyright Act generally gives the owner of copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies or phone records of the copyrighted work, to perform the copyrighted work publicly, or to display the copyrighted work publicly.

The copyright protects the form of expression rather than the subject matter of the writing. For example, a description of a machine could be copyrighted, but this would only prevent others from copying the description; it would not prevent others from writing a description of their own or from making and using the machine. Copyrights are registered by the Copyright Office of the Library of Congress. Copyright (and patents) are generally subject to a limited term, whereas a trademark may remain in force indefinitely (provided that it is periodically used and renewal fees are paid).

Trademark:
Any word, combination of words, symbols or device that is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. A service mark is the same as a trademark except that it identifies and distinguishes the source of a service rather than a product. The terms “trademark” and “mark” are commonly used to refer to both trademarks and service marks attached to a product or service.

Trademarks can be one of the most valuable forms of intellectual property (consider Coca-Cola and Nike). Trademark rights may be used to prevent
others from using a confusingly similar mark, but not to prevent others from making the same goods or from selling the same goods or services under a clearly different mark. The process for registering a trademark is relatively straightforward. For more information on the registration of trademarks, visit United States Patent and Trademark Office (USTPO) at: www.uspto.gov/web/offices/tac/doc/basic.

If you wish to register a trademark or service mark solely for the Territory of Guam, you may do so provided that such trademark or service mark is not being used elsewhere in Guam or the U.S., and not registered with the USTPO (5 GCA, Ch. 20, Art. 4). Guam registration forms and information can be obtained in the Regulatory Division section at http://www.govguamdocs.com/revtax/index_revtax.htm.

**Patent**

A patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office (USTPO). Generally, the term of a new patent is 20 years from the date on which the application for the patent was filed in the United States. U.S. patent grants are effective only within the United States, U.S. territories, and U.S. possessions. Under certain circumstances, patent term extensions or adjustments may be available. The right conferred by the patent grant “the right to exclude others from making, using, offering for sale, or selling” the invention in the United States or “importing” the invention into the United States. What is granted is not the right to make, use, offer for sale, sell or import, but the right to exclude others from making, using, offering for sale, selling or importing the invention. Once a patent is issued, the patentee must enforce the patent without aid of the USPTO. There are three types of patents:

1) Utility patents may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement of these.  
2) Design patents may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture.  
3) Plant patents may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

The preparation of an application for a patent and the conducting of the in the USPTO to obtain a patent requires knowledge of patent law and rules practice and procedures of the USPTO, as well as knowledge of the scientific or technical matters involved in the particular invention. For this reason, it is recommended that inventors employ the services of a registered patent attorney or agent. For more information on the use of patents, visit www.uspto.gov.
Red Flag: Buy your own marine insurance.
Talk to your chosen freight forwarder for referral and quotes.

Marine cargo insurance provides protection of goods or livestock from physical loss and/or damage when they are imported to or exported. The insurance can also be conveniently extended to cover inland transit under the same policy. Marine Cargo Insurance can be complex, and working with a specialist marine cargo insurance broker can help make the process much smoother. You need the right marine cargo insurance policy for your commodity, voyage and conditions. A good marine cargo insurance policy will give you the following benefits:

- Provide you cover if your goods go missing
- Provide you cover if your goods get damaged in transit
- Protect you from losses so that you are not out-of-pocket
- Reduce your risk and provide you with peace of mind knowing you and your goods are protected.

**Types of Marine Insurance**

- All Risk = warehouse-to-warehouse including General Averaging
- Shipment-by-Shipment (excludes Acts of War, theft, non-seaworthiness of vessel, etc.)
- CIF = Cost +insurance +freight
- Formula = CIF+110% (100% value+10% Profit) i.e., $10,000 CIF + $1,000 insurance + $4,000 freight = $15,000 CIF; therefore, insurance for $16,500 which equals $15,000 x 110%

Obtain insurance along with documentation of that insurance. Things can and do go wrong.

**Do not rely on your shipping carrier’s insurance.**
A carrier’s insurance does not cover you! Their liability is insured, but they limit their liability by contract. Make sure to double check insurance contracts. You may find these limitations:
• Ocean Carrier: $500 per package or customary freight unit.
• International Air Carrier: $9.07 per lb. or $20 per kilo
• Domestic Air Carrier: $0.50 per lb.

**Tax Benefits**

**Guam Economic Development Authority (GEDA) Programs**

Contact GEDA at [www.investguam.com](http://www.investguam.com) or Phone 671-647-4332

GEDA is an autonomous agency of the Government of Guam that can provide you information about investing on Guam, and assist in identifying sources of economic and business information. It also administers a range of a tax incentive programs on behalf of the Government of Guam aimed at promoting investment in Guam.

The Guam Economic Development Authority (GEDA) has a variety of tax incentives to encourage new investment to Guam. GEDA grants Qualifying Certificates to investors based on investment commitment and ability to generate new employment, replace imports, reduce consumer prices, or create vital new facilities. Qualified firms may receive:

- 75% tax rebate on corporate income tax for up to 20 years;
- Abatement on real property income taxes up to 10 years;
- 75% rebate on corporate dividend tax up to 5 years; and/or
- Abatement on gross receipts tax on petroleum and alcoholic beverages made in Guam up to 10 years.

**Foreign Sales Corporations (FSC’s)**

Contact [www.govguamdocs.com/revtax/index_revtax.htm](http://www.govguamdocs.com/revtax/index_revtax.htm) The U.S. Deficit Reduction Act of 1984 provided to manufacturers, architects and engineers, selling in foreign markets an opportunity to minimize their U.S. income tax on the profits of such sales. The law designated Guam, amongst certain other locations, as a site for the establishment of Foreign Sales Corporations to facilitate these tax savings.

Guam Public Law 17-63 provides local rules and regulations in support of this federal law. It levies fees of $400 for an FSC with sales less than $5 million per year, and $1,000 for an FSC with sales above $5 million per year, with the annual fee increasing at 10 year intervals. Over 300 U.S. manufacturers have already established an FSC in Guam.

FSC’s register, file incorporation documents, and pay fees to the Guam Department of Revenue and Taxation, who administer the program.
**General Headnote 3(A)**
Contact GEDA at [www.investguam.com](http://www.investguam.com) or Phone 671-647-4332

General Headnote 3(a)(iv) of the U.S. Harmonized Tariff Schedule provides a special trade designation for products that are assembled or manufactured in Guam and other insular areas of the United States. These products may enter the customs territory of the United States free of duty as long as they are in compliance with General Headnote 3(a)(iv) and applicable customs regulations.

**Requirements to Meet Duty Free Designation**
Contact GEDA at [www.investguam.com](http://www.investguam.com) or Phone 671-647-4332

Articles assembled or manufactured in Guam, when imported into the United States, must not contain foreign materials valued at more than seventy percent (70%) of the total value of the final appraised value of the manufactured article (appraised value as determined under sections 402 and 402a of the Tariff Act of 1930, and amendments). Duty Free entry of these articles also requires them to be shipped directly to the customs territory of the United States and the articles are not subject to importation quotas.

Customs regulations 19 CFR 7.3 requires that a Certificate of Origin form (Customs Form 3229) must be completed in connection with the entry of merchandise claimed free of duty under General Headnote 3(a)(iv). In determining whether an article is manufactured or produced within the scope of General Headnote 3(a)(iv), a new and different article with a new name, character and use must result from the operations performed in Guam. Please note that an article imported into Guam in a substantially complete condition does not, without extensive modifications performed on it, resulting in a new and different article of commerce, and therefore does not benefit from the General Headnote 3(a)(iv) designation for Guam.

**Determining Eligibility**
Contact GEDA at [www.investguam.com](http://www.investguam.com) or Phone 671-647-4332

The test to determine 70 percent of the total value added limitation for articles manufactured, produced or assembled in Guam is done by comparing the actual purchase price of the foreign materials imported into Guam, including the cost of transportation, and the final appraised value in the United States determined in accordance with the value provisions of the tariff laws of the United States.

**Certificate of Origin Form**
Contact Guam U.S. Customs & Quarantine Agency at (671) 475-6220 or [www.cqa.guam.gov](http://www.cqa.guam.gov) In addition, a “Certificate of Origin Form” must be provided by and authenticated by Guam Customs and Quarantine Agency.

For more information:
Guam Customs & Quarantine Agency
P. O. Box 21828
Barrigada Guam 96921
P: (671) 475-6220
F: (671) 475-6227
Generalized System of Preferences (GSP)
The U.S. Generalized System of Preferences (GSP) is a program designed to promote economic growth in the developing world by providing preferential duty-free entry for about 4,800 products from 131 designated beneficiary countries and territories. GSP was instituted on January 1, 1976, by the Trade Act of 1974. Congress has authorized GSP through December 31, 2009. Guam is a beneficiary of the following countries: Japan, Australia, and the European Common Market nations. Requirements of each participant vary and interested exporters should contact the appropriate trade office of the particular country of destination. For more information on GSP, please refer to:
www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp

Chapter 7 Many Ways to Ship Products Overseas

Transportation

Important

Always ask, “What are my shipping options?”

Red Flag Talk to your freight forwarder FIRST if you plan to export from Guam.
Guam has a unique set of circumstances surrounding ocean cargo and air freight to the U.S. mainland and foreign markets. The first place to start gathering information is with a local freight forwarder asking where ships and cargo planes go when they leave Guam. Oftentimes, there is no “direct shipping” available from Guam to a foreign country. Your product may be on board a container ship for weeks before arriving at its destination. There may also be limitations on how often ships or cargo planes go to your chosen foreign port. Talking to your freight forwarder first will allow you to decide if your product can be shipped to your chosen destination in a timely fashion and often enough to meet the customer’s demand. Can you produce enough of your product if it must go in one big shipment every four weeks? Can your product withstand a lengthy travel time before getting to the retail shelf? Find out about shipping before making an export plan.

Information Necessary To obtain a Freight Quote
All International Freight is measured in metric units.

- Commodity (Product)
- Weight (in metric units)
- Volume of box (formula is Length x Width x Height = Volume) in metric units.
- Destination
Red Flag Exports from Guam Do NOT file an EEI with the AES.

This step is not required when exporting from Guam due to exemption through GovGuam rules and regulations. Disregard this step if seen on U.S. websites or checklists:

“According to the U.S. Census Bureau, in a standard export transaction, it is the U.S. Principal Party In Interest's (USPPI) responsibility to prepare the Electronic Export Information (EEI) and file it through the Automated Export System (AES.) If you see this step on U.S. websites or checklists, it is not required exporting from Guam.”

The freight forwarder becomes a reliable partner.

A freight forwarder is a person who takes care of the important steps of physically shipping your merchandise. This person:

- quotes shipping rates;
- books cargo space: do you need a full container or partial? 20, 40, 45 feet or high cube?
- prepares documentation: hazardous, temperature sensitive; commodities regulated by government agencies; food, plants, animal, will handle “the other side;”
- advises on packing requirements to meet all modes of transportation along the way, the weight of over-stacking, being dropped 24 to 71 times from a six foot height, withstanding cold and heat, or going from a shipping container to an odd sized truck in a foreign country;
- does not advertise “expensive Nike Shoes” when doing documentation and labeling of cargo;
- contracts shipping insurance,
- route cargo with the lowest customs charges,
- arranges storage;
- valuable to you as an import/export agent, and
- they are important in handling all details and steps from factory to final destination.

The freight forward understands foreign regulatory requirements:

- OFAC – Office of Foreign Asset Control
- BIS – Bureau of Industry and Security
- CCL – Commerce Control List
- CCC – China Compulsory Product Certification
• SDN – Specially Designated Nationals
• ISPM15 – Will it require special pallets or fumigation?
• Does it require a special certificate of origin (Israel, NAFTA, Nigeria to name a few)?
• Will it require consular stamps and signatures (some Middle Eastern countries)?

**Important**

**The freight forwarder knows surcharges:**
• BAF – Bunker Adjustment Factor
• CAF – Currency Adjustment Factor
• FAF – Fuel Adjustment Factor
• PSS – Peak Season Surcharge
• IFS – Inland Fuel Surcharge
• THC – Terminal Handling Charge
• Pick Up Charge
• Storage
• GRI – General Rate Increase

**Important**

**The freight forwarder understands air freight rates.**
Air freight rates are based on the size of the shipment or weight or volume, whichever is greater. Accessorial charges include but are not limited to:
• Inland freight;
• Handling;
• ISS;
• FSC (Fuel Surcharge)
• AES Fee

**Red Flag: Guam Customs will issue a “Certificate of Origin Form.”**
Ask your freight forwarder if they do this for you or is it up to you. A missing Certificate of Origin Form can result in a voided Letter of Credit and/or a refusal to accept shipment at a foreign port.
List of Guam Marine Shipping Freight Forwarders in Alphabetical Order
Freight Forwarders can be found by on the Internet, or by personal referrals. Find someone who can do a good job for you. You will need someone who you can work with, since this may become a long-term business relationship.

Ambyth Group http://www.ambyth.com/
CTSI Logistics http://www.ctsi-logistics.com/
Triple B Forwarders http://tripleb.com/GuamShipping.html

A.B. Won Pat International Airport Listing of Airline Cargo Carriers
http://www.guamairport.com/about-your-airport/directories/airlines

Obtain an Accurate “Landed Cost Quotation”
You will need the input of a freight forwarder when you make up the total price quotation to the buyer or their distributor. Not only do you include the manufacturer's price and your commission, usually added together, but you need to include:

- dock and cartage fees
- the freight forwarder's fees
- ocean freight costs
- Other transportation costs
- marine insurance
- duty charges
- any consular invoice fees
- packing charges, or
- other hidden costs.

Be especially careful when you prepare this quotation. It certainly is not professional to come back to the distributor with a higher quote including fees you forgot. When you start out in the business, your freight forwarder can be very valuable in going over the price quotation to be sure nothing is over looked. Usually the quotation is itemized into two main categories of cost of goods, which includes: freight charges and handling fees from destination to destination; and insurance fees.
Red Flag Always give a date the freight quote will end.
Ensure all dates and dollar amounts match on all documents to all Letters of Credit. Differing dates and
dollar amounts can void a Letter of Credit.

Red Flag Avoid a Problem with your Letter of Credit
Differing dates on documents can void a Letter of Credit. You may also include information about the
products, including any new sales literature. A formal letter that accompanies the price quotation should
push for the sale. You can inform the distributor of the shipping date as soon as the order is received and
payment confirmed.

Start a checklist to deliver the product
There are many combinations of people and methods that you can use to deliver the goods that were
ordered. When you produced a price quotation for the goods, you had to go through all the steps the
merchandise will follow. Now, before you proceed, check again.

- Do you have a confirmed order signed by the authorized representatives of the distributing
  company?
- Compare the amount of payment to the amount quoted for the goods and be sure they match
  exactly.
- Or, if the distributor chose a certain quantity of several offers, check the prices again and
  confirm the quantity.
- Confirm the quotation and sale with the manufacturer.
- Confirm the quotation and sale with the freight forwarder.
- Confirm you have adequate insurances (including marine insurance) with your insurance agents.
- Does your freight forwarder have all documentation in order to allow passage into the
  destination country without long waits at the dock for customs?
- Then follow through.

In order to assure the quality of merchandise, some manufacturers prefer to handle freight to the loading
docks, which makes it easier for you. If you handle overland shipping, follow through to ensure the
merchandise is picked up and arrives safely at its destination.

Be informed of the date the goods are loaded onto the ship. The factory should have them freighted in
time to avoid costly dock storage charges. You need all the signed documents. Have your freight
forwarder or other contacts get authorized bills of lading for the merchandise each step of the way - from
destination to destination.
Chapter 8 Methods of Payment

Cash-in-Advance
This is the most commonly used method of payment throughout the world. With this payment method, the exporter can avoid credit risk, since payment is received prior to the transfer of ownership of the goods. Wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. However, requiring payment in advance is the least attractive option for the buyer, as this method creates cash flow problems. Foreign buyers are also concerned that the goods may not be sent if payment is made in advance. Thus, exporters that insist on this method of payment as their sole method of doing business may find themselves losing out to competitors who may be willing to offer more attractive payment terms, like a Letter of Credit.
Letters of credit are often used in international transactions to ensure that payment will be received. Due to the nature of international dealings including factors such as distance, differing laws in each country and difficulty in knowing each party personally, the use of letters of credit has become a very important aspect of international trade. The bank also acts on behalf of the buyer (holder of letter of credit) by ensuring that the supplier will not be paid until the bank receives a confirmation that the goods have been shipped.

Seller provides bill of lading to bank in exchange for payment. Seller's bank exchanges bill of lading for payment from buyer's bank. Buyer's bank exchanges bill of lading for payment from the buyer.

THEN…
Buyer provides bill of lading to carrier and takes delivery of goods.

Letters of credit (LCs) are among the most secure instruments available to international traders. An LC is a commitment by a bank on behalf of the buyer that payment will be made to the exporter provided that the terms and conditions have been met, as verified through the presentation of all required documents. The buyer pays its bank a fee to render this service. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but you are satisfied with the creditworthiness of your buyer’s foreign bank. An LC also protects the buyer since no payment obligation arises until the goods have been shipped or delivered as promised. The letters of credit can take many forms: irrevocable or revocable, confirmed, or special (transferable, revolving or standby). Talk to your bank about Letters of Credit and other finance options. Financial Institutions on Guam can be found in the next chapter of this Export Resource Guide.

Red Flag
All documents must match the instructions on a Letter of Credit EXACTLY. If dates differ, dollar amounts differ, etc. the Letter of Credit will be void.

Irrevocable Letter Of Credit - ILOC
An Irrevocable Letter of Credit cannot be cancelled by the buyer. This guarantees that a buyer's payment to a seller will be received on time and for the correct amount. It is often used in International transactions. When the Irrevocable Letter of Credit is likewise confirmed by the manufacturer/seller’s bank to deliver the goods, the distributor is assured of delivery and payment. Once the Irrevocable Letter of Credit is confirmed by the manufacturer/seller’s bank, the currency exchange is also confirmed, so parties do not have to worry about the fluctuation in International currency.

Basically, the bank holds the money until all shipping documents are presented. The Letter of Credit states the terms and conditions to make it legal and negotiable into money, usually holding for proof of shipment of the goods. Your freight forwarder helps you attain all those documents. When you hand them to the banker, the Letter of Credit is turned into MONEY for you to then pay the manufacturer and all other invoices from the transaction.

Standby Letter of Credit - SLOC or Non-Performing Letter of Credit
A guarantee of payment issued by a bank on behalf of a client (the buyer) that is used as "payment of last resort" should the client fail to fulfill a contractual commitment with a third party (the manufacturer/seller.) Standby letters of credit are created as a sign of good faith in business transactions, and are proof of a buyer's credit quality and repayment abilities. The bank issuing the SLOC will perform brief underwriting duties to ensure the credit quality of the party seeking the letter of credit, then send notification to the bank of the party requesting the letter of credit (typically a seller or creditor). Also known as a "non-performing Letter of Credit."
A standby letter of credit will typically be in force for about one year, allowing for enough time for payment to be made through standard contractual guidelines. Standby letters of credit are often used in international trade transactions, such as the purchase of goods from another country. The seller will ask for a standby letter of credit, which can be cashed on demand if the buyer fails to make payment by the date specified in the contract. The cost to obtain a standby letter of credit is typically 1-8% of the face amount annually, but the letter can be canceled as soon as the terms of the contract have been met by the purchaser or borrower.

**Trade Finance Guide**

A Quick Reference for U.S. Exporters is designed to help U.S. companies, especially small and medium-sized enterprises, learn the basics of trade finance so that they can turn their export opportunities into actual sales and achieve the ultimate goal of getting paid—especially on time—for those sales. Concise, two-page chapters offer the basics of numerous financing techniques, from open accounts, to forfaiting⁴, to government assisted foreign-buyer financing. See Trade Finance Guide at [http://export.gov/tradefinanceguide/index.asp](http://export.gov/tradefinanceguide/index.asp)
Small Business Administration Online Social Media Sites
The United States Government agencies are great places to find assistance. These agencies promote the import/export business. President Obama’s National Export Initiative of 2010 has made financial assistance available in many formats. More Information for the following loans can be found by contacting your bank, contacting a lender in this Export Resource Guide or at the following online sites:

- Small Business Administration on Twitter
- Small Business Administration on Facebook
- Small Business Administration on YouTube
- Small Business Administration Blog
- Small Business Administration Podcasts
- www.sba.gov

Small Business Administration - Export Working Capital Program
Contact U.S. SBA – Guam Branch Office: www.sba.gov
Provides up to $5 million in short-term, transaction-specific working capital loans to U.S. small business exporters. Uses of this financing include: pre-export financing of labor and materials; and post-shipment financing of the accounts receivable generated from transaction-specific overseas sales.

Small Business Administration - Export Express Program
Contact U.S. SBA – Guam Branch Office: www.sba.gov
Provides small businesses that have exporting potential, but need funds to cover the initial costs of entering an export market with up to $500,000 in export development financing to buy or produce goods or to provide services for export. The loan proceeds can be used for most business purposes, including expansion, equipment purchases, working capital, inventory or real estate acquisitions.
**International Trade Loan Program**
Contact U.S. SBA – Guam Branch Office: [www.sba.gov](http://www.sba.gov)
The International Trade Loan Program offers term loans for fixed assets and working capital to businesses that plan to start or continue exporting or that has been adversely affected by competition from imports and need to retool to become more competitive. The proceeds of the loan must enable the borrower to be in a better position to compete. The program provides the lender with a 90% guaranty on loans up to $5 million. Funds may be used for the following purposes for long-term fixed assets such as acquisition; construction; renovation; modernization; improvement; and expansion. Funds may be used for the refinancing of an existing loan, too. Who is Eligible for an International Trade Loan? International Trade loans are available to small businesses that are in a position to expand existing export markets or develop new export markets, or small businesses that are adversely affected by international trade and can demonstrate that the loan proceeds will improve their competitive position.

**Export-Import Bank [Ex-Im Bank] - Working Capital Guarantee Program**
Contact: [www.exim.gov](http://www.exim.gov). Provides transaction-specific working capital loans to U.S. exporters, made by commercial lenders and backed by Ex-Im Bank’s guarantee. Uses of this financing include: purchasing finished products for export; paying for raw materials, equipment, supplies, labor and overhead to produce goods and/or provide services for export; covering standby letters of credit serving as bid bonds, performance bonds, or payment guarantees; and financing foreign receivables.

**SBA Patriot Express Loan**
Contact U.S. SBA – Guam Branch Office: [www.sba.gov](http://www.sba.gov)
The Patriot Express loan helps veterans, members of the military community and their spouses or widows establish or expand their small businesses. Eligible military community members include: veterans, service-disabled veterans, active-duty service members who are eligible for the military's Transition Assistance Program, Reservists and National Guard members, current spouses of any of the above or the widowed spouse of a service member or veteran who died during service or of a service-connected disability. SBA Patriot Express loans are available up to $500,000 and qualify for the SBA's maximum guaranty of up to 85 percent for loans of $150,000 or less, and up to 75 percent for loans of $150,001 to $250,000. Loans can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory, or business-occupied real-estate purchases.
Guam Lenders for Private Commercial Loans and SBA Guarantees

Contact U.S. SBA – Guam Branch Office: www.sba.gov

Please note that all SBA Loan Programs are disbursed and administered by commercial banks and credit unions that maintain a preferred lender relationship with SBA or are specifically authorized to provide a loan with SBA support.

The lender decides if they will make the loan internally or, if the application has some weaknesses, will require an SBA guaranty for the loan to be made. The guaranty, which SBA provides, is only available to the lender. It assures the lender that in the event the borrower does not repay their obligation and a payment default occurs, the Government will reimburse the lender for its loss up to the percentage of SBA's guaranty. Under this program, the borrower will continue to remain obligated for the full amount of the loan.

If the lender is not willing to provide the loan, even if they may be able to obtain an SBA guaranty, the Agency cannot force the lender to change its mind. Neither can SBA make the loan by itself because the Agency does not have any money to lend. It is paramount, therefore, that all applicants approach a commercial lender positively for a loan, and that they know the lenders criteria and requirements as well as those of the SBA. In order to obtain positive consideration for an SBA supported loan, the applicant must be both eligible and creditworthy.

**Collateral** - You must pledge sufficient assets, to the extent that they are reasonably available, to adequately secure the loan. Personal guaranties are required from all the principal owners of the business. Liens on personal assets of the principals may be required.

**Eligibility** - Your business generally must be operated for profit and fall within the size standards set by the SBA. The SBA determines if the business qualifies as a small business based on the average number of employees during the preceding 12 months or on sales averaged over the previous three years.

**Chapter 10 Sources of Business Finance**

**Lenders on Guam**

**ANZ Guam, Inc.:** (7(a), SBA Express, Patriot Express & Small Business Loan Advantage Loans)
Credit Analyst, 479-9023
www.anz.com/guam

**Bank of Guam: (7(a) and SBA Express Loans)**
VP Corporate Banking Group Manager, 472-5168
www.bankofguam.com

**Bank of Hawaii: (7(a), SBA Express, Patriot Express & Small Business Loan Advantage Loans)**
VP/Business Banking Manager, 479-3670/483-3639
Business Banking Officer, 479-3658/688-2530
www.boh.com

**Bank Pacific: (7(a), SBA Express, Patriot Express & Small Business Loan Advantage Loans)**
VP - Commercial/Consumer & Indirect Financing, 479-1179
Commercial Loan Specialist, 479-1179
www.bankpacific.com

**Coast360 Federal Credit Union: (7(a) Loans)**
Loan Manager, 479-8240
www.coast360fcu.com

**Community First Federal Credit Union: (7(a) Loans)**
Dir. of Compliance/Loan Admin, 472-8210
Member Business Relationship Analyst, 472-8210
www.communityfirstfcu.com

**First Hawaiian Bank: (7(a), SBA Express, Patriot Express & Small Business Loan Advantage Loans)**
VP/Team Leader, 475-7857
www.fhb.com
Chapter 11 Study your customer

Cultural Differences

WILL YOUR PRODUCT, PACKAGING, AND LABELING CROSS-OVER TO A DIFFERENT MARKET?

THE CHEVY NOVA WAS A FLOP IN MEXICO

IN MEXICO NOVA MEANS “NO GO”

Even a close translation might not be close enough. In Arabic “Jolly Green Giant” means “Intimidating Green Ogre”
For Example: What Chinese Want
Consumers in China are increasingly modern in their tastes, but they are not becoming 'Western.' How the selling of coffee, cars and pizza sheds light on a nation racing toward superpower status.

**Apple has taken China by storm.**
A Starbucks can be found on practically every major street corner in coastal cities and beyond. From Nike to Buick to Siemens, Chinese consumers actively prefer Western brands over their domestic competitors.

As Western retailers bet on China to drive profits, some of the biggest mistakes are made because brands don't understand the Chinese consumer.

**But don't be deceived by appearances.**
Successful Western brands craft their message here to be "global," not "foreign"—so that they can become vessels of Chinese culture.

Understanding China's consumer culture is a good starting point for understanding the nation itself, as it races toward superpower status. Though the country's economy and society are evolving rapidly, the underlying cultural blueprint has remained more or less constant for thousands of years. China is a Confucian society, a quixotic combination of top-down patriarchy and bottom-up social mobility. Citizens are driven by an ever-present conflict between standing out and fitting in, between ambition and regimentation. In Chinese society, individuals have no identity apart from obligations to, and acknowledgment by, others. The clan and nation are the eternal pillars of identity. Western individualism—the idea of defining oneself independent of society—doesn't exist.

Even beer must do something—like reinforce trust or promote financial gain. In the West, letting the good times roll is enough. Various youth sub tribes intermittently bubble to the surface—see the recent rise of "vegetable males" (Chinese metrosexuals) and "Taobao maniacs" (aficionados of the auction
Brands like Starbucks, Prada and Porsche have made deep in roads. Consumers in China aren't becoming "Western." They are increasingly modern and international, but they remain distinctly Chinese.

Even digital self-expression needs to be safe, cloaked in anonymity.

Chinese at all socioeconomic levels try to "win"—that is, climb the ladder of success—while working within the system, not against it.

In Chinese consumer culture, there is a constant tension between self-protection and displaying status. This struggle explains the existence of two seemingly conflicting lines of development. On the one hand, we see stratospheric savings rates, extreme price sensitivity and aversion to credit-card interest payments. On the other, there is the Chinese fixation with luxury goods and a willingness to pay as much as 120% of one's yearly income for a car.

Every day, the Chinese confront shredded social safety nets, a lack of institutions that protect individual wealth, contaminated food products and myriad other risks to home and health. The instinct of consumers to project status through material display is counterbalanced by conservative buying behavior. Protective benefits are the primary consideration for consumers. Even high-end paints must establish their lack of toxicity before touting the virtues of colorful self-expression. Safety is a big concern for all car buyers, at either end of the price spectrum.

To win a following among Chinese buyers, brands have to follow three rules.

First and most important, products that are consumed in public, directly or indirectly, command huge price premiums relative to goods used in private. The leading mobile phone brands are international. The leading household appliance brands, by contrast, are cheaply priced domestic makers such as TCL,
Changhong and Little Swan. According to a study by the U.K.-based retailer B&Q, the average middle-class Chinese spends only $15,000 to fit out a completely bare 1,000-square-foot apartment.

**Luxury items are desired more as status investments than for their inherent beauty or craftsmanship.**

The Chinese are now the world's most avid luxury shoppers, at least if trips abroad to cities like Hong Kong and Paris are taken into account. According to Global Refund, a company specializing in tax-free shopping for tourists, the Chinese account for 15% of all luxury items purchased in France but less than 2% of its visitors.

**Public display is also a critical consideration in how global brands are repositioning themselves to attract Chinese consumers.**

Despite China's tea culture, Starbucks successfully established itself as a public venue in which professional tribes gather to proclaim their affiliation with the new-generation elite. Both Pizza Hut and Häagen Dazs have built mega-franchises in China rooted in out-of-home consumption. (The $5 carton of vanilla to be eaten at home is a tough sell in China.)

**The second rule is that the benefits of a product should be external, not internal.**

Even for luxury goods, celebrating individualism—with familiar Western notions like "what I want" and "how I feel"—doesn't work in China. Automobiles need to make a statement about a man on his way up. BMW, for example, has successfully fused its global slogan of the "ultimate driving machine" with a Chinese-style declaration of ambition.

Sometimes the difference between internal versus external payoffs can be quite subtle. Spas and resorts do better when they promise not only relaxation but also recharged batteries. Infant formulas must promote intelligence, not happiness. Kids aren't taken to Pizza Hut so that they can enjoy pizza; they are rewarded with academic "triumph feasts." Beauty products must help a woman "move forward." Even beer must do something. In Western countries, letting the good times roll is enough; in China, pilsner must bring people together, reinforce trust and promote mutual financial gain.

**Emotional payoffs must be practical, even in matters of the heart.**

Valentine's Day is almost as dear to the Chinese as the Lunar New Year, but they view it primarily as an opportunity for men to demonstrate their worthiness and commitment. In the U.S., De Beers’ slogan, "A Diamond is Forever," glorifies eternal romance. In China, the same tagline connotes obligation, a familial covenant—rock solid, like the stone itself.

The last rule for positioning a brand in China is that products must address the need to navigate the crosscurrents of ambition and regimentation, of standing out while fitting in. Men want to succeed without violating the rules of the game, which is why wealthier individuals prefer Audis or BMWs over flashy Maseratis.
Luxury buyers want to demonstrate mastery of the system while remaining understated, hence the appeal of Mont Blanc's six-point logo or Bottega Veneta's signature cross weave—both conspicuously discreet. Young consumers want both stylishness and acceptance, so they opt for more conventionally hip fashion brands like Converse and Uniqlo. re drawn to brands promising "stealthy learning" for their children.

**Intellectual development masked as fun.**
Disney will succeed more as an educational franchise—its English learning centers are going gangbusters—than as a theme park. McDonald's restaurants, temples of childhood delight in the West, have morphed into scholastic playgrounds in China: Happy Meals include collectible Snoopy figurines wearing costumes from around the world, while the McDonald's website, hosted by Professor Ronald, offers Happy Courses for multiplication. Skippy peanut butter combines "delicious peanut taste" and "intelligent sandwich preparation."

**Even China's love affair with Christmas—with big holiday sales and ubiquitous seasonal music, even in Communist Party buildings—advances a distinctly Chinese agenda.**

Santa is a symbol of progress; he represents the country's growing comfort with a new global order, one into which it is determined to assimilate, without sacrificing the national interest. The holiday has become a way to project status in a culture in which individual identity is inextricably linked to external validation.

**The American dream—wealth that culminates in freedom—is intoxicating for the Chinese.**
But whereas Americans dream of "independence," Chinese crave "control" of their own destiny and command over the vagaries of daily life. Material similarities between Chinese and Americans mask fundamentally different emotional impulses. If Western brands can learn to meet China's worldview on its own terms, perhaps the West as a whole can too.

Research cultural differences. Test your product in the foreign market first. Think about making your product or service attractive to that particular consumer. Remember, they do not live on Guam!
Chapter 12 Resource Links and Phone Numbers

FACT: About 30 percent of non-exporters say they would export if they had information on how to get started, such as best markets, potential buyers, and export procedures.

INSIGHT: The U.S. government is the leading provider of this kind of essential market information. To figure out where to begin, visit www.export.gov or call an international trade specialist at (800) USA-TRADE (800-872-8723 800-872-8723).

Making the Government Work for you
Now that you’ve had an opportunity to examine some of the factors involved in an exporting and marketing plan, let’s review some key sources of assistance. A lot of help is available to your company at little or no cost and makes the exporting process much easier. This chapter gives a brief overview of the assistance available through federal, state, and local government agencies, as well as in the private sector. Other chapters in this guide provide more information on the specialized services of these organizations and how to use them.

Social Media
Social Media and Web 2.0 are umbrella terms that define the various activities that integrate technology, social interaction, and content creation. Export.gov has begun working with social media tools to present information to you in ways that are easier for you to use.

Follow social media such as Twitter, Facebook, and LinkedIn at http://export.gov/about/eg_main_021426.asp

Subscribe to Export.gov through:
E-Mail Updates
RSS Feeds

Follow our Partners:
BusinessUSA.gov
BusinessUSA.gov on Twitter
Department of Commerce (DOC)
Acting Secretary Dr. Rebecca Blank on Twitter
Department of Commerce on Twitter
International Trade Administration, DOC
Trade.gov on Twitter

University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
U.S. Commercial Service Export Assistance Centers

The U.S. Commercial Service of the U.S. Department of Commerce maintains a network of international trade specialists in the United States to help American companies export their products and conduct business abroad. International trade specialists are employed in offices known as Export Assistance Centers in more than 100 cities in the United States and Puerto Rico to assist U.S. exporters, particularly small and medium-sized companies. Export Assistance Centers are known as “one-stop shops” because they combine the trade and marketing expertise and resources of the Commercial Service along with the financial expertise and resources of the Small Business Administration and the Export-Import Bank.

Export Assistance Centers also maximize resources by working closely with state and local governments as well as private partners to offer companies a full range of expertise in international trade, marketing, and finance. International trade specialists will counsel your company on the steps involved in exporting, help you assess the export potential of your products, identify markets, and locate potential overseas partners. They work with their international colleagues in more than 80 countries to provide American companies with turnkey solutions in foreign markets.
Each Export Assistance Center can offer information about the following:

- Services to locate and evaluate overseas buyers and representatives, distributors, resellers, and partners
- International trade opportunities
- Foreign markets for U.S. products and services
- Foreign economic statistics
- Export documentation requirements
- U.S. export licensing requirements and import requirements of foreign nations
- Export trade finance options
- International trade exhibition participation and certification
- Export seminars and conferences

To find the Export Assistance Centers nearest you, visit www.export.gov/eac.

**U.S. Commercial Service Overseas Posts**

Much of the information about trends and actual trade leads in foreign countries is gathered on site by the officers of the Commercial Service. Those officers have a personal understanding of local market conditions and business practices in the countries in which they work. The Commercial Service officers work in more than 150 offices located in more than 80 countries. They provide a range of services to help companies sell in foreign markets:

- Background information on foreign companies
- Agent-distributor locator services
- Market research
- Business counseling
- Assistance in making appointments with key buyers and government officials
- Representations on behalf of companies adversely affected by trade barriers.

You can access those services by contacting your nearest U.S. Export Assistance Center. The centers can also provide assistance with business travel before departure by arranging advance appointments with embassy personnel, market briefings, and other services in the cities you will be visiting.
The Trade Information Center (TIC) is a comprehensive resource for information on all federal government export assistance programs and for information and assistance on exporting to most countries. TIC can be reached at (800) USA-TRADE (800-872-8723) or www.export.gov.

Industry and international trade specialists in the U.S. Trade and Development Agency (TDA) work directly with individual firms and manufacturing and service associations to identify trade opportunities and obstacles by product or service, industry sector, and market. TDA analysts participate in trade policy development and negotiations, identify market barriers, and advocate on behalf of U.S. companies. TDA’s statistical data and analyses are useful in export development. The TDA staff also develops export marketing programs and obtains industry advice on trade matters. To assist U.S. businesses in their export efforts, TDA’s industry and international experts conduct executive trade missions, trade fairs, marketing seminars, and business counseling and provide product literature centers.

For further information, contact TDA at http://www.ustda.gov/.

FACT: Private consultants are expensive.
INSIGHT: It pays to take full advantage of publicly funded sources of assistance before hiring a consultant. When you do hire the consultant, you will receive greater value because your requirements will be more focused.

Export Basics Assessment and Assistance at Export.Gov
Are you ready to make international sales? Export Basics helps you assess your export readiness, understand what you need to know and consider before pursuing an international sales strategy, and, when you are ready, develop, and implement your export strategy. The subsequent sections of Export Basics — starting with Develop Your Export Plan — will help you develop and implement your export plan. Each section corresponds to the key components of an effective export plan — posing questions you should answer to complete your plan and providing resources to help you answer those questions.

Start here!
- Take our Are you Export Ready? at online readiness assessment to find out if you’re ready to pursue international sales. (Food and Agricultural Exporters)
- Read the ITA Blog on How the Commercial Service Helps Exporters
• The U.S. Commercial Service is pleased to offer you 4 ways to learn exporting.
• Watch our Are You Ready? and Going Beyond Borders videos to hear a U.S. Commercial Officer talk about issues you should consider before going global and to hear from companies that have worked with the U.S. Commercial Service to make international sales.
• Watch educational videos on how to Take Your Business Global. These videos discuss topics such as getting started, how to connect with your foreign buyer, and they highlight some case studies to show you just how easy it is to get started in exporting.
• Think export success is out of your reach? Read success stories about how companies like yours are succeeding in the international marketplace.

Export University 101
Export University 101 is a webinar that presents basic information on exporting, including:
• organizational and product readiness,
• market research,
• guidance for developing your strategy and marketing plan,
• promoting your products in target market, and
• complying with US and foreign regulations.
It presents useful methods and strategies to help you export your products successfully abroad.
Frequently Asked Questions
Go! If you are ready to begin developing your export plan, please proceed onto the next section, Develop Your Export Plan

Export-Import Bank (Ex-Im Bank) of the United States
The Export-Import Bank is committed to supporting small business exporters. In fact, about 85 percent of its transactions support small businesses. The Ex-Im Bank’s products include specialized small business financing tools such as working capital guarantee and export credit insurance.
The working capital guarantee and insurance products enable small businesses to increase sales by entering new markets, to expand their borrowing base, and to offer buyers financing while carrying less risk. The Ex-Im Bank’s working capital guarantee assumes up to 90 percent of the lender’s risk so exporters can access the necessary funds to purchase or produce U.S.-made goods and services for export.
For more information, contact the Ex-Im Bank at www.exim.gov.
For a U.S. company bidding on a foreign government procurement contract, exporting today can mean more than just selling a good product at a competitive price. It can also mean dealing with foreign governments and complex rules. If you feel that the bidding process is not open and transparent or that it may be tilted in favor of your foreign competition, then you need to contact the Advocacy Center. This center coordinates the actions of 19 U.S. government agencies involved in international trade. Advocacy assistance may involve a visit to a key foreign official by a high-ranking U.S. government official, direct support from U.S. officials stationed overseas, letters to foreign decision-makers, and coordinated action by U.S. government agencies and businesses of all types and sizes. For more information, call (202) 482-3896 (202) 482-3896 or visit www.export.gov/advocacy.

The U.S. Department of Commerce’s Trade Compliance Center (TCC) is an integral part of efforts by the U.S. government to ensure foreign compliance with trade agreements. Located within the Market Access and Compliance (MAC) unit of the International Trade Administration, TCC systematically monitors, investigates, and evaluates foreign compliance with multilateral, bilateral, and other international trade agreements and standards of conduct to ensure that U.S. firms and workers receive all the benefits that market-opening initiatives provide. The TCC Web site provides a one-stop shop for American exporters facing market access and agreements compliance problems. The fully searchable database contains the texts of approximately 270 bilateral, regional, and multilateral trade and trade-related agreements, along with detailed market access information for more than 90 major U.S. markets. The online service enables U.S. exporters to file complaints about market access and agreements. TCC can be reached by phone at (202) 482-1191 (202) 482-1191 or by mail at the U.S. Department of Commerce, Room 3415, 14th St. and Constitution Ave., N.W., Washington, DC 20230.

The Bureau of Industry and Security (BIS) is responsible for control of exports for reasons of national security, foreign policy, and short supply such as “dual use” items with both military and commercial applications. Assistance with compliance with export controls can be obtained directly from your local BIS district office or from the Outreach and Educational Services Division within the BIS’s Office of Exporter Services in Washington, D.C., which you may reach at (202) 482-4811 (202) 482-4811. BIS also has two field offices that specialize in counseling on export controls and regulations; call the Western Regional Office at (949) 660-0144 (949) 660-0144 or the San Jose Office at (408) 291-4212 (408) 291-4212. For more information, visit the BIS Web page at www.bis.doc.gov.
Minority Business Development Agency, U.S. Department of Commerce

The Minority Business Development Agency (MBDA) identifies opportunities for U.S. minority business enterprises by promoting their ability to grow and compete in the global economy in selected industries. Through an agreement with the International Trade Administration, MBDA provides information on market and product needs worldwide and identifies ways to access education, finance, and technology to help minority businesses succeed. For example, MBDA and the International Trade Administration coordinate minority business participation in trade events. And the Minority Business Development Center network helps minority businesses to prepare international marketing plans and promotional materials and to identify financial resources.

For general export information, the field organizations of both MBDA and the International Trade Administration provide information kits and details about local seminars. Contact MBDA by phone at (888) 324-1551 or online at www.mbda.gov/.

Small Business Administration

The U.S. Small Business Administration (SBA) and its nationwide network of resource partners can assist you with export counseling, training, and financing. SBA has trade promotion and finance managers located in the U.S. Export Assistance Centers. In addition, you can find out more about exporting through the following:

SBA district offices. The Small Business Administration has district offices in every state and territory that are staffed by specialists who understand SBA programs. These specialists can help small businesses succeed in exporting and put them in touch with other local resources.

Small Business Development Centers (SBDCs). SBDCs provide a full range of export assistance services to small businesses, particularly those new to exporting. They also offer counseling, training, managerial support, and trade-finance assistance. Counseling services are provided at no cost to the small business exporter, but fees are generally charged for export training seminars and other SBDC-sponsored export events.

SCORE—Counselors to America’s Small Businesses. Many members of SCORE have practical experience in international trade. They can evaluate your company’s export potential and strengthen your domestic operations by identifying financial, managerial, or technical problems. SCORE advisers can also help you develop and implement basic export marketing plans that show where and how to sell your goods abroad. You can find more information at www.score.org/.

For information on any of the programs funded by SBA, contact your nearest SBA field office by calling (800) 8-ASK-SBA (800-827-5722) or access the SBA home page at http://www.sba.gov/.

U.S. Department of Agriculture

The U.S. Department of Agriculture offers exporting assistance through the Office of Outreach and Exporter Assistance (OOEA). A part of the Foreign Agricultural Service (FAS), OOEA serves as the first point of contact for exporters of U.S. food, farm, and forest products. It provides them guidance, referrals, and access to foreign market information and assistance in
getting information about export-related programs managed by the U.S. Department of Agriculture and other federal agencies. It also serves as a contact point for minority-owned and small businesses seeking assistance in these areas. OOEIA will provide basic export counseling and connect you to the appropriate export program, such as the Market Access Program. Questions regarding any of the programs offered by the Department of Agriculture should be directed to OOEIA at (202) 720-7420 (202) 720-7420. The Web site is www.fas.usda.gov/.

**National Center for Standards and Certification Information**
The National Center for Standards and Certification Information (NCSCI) provides information about foreign standards and certification systems and requirements. In addition to providing comprehensive information on existing standards and certification requirements, NCSCI began a new service in 2005 known as Notify U.S. This free, Web-based e-mail subscription service offers U.S. citizens, industries, and organizations an opportunity to review and comment on proposed foreign technical regulations that can affect their businesses and their access to international markets. By subscribing to the Notify U.S. service, U.S. entities receive, by e-mail, notifications of drafts or changes to domestic and foreign technical regulations for manufactured products. To register, visit the Notify U.S. Web site at http://tsapps.nist.gov/notifyus/data/index.

**District Export Councils**
Besides the immediate services of its Export Assistance Centers, the U.S. Commercial Service has direct contact with seasoned exporters in all aspects of export trade. The U.S. Export Assistance Centers work closely with 58 District Export Councils (including those in Puerto Rico and the U.S. Virgin Islands) made up of nearly 1,500 business and trade experts who volunteer to help U.S. firms develop solid export strategies. District Export Councils assist in many of the workshops and seminars on exporting that are arranged by the Export Assistance Centers, and they also sponsor their own. District Export Council members may also provide direct, personal counseling to less experienced exporters by suggesting marketing strategies, trade contacts, and ways to maximize success in overseas markets. You can obtain assistance from District Export Councils through the Export Assistance Centers that they are affiliated with.

**State and Local Governments**
State, county, and city economic development agencies; departments of commerce or development; and other government entities often provide valuable assistance to exporters. The assistance offered by these groups typically includes the following:

- **Export education.** Helping exporters analyze export potential and introducing them to export techniques and strategies, perhaps in the form of group seminars or individual counseling sessions
- **Trade missions.** Organizing trips abroad to enable exporters to call on potential foreign customers

University of Guam School of Business & Public Administration Guam Small Business Development Center (SBDC)
- **Trade shows.** Organizing and sponsoring exhibitions of state-produced goods and services in overseas markets

**Export Intermediaries**
Export intermediaries range from giant international companies to highly specialized small operations. For a fee, they provide a multitude of services, including performing market research, appointing and managing overseas distributors or commission representatives, exhibiting a client’s products at international trade shows, advertising, and shipping and preparing documentation. In short, the intermediary can often take full responsibility for the export end of business, relieving the exporter of all details except filling orders.

Intermediaries may work simultaneously for a number of exporters for a commission, salary, or retainer plus commission. Some intermediaries take title to the goods they handle, buying and selling in their own name. The products of a trading company’s various clients are often related, although the items usually are not competitive. One advantage to using an intermediary is that it can immediately make available marketing resources that exporters might take years to develop on their own. Many export intermediaries also finance sales and extend credit, facilitating prompt payment to the exporter.

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**World Trade Centers, International Trade Clubs, and Local Chambers of Commerce**
Local or regional World Trade Centers and international trade clubs are composed of area businesspeople that represent firms engaged in international trade and shipping, banks, forwarders, customs brokers, government agencies, and other service organizations involved in world trade. Such organizations conduct educational programs on international business and organize promotional events to stimulate interest in world trade. There are nearly 300 World Trade Centers or affiliated associations in major trading cities in almost 100 countries. By participating in a local association, a company can receive valuable and timely advice on world markets and opportunities from businesspeople that are already knowledgeable in virtually every facet of international business. Among the advantages of membership are the services, discounts, and contacts from affiliated clubs in foreign countries. For more detailed information, visit [http://www.wtcaonline.com/cms_wtca/](http://www.wtcaonline.com/cms_wtca/).

Many local chambers of commerce in the United States provide sophisticated and extensive services for members interested in exporting. Among these services are the following:

- Conducting export seminars, workshops, and roundtable discussions
- Providing certificates of origin
• Developing trade promotion programs, including overseas missions, mailings, and event planning
• Organizing U.S. pavilions at foreign trade shows
• Providing contacts with foreign companies and distributors
• Relaying export sales leads and other opportunities to members
• Organizing transportation routings and shipment consolidations
• Hosting visiting trade missions from other countries
• Conducting international activities at domestic trade shows

Industry and Trade Associations
In addition, some industry and trade associations can supply detailed information on market demand for products in selected countries, or they can refer members to export management companies. Industry trade associations typically collect and maintain files on international trade news and trends affecting their industry or line of business. They often publish articles and newsletters that include government research. National and International trade associations often organize large regional, national, and international trade shows themselves. To find a chamber in your area, visit www.uschamber.com. FACT:
Fifty-eight percent of small business owners belong to one business organization (e.g., an association), and 42 percent belong to more than one.
INSIGHT:
Business and trade associations have these benefits:

- Inform you about government rules and obligations
- Promote your industry or community
- Provide technical information specific to your industry

American Chambers of Commerce Abroad
A valuable and reliable source of market information in any foreign country is the local chapter of the American Chamber of Commerce (AMCHAM). These local chapters are knowledgeable about local trade opportunities, actual and potential competition, periods of maximum trade activity, and similar considerations.

AMCHAMs usually handle inquiries from any U.S. business. Detailed services are ordinarily provided free of charge for members of affiliated organizations. Some AMCHAM have a set schedule of charges for services rendered to non-members. For contact information on AMCHAMs in major foreign markets, call (800) USA-TRADE (800-872-8723).
International Trade Consultants and Other Advisers

International trade consultants can advise and assist a manufacturer on all aspects of foreign marketing. Trade consultants do not normally deal specifically with one product, although they may advise on product adaptation to a foreign market. They research domestic and foreign regulations and also assess commercial and political risk. They conduct foreign market research and establish contacts with foreign government agencies and other necessary resources, such as advertising companies, product service facilities, and local attorneys.

Consultants in international trade can locate and qualify foreign joint venture partners and can conduct feasibility studies for the sale of manufacturing rights, the location and construction of manufacturing facilities, and the establishment of foreign branches. After sales agreements are completed, trade consultants can also ensure that implementation is smooth and that any problems that arise are dealt with effectively.

Trade consultants usually specialize by subject matter and by global area or country. These consultants can advise on which agents or distributors are likely to be successful, what kinds of promotion are needed, who the competitors are, and how to conduct business with the agents and distributors. They are also knowledgeable about foreign government regulations, contract laws, and taxation. Some firms may be more specialized than others. For example, some may be thoroughly knowledgeable about legal issues and taxation and less knowledgeable about marketing strategies.

Many large accounting firms, law firms, and specialized marketing firms provide international trade consulting services. When selecting a consulting firm, you should pay particular attention to the experience and knowledge of the consultant who is in charge of the project. To find an appropriate firm, seek advice from other exporters and from the other resources listed in this chapter, such as the Export Assistance Centers and local chambers of commerce.

Consultants are of greatest value to a firm that has specific requirements. For that reason, and because private consultants are expensive, it pays to take full advantage of publicly funded sources of assistance before hiring a consultant.

Export Seminars

Besides individual counseling sessions, an effective method of informing local business communities of the various aspects of international trade is through conferences, seminars, and workshops. Each year, Export Assistance Centers participate in approximately 5,000 programs on topics such as export documentation and licensing procedures, country-specific market opportunities, export trading companies, and U.S. trade promotion and trade policy initiatives. The seminars are usually held in conjunction with District Export Councils, local chambers of commerce, state agencies, and other trade organizations. Small Business Administration field offices also co-sponsor export training programs with the Department of Commerce, other federal agencies, and various private-sector international trade organizations. For information on
scheduled seminars, contact your nearest Export Assistance Center by calling (800) USA-TRADE (800-872-8723) or by going online to www.export.gov/eac.

The Commerce Control List…Does My Product Need to Be Licensed?
Yes, if you are on this list http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=c5cc9a1c749a6f225283bdafa124431d0&rgn=div9&view=text&node=15:2.1.3.4.45.0.1.3.87&idno=15

Upcoming trade events throughout the world
http://www.export.gov/tradeevents/index.asp

Up-to-date List of Attorneys on Guam
http://www.martindale.com/all/c-guam/all-lawyers.htm?c=N&ns=A_SoLastName|0

Setting Up an Export Business
U.S. Commercial Service by Country Links
www.buyusa.gov

About US Commercial Service – International Trade Administration
http://trade.gov/cs/

Information on the use of copyright: www.copyright.gov

Information on the use of trademarks: www.uspto.gov/web/offices/tac/doc/basic

Information on the use of patents:
www.uspto.gov

Financial Institutions
Many U.S. banks have international departments with specialists who are familiar with specific foreign countries and various types of commodities and transactions. Large banks located in major U.S. cities maintain correspondent relationships with smaller banks throughout the country. And with banks in many foreign countries, they may operate their own overseas branches, providing a direct channel to foreign customers.

International banking specialists are generally well informed about export matters, even in areas that fall outside the usual limits of international banking. Banks frequently provide consultation and guidance free of charge to their clients because they derive income from loans to the exporter and from fees for special services. Many banks also have publications available to help
exporters. These materials are often devoted to particular countries and their business practices, and they may be a valuable tool for familiarization with a foreign industry. Finally, large banks frequently conduct seminars and workshops on letters of credit, documentary collections, and other banking subjects of concern to exporters.

Among the many services a commercial bank may perform for its clients are the following:

- Exchange of currencies
- Assistance in financing exports
- Collection of foreign invoices, drafts, letters of credit, and other foreign receivables
- Transfer of funds to other countries
- Letters of introduction and letters of credit for travelers
- Credit information on potential representatives or buyers overseas
- Credit assistance to the exporter’s foreign buyers

Bank of Guam:
[www.bankofguam.com](http://www.bankofguam.com)

Bank of Hawaii:
[www.boh.com](http://www.boh.com)

BankPacific:
[www.bankpacific.com](http://www.bankpacific.com)

Citibank:

Citizens Security Bank-ANZ:
[www.anz.com/guam](http://www.anz.com/guam)

First Hawaiian Bank:
[www.fhb.com](http://www.fhb.com)

Oceanic Bank:

Finance Factors:
[www.financefactors.com](http://www.financefactors.com)

Community First Federal Credit Union:
[www.communityfirstfcu.com](http://www.communityfirstfcu.com)

Coast 360 Federal Credit Union:
Pacific Islands Development Bank:  
www.pacificidb.com

Guam Economic Development Authority:  
www.investguam.com

**Business Incentives on Guam**

U.S. SBA – Guam Branch Office:  
www.sba.gov

Guam Economic Development Authority (GEDA):  
www.investguam.com

USDA Rural Development - Guam Office:  
www.usda.gov

USDA FSA - Guam Office:  
www.fsa.usda.gov

Foreign Sales Corporations (FSC’s):  
www.govguamdocs.com/revtax/index_revtax.htm

General Headnote 3(a):  
www.investguam.com

U.S. Generalized System of Preferences (GSP):  
www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp

**Business Assistance**

Guam Small Business Development Center (Guam SBDC):  
www.pacificsbdc.com

University of Guam Pacific Center for Economic Initiatives (PCEI):  
www.uogonline.com/pcei
## Incoterm Acronyms and Their Meanings

<table>
<thead>
<tr>
<th>Group</th>
<th>Required Delivery Point</th>
<th>Acronyms</th>
<th>Transfer Location</th>
</tr>
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<tbody>
<tr>
<td>E Departure</td>
<td>The seller makes the goods available at the named place</td>
<td>EXW - Ex Works</td>
<td>Named Place of Delivery</td>
</tr>
<tr>
<td>F Main</td>
<td>The seller/exporter is only responsible to deliver the goods to a carrier named by the buyer</td>
<td>FAS - Free Alongside Ship</td>
<td>Named Port of Shipment</td>
</tr>
<tr>
<td>Carriage</td>
<td></td>
<td>FCA - Free Carrier</td>
<td>Named Place of Delivery</td>
</tr>
<tr>
<td>Unpaid</td>
<td></td>
<td>FOB Free on Board</td>
<td>Named Port of Shipment</td>
</tr>
<tr>
<td>C Main</td>
<td>The seller contracts and pays for carriage, but it is not responsible for costs or risks once the goods have been shipped</td>
<td>CFR - Cost &amp; Freight</td>
<td>Named Port of Destination</td>
</tr>
<tr>
<td>Carriage</td>
<td></td>
<td>CIF - Cost, Insurance &amp; Freight</td>
<td>Named Port of Destination</td>
</tr>
<tr>
<td>Paid</td>
<td></td>
<td>CIP - Carriage &amp; Insurance Paid to</td>
<td>Named Place of Destination</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CPT - Carriage to be Paid</td>
<td>Named Place of Destination</td>
</tr>
<tr>
<td>D Arrival</td>
<td>The seller is responsible for all costs associated with bringing goods to the &quot;named place or port&quot;</td>
<td>DAP - Delivered at Place</td>
<td>Named Place of Destination</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DAT - Delivered at Terminal</td>
<td>Named Terminal at Port of Destination</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DDP - Delivered Duty Paid</td>
<td>Named Place of Destination</td>
</tr>
</tbody>
</table>
## Export Acronyms and Their Definitions

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>3PL</td>
<td>Third Party Logistics</td>
</tr>
<tr>
<td>ABI</td>
<td>Automated Broker Interface</td>
</tr>
<tr>
<td>AES</td>
<td>Automated Export System</td>
</tr>
<tr>
<td>ATA</td>
<td>American Truckers Association</td>
</tr>
<tr>
<td>BIS</td>
<td>Bureau of Industry &amp; Security</td>
</tr>
<tr>
<td>B/L</td>
<td>Bill of Lading</td>
</tr>
<tr>
<td>BNA</td>
<td>Bureau of National Affairs</td>
</tr>
<tr>
<td>BOM</td>
<td>Bill of Material</td>
</tr>
<tr>
<td>CCC</td>
<td>China Compulsory Product Certification</td>
</tr>
<tr>
<td>CCG</td>
<td>Country Commercial Guide</td>
</tr>
<tr>
<td>CCL</td>
<td>Commerce Control List</td>
</tr>
<tr>
<td>CE</td>
<td>Conformite Europeene</td>
</tr>
<tr>
<td>CFS</td>
<td>Container Freight Station</td>
</tr>
<tr>
<td>CHL</td>
<td>Customs House License</td>
</tr>
<tr>
<td>CIF</td>
<td>Cost, insurance, freight</td>
</tr>
<tr>
<td>CNF</td>
<td>Cost, not freight</td>
</tr>
<tr>
<td>COD</td>
<td>Collect on delivery</td>
</tr>
<tr>
<td>COFC</td>
<td>Container on flat car</td>
</tr>
<tr>
<td>COO</td>
<td>Certificate of Origin</td>
</tr>
<tr>
<td>CY</td>
<td>Container Yard</td>
</tr>
<tr>
<td>DDTC</td>
<td>Directorate of Defense Trade Controls</td>
</tr>
<tr>
<td>DOC</td>
<td>Department of Commerce</td>
</tr>
<tr>
<td>DOT</td>
<td>Department of Transportation</td>
</tr>
<tr>
<td>EAA</td>
<td>Export Administration Act</td>
</tr>
<tr>
<td>EAR</td>
<td>Export Regulations Administration</td>
</tr>
<tr>
<td>ECCN</td>
<td>Export Control Classification Number</td>
</tr>
<tr>
<td>EEI</td>
<td>Electronic Export Information</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>EMC</td>
<td>Export Management Company</td>
</tr>
<tr>
<td>EPA</td>
<td>Environmental Protection Agency</td>
</tr>
<tr>
<td>ETC</td>
<td>Export Trading Company</td>
</tr>
<tr>
<td>EXIM BANK</td>
<td>Export-Import Bank of the U.S.A.</td>
</tr>
<tr>
<td>EXW or Ex Works</td>
<td>The seller makes the goods available at the named place of delivery</td>
</tr>
<tr>
<td>EWCP</td>
<td>Export Working Capital Program</td>
</tr>
<tr>
<td>FAK</td>
<td>Freight All Kinds</td>
</tr>
<tr>
<td>FAS</td>
<td>Foreign Agricultural Services</td>
</tr>
<tr>
<td>FCC</td>
<td>Federal Communications Commission</td>
</tr>
<tr>
<td>FCL-FOB</td>
<td>Free on Board</td>
</tr>
<tr>
<td>FCPA</td>
<td>Foreign Corrupt Practices Act</td>
</tr>
<tr>
<td>FITA</td>
<td>Federation of International Trade Associations</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
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<tr>
<td>FTZ</td>
<td>Foreign Trade Zone</td>
</tr>
<tr>
<td>FTC</td>
<td>Federal Communications Commission</td>
</tr>
<tr>
<td>FTZ</td>
<td>Foreign Trade Zone</td>
</tr>
<tr>
<td>HAWB</td>
<td>HAWB House Airway Bill</td>
</tr>
<tr>
<td>HTS</td>
<td>Harmonized Tariff Schedule</td>
</tr>
<tr>
<td>IASA</td>
<td>International Air Shipper's Association</td>
</tr>
<tr>
<td>IATA</td>
<td>International Air Transport Association</td>
</tr>
<tr>
<td>ICC</td>
<td>Interstate Commerce Commission</td>
</tr>
<tr>
<td>IPS</td>
<td>International Partner Search</td>
</tr>
<tr>
<td>ITA</td>
<td>International Trade Administration</td>
</tr>
<tr>
<td>ITAR</td>
<td>International Traffic in Arms Regulations</td>
</tr>
<tr>
<td>LC</td>
<td>Letter of Credit</td>
</tr>
<tr>
<td>LO/LO</td>
<td>Lift on/lift off</td>
</tr>
<tr>
<td>LTL</td>
<td>Less than Truck Load</td>
</tr>
<tr>
<td>MAWB</td>
<td>Master Airway Bill</td>
</tr>
<tr>
<td>MTB</td>
<td>Motor Transportation Broker</td>
</tr>
<tr>
<td>MW</td>
<td>Minimum Weight</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>NAICS</td>
<td>North American Industry Classification System</td>
</tr>
<tr>
<td>NEI</td>
<td>National Export Initiative</td>
</tr>
<tr>
<td>NVOCC</td>
<td>Non vessel operating common carrier</td>
</tr>
<tr>
<td>OCP</td>
<td>Overland common point (revenue class)</td>
</tr>
<tr>
<td>OEE</td>
<td>Office of Export Enforcement</td>
</tr>
<tr>
<td>OFAC</td>
<td>Office of Foreign Asset Control</td>
</tr>
<tr>
<td>OSDC</td>
<td>Over/Short/Damage/Claims</td>
</tr>
<tr>
<td>OTR</td>
<td>Over the Road</td>
</tr>
<tr>
<td>POA</td>
<td>Power of Attorney</td>
</tr>
<tr>
<td>POD</td>
<td>Proof of delivery</td>
</tr>
<tr>
<td>POE</td>
<td>Point of entry</td>
</tr>
<tr>
<td>PL/PD</td>
<td>Personal Liability/Property Damage</td>
</tr>
<tr>
<td>PUC</td>
<td>Public Utilities Commission</td>
</tr>
<tr>
<td>REACH</td>
<td>Registration, Evaluation, Authorization of Chemicals</td>
</tr>
<tr>
<td>RO/RL</td>
<td>Roll on/roll off</td>
</tr>
<tr>
<td>ROHS</td>
<td>Restriction of Hazardous Substances</td>
</tr>
<tr>
<td>RFID</td>
<td>Radio Frequency Identification</td>
</tr>
<tr>
<td>Schedule B</td>
<td>This Commodity code is the U.S. government's numeric system of identifying all goods and services for export.</td>
</tr>
<tr>
<td>SDN</td>
<td>Specially Designated Nationals</td>
</tr>
<tr>
<td>SED</td>
<td>Shipper's Export Declaration</td>
</tr>
<tr>
<td>STB</td>
<td>Surface Transportation Board</td>
</tr>
<tr>
<td>SBHC</td>
<td>Substance of Very High Concern</td>
</tr>
<tr>
<td>SWPM</td>
<td>Solid Wood Packaging Material</td>
</tr>
<tr>
<td>TL</td>
<td>Truck Load</td>
</tr>
<tr>
<td>TOFC</td>
<td>Trailer on flat car (that is, piggyback)</td>
</tr>
<tr>
<td>USEAC</td>
<td>U.S. Export Assistance Center through U.S. Commercial Services</td>
</tr>
<tr>
<td>USITC</td>
<td>U.S. International Trade Commission</td>
</tr>
<tr>
<td>USTR</td>
<td>U.S. Trade Representative</td>
</tr>
<tr>
<td>USTDIA</td>
<td>U.S. Trade &amp; Development Agency</td>
</tr>
<tr>
<td>USPPI</td>
<td>U.S. Principal Party of Interest</td>
</tr>
<tr>
<td>Term</td>
<td>Definition of Term</td>
</tr>
<tr>
<td>------------------</td>
<td>------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>VOCC</td>
<td>Vessel operating common carrier (such as, ocean carrier)</td>
</tr>
<tr>
<td>WEEE</td>
<td>Waste of Electrical &amp; Electronic Equipment</td>
</tr>
<tr>
<td>WIPO</td>
<td>World Intellectual Property Organization</td>
</tr>
<tr>
<td><strong>Export Terms, Phrases and Their Definitions</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td><strong>Definition of Term</strong></td>
</tr>
<tr>
<td>Back-haul</td>
<td>Converse of line-haul; movement of freight from point of destination to point of origination. Part of the overall movement of door-to-door service.</td>
</tr>
<tr>
<td>Bill of Lading</td>
<td>Shipping documents which transfers title to the goods.</td>
</tr>
<tr>
<td>Bobtail</td>
<td>A two-axle truck with the van permanently attached to the chassis.</td>
</tr>
<tr>
<td>Bingo Stamps</td>
<td>Trip permits issued by the Public Utility Commission (PUC) for each intrastate freight move.</td>
</tr>
<tr>
<td>Break bulk Agent</td>
<td>Breaks down a container into its various shipments; deconsolidator.</td>
</tr>
<tr>
<td>Cargo Handler</td>
<td>Person that loads freight onto dock and into trailers; also known as swampers, lumpers, stevedores, longshoremen.</td>
</tr>
<tr>
<td>Carrier</td>
<td>An ocean vessel, airfreight, or common carrier in the business of transporting goods or persons.</td>
</tr>
<tr>
<td>Cartage</td>
<td>To transport goods between the freight terminal and cargo carrier.</td>
</tr>
<tr>
<td>Chargebacks</td>
<td>Uncollectible account receivables that reduce the cash received from factored invoices.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-----------------------------</td>
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</tr>
<tr>
<td>Chassis</td>
<td>Basically long, thin, steel frame on wheels, which attaches to truck tractors to haul containers.</td>
</tr>
<tr>
<td>Certificate of Origin</td>
<td>Document required from Customs to export cargo</td>
</tr>
<tr>
<td>Co loader</td>
<td>A freight forwarder that consolidates shipments with another freight forwarder.</td>
</tr>
<tr>
<td>Common Carrier</td>
<td>A for hire carrier who holds itself out to the public to engage in the transportation of freight at published rates between a group of points, which they are authorized to serve.</td>
</tr>
<tr>
<td>Consignee</td>
<td>The company or individual that receives the shipment of freight.</td>
</tr>
<tr>
<td>Consolidator</td>
<td>Purchases container space at a volume price for resale to freight forwarders. Practice of taking several small separate shipments of freight and organizing them into one container.</td>
</tr>
<tr>
<td>Container</td>
<td>A large metal box used to store freight on ocean vessels and rail cars. Once the vessel arrives in port, the container can be loaded onto either a truck chassis or a railroad car. They usually come in 20 or 40-foot lengths.</td>
</tr>
<tr>
<td>Container Freight Station (CFS)</td>
<td>Customs bonded warehouse.</td>
</tr>
<tr>
<td>Contract Carrier</td>
<td>Firms whose transportation service is limited to individual contracts, tailored to the specific needs of a shipper or a group of shippers.</td>
</tr>
<tr>
<td>Custom Delivery Order</td>
<td>Delivery order prepared by a customs house broker.</td>
</tr>
<tr>
<td>Customs House Broker</td>
<td>A licensed agent authorized to pay customs duties and take possession of goods coming through Customs. No one may act as a Customs House Broker without a Customs House License.</td>
</tr>
</tbody>
</table>
Because customs duties may range up to 20 percent plus on some products, the consignees, for cash flow purposes, may elect not to clear customs at point of entry, but instead, through the services of a Customs House broker, wait until the goods are shipped inland before clearing customs and paying the duties.

Custom House brokers have to post a $500,000 bond, to insure that if the goods are damaged or stolen during transportation, the duties on the goods will still be paid to Customs.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deadhead</td>
<td>Driving the tractor without a container.</td>
</tr>
<tr>
<td>Delivery Order</td>
<td>A copy of the invoice containing the shipper, consignee, destination, description of goods, and weight.</td>
</tr>
<tr>
<td>Demurrage</td>
<td>A fee charged by the shipping companies if the container is not returned timely.</td>
</tr>
<tr>
<td>Detention</td>
<td>A fee charged by the railroad if the trailer is not returned timely.</td>
</tr>
<tr>
<td>Dispatcher</td>
<td>The person who arranges the pickups and deliveries of freight and prepares the drivers' manifests</td>
</tr>
<tr>
<td>Dock</td>
<td>Areas used to load and unload freight from one trailer to another. This is the structure that a trailer backs up to. (Terminal).</td>
</tr>
<tr>
<td>Door to Door</td>
<td>Pickup at the shipper's dock (door) and delivery to the consignee's dock (door) that is handled by the same company.</td>
</tr>
<tr>
<td>Door to Ramp</td>
<td>Pickup at the shipper's dock (door) and delivery to the ramp of the railroad, ocean ship or airline carrier.</td>
</tr>
<tr>
<td>Drayage</td>
<td>Pulling a trailer or container (cartage), the charges for transfer and cartage between stations, or to and from vessels on carts or trucks.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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</tr>
<tr>
<td>Exempt Carriers</td>
<td>For hire carriers who engage in moving specialized commodities that are exempt from government regulation. Most notable of these exempt categories are unmanufactured agricultural commodities.</td>
</tr>
<tr>
<td>Foreman</td>
<td>Oversees operations on the dock.</td>
</tr>
<tr>
<td>Free Time</td>
<td>Amount of time (days) the container can be used without any charges. Varies with the type of container and mileage distances.</td>
</tr>
<tr>
<td>Free Zone</td>
<td>The area within a certain radius of the port of entry or harbor where a for hire carrier is not required to be licensed by the ICC to transport freight between states.</td>
</tr>
<tr>
<td>Freight Broker</td>
<td>An agent for the independent contractor that arranges jobs for independent contractors.</td>
</tr>
<tr>
<td>Freight Forwarder</td>
<td>An agent who makes the arrangements for the transportation of freight from the shipper to consignee. The freight forwarder issues a through bill of lading from the origin to the destination, and takes full responsibility of the freight while it is in transit.</td>
</tr>
<tr>
<td>Glider Kit</td>
<td>This is a kit to construct a tractor. It does not contain an engine or a transmission. It may be subject to Excise Tax.</td>
</tr>
<tr>
<td>Haul away</td>
<td>Trailer used to move cars and trucks</td>
</tr>
<tr>
<td>House Airway Bill</td>
<td>Air freight bill of lading for a single shipment of freight.</td>
</tr>
<tr>
<td>Interline (line haul)</td>
<td>Agreement between shipper and transportation company that specifies the modes of transportation and identifies the specific carriers to be used.</td>
</tr>
<tr>
<td>Interchange</td>
<td>The transfer of equipment from one carrier to another.</td>
</tr>
<tr>
<td>Intermodal</td>
<td>Term used in describing transportation of freight combining the use of railroads and trucks, usually for long distances. Competitors to intermodal transportation providers are the long haul trucking</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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</tr>
<tr>
<td>Labor Leasing</td>
<td>The practice of leasing employees (both drivers and office staff) instead of hiring them. The labor leasing company is responsible for paying employment taxes and filing the tax returns.</td>
</tr>
<tr>
<td>Less Than Truck Load</td>
<td>A shipment of loose freight, as opposed to a full sealed container.</td>
</tr>
<tr>
<td>Landbridge</td>
<td>Porthaulers who transport freight from the harbor to the railroad.</td>
</tr>
<tr>
<td>Linehaul</td>
<td>Movement of freight from the point of origination to point of destination.</td>
</tr>
<tr>
<td>Longshoreman</td>
<td>Ocean carrier cargo handler that loads and unloads freight at the harbor.</td>
</tr>
<tr>
<td>Lumper</td>
<td>Cargo handler of fruit, vegetables, dry goods and agricultural products that is usually paid by cash.</td>
</tr>
<tr>
<td>Manifest</td>
<td>Schedule of freight pickups and deliveries.</td>
</tr>
<tr>
<td>Master Airway Bill</td>
<td>Summary of the house airway bills for a single container</td>
</tr>
<tr>
<td>National Motor Freight Traffic Assoc. Inc.</td>
<td>An organization that compiles and sets tariffs for various states, including California. A yearly fee is paid to use their classifications and tariffs. A similar organization is the Western Motor Tariff Bureau.</td>
</tr>
<tr>
<td>Non Vessel Operating Carrier (NVOCC)</td>
<td>A consolidator of freight for an ocean carrier that is regulated by the Federal Maritime Commission.</td>
</tr>
<tr>
<td>Ocean Cargo - Certificate of Insurance</td>
<td>Insurance Required on all Ocean Cargo</td>
</tr>
<tr>
<td>Onloading</td>
<td>Loading freight at the shipping end, point of origination.</td>
</tr>
<tr>
<td>Offloading</td>
<td>Unloading freight at the receiving end, final destination.</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
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<td>----------------------</td>
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</tr>
<tr>
<td>Over The Road</td>
<td>Transportation by tractor and trailer from one metropolitan area to another metropolitan area.</td>
</tr>
<tr>
<td>Owner Operator</td>
<td>A truck driver who owns and operates his or her own vehicle.</td>
</tr>
<tr>
<td>Piggyback</td>
<td>Where the trailer is loaded onto a rail car.</td>
</tr>
<tr>
<td>Piggyback Agent</td>
<td>Shipper's agent that books and schedules freight on railroad.</td>
</tr>
<tr>
<td>Porthauler</td>
<td>A subhauler that picks up freight at the harbor and hauls it to the operations terminal or to the consignee.</td>
</tr>
<tr>
<td>Pre Note</td>
<td>Preliminary freight invoice used to schedule freight moves and prepare the final freight bill.</td>
</tr>
<tr>
<td>Prime Carrier</td>
<td>A general common carrier with operating authority with either the PUC, ICC, or both depending on the type of hauling, intrastate or interstate.</td>
</tr>
<tr>
<td></td>
<td>A Prime carrier must post a $15,000 subhauler (surety) bond with PUC/ICC.</td>
</tr>
<tr>
<td></td>
<td>Designation as a prime carrier allows the company to solicit business directly from a shipper. If the company does not have the prime carrier designation, it can only work for another prime carrier as a subhauler.</td>
</tr>
<tr>
<td>Private Carrier</td>
<td>Business that is registered with the PUC to transport and deliver their own goods. Most of their operations are moves of less than 100 miles. This industry segment's average length of haul is 51 miles.</td>
</tr>
<tr>
<td>Ramp to Door</td>
<td>Pick up at the railroad and delivery to the consignee's door.</td>
</tr>
<tr>
<td>Reefer</td>
<td>Refrigerated trailer.</td>
</tr>
<tr>
<td>Radio Frequency</td>
<td>Used to locate a product or asset in transit anywhere on the globe. RFID tags can be as small as a grain of rice.</td>
</tr>
<tr>
<td>Identification (RFID)</td>
<td></td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Schedule B commodity code</td>
<td>is the U.S. government's numeric system of identifying all goods and services for export.</td>
</tr>
<tr>
<td>Shipper</td>
<td>The individual or company sending the freight to the consignee.</td>
</tr>
<tr>
<td>Shipper's Agent</td>
<td>A transportation broker that arranges movement of freight.</td>
</tr>
<tr>
<td>Spotting</td>
<td>Hauling empty trailers back to the rail yard or container company.</td>
</tr>
<tr>
<td>Stevedore</td>
<td>Cargo handler that loads and unloads freight from vessels at the harbor (longshoreman).</td>
</tr>
<tr>
<td>Subhauler</td>
<td>An owner operator that hauls freight for a prime carrier.</td>
</tr>
<tr>
<td>Swamper</td>
<td>A truck driver's assistant that loads and unloads freight during the delivery of goods (lumper).</td>
</tr>
<tr>
<td>Tariff</td>
<td>The rate that the carrier charges for the hauling of freight.</td>
</tr>
<tr>
<td>Terminal</td>
<td>Dock where freight is loaded or unloaded</td>
</tr>
<tr>
<td>Tractor</td>
<td>This is the power unit that pulls the trailer.</td>
</tr>
<tr>
<td>Trailer</td>
<td>The vehicle that is pulled by a tractor in hauling freight- container.</td>
</tr>
<tr>
<td>Trailer Interchange Agreement</td>
<td>Agreement between the carrier and container companies that spells out the amount of free time allowed, and the demurrage or detention fees to be charged for delays.</td>
</tr>
<tr>
<td>Transload</td>
<td>The process of moving freight from ocean containers to domestic containers and vice versa.</td>
</tr>
<tr>
<td>Transloading</td>
<td>The act of unloading freight from a container trailer and loading it into a trailer bound for the consignee.</td>
</tr>
<tr>
<td>Truck Load (TL)</td>
<td>A sealed trailer or container.</td>
</tr>
<tr>
<td>Warehouse</td>
<td>Where goods are stored prior to delivery or distribution.</td>
</tr>
</tbody>
</table>