

STATE OF QATAR

# Trade Secrets

The export answer book for small  
and medium-sized enterprises



International  
Trade  
Centre

TASDEER  
QATAR EXPORT DEVELOPMENT AGENCY

QDB  
QATAR DEVELOPMENT BANK



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STATE OF QATAR

# Trade Secrets

The export answer book for small  
and medium-sized enterprises

## ABSTRACT FOR TRADE INFORMATION SERVICES

International Trade Centre (ITC)  
Qatar Development Bank  
Trade Secrets: The Export Answer Book for Small and Medium-sized Enterprises. Qatar  
Geneva: ITC, 2011. xii, 270 pages  
Geneva/Doha, 2013, Country national version, xii, 177 pages

Handbook, customized to suit the needs of SMEs in Qatar and answering the most commonly asked questions on the export process covers market research, cultural issues, marketing, market entry methods, agents and distributors, trade shows, regulations, quality standards, pricing, financing and getting paid, transportation, documentation, packaging and labelling, trade agreements; provides contact information on in-country assistance organizations, and a comprehensive listing of current publications, periodicals, software programmes, and databases available within Qatar.

Descriptors: **Small and Medium-sized Enterprises.**

English, Arabic (separate editions)

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The opinions, figures, and estimates set out in this publication are the responsibility of Qatar Export Development Agency, Tasdeer/QDB, and should not necessarily be considered as reflecting the views, or carrying the endorsement of ITC. The factual details and in-country resources in this publication have been researched and compiled by Qatar Export Development Agency, Tasdeer/QDB.

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## Foreword

Successful exporting by small and medium-sized enterprises (SMEs) is pivotal in bringing broader prosperity to developing countries, boosting economic vitality at community level and creating sustainable livelihoods for employees and their families. While globalizing markets offer new opportunities for these small firms, a latticework world of complex regulations, standards and other trade barriers presents obstacles for companies seeking export markets.

*Trade Secrets*: The Export Answer Book for SMEs was originally designed as part of the Programme for Competitiveness Improvements of SMEs by ITC. Since then, partner organizations in 65 countries have adapted this guide to meet national requirements. Countries also have adapted similar ITC question-and-answer guides on quality management and electronic commerce. This newest edition from Qatar joins over 100 nationally adapted publications which have been prepared in thirteen languages.

The book helps small firms make the leap into export markets. It is intended to serve as a primary reference for SMEs and trade advisers in need of a practical, results-oriented guide to exporting. It gathers and answers frequently-asked questions in a concise, business-like manner, with recommendations for where to go for more information, if needed.

The challenge of surmounting trade obstacles is felt most keenly by first-time exporters from developing countries. Practical information can be hard to come by. It is frequently buried in academic, technical and bureaucratic documents in a language that is hard to understand. When trade development institutions receive numerous calls from people looking for answers to trade-related questions, it has been observed that many seek answers to the same questions. The Trade Secrets guides have therefore built in three ways to reach a broad number of exporters.

The first step towards greater outreach to exporters is through local content development, based on an international model. Preparation of national versions of the guide obliges trade service providers to note concerns of SMEs specific to their national reality.

The second step is to have a local book launch and publication process, again building on an international model shaped by shared country experiences.

The third step is to use the guide to train staff and set up call centres or web pages in national trade institutions, so that they can reach a wider number of businesses.

The title and certain portions of this handbook are reprinted, or adapted from *Trade Secrets: The Export Answer Book for SMEs* with permission of the Michigan Small Business Development Centre at Wayne State University, Detroit, Michigan, United States of America.

We wish the exporters of Qatar and the Qatar Export Development Agency "TASDEER" remarkable success in using this guide to connect exporters to global markets.

Patricia Francis  
Executive Director  
International Trade Centre  
Geneva



## Preface

*Trade Secrets: The Export Answer Book for Small and Medium-Sized Enterprises* is a publication of the International Trade Centre (ITC), the joint agency of the World Trade Organization and the United Nations, based in Geneva, Switzerland. It is a user-friendly reference book for existing and prospective exporters to understand the terms, processes and resources involved in exporting. It addresses over 100 questions most frequently asked by exporters and answers them in simple language.

We are pleased to launch this Qatari version of Trade Secrets. It is a joint publication of Qatar Export Development Agency or Tasdeer, a division of Qatar Development Bank, and ITC. The book is available in English and Arabic. It is based on a generic ITC version and customized under ITC guidance by Tasdeer to meet the needs of the Qatari small exporter. The research and compilation of factual details and in-country resources has been done by Tasdeer. It is the result of interaction with many small businesses and national institutions. Trade Secrets provides a comprehensive overview of the export transaction in a logical, step-by-step approach using a question and answer format. A very important element of the book is that questions are accompanied by related resources which enable the reader to delve deeper into a particular topic.

I would like to place on record my sincere appreciation of the cooperation extended by Friedrich von Kirchbach, Director, Division of Country Programmes and Aicha Pouye, Director, Division of Business and Institutional Support, of ITC to Tasdeer towards this project. I am proud of the tremendous effort put in by the officials of Tasdeer on the production of this national version. I would also like to thank all the Government and the private sector officials who have contributed extensively in bringing out this publication.

Mansoor Bin Ibrahim Al-Mahmoud  
Chief Executive Officer  
Qatar Development Bank



## Acknowledgements

This guide was made possible through the expertise, experience and knowledge of many individuals and organizations. They are noted below with thanks and appreciation.

Hassan Khalifa Al Mansoori, Executive Director at QDB along with Krishnan Venkatesan, Export Promotion Manager at QDB took the lead in managing the development and promoting the Qatari national version. Ayman Ambusaidi, Head of Export Development at QDB edited the contents of the English version and translated the book in Arabic. Hajer Al Hajri, Export Development Officer at QDB also played an important role in the compilation of data and Arabic translation.

At ITC, Hema Menon, Trade Training Officer, coordinated the review and finalization of the guide. Natalie Domeisen, manager of ITC's publications programme, provided valuable advice on incorporating the impact of the Trade Secrets series over time, as well as how to adapt the production and launch of this guide in a changing environment for trade, for publishing and for promotion. Isabel Droste prepared the template layout of the guide. Kristina Golubic created the new design for the cover. Nathalie Margueritte and Laurence Couder of ITC provided administrative support.

Sarah McCue developed the original ITC generic outline for Trade Secrets: The Export Answer Book for SMEs and guided its national adaptations in over 65 countries.



## Abbreviations

ITC	- International Trade Centre
QDB	- Qatar Development Bank
TASDEER	- Qatar Export Development Agency
UNCTAD	- United Nations Conference on Trade and Development
WTO	- World Trade Organization
SMEs	- Small and Medium-sized Enterprises
QFC	- Qatar Financial Center
Q-tel	- Qatar Telecom
QSTP	- Qatar Science and Technology Park
VAT	- Value Added Tax
GCC	- Gulf Co-operation Council
WTC	- World Trade Center
WTCA	- World Trade Center Association
QCCI	- Qatar Chamber of Commerce and Industry
SMSIA	- Small and Medium Industrial estate
GOIC	- Gulf Organization for Industrial Consulting
AFTA	- Arab Free Trade Agreements
QCCSW	- Qatar Custom Clearance Single Window
HACCP	- Hazard Analysis Critical Point
GNP	- Gross National Product
MNS	- Market News Service
HS	- Harmonized System
EDCs	- Export Development Companies
B2B	- Business to Business
FOB	- Free on Board
CIF	- Cost Insurance and Freight
CFR	- Cost and Freight
CPT	- Carriage Paid To
CIP	- Carriage and Insurance Paid
UN	- United Nation
ICC	- Industrial Chamber of Commerce
UNCITRAL	- United Nation Commission for International Trade Law
EXW	- Ex Works
FCA	- Free Carrier
FAS	- Free Alongside Ship
DAF	- Delivered At Frontier
DES	- Delivered EX Ship
DEQ	- Delivered EX Quay
DDU	- Delivered Duty Unpaid
DDP	- Delivered Duty Paid
B/L	- Bill of lading
L/C	- Letter of Credit
SED	- Shipper's Export Declaration
LCIA	- London Court of International Arbitration
CCP	- Critical Control Point
AC Note	- Air Consignment Notes
GATT	- General Agreement on Tariff and Trade
GATS	- General Agreement on Trade in Services
TRIPS	- Trade Related Aspects of Intellectual property
MFN	- Most Favored Nation
GSP	- Generalized System of Preferences
TBT	- Technical Barriers to Trade
SPS	- Sanitary and Phytosanitary Regulation
WIPO	- World Intellectual Property Organization

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# **Section 1: Making the decision to export**



## 1. Why should a business person export?

Exporting offers numerous advantages for the firm but, unfortunately, many firms do not take advantage of the incredible opportunities that exist in the worldwide marketplace.

The massive restructuring of political boundaries, the opening of new consumer markets, historic trade agreements, and the new World Trade Organization have created unprecedented opportunities for business to export.

Ours is a global economy, influenced by the worldwide access of manufacturing technology which has created competitive manufacturers able to produce cheaper, faster, and better.

Many developing countries have become serious rivals to established economies because of their links to global communication systems and the development of television, print, and electronic access to information.

There has never been a more opportune time for Qatari firms to capitalize on these market shifts and to export for the following reasons:

**Increase sales and profits:** If the firm is performing well domestically, expansion into foreign markets is likely to improve its profitability.

**Gain global market share:** By exporting the firm will learn from its competitors, their strategies and what they have done to gain a share in foreign markets.

**Reduce dependence on existing domestic markets:** By expanding into foreign markets the firm will increase its marketing base and reduce its dependence on local customers.

**Stabilize market fluctuations:** By tapping global markets, firms are no longer held captive to economic changes, varying consumer demand and seasonal fluctuations in the domestic economy.

**Make use of excess production capacity:** Exporting could increase the utilization of production runs, thereby reducing average unit costs and raising economies of scale.

**Enhance competitiveness:** Exporting enhances a firm's and a country competitive advantage. While the firm will benefit from exposure to new technologies, methods and processes, the country will benefit from improved balance of trade.

Above all, the Qatar's market size is small (population 1.9 million) and there is a need for all the Qatari companies to look for export market.

## RESOURCES

**Why Export Really Matter:** D. Richardson, K. Rindal, (1995), Institute for international economics publications and manufacturing institute, Dept. 11 Dupont Cir., NW, Washington DC 20036-1207, Tel: +1 202 328 9000, Fax: +1 202 328 5432. Provides insights into exporting.

## 2. What are the advantages and risks of exporting for the firm?

### Direct advantages to the exporting firm

- Opportunity to expand market share.
- Increase production if underutilized in the domestic market.
- Decrease dependence on domestic sales or compensate for stagnating domestic market.
- Diffuse domestic competition by expanding into less competitive foreign markets.
- Follow domestic leaders into foreign markets to reduce foreign market research costs.
- Competition in international markets stimulates exporters to adapt their products to the needs of the market, leading to an improvement in their level of technology know-how.

It is important to note that many of the risks of exporting are similar to those faced in the domestic market.

### Risks of expanding into domestic or foreign markets

- Sales may not meet projections.
- Competition may be greater than anticipated.
- Customers may be slow to pay, or not pay at all.

### Risks unique to exporting

- Repatriation of profits from the target country may be constrained or forbidden.
- Fluctuations in exchange rates may decrease or eliminate profits, or may even result in losses.
- In cases of non-payment or other contractual problems, there may be questions of jurisdiction.
- Instability in the target country can lead losses from war or civil strife or nationalization by the foreign government.
- The product may not be accepted in foreign markets.

## RESOURCES

**Profitable Exporting:** A Complete Guide to Marketing Your Products Abroad. ISBN 0-471-61 334-7. John Wiley & Sons Inc., 605 Third Avenue, New York, NY 10158. Tel (800)225-5945.(\$55) A step-by-step guide to how to enter and succeed in the export market place. This publication gives managers with no export background everything they need to get started in exporting

### 3. What is involved in a typical export process?

The export process involves three critical functions: feasibility analysis, planning foreign market entry, and implementation. These functions involve 20 steps.

#### **Feasibility analysis**

- Analyze domestic performance.
- Assess the firm's capacities.
- Consider the demographics and the social, political and economic factors of target markets.
- Confer with international trade experts (e.g. in marketing, finance, legal and logistics).
- Select target markets.

#### **Planning foreign market entry planning**

- Conduct market research into the industry sector.
- Evaluate market research.
- Plan market entry strategy.
- Comply with target country licensing, standards and certification requirements.
- File for necessary patent, trademark and copyright protection.
- Identify taxes, tariffs, duties, quotas or other non-tariff trade barriers.
- Establish pricing schedule.

#### **Implementation**

- Determine methods of distribution.
- Establish marketing methods.
- Choose sales representatives or sales methods.
- Negotiate financial instruments.
- Obtain insurance cover.
- Complete the required paperwork.
- Package and label the product.
- Ship the product.

### **RESOURCES**

#### 4. What are the most common mistakes made by exporters?

The following are the twelve most common mistakes often made by small firms as they begin to export or expand into foreign markets:

- Failure to obtain qualified export counseling and to develop a master international strategy and marketing plan before starting an export business.
- Insufficient commitment by top management to overcome the initial difficulties and financial requirements of exporting.
- Inadequate care in selecting overseas sales representatives or distributors.
- Seeking orders from around the world rather than concentrating on one or two geographical areas.
- Neglect of exports to foreign markets when the domestic market booms.
- Failure to treat a particular market technique and product will automatically be successful in all countries.
- Unwillingness to modify products in order to meet regulations or cultural performances of foreign countries.
- Failure to print service, sales, and warranty message in foreign languages.
- Failure to consider the use of an export management company if the firm cannot afford its own export department.
- Failure to consider licensing or joint venture agreements when the company is reluctant to enter into foreign markets on its own due import restrictions, insufficient resources or a limited product line.
- Failure to provide readily available after-sales services for the product.

#### RESOURCES

**Key Words in International Trade (417/4):** (\$59.95) or (335FF), ICC Publishing, 38, Cours Albert Ier, 75008 Paris, France.  
Tel: +33(1)49.53.29.23 or 49.53.28.89, Fax: +33(1)49.53.28.62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: [www.iccwbo.org](http://www.iccwbo.org).  
Provides guide on international trade.

## 5. What questions should be answered before making the decision to export?

Exporting involves a considerable investment of financial, managerial, and production resources. Therefore, objective analysis is necessary before making the decision to export. It is important to consider the followings:

### **Analysis of Domestic Performance**

- Why is the business successful in the domestic market?
- What is the current domestic market share of the product?

### **Firm's Commitment and Desire to Export**

- What are the firm's objectives for exporting?
- At what level in the firm's hierarchy is the exporting department located?
- Which members of the firm's staff will be involved with the export process?
- Is there a need to increase the size of the firm's staff?
- What international experience does the firm (or any of its employees) have?
- What level of involvement in the export process is the firm willing to have
- How much risk is the firm willing to take?

### **Competitive Analysis**

- What makes the firm's products or services competitive in a foreign market?
- What makes the products or services unique?
- What are overall competitive advantages (e.g., technological advancements, patents, skills)?
- Repatriation of profits from the target country may be constrained or forbidden.

### **Finding Out About Target Foreign Markets**

- What market segments are being targeted?
- How much inventory will be necessary to sell overseas?
- How is the firm's competition performing in international markets?
- Will the product be restricted due to tariffs, quotas or other non-tariff barriers?
- Does the product conflict with the culture, traditions or beliefs of customers abroad?
- Will patent/trademark protection abroad be essential for the product?
- What product labelling requirements must be met?
- What sort of environment regulations need to be adhered to?

### **Marketing the Product**

- How will the product or service be advertised?
- What companies, agents or distributors have purchased similar products?
- Who will represent the firm when selling abroad?
- Will an agent or distributor be appointed to handle the export market?
- What territory should the agent or distributor cover?
- What non-competitive lines are acceptable for the agent or distributor to carry?
- Can a potential buyer see a functioning model or sample of the product?
- Is there a trade fair that will best highlight the product or service?
- Will the product/service be sold under the same name in the foreign target market?

### **Pricing and commercial terms**

- How will the price be calculated?
- What are the service terms?
- What are the payment and credit terms?
- What are the warranty and guarantee terms?
- What are the discount terms?

### **RESOURCES**

**Why Export Really Matter:** D. Richardson. K. Rindal, (1995). Institute for international economics publications and manufacturing institute, Dept. 11 Dupont Cir., NW. Washington DC 20036-1207, Tel: +1 202 328 9000. Fax: +1 202 328 5432. Provides insights into exporting.

## 6. What are the facilities extended for an industry in the State of Qatar by the Government?

Qatar has the following incentives and features that are attractive to foreign investors:

- Qatar has two telecom operators, Ooredoo and Vodafone Qatar
- An extensive and growing list of trade agreements and double taxation agreements.
- Well developed and well-resourced medical and educational facilities.
- Natural gas and electricity priced at low rates by international standards.
- Industrial land at reduced rents.
- An extensive range of air links to global destinations.
- A strong telecommunications sector. Qatar has two telecoms operators, Ooredoo and Vodafone Qatar
- A 10% rate of corporate income tax rate which is low by international standards.
- There are many sectors in which 100% foreign ownership may be permitted. An amendment made in 2010 to the Foreign Investment Law mentions that the Ministry of Finance, Business and Trade may now authorize up to 100% foreign investment in companies that undertake activities in the following sectors: agriculture, industry, health, education, tourism, development and utilisation of natural resources, energy, mining, advisory and technical consultations, IT, cultural, sport and entertainment services, and distribution services.
- Foreign investors can also have 100% ownership of companies in the Qatar Financial Centre (QFC) or in the Qatar Science and Technology Park (QSTP).
- There are no foreign exchange controls or restrictions on the remittance of funds overseas.
- Zero import duty on machinery, equipment and spare parts for industrial projects.
- There is no VAT or Sales Tax in Qatar, although there are plans for the Gulf Co-operation Council (GCC) countries to introduce VAT in the future.

## RESOURCES

SME Toolkit Qatar, Qatar Development Bank, Tel: 44300000, Fax: 44350433, PO Box: 22789, Doha, Email: info@qdb.qa  
Department of Industrial Incentives, Ministry of Energy and Industry, Tel: 44846566, Website: www.mei.com

## 7. What are the advantages of exporting to the GCC?

- No duty for Qatari products subject to meeting the value addition norms.
- The GCC countries are in close proximity to Qatar, and exports can be done by road. This makes the transportation much easier and swifter.
- Qatari products are produced as per GCC specification.
- The culture in the GCC is the same as in Qatar and hence the products are easily accepted.
- Six member countries of GCC are: State of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia, and United Arab Emirates.

## RESOURCES

**Ministry of Business & Trade:** International Co-operation and Trade agreements, P.O. Box 1968, Doha, Qatar Tel: 44945001  
Fax: 44945000 Email: [mbt@mbt.gov.qa](mailto:mbt@mbt.gov.qa) Website: <http://www.mbt.gov.qa>.

Cooperation Council for the Arab states of the Gulf. Website [www.gcc-sg.org/](http://www.gcc-sg.org/)  
Provides information on the customs union, common market and related statistics.

## 8. What is the role of TASDEER in export development?

Qatar Export Development Agency (TASDEER) has been set up by Qatar Development Bank in the State of Qatar engaged in export development & promotion from Qatar.

Tasdeer opened its doors to provide its services to both private and public sectors from 2011. The key main activities are:

- Export Credit Insurance & Guarantee.
- Export Development.
- Export Promotion.

TASDEER embarked on a number of activities locally and internationally such as; Advertising, Direct Mailing, Export Seminars, Export Missions, Participation in Trade delegation and Exhibition, Inviting International buyers, setting up TradeMap – The trade information database, Market studies etc.

The activities of the Export Development and Promotion section of TASDEER are as follows:

### **Participation in exhibitions**

Exhibitions are one of the significant tools to promote the national products in the international markets. A Qatari exporter gains ample experience and benefits through his direct contacts and meetings with the international businessmen attending the exhibition by participating in such exhibitions. TASDEER's policy as far as exhibitions are concerned, focuses on strengthening its presence in the existing markets and opening communication channels in the potential markets. List of the major trade shows held in Qatar and in the region for Qatari export thrust products can be found on the websites like [www.exportfocus.com](http://www.exportfocus.com), [www.biztradeshows.com](http://www.biztradeshows.com).

### **Strategy for development of Qatari-origin exports**

TASDEER has hammered out a strategy to develop non-oil exports of Qatari origin to further highlight the importance and to set out a comprehensive future plan for the exports of Qatari-origin. The strategy identified the Qatari products for exports, The strategy identified thrust products and target markets for export development of Non-Hydro carbon products.

### **Organizing workshop/seminars**

Given the role seminars and workshops are playing in promoting the capabilities of the exporters and the marketing specialists in the Qatari industrial companies, TASDEER organized 6 workshops during 2011-2013.

### **Field visits to the exporting factories**

The specialists in TASDEER managed to focus on the field visits to the exporting Qatari factories so as to facilitate and streamline coordination between TASDEER and the exporting factories. The visits familiarized TASDEER with problems and obstacles encountering the factories as far as export are concerned. The field visits also get the factories acquainted with the developments and latest information on the activities and services of Tasdeer. These monthly visits were made by TASDEER's officials who managed to visit the marketing managers and general managers in these factories and discussed with them ways on how to increase their exports to the outside world and exporters' participation in the specialized exhibitions promoted by TASDEER.

### **Market studies**

TASDEER pays great attention to the industrial (sectorial) studies in marketing and promotion, which play wide role and contributes in increasing the exports of Qatari-origin products. TASDEER has made country trade reports showing the feasibility for the exports of key Qatari products to various countries. These reports can be sourced by contacting TASDEER.

### **TradeMap**

In coordination with International Trade Centre (ITC/Geneva), TASDEER has established a database on product trade flows for the benefit of the Qatari industries. The Internet based database can be accessed through [www.qdb.qa](http://www.qdb.qa)

**Export credit insurance**

TASDEER provides two types of export credit guarantee to protect Qatari exporters against defaults by overseas buyers, namely re-Shipment Risk Cover and Post-Shipment Risk Cover. These products safeguard the exporters against commercial and political risks and allow them to make a claim in the event of non-payment to receive their revenues. It is highly advisable to have these insurances in place to protect exporters from risks that may occur when dealing with new buyers and their involvement in foreign trade with high- risk countries.

**RESOURCES**

## 9. What are the services of World Trade Center of Qatar?

WTC Qatar has developed matchmaking programs to assist foreign companies interested in establishing business contact with Qatari companies.

Businessmen, Group trade missions, and foreign companies interested in visiting Qatar for meeting potential business partners, attending trade shows & conferences, or simply on fact-finding missions can be served by WTC Qatar for all business related needs.

### **Matchmaking Package (individual)**

1. Market briefing on the sector of interest.
2. Arranging 5 qualified meetings.
3. Providing logistic support (hotel; transportation; translation; etc. ...).
4. Professional service references (Legal services; Shipping; etc. ...).

Price: \$1,000 per matchmaking request.

### **Group Trade Mission**

1. Program Management (seminar; official visit; networking; etc. ...).
2. Arranging qualified meetings for each participant.
3. Providing logistic support (hotel; transportation; translation; etc. ...).
4. Post-Trade Mission follow-up.

Prices are provided upon request.

### **Trade Show Assistance**

1. Registration & Booking Assistance at preferential rate.
2. Arranging qualified meetings as per request.
3. Providing logistic support (hotel; transportation; translation; etc. ...).
3. Professional service references (Legal services; Shipping; etc. ...).

Price: \$1,000 per company.

**WTC Qatar Business Club is open to all Qatari companies and businessmen who are interested in joining a world-class international network of services and business opportunities.**

1. **Local Networking & Trade Education:**  
WTC Qatar organizes a number of networking events for the purpose of providing members with business awareness on existing opportunities related to certain products and markets.
2. **Trade Missions & Trade Show Assistance:**  
WTC Qatar organizes trade missions to specific markets on the occasions of trade shows, WTCA meetings, or independently. WTC Qatar also assists members to attend international trade shows as exhibitor or visitor.
3. **Trade Leads & Product Sourcing:**  
through its international network and WTCA online tools, WTC Qatar provides its members with timely information on potential product opportunities in multiple markets, and dispatches their trade leads throughout the network.
4. **WTCs International Network:**  
Certain WTCs can provide a key for entering their respective markets and doing business there. Upon availability of service, WTC Qatar members can get the following services: Trade & Market Information on international markets; Business services including temporary offices, translation, accommodation; Business Matchmaking services; Representation by WTC Qatar at international events and WTCA meetings.

**WTC Qatar provides up-to-date information about Qatar market, including local products and services, market conditions, government regulations and business culture.**

WTC Qatar can furnish detailed profiles of local business contacts, including manufacturers, distributors and services providers. We can also perform market research tailored to specific needs.

Charges: Basic information is free to WTC members. Otherwise, prices are upon request.

## **RESOURCES**

**World Trade Centre Qatar:** Asmakh Street, Qatar General Insurance Building, 2<sup>nd</sup> floor, Doha. PO Box: 22357 Doha, Tel: 44354141, Fax: 44423048, Email: [info@wtcdoha.com](mailto:info@wtcdoha.com), Website: [www.wtcdoha.com](http://www.wtcdoha.com)

## 10. What are the main services and activities of the Qatar Chamber of Commerce and Industry (QCCI)?

- **Services rendered by QCCI:**  
QCCI renders several services to the business community to assist them in implementing their projects smoothly.
- **QCCI web site on Internet:**  
QCCI has setup its own site on the internet, enabling subscribers all over the world to obtain vital economic, commercial investment, it also includes information about commercial legislation, important events, news of incoming and outgoing trade missions.
- **Economic research:**  
It carries out economic research and studies on various economic activities inside and outside the country, it also prepared economic and technical feasibility studies and information on investment. Opportunities available in the local markets, export and import volumes of various commodities, production accessories and raw material, in addition to re-evaluate the economic feasibility studies of the projects to be setup and it offers an economic consultations to local and foreign investors on Qatar's economic situation and incentives given to businessmen and the prominent and successful investment areas.
- **Information and publication:**  
Publication department of the chamber provides the local, regional and international media with the news of activities of the chamber's board of directors, covers the meeting of the specialized committees and visits of the incoming trade delegations and prepares media reports with the aim of simulating the country's economic activity in addition to publish the chamber's magazine "Moltaqa" and to supervise other publications.
- **Information center:**  
The chamber's information center provides information data and statistics related to Qatari companies and foreign trade including export and import statistics, laws and regulations and internet facilities to business men and it replies to their queries.
- **Library:**  
QCCI has a well-stocked library containing valuable and essential economic and business information covering a very wide spectrum. There are a lot of periodicals, books, newspapers, bulletins, trade and industrial directories, catalogues of international companies, training institutes and universities; it includes video cassettes on economic and tourist information on Qatar and investment and industrial information of some foreign countries.
- **Certificate of Origin:**  
QCCI issues the certificate of origin required for the exports from Qatar.  
Authentication and Certification fees:  
QR 50 for the authentication of the commercial invoice  
QR 50 for the issuing of certificate of origin  
QR 50 for the authentication of the accuracy of the signature

## RESOURCES

## 11. What is the small and medium scale industrial area?

The ministry of energy and industry has established the Small and Medium Industrial Estate in Doha. By establishing this industrial estate the Ministry aims to attract and recruit unique industrial projects which utilize and employ latest of the art technological innovations in their production process (s) and simultaneously preserves the environment and its purity as an effort of contributing to the national industrial revolution and eventually will create a positive and highly beneficial impact on the national economy.

The Small and Medium Industrial Estate (SMSIA) in Doha is considered the first of its kind in the State of Qatar and it was established in 2001 to occupy an area of 10,480 million sq. m. where it was situated approx. 10 Km west of the capital city "Doha".

A development Master Plan was designed approved and adapted for execution with special consideration for making available all facilities and utilities needed by industry as well as to be carry out the implementation in two phases. While planning and designing the estate, it was demarcated to absorb industrial projects as per their sectors, areas and the industry specific needed facilities and utilities. Furthermore, regulations and policies were established for organizing and controlling the establishment of industrial projects.

### **Reasons behind the Selection of Location:**

1. Simplicity in supplying it with:
  - energy from the natural gas pipe which is adjacent to its northern borders
  - electricity from high voltage lines which are adjacent to its southern boarder
2. Being close to the main network of roads as well as its susceptibility for expansion
3. The above facts contribute to lessen the size of investment needed for the development of the estate

### **The Objectives of Establishing the Small & Medium Industrial Area:**

1. To strengthen and activate the role of private sector in the processes of industrial development and increasing its participation in the Total National Product as well as increasing the value of industrial exports
2. Ease and quicken the allocation of industrial plots to investors, immediately after they obtain industrial licenses for the purpose of speeding up the operations of industrial production

## **RESOURCES**

## **Section 2: Preparing to export**



## 12. What are the essential elements of a business plan?

Developing an international business plan requires careful planning and a commitment of time. As with any new business operation, the decision to export must be envisioned with a long-term business investment attitude rather than a short-term profit objective. Before making a commitment to enter into international business agreements, the development of an international business plan is an important and key step for determining a product's readiness for export. A well-prepared plan will assist the business in assessing the potential of a product in international markets, facilitate application for financing, help determine if there is a market for the product, and how much it will cost to export a product. The core elements of a business plan include the following:

<b>ELEMENTS</b>	<b>EXPLANATION</b>
<b>Executive Summary</b>	State what makes the company successful and then list the competitive advantages over domestic and foreign competition.
<b>Present Situation</b>	Identify the company's products with export potential.
<b>Objectives</b>	Define long-term goals and how exporting will help to attain those goals.
<b>Management</b>	Conduct a company analysis in order, first, to ensure that the decision to export is supported by all levels of management and, second, to decide who will execute what functions.
<b>Description</b>	Answer the question: Why is the product/service unique in an international market?
<b>Market Analysis</b>	Determine what the opportunities in this market are.
<b>Target Customers</b>	Find out what the demographic and socio economic profile of the target customer is.
<b>Existing Competition</b>	Conduct an industry to determine the firm's competitiveness within the industry. In analyzing competition, it is helpful to know what market shares are and what the expected industry/market trends are.
<b>Focus Group Research</b>	Research a small focus group of potential customers in order to gain feedback and constructive criticism.
<b>Calculated Risk</b>	Estimate the industry and the firm's performance over a period of three to five years so that the firm may accurately calculate risks.
<b>Marketing Strategy</b>	Determine how customers will be attracted and their interest sustained.
<b>Pricing/Profitability</b>	Define an international pricing strategy.
<b>Selling Tactics</b>	Carry out direct mailing, cold calling, and advertising tactics.
<b>Methods of Distribution</b>	Determine where and how to deliver overseas.
<b>Advertising</b>	Consider foreign labeling and packaging requirements, literature translations, and customer relations.

<b>ELEMENTS</b>	<b>EXPLANATION</b>
<b>Public Relations</b>	Develop a regular and consistent product/service update programme, internal newsletter, write for technical magazine, press releases etc.
<b>Business Relationship</b>	Articulate a plan for developing international business relationships, include culture training. Determining the type of relations, (e.g. agent/distributor, representative, supplier, direct export, etc.).
<b>Manufacturing Plan</b>	Indicate initial volume, expansion requirements, sources of materials, location of manufacture, etc.
<b>Financial History</b>	Include a five-year Profit and Loss Statement.
<b>Financial Projections</b>	Remain realistic and conservative.
<b>12-Month Budget</b>	Anticipate costs for each year of exporting.
<b>Cash-Flow Projection</b>	Calculate Cash Receipts vs. Cash Disbursements.
<b>Balance Sheet</b>	Illustrate liquidity and cash position.
<b>Break-Even Analysis</b>	Calculate number of units to sell for break-even.
<b>Source/Use of Funds</b>	Decide from where the funds will be obtained to start or expand export operations.
<b>Use of Proceeds</b>	Decide where profits and loans will be dedicated.
<b>Conclusions</b>	State exporting goals, total capital required, profile expected, schedule and general comments.
<b>Appendix</b>	Add the curriculum vitae of key people involved in the company's export programme, as well as key accounts, potential customers, market survey data, drawings, agreements and financial projections to the plan as an appendix.

## RESOURCES

**Developing Your International Business Plan:** Michigan Small Business Development Centre, Wayne State University, 2727 Second Avenue, Detroit, MI 48201. Tel. (313)964-1798. Free of charge. An extensive workbook on the essential elements of an international business plan

### 13. What are some avoidable traps to consider when developing an international business plan?

After gathering resources, conducting research, and becoming familiar with those who can assist in the field, the exporter should begin writing the international business plan. The followings are some avoidable traps that have become problematic for exporters when writing the international business plan.

**Seek No-Cost, Low-Cost Advice:** Companies that are new to exporting or those companies expanding into an unfamiliar foreign market, often do not obtain qualified export counseling before developing the international business plan.

**Qatari exporters may benefit from the highly qualified specialists from both private and public sectors, who can help companies to define their goals clearly and assist them in international marketing.**

**Obtain Management Commitment:** Before researching and writing the plan, the person charged with developing a foreign market entry strategy must obtain commitment from top management so that potential financiers and foreign partners understand that the key players in the firm are willing to overcome the initial difficulties and financial requirements of exporting. The president and all departments, including accounting finance, logistics, marketing, research, and training, must understand and embrace the firm's export expansion plans. Details experiential curriculum vitae of all senior staff should be included in the international business plan.

**Conduct Thorough Market Research:** The exporters should contact the best organizations or data banks for obtaining information on topics such as: trade leads, imports/export opportunities by industry, country and product, available resources, foreign companies or importers looking for specific products, how to market guides, demographic, political and socio-economic conditions in countries throughout the world and other such related information.

**Analyze Market Research:** Many international business plans are weak in terms of market research. Market research is simply confirming the exporters' instinct that a product will sell and be accepted in a particular market. This is learnt by conducting focus groups on the design, size, colour and all other characteristics of the products; by sending product samples; and by generally understanding the unique preferences of the potential foreign customers. The Market Factor Assessment should be included in an international business plan. It is a 36-questions diagnostic which considers demographic, political, economic, social, consumer and competitive factors, and allows the exporter to rate each country based on a market condition scale.

**Determine Export and Import Flow (Industry Analysis):** Many companies find it difficult to learn where a particular product is being exported to or imported from. If the exporter is going to be successful in a particular market, it is absolutely critical to determine whether the product can be competitive, and the best way to know that is through the Trade Map which is available on Qatar Development Bank website ([www.qdb.qa](http://www.qdb.qa))

**Determine the "Just Right" Export Price:** Pricing a product is the most important factor that will affect the financial projections in the export business plan. Many first time or infrequent exporter do not consider the various non-domestic costs that can contribute to the per unit price. Among the special elements to consider when exporting are the percentage mark up, sales commissions, freight forwarder processing and documentation fees, financing costs, letter of credit processing fee, export packing charges, labeling and marking, inland freight charges, unloading at the terminal, insurance, translations of product materials, etc. Ensure that each of these costs is clearly articulated in financial projections and 12 month budget.

**Articulate the Firm's Capacity:** It is important to stress that pricing is not the only factor which contributes to a buyer's decisions to purchase a product or service. In order of importance, the followings are other factors which are important to the exporter's foreign imports and which constitute the "price package" management capability; production capacity and process; quality control system; technical cooperation, if any with foreign firms; structure for handling orders; export experience, including types of companies dealt with; and financial standing and links with banks. All should be included in the international business plan, along with credit terms, payment schedules, currencies of payment, insurance, commission rates, warehousing costs, after-sales servicing responsibilities and costs of replacing damaged goods.

**Address the Buyer's Decisions Points:** It is important to address the primary decision points buyers consider so that readers of the business plan realize that the firm understands those factors which are important to foreign buyers. In order of priority, from most to least important, the primary buying decision points are; quality, delivery schedule, price, warranties, liability for claims/damages, patents and infringement protection, technical assistance, confidentiality, changes in drawings/specifications, packaging, terms of payment, mode of transportation, and liability to provide a progress report on orders.

**Marketing:** Many first time exporters are reactive rather than proactive exporters in that the only reason they are exporting is because someone from another country contacted them. Many firms do not export because they do not know of the low-cost or no-cost marketing opportunities available to them.

**Checking a Buyer's Credit:** Before the exporter agrees to any deal, it is essential that a potential buyer, distributor, or partner's credit be checked and the most suitable source for that is through "TASDEER".

**Methods of Distribution:** Many firms only consider direct exporting as a means of conducting international business. Direct exporting allows for the greatest control of the marketing, financing and growth of the export market. However, other methods of distribution exist, including; appointing a commissioned sales agent; letting an export management company handle the sale of the product; appointing a sales representative; negotiating a distributor agreement; or entering a licensing agreements, joint venture or off-shore production team.

## RESOURCES

**Know Your Market:** how to Do Low – Cost Market Research, D. Frigstad, (1994) \$15.96, PSI Research – Oasis Press, PSI Research P.O. Box 3727, Central Point, Oregon 97502, USA, Tel: +1 541 476 1479, Email: info@psi-research.com, Website: <http://www.psi-research.com>. Text, worksheets, checklists, charts and tables provide an informative, practical approach to establishing a market research program.

## 14. What is Internet and how can it be useful to the exporter?

The Internet is a global network of computers which communicate to each other via telephone lines. It began 20 years ago as a channel to share information within the scientific community. Today this vast communication network has become widespread, with most governments, major firms, enterprises and establishments having a presence or a "site" on the Internet. Use of the Internet is growing at a fast pace. Increasing numbers of small and medium sized firms are making their presence felt through the Internet.

The Internet is a powerful tool for SME's to promote their business activities to acquire market information and to increase market access. It is a relatively inexpensive way of disseminating in-depth information, receiving direct feed-back from client and contacting potential trade partners.

Yet, it is only recently that exporting firms are discovering how effective a tool the Internet can be in their global marketing strategy. While upfront costs to participate in the Internet global environment (e.g. purchasing a computer, subscribing to an Internet service provider or creating a "site") may be relatively high, the return on investment from this marketing strategy can often surpass the initial expense.

The Internet helps the exporter both market the product and research foreign markets. In the first case, the Internet allows the exporters to create a location or "site" where information on the product or service desired for exporting can be easily obtained. In many national markets, having a "site" on the Internet is an essential part of gaining credibility and maintaining customer relations.

In the second case, having access to the Internet allows the exporter to research foreign markets. The exporter can use Internet services such as browsers and search engines to collect information on a given subject of interest. The Internet can be especially helpful for the exporter to find statistical information, company listings, government and non-governmental organizations and international accords and conventions.

## RESOURCES

**Secrets of electronic commerce:** A guide for small and medium-sized exporters  
[www.intracen.org/Secrets-of-Electronic-Commerce-A-Guide-for-Small-and-Medium-sized-Exporters-second-edition/](http://www.intracen.org/Secrets-of-Electronic-Commerce-A-Guide-for-Small-and-Medium-sized-Exporters-second-edition/)  
Free download

## 15. How can an exporter access the Internet?

With the vast and seemingly unlimited possibilities for obtaining information, the Internet can appear overwhelming for small-or medium-size exporters who are new at using it. It is therefore important to gain some basic knowledge of how the Internet works in order to use it most effectively. Once basic knowledge is acquired, the exporter will soon realize that accessing information on the Internet is no more difficult than dialing a telephone. In general, three elements are required for Internet access; a telephone line, a computer and a modem.

The following is some basic terminology for Internet “services”.

**Bookmark:** It is a process with which Internet providers allow users to set up shortcut connections to a specific site. Instead of searching the Internet every time there is a demand for the particular topic, the user may add that site to the bookmark.

**Browser:** It is a World Wide Web client; the most common are Netscape Navigator and Microsoft Explorer.

**E-mail:** Short for electronic mail, it is an application service to send messages over network wire. It is an easy way to work with potential clients and to perform a direct communication line with customers.

**Hyperlink:** It is a link between World Wide Web resources. Hyperlinks are often underlined or displayed in a blue-shaded colour. When a user selects a hyperlink, the browser retrieves the page that was indicated.

**Internet site/Website:** These are documents known as “sites”, containing formatted text and images on the Internet. An exporting company may want to find out more information on creating a Web site to promote its product and business profile.

**Search engines:** These Internet services allow for an individual to find information on a given subject by writing a “key word” (a word that describes the subject or a set of words). The search engine then finds all related information concerning the subject. Some commonly used search engines are: Alta Vista, Infoseek, Excite and Lycos.

**Web directories:** These are indexes of Internet sites. They are like card encyclopedias where information is accessible by groups of specific classification. Some examples of Web directories are Yahoo and Magellan.

**World Wide Web:** Often referred to as www, it is the most popular application on the Internet, it is not the Internet per se. It is a system for accessing the Internet for anyone connected to a service provider.

## RESOURCES

**Introduction to the use of Internet Search Tools:** training material by Yan Manissadjian and Emmanuel Barreto, International Trade Centre ITC UNCTAD/WTO, Palais des Nations, Geneva 1202, Switzerland. A guide designed to help exporters to facilitate research on the Internet

## 16. What is the procedure to obtain authorization to import and export goods from Qatar?

The company has to have the trading activity of the relevant goods under its commercial registration. For example if a company wishes to import and export electronic appliances then it has to have the activity of trading in electronic appliances under its commercial registration. Once this is accomplished then the company needs to go to the Qatar Directorate General of Customs and request the issuance of an "Import Code" which will allow the company to import and export goods as per the trading activity listed under the commercial registration of the company. Such a request should include the following attachments:

1. Letter from the company under its letterhead, stamped and signed by the general manager of the company requesting the issuance of an import code as per the activities of the company under its commercial registration.
2. Commercial registration copy.
3. ID of the general manager.

Once the import code is issued, the company will be directly authorised to import and export goods as per the code and the commercial registration.

### RESOURCES

## 17. What are the value addition norms applicable for exports to the GCC?

The value-added content for eligibility of GCC-made / and GCC-bound industrial product is 40%. This is a rule that prevails across the GCC. The steps on registration, certification, and card-issuance that follow are keyed to the 40% minimum value-added requirement.

- According to the Economic Agreement between the GCC countries, all industrial products should present the certificate of origin if the value addition content is not less than 40% of its final value.
- Companies interested to export to the GCC should obtain Certificate of Origin from the relevant issuing authority.
- The value addition is calculated as follows:

### For GCC Certificate of Origin:

#### Local Cost Content:

- Wages and Salaries.
- Depreciation.
- Rents.
- Interests on long term loans.
- Administration & General Expenses.
- Production Requirements (Of Local Origin in GCC Countries). This includes raw materials, auxiliary materials, semi-manufactured materials, packaging material and fuel, electricity & water).

#### Foreign Cost Content:

- Production Requirements (Of Foreign Origin, Outside GCC Countries)

$$\begin{aligned} \text{Value Added} &= \frac{\text{Local Cost Content}}{\text{Total Product Cost}} \times 100 \\ &= \frac{(A+B+C+D+E+F)}{(A+B+C+D+E+F+G)} \times 100 \end{aligned}$$

V.A. Should not be less than 40% < 40%

## RESOURCES

## 18. Where do Qatari exporters find information on sector or industries in the GCC?

- The Chamber of Commerce from each of the GCC countries. Include contact details for each country.
  - **Council of Saudi Chambers of Commerce & Industry**  
Riyadh Chamber of Commerce and Industry Building  
P.O. Box 16683, Riyadh 11474  
Tel. (1)405-3200/405-7502  
Fax: (1)402-4747
  - **Oman Chamber of Commerce & Industry - Muscat**  
P.O. Box 1400  
Postal Code 112, Ruwi  
Sultanate of Oman  
Tel: (00968) 24763700  
Fax: (00968) 24708497  
E-mail : occi@chamberoman.com
  - **Kuwait chamber of Commerce and Industry**  
P.O. Box 775, Safat 13008- Kuwait  
Commercial Area # 9, Al- Shuhadaa St  
Kuwait City  
Tel: (00965) 1805580  
Fax: (00965) 22404110  
Email: kcci@kcci.org.kw
  - **Dubai Chamber of Commerce and Industry**  
P.O. Box 8886  
Tel: +971 42307774  
Fax: +971 42389897  
Email: info@fcciuae.ae
  - **Qatar Chamber of Commerce and Industry**  
C Ring Road, Hilal Street  
Al Osseiri Area, P.O. Box 402, Doha, Qatar.  
Tel: +974 44559111  
Fax: +974 44661693, +974 44661697  
Email: info@qcci.org  
qcci@qatar.net.qa
  - **Bahrain Chamber of Commerce and Industry**  
P.O. Box 248, Manama  
Tel: +973 17380000  
Fax: +973 17380123  
Email: bcci@bccibh

- Qatari exporters may obtain information on existing industries in Qatar and other GCC countries by contacting the Gulf Organization for Industrial Consulting (GOIC).
  - **Gulf Organization for Industrial Consulting (GOIC)**  
Tel.: 974 - 4858 888  
Fax: 974 - 4831 465  
P.O. Box: 5114, Doha - Qatar  
Email: [goic@goic.org.qa](mailto:goic@goic.org.qa)  
Website: <http://www.goic.org.qa>
  - **Federation of GCC Chambers**  
P.O. 2198, Dammam  
Saudi Arabia 31451  
Phone: (966) 3 8265943  
Fax: (966) 3 8266794  
Website: <http://www.fgcc.org>

## RESOURCES

**Gulf Organization For Industrial Consulting (GOIC):** Tel.: 974 - 4858 888, Fax: 974 - 4831 465, P.O. Box: 5114, Doha - Qatar.  
Email: [goic@goic.org.qa](mailto:goic@goic.org.qa), Website: <http://www.goic.org.qa>. Provides information on sector or industries in the GCC.

## 19. What is the Arab Free Trade Area Agreement and how it can be utilized by Qatari Exporters?

The State of Qatar, along with 17 other Arab countries, signed the Arab Free Trade Agreement and its implementation commenced on March 9, 1998. According to the agreement, all Arab goods moving between Arab Member States will be afforded the status of national goods in accordance with the principle of gradual liberalization, which took effect January 1, 1998. By way of annual reductions of 10% of customs duties, fees and taxes, goods are scheduled to be moving duty-free between the member States through the establishment of the Arab Free Trade Zone

The Qatari companies can utilize the AFTA as follows:

1. Contact International Co-operation and Trade agreements Department of the Ministry of Business & Trade.
2. The International Co-operation and Trade agreements Department will check the value addition of the products, which should be 40%.
3. After the compliance of the above, the International Co-operation and Trade agreements Department of Ministry of Business & Trade will issue the certificate of origin for the Arab countries.
4. The Qatari exporter has to send the certificate of origin for the Arab country along with the consignment to enable the importers of his product to pay less duty according to the agreement.

### RESOURCES

## 20. How can a Qatari exporter obtain information about trade agreements concluded between Qatar and its trading partners?

The Government of Qatar has signed many trade agreements with different trading partners.

- Membership in the League of Arab States.
- Pan-Arab Free Trade Area. The other member countries are Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Saudi Arabia, Sudan, Syria, Tunisia, UAE and Yemen.
- Gulf Cooperation Council (GCC). The other members are Bahrain, Kuwait, Oman, Saudi Arabia, and UAE. One of the most significant agreements of the GCC is the GCC Common External Tariff Law No. (41) of 2002 which implements the GCC unified customs tariff in Qatar

The full list of such trade agreements and the products covered under those agreements can be provided by the International Co-operation and Trade Agreements Department of Ministry of Business and Trade

### RESOURCES

General information about these agreements may be obtained from the **Ministry of Business & Trade**: International Co-operation and Trade agreements, P.O. Box 1968, Doha, Qatar, Tel: 44945001 Fax: 44945000 Email: [mbt@mbt.gov.qa](mailto:mbt@mbt.gov.qa)  
Website: <http://www.mbt.gov.qa>.

## 21. What is the “Single Window” System that belongs to General Directorate of Customs in Qatar?

Qatar Customs Clearance Single Window (QCCSW) is a web-based system used by traders, customs clearing agents, service bureau, and shipping agents, to submit trade-related information and documents to government agencies and customs for approval and processing.

This single window approach improves the availability and handling of information, expedites and simplifies information flows between trade and Government. QCCSW encompasses the entire customs and trading business processes that can be categorized into three main areas: Import, Export, Transit and Transshipment. Import process handles the transaction of goods that enters Qatar by sea, air, or land. This process includes: Import for Home Use - involves the import of goods for home use. Customs duty will be applicable based on the tariff of the items being imported. Temporary Import - involves the import of goods on a temporary basis which needs prior approval from the Customs Director. Customs duty will be collected under guarantee and will be refunded if the items are re-exported. Passenger Cargo Import – involves goods which are less than QR3000 in commercial value, and which passengers need to declare to Customs before entering Qatar territories. Export process handles the transaction of goods that leaves Qatar by sea, air, or land. This process includes: Temporary Export – involves the export of goods and equipments on a temporary basis.

Customs duties are applicable during the subsequent import for value-added goods. Re-export – involves the re-export of goods which are previously under temporary import or import. Transit is process where goods are transiting through Qatar by sea, air, or land from one gateway to another. Customs duties are collected under guarantee for goods under transit. Transshipment, on the other hand, is a type of Transit which does not involve movement of goods within the country. The goods will be discharged to the port from the carrier for loading

### RESOURCES



## **Section 3: Finding the market**



## 22. In what foreign markets can the product be sold?

Market research allow firms to determine which foreign markets have the best potential for a particular product. New-to-export firms should seek a few target markets based on the demographic and physical environment, the political environment, economic factors, social and cultural environment, market accessibility, and product potential. Conducting a thorough market factor assessment will help the firm predict the demand for its products or services and how well it will perform in the target market. In order to identify two or three foreign markets, it is important to conduct the following market factor assessment based on up to ten countries that appear to offer export opportunities for the product. The exporter should answer the following questions:

- What is the overall population of each country, considering growth and density trends?
- Is the population of targeted age groups adequate? (e.g. 1-10, 11-24, 25-40, 41-60, etc.)
- To what degree is the population located in urban, suburban and rural area?
- Are there climate and weather variations that may affect the product or service offered?
- What are the shipping distances from the point of export to the various target countries?
- What is the average age and quality of transportation and telecommunications infrastructure?
- Are there adequate shipping, packaging, unloading, and other local distribution networks?
- Is the system of government conducive for conducting business?
- To what degree is the government involved in the private business transactions?
- What is the governments attitude towards the importation of foreign products?
- Is the political system stable or do governing coalitions often change radically?
- Does the government seek to dismantle quotas, tariffs and other trade barriers?
- What is the country's commitment to fostering a higher levels of imports and exports?
- What are the GNP of each target market and the balance of payment for each country?
- What is the percent of imports and exports in the overall economy?
- What is the import to export ratio of the target country?
- How does the rate of inflation vary for each country and what are currency or exchange regulations?
- What is the per capita income of the target country? Are income levels increasing?
- What is the percentage of discretionary income that can be spent on consumer goods?
- What percentage of the population is identified as middle class?
- To what degree is the target market similar to the home market?
- Will the product or service need to be translated and/or adapted?
- What are the legal aspects of distributor agreements for each country?
- What are documentary requirements and other technical or environmental import regulations?
- Is the market closed to foreigners, despite a free and open appearance.
- What are the intellectual property protection laws which would affect the product or service.
- If a commercial dispute arises, does the judicial system offer a fair and unbiased review?

## RESOURCES

**Exporters Encyclopedia:** Dun and Bradstreet, 3 Sylvan Way, Parsippany, NJ 07504. Tel(800) 343867. Covers every phase of exporting to over 200 world markets. It has six sections; the "Export Market Profile Section" constitutes most of the book. The encyclopedia contains profiles, communications, data regulations, documentaion regulations, marketing data and information on transportation and business travel.

## 23. How can the exporters determine if the chosen product will fare well in the target market?

Selection of the right export commodity is crucial for success in the export business and depends on number of factors, including:

**Export/Import Trends:** The exporter should utilize publications and contact organizations to analyze the trends in international trade of a particular product.

**Supply Base:** A steady supply base is essential.

**Manufacturing Capacity:** Inability of the exporter to deliver the product, due to limited production capacity, can spoil the exporting firm's reputation and image.

**Product Adaptability:** To ensure the success of a product in domestic and foreign markets, it is necessary to adapt the product to meet export market needs. The exporting firm should determine if the product requires a change in colour, size, taste, packaging, etc.

**Target Markets:** The product should not only have a stable but rising demand in the target market. It is necessary to determine this demand through demographic and market research.

**Servicing Facility:** If the exported product requires after sales service, the exporter will have to either open a servicing centre abroad or find a distributor/agent who can provide this service, as the product may not be suited for export originally.

**Trade Restrictions:** Products selected for export should be exportable by the Qatari export regulations. More information on export regulations can be obtained from the Qatari General Directorate of Customs.

## RESOURCES

## 24. Where can exporters find market reports for specific markets?

The International Trade Center UNCTAD/WTO in Geneva monitors major markets for fresh fruits and vegetables, cut flowers, tropical and ornamental plants, common spices, raw and semi-tanned hides and skins, bulk-packed fruit juices, rice, and selected pharmaceutical raw materials. Depending on the product group, the Market News Service (MNS) provides up-to-the-minute information concerning actual prices paid for specific products, supply and demand, and other economic information that may have an effect on the market situation. MNS subscribers can receive this information via electronic mail, telefax, or airmail. The Trade Information Dissemination Unit also prepares Market Briefs on the market potential for products in a specific country (e.g., the market for T-shirts in the European Union). The brief reports detail import and export rates, consumer preferences, duty rates and other market access information, prices, sales promotions, distribution techniques, commercial practices, market opportunities, and useful contacts.

### RESOURCES

**ITC Market News service:** Provides current price information and qualitative information such as market trends, industry news, regulatory updates, trade show reviews and interviews with market players on a wide variety of commodities. MNS improves international market transparency by providing market intelligence that addresses the needs of its beneficiaries in developing countries. Our team of product specialists draws its information from a network of over 230 correspondents in 54 countries worldwide, collecting up-to-date market intelligence and price information that can affect the market situation of specific products  
[www.intracen.org/exporters/Market-News-Service](http://www.intracen.org/exporters/Market-News-Service)

**USA Trade Online:** Provided by the U.S. Bureau's Foreign Trade Division, USA Trade Online provides current and cumulative U.S. export and import data on more than 18,000 export commodities and 24,000 import commodities worldwide using the Harmonized System (HS) and the North American Industry Classification System (NAICS) codes, customers are able to select broad commodity categories up to the 10-digit HS or up to the 6-digit NAICS level. This dynamic service utilizes Beyond 20/20's powerful software customers the opportunity to create customized reports and colorful charts detailing foreign trade variants including: port level detail, state exports, balance of trade, method of transportation and market level ranking! All reports can easily be downloaded into delimited, Excel and XML programs, and USA Trade Online even allows you to save your reports so that they are automatically updated each month. Address: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, CENHQ FTD 6K320, Washington, DC 20233, Tel: +1-800-549-0595 Option4, or +1-301-763-2311 (Live Support available from 9:00am -5:30pm "Eastern Time"), Fax: +1-301-763-4962, Email: [ftd.data.dissemination@census.gov](mailto:ftd.data.dissemination@census.gov), Website: <http://www.usatradeonline.gov>.

## 25. Where can Qatari exporters obtain import duties of different countries?

- Customs Tarrif can be accessed at <http://www.worldtarrif.com>. This is a paid site.
- Qatari exporters will be able to obtain import duties by visiting the web sites of member countries of the World Customs Organization and the web sites of international agencies that are linked to the Organization's site.

Every customs department in the world is listed (with a hyperlink) on the Organization's web site. Import requirements can be found on each respective country's web site.

### **THE WORLD CUSTOMS ORGANIZATION**

Website: <http://www.wcoomd.org/>

30, Rue du Marché, B-1210 Brussels (Belgium)

Telephone: 32.2.209.92.11 - Fax: 32.2.209.92.62

## **RESOURCES**

**Business Market Research:** L. Gofton, M. Ness, (1997), £14.99, Kogan Page Publishers, 20 Pentonville Road LONDON. N1 9JN, UK, Tel: +44 (0) 20 7278 0433, Fax: +44 (0) 20 7837 6348, Email: [htaylor@koganpage.com](mailto:htaylor@koganpage.com), Website: <http://www.koganpage.com>. Guide to understanding and evaluating market research findings; commission market research; design and execute market research findings.

## 26. How should a Market Factor Assessment be conducted?

The Market Factor Assessment provides a complete breakdown of the factors in the previous question. The exporter should rate each prospective country based on the market condition scale of 1 (poor) – 5 (excellent). The exporter should then tally the results of the research data collected in order to identify the target markets.

### **Demographic/Physical Environment**

- Population size, growth, density.
- Age distribution.
- Urban and rural distribution.
- Climate and weather variations.
- Shipping distance.
- Physical distribution and communication network.
- Regional and local transportation facilities.

### **Political Environment**

- System of government.
- Government involvement in business.
- Attitudes toward foreign business trade.
- Political stability and continuity.
- Fair/free trade mind-set.
- National trade development priorities.

### **Economic Environment**

- Overall level of development.
- Economic growth: GDP, industrial sector.
- Import and export percentage of total economy.
- Balance of payments.
- Currency: inflation rate, availability, controls, stability.
- Per capita income and distribution.
- Disposable income and expenditure patterns.

### **Social/Cultural Environment**

- Literacy rate, educational level.
- Existence of middle class.
- Similarities and differences in relation to home market.
- Language barriers.

**Market Access**

- Adequate distribution network.
- Documentation and import regulations.
- Local standards, practices, and other non-tariff barriers.
- Patent, trademark, copyright protection.
- Adequate dispute resolution mechanisms.
- Tax laws, rates.

**Product Potential**

- Customer needs and desires.
- Local production, imports, consumption.
- Exposure to and acceptance of product.
- Attitudes toward products of foreign origin.
- Competition.

**RESOURCES**

**Getting Started with the Market Research Application:** (1997), \$14.95, SAS Publishing, SAS Institute Inc., SAS Campus Drive Cary, NC 27513-2414, USA, Tel: +1 919 677 8000, Fax: +1 919 677 4444, Website: <http://www.sas.com>. Illustrates the use of the MRA with step-by-step discussions of examples for each of the techniques.

## 27. What is TradeMap and how can it be used by Qatari exporter?

- A tool that helps in conducting specific market research aimed at the promotion of international trade through precise knowledge.
- A tool that provides comprehensive coverage of the ongoing world-wide trade.
- A tool that has suitable mechanism to provide a holistic view of the total trade.
- A tool that includes information on values of exports and imports, quantities, growth trends, market shares and various rankings.
- A tool that locates new markets and assesses export competitiveness.
- A tool that benchmarks export performances and analyses the potential for product diversification with any given partner country.
- A tool that can be executed by entrepreneurs, business people, market analysts and is user-friendly and standard in its approach.
- This tool is the Trade Map, in which the Informational Principle depend on the flowing of the trade product that is issued from UNCTAD/WTO.

### **WHAT ARE THE FEATURES OF THE TRADEMAP?**

- Foreign trade statistics of over 5,000 products under the Harmonised System (HS) at the 6-digit level.
- All indicators are based on the United Nations Statistics Division 'COMTRADE' data, the world's largest database for international trade.
- It covers statistics for 180 countries, including mirror statistics, representing over 90 per cent of the total world trade and includes 5 million records.
- The product groups can be further split into detailed individual products.

## **RESOURCES**

**Trademap** can be accessed on Website: [www.trademap.org](http://www.trademap.org) Provides database on product trade flows.



# **Section 4: Finding the customer**



## 28. What are the various ways to enter a foreign market?

Selecting the mode of entry into a particular export market is one of the crucial decisions to make. The entry method has significant implications for a wide range of international marketing concerns. When choosing an entry method, the exporter should consider the similarity of the foreign market to the home market, level of service required, tariffs and shipping, lead time requirements, brand awareness, and competitive advantage. There are two main options for market entry: direct exporting and indirect exporting.

### **Direct exporting:**

With direct exporting, the manufacturer exporter undertakes the entire export process and does not use any intermediaries. By becoming a direct exporter, the firm takes responsibility for the entire range of export activities, starting with identifying the customer through to collecting payment.

In order to export directly, the firm may have to establish an export department independent of the domestic sales division which could be funded on the basis of its requirements. **Direct exporting has several advantages** such as; **1)** the firm has complete control over the exporting process; **2)** the firm increases its profit margin by saving on payments to an intermediary; and **3)** the firm develops a closer relationship with the overseas buyer.

On the other hand, **direct exporting may also imply;** **1)** the possibility that the time and resources needed to create a successful overseas market would outweigh the benefits the exporter could gain from exporting directly; and **2)** the exporter would be exposed to more direct risk.

One form of direct exporting is for SMEs to join together to form Export Consortiums. Governments often allocate special benefits to small exporters who form a cooperation with other SMEs. This type of arrangement can be especially advantageous in the initial years for a first-time exporters.

### **Indirect Exporting:**

A firm wishing to export but not having the required personnel or resources to do so, may export through commission agents, local buying offices, merchant exporters or Export Development Companies (EDCs). These entities have the necessary infrastructure and expertise to export a number of different countries. **Several advantages exist for indirect exporting;** **1)** a firm may concentrate on production without having to learn all the technical and legal aspects to exporting, and **2)** the firm may benefit from the professional expertise that an exporting company or service provides. **Disadvantages with indirect exporting** include; **1)** the possibility of losing control over the product to an overly aggressive representative, and **2)** the fact that some of these individuals and organizations may not have objectives that coincide with that of the producer.

Other options existing for a company who wants to export include;

- **Joint ventures:** A joint venture is a partnership in which the domestic firm and the foreign firm negotiate tie-ups involving one or more of the followings: equity, transfer of technology, investment, production and marketing. The arrangements define responsibilities for performance, accountability and profit sharing. The marketing arrangements can be in the form of partial or total buy-back by the foreign partner. Joint ventures can spread costs, mitigate risks, offer knowledge and details of local market and ease market entry. There are often laws regulating joint ventures which might require specified percentage of equity by the local partner.

## RESOURCES

**World Directory of Trade Promotion Organizations:** International Trade Center UNCTAD/WTO. Palais des Nations, 1211 Geneva, Switzerland. Tel. + 41 (22) 730-0218 Available online at [www.intracen.org/exporters/trade-directories/](http://www.intracen.org/exporters/trade-directories/) .Directory of trade promotion organizations and other national bodies involved in international trade. Covers ministries, trade promotion organizations, import promotion offices, chambers of commerce, trade associations in 187 countries. Please update link with the one provided by ITC

**Directory of Importers' Associations:** International Trade Center UNCTAD/WTO. International Trade Center UNCTAD/WTO. Palais des Nations, 1211 Geneva, Switzerland. Tel. + 41 (22) 730-0218. [www.intracen.org/exporters/importers-associations](http://www.intracen.org/exporters/importers-associations) . Directory listing names and addresses, services and publications, indicates products of interest. Please update link with the one provided by ITC

## 29. What sales and distribution channels can be used in different world markets?

Several sales and distribution channels exist in different markets around the world. Some will be more effective than others in various markets. TASDEER may assist Qatari exporters in investigating channels that are most frequently used and for which market segments. Moreover, TASDEER helps in providing a list of the various sources and which are available for sale and distributing in both public and private sectors.

### Some examples are:

- **Agents:** Also known as a purchasing agent, a commission agent is usually employed by a small firm for his or her expertise of a particular product in a foreign company or in a foreign market. The agent's income is through a commission from the net export price. Agents find foreign firms that want to buy the products and place orders on behalf of the buyers. They do not become involved with packaging and shipping of the products, nor do they take title of the products they represent.
- **Distributors:** A distributor purchases merchandise from an exporter, usually at discount, and resells it in the foreign market for profit. The distributor maintains an inventory of the supplier's products, and usually provides support and service. The distributor does not usually sell to an end user. Payment terms and other agreements between the distributor and the company are established via the contract.
- **Established marketing channels:** Some outlets such as chain stores and supermarkets have their own established channels for buying. An exporter want to link-up to this type of channel.
- **Mail order houses:** Much of export activity is carried out through mail order. Depending on the nature of the product and the market. This type of exporting could be a valuable sales outlet for SMEs.
- **Export development companies:** An indirect exporting option, EDCs handle all aspects of exporting for the SME, from warehousing, loading and unloading cargo, freight forwarding of goods, shipping documents, to providing short-term or long-term financing, conducting market research and preparing and place advertisements.
- **Wholesalers:** A wholesaler buys in bulk from the exporter and organizes the retail distribution. The wholesaler makes profits on the mark-up.
- **Direct Sales to End User:** Via exporting, a firm sells directly to an end user in a foreign country. Buyers are identified through trade fairs, international publications, word of mouth, or government contact programmes, and the firm is responsible for shipping, payment collection, product servicing, and all other facets of exporting.
- **Sales Representative:** An individual who represents the company in a foreign market is a sales representative. Representatives use the company's literature and samples, usually work on a commission basis, and assume no risk or responsibility. Signed prior to hiring the representative, the representative's contract should outline the territory, terms of sale, method of compensation, reasons for termination of services, etc. A representative may not necessarily work on an exclusive basis.

## RESOURCES

### 30. What is the Export Trading Company and what are its services?

Export Development Companies (EDCs) are known by different names in different countries such as, trading houses, export management companies and international trading companies. Companies that have exportable products but who do not have the time and resources to learn all that is necessary to successfully export, can significantly benefit from EDCs. EDCs allow the exporter to concentrate on production while offering high quality professional expertise in handling all aspects of exports. EDCs act as effective business development intermediaries between producers and markets. They specialize not only in exporting, procuring merchandise locally to sell internationally, but also importing, buying internationally and selling locally.

EDCs have strong international marketing capabilities. These are often supported by an organization overseas for selling and by an organization in the home country for procurement, vendor development and trade support services. EDCs provide a number of services to the SMEs. These include:

#### **Marketing-oriented services**

- Market research, customer identification and evaluation.
- Commercial and technical negotiations.
- Dealing with consortiums, projects and tenders.
- Establishing supplies of spare parts and providing after-sales services.
- Creating distribution networks for the product.
- Sales promotion and establishing brand equity.

#### **Production-oriented activities**

- Development of SME partners.
- Importing, procurement of production inputs.
- Product and packaging adaptation.
- Research and development.

#### **Financial and risk management services**

- Credit and financial arrangements.
- Ensuring prompt payments.
- Export risk management and insurance.
- Dealing with claims.

#### **Logistical support and other services**

- Shipping and documentation.
- Transportation and warehousing.
- Managing crises and disasters.
- Dispensing with paperwork and red tap.

## **RESOURCES**

**The SME and the Export Development Company:** International Trade Center UNCTAD/WTO, Palais des Nations, 1211 Geneva 10, Switzerland. Tel. + 41 (22) 730-0111. Fax + 41 (22) 733-4439. Email: itcreg@intracen.org. A practical guide to forging long-term business relationships in the export sector.

### 31. Where do exporters find information on trade shows and exhibitions around the world?

Exporters in State of Qatar can visit the [www.expodatabase.com](http://www.expodatabase.com), from where exhibitions happening around the world can be ascertained. The following organizations in the State of Qatar may also provide information on Exhibitions:-

<p><b>World Trade Center Qatar</b>  P.O. Box 22357  Doha  State of Qatar  Tel: + 974 44354141  Fax: + 974 44423048  Email: <a href="mailto:info@wtcdoha.com">info@wtcdoha.com</a>  website: <a href="http://www.wtcdoha.com">www.wtcdoha.com</a></p>	<p><b>QatarExpo</b>  P.O. Box 8019,  Doha  State of Qatar  Tel: + 974 44650211  Fax: + 974 44674506  Email: <a href="mailto:infdex@qatar-expo.com">infdex@qatar-expo.com</a>,  <a href="mailto:iwed@qatar-expo.com">iwed@qatar-expo.com</a>  Web: <a href="http://www.qatar-expo.com">http://www.qatar-expo.com</a></p>
<p><b>International Fairs and Promotions Qatar</b>  Ibn Seena Street, Al Muntazah Area  P.O. Box 22376, Doha  State of Qatar  Tel: (+974) 44329900  Fax: (+974) 44432891  Email: <a href="mailto:info@ifpqatar.com">info@ifpqatar.com</a>  Website: <a href="http://www.ifpqatar.com">www.ifpqatar.com</a></p>	<p><b>World Exhibitions, Trade Shows &amp; Conferences</b>  Website: <a href="http://www.mbendi.co.za">www.mbendi.co.za</a></p>
<p><b>Trade Shows &amp; Exhibitions</b>  Foreign Trade Online  Find all the trade shows &amp; exhibitions around the world by country or states.  <a href="http://www.foreign-trade.com/exhibit.htm">www.foreign-trade.com/exhibit.htm</a></p>	

#### **Global Association of the Exhibition Industry (UFI)**

Publisher: (UFI) [www.ufi.org](http://www.ufi.org)

Contents: Association of the world's leading trade show organizers and fairground owners, as well as the major national and international exhibition associations and selected partners of the exhibition industry. UFI provides an extensive listing of trade fairs categorized by name of fair, countries/continents where the fair is held. <http://www.ufinet.org>

#### **Association of the German Trade Fair Industry (AUMA)**

Website at [www.auma.de](http://www.auma.de) provides a comprehensive database on trade fairs and tools to calculate and plan an exhibition.

### **RESOURCES**

**Cyber-Expo:** Website: <http://www.tsn.com>. Helps to search for upcoming conventions, expositions, conferences and tradeshow.

**Seminars, Shows and Exhibitions around the world** Website: [www.globalsources.com](http://www.globalsources.com)

### 32. How does an exporter select the proper trade fair?

Trade Fairs are an invaluable element of any marketing plan; however, with the proliferation of fairs offered throughout the world, it is important to be selective when considering when and where to exhibit. This is especially true for firms with small budgets. Selection of the appropriate trade fair to participate in just be decided after a careful scrutiny of the market profile, visitor profile, and cost of participation in each fair.

To classify the market profile of a trade fair, identify the target markets and the geographical coverage. Two common classifications are "vertical" trade fairs which offer a concentrated focus of interest for buyers and sellers whereas "horizontal" trade fairs are general in nature and lack a specific theme.

When identifying the visitor's profile, the exporter should ask the trade fair promoter of the typical visitor's job status, visitor's product or service interest, and the type and size of the visitor's company represented.

The cost of participation in a fair should be viewed as an investment which must not be out of proportion with the capacity of the firm. Although trade fairs are used as a marketing and promotional tool. Participation must not be at a cost of detrimental to the firm.

The exporter should pay attention not to be lured into a fair just because it is big and promises to provide a large amount of potential customers. Firms with rich products attend more focused fairs. Firms should identify whether a fair is tied or not to educational programmes as such a fair will bring better results.

Smaller fairs are typically less expensive to attend, require less expenditures for marketing, and provide a more comfortable venue for the attendee, allowing staff involved, more time getting to know prospects. Smaller fairs also often provide an opportunity for exhibitors to sponsor or share in sponsoring receptions or hospitality suites.

### RESOURCES

**Successful Exhibit Marketing**, Bob Dallmeyer, Publisher: Global Association of the Exhibition Industry (UFI). Provides a step-by-step approach on how to Exhibit. Covers selecting the right exhibition for your company, setting objectives, target marketing, pre-show communications, management and staffing perspectives, selling from the stand, working with the press, networking, meeting customers, greeting, qualifying prospects. [www.ufi.org/medias/pdf/thetradefairsector/howtoexhibit.pdf](http://www.ufi.org/medias/pdf/thetradefairsector/howtoexhibit.pdf)

### 33. How does an exporter prepare for a trade fair?

Letting potential buyers know that the firm will be participating in a particular trade fair is an important marketing activity undertaken to boost sales from a trade fair. Investment in pre-fair promotional activities will result in a more successful fair experience and an improved bottom line for the firm. A recent survey revealed that a large number of fair participants were involved in pre-fair promotional activity. However, only 20% indicated a strong commitment to creative pre-fair marketing; these find it useful in terms of higher than average audience interest and higher than average levels of person-to-person contact.

It has been clearly established that a personal invitation from an exhibitor is the most important reason someone visits an exhibit. Personal invitations are not to be confused with a postcard merely indicating the booth location. Invitations should be hand-written if possible and present a compelling reason to visit the exhibit. Many fair visitors visit only those exhibits to which they have received a personal invitation. Some firms follow-up, invitations with a telephone call to make sure the invitation was received and to reinforce the need to "stop and talk with us".

Some companies send a "teaser" item that requires a booth visit to receive the rest of the item or an item of greater value. All items need to carry the company name, logo, telephone number, address, and booth number. Besides creating interest before and during the fair, these items will go with the visitors when they return home and will be a constant reminder the firm's product or service.

In order to achieve all the objectives of participation in trade fairs, planning is crucial. Planning ensures the protection of investment and the maximisation of returns. The appointment of an exhibition coordinator is essential for successful planning and participation. This person is responsible for booking the stand, confirming and communicating clear exhibition objectives, preparing a detailed budget and control costs, confirming the choice and availability of items to be exhibited, executing the exhibition theme, organizing the stand design and construction, recruiting stand staff and organizing their training and duty roster, preparing and implementing promotional activities, devising a lead recording system, arranging transportation and handling of exhibits, and submitting a report on the fair's effectiveness and results obtained from participation.

The firms interested in participating in a trade will need to keep in mind that exhibition organizers aid participants on all aspects of the trade fair, from choosing a stand contractor to documentation.

### RESOURCES

**How to make the Most out of Exhibitions:** Reeds Exhibition Companies. Oriel House, 26 The Quadrant, Richmond, Surrey TW9 1DL. Tel. + 44 (181) 9107743. Fax. + 41 (181) 9107749. Provides tips for getting maximum benefit out of participation in exhibitions.

### 34. What are typical costs of participating in a trade fair?

Preparing a detailed budget and then operating within it is very essential. To prepare a comprehensive and realistic budget, the best method that can be adopted is a task-oriented method which entails the following steps:

- Deciding on objectives to be achieved through participation.
- Listing out the necessary tasks to be undertaken to achieve those objectives.
- Estimating the costs involved.

To ensure that a participant does not overspend or underspend on various exhibition related activities, a detailed listing of all possible areas of expenditures must be made and then resources allocated proportionately. Listed below are typical areas of costs that are incurred while exhibiting:

**Stand Costs:** Space, stand design and construction, electricity, water, waste. Gas, graphics, furniture, floor covering, equipment, floral decorations, transportation, lifting and handling costs, telephone and fax connections, insurance, storage, and security.

**Staff and Stand Running Costs:** Staff training, hotel accommodations, staff uniforms, exhibitors badges and passes, catering, and corporate entertainment.

**Promotional Costs:** Preparation and production of press information; hire of rooms for press conferences and seminars; design and production of sales literature, pre-show publicity in terms of design, production, postage, and mailing list preparation and/or rental from a commercial list provider; sponsorship of fair events such as banner sites, etc.; fair-linked advertising such as gifts, souvenirs, and stand photography.

## RESOURCES

**How to make the Most out of Exhibitions: Reeds Exhibition Companies** Oriel House, 26 The Quadrant, Richmond, Surrey TW9 1DL. Tel. + 44 (181) 9107743. Fax. + 41 (181) 9107749. Provides typical costs of participating in a trade fair.

### 35. What are the keys to success whilst the exporter is at a trade fair?

Research has revealed that a majority of buyers use trade fairs as a primary source of information when making annual buying decisions. A firm's booth speaks volumes about the capabilities, efficiency, and commitment of the firm. The exporter should think of the booth as an introduction, therefore a good first impression is essential to attract potential customers. Firms with limited space can compete in the trade fair arena by using good design techniques and a well trained staff. There are simple techniques that can be used by small companies to make the booth stand out and generate traffic.

The trade fair booth is an expression of the firm and should be designed to convey rapidly the image of the firm. The booth must make a strong visual impact on the visitor and project, at a glance, the company and product offered. It must perform the dual role of being an effective showcase for the company's products and services and at the same time an efficient platform for demonstrations, seconds to capture the interest of those passing the booth.

Furniture has a significant effect on the overall image of the booth. Chairs make for inattentive employees and prospects. The objective is not to provide an oasis for fair patrons who are tired and need a quick rest.

Professional, well-designed literature should be used. Many good displays are built around "literature stations" which are often used as the focal point for a booth, allowing people to browse and more deeply delve into a product.

The stand must not look cluttered. It must have enough room so people can come in and look at products displayed. If a demonstration is needed, one should make sure the booth is large enough for a sufficient number of people to have a clear view. If possible, encourage people to handle products. If buyers are to be stopped from handling the product, leave the product at home. Buyers are wary of a company that displays products with a sign that says, "Do not touch".

The key to success is the professionals who staff the booth. Staff must be friendly, approachable, and well-informed about the company's products and services.

## RESOURCES

**How to design an Eye-catching Exhibition stand:** [www.trade-show-advisor.com/exhibition-stand.html](http://www.trade-show-advisor.com/exhibition-stand.html) Provides key strategies for designing an eye-catching exhibition stand that will attract visitors and deliver results..

### 36. What are the procedures to obtain 'VISA' for foreign buyers, inspection agents to enter Qatar?

#### **BUSINESS VISA**

Companies and agencies dealing with business-related visitors are responsible for arranging visa applications.

Authorized companies and users may apply for business visas online.

Visa holders are advised to carry all supporting documents, such as a letter from the company, when entering Qatar.

#### **Application Process**

Follow these steps to apply for a business visa for an incoming visitor:

- Load the online application.
- Fill out the form to include information about the traveler(s).
- Pay appropriate fees if the application is approved.
- Print visa.

#### **Additional Information**

A fee of QR200 applies for each visa and QR50 for each registered companion. The visa is valid for one month, and can be extended for another two months at QR200 per month.

The Qatari Exporter has to provide the VISA Office at the Qatari Immigration Service, copy from a valid passport a guarantee letter that the visitor will leave Qatar before the expiry of the VISA. The VISA may be issued by the Qatari Embassies outside the country or through the VISA Office inside Qatar.

The VISA Office issues Visas for short trips, Business Visas and Quick Trader Visas. The Traders may visit Qatar for a period less than 72 hours and then they may get a Tourist Visas to enter the State of Qatar.

It is much preferred that the Qatari Exporters to do all the necessary arrangements that is related to the arrival of the buyers and the foreign traders to the capital before entering Qatar.

## **RESOURCES**

### 37. What is the B2B exchange and how it can benefit the exporters?

A B2B (Business to Business) exchange is an electronic market place where buyers and sellers meet and transact. It is a means of using the power of the Internet to bring previously inaccessible buyers and sellers together to a common platform where they can conduct business in a mutually beneficial manner. B2B Exchanges employ a fixed price mechanism (catalog model) and / or dynamic pricing mechanism (auctions, exchanges, etc.).

The fixed price (catalog) model creates value by utilising the powerful search and compare capabilities of the Web. It creates value by aggregating buyers and sellers. The market maker digitises the paper catalogs and other information of various sellers and provides buyers with 'one-stop shopping' over the Web. Buyers are able to quickly compare sellers on a variety of parameters like price, delivery terms, specifications, warranty, service information, etc. This model is typically used for low value products where there is a fragmented buyer and seller base and frequency of transactions is high.

Auction and exchange models are deployed for products which are non-standard or demand and price volatility is high. This type of exchange usually specializes in a particular industry, e.g. steel, paper, textiles, etc.

A B2B Exchange creates value in the following manner:

- **Reduces search cost:** Increased business and prospective clientele at negligible costs vs. conventional business development methods
- **Reduces information transfer cost.**
- **Standardises systems:** Improvement of business efficiencies and increased competitiveness.
- **Improves matching for both buyer and seller.**

The value creating potential increases exponentially with the growth in number of participants.

B2B Exchanges are particularly relevant for SME Enterprises, under which category most Qatari exporters fall. While strategic vendor development for raw material imports will be done in the traditional off-line mode, the resulting purchase process can be done on-line. Hence raw material inputs can be obtained at extremely competitive rates by accessing a wider variety of suppliers.

On the sales front, B2B Exchanges can reduce the cost of sales lead generation significantly and streamline the export process. Geography is removed as a constraint for export and the only requirement is that a quality product be made available at a competitive price. Exporters can reach out to a wider market which can increase export potential exponentially. Exposure to world class competition can also drive the need for quality in Qatari products. Hence B2B Exchanges can play a very positive role for the Qatari exporter.

### RESOURCES

**E-Marketplaces: Coursebook** : International Trade Centre, Palais des Nations, 1211 Geneva 10, Switzerland. Tel: (41) 22 730 0276, Fax: (41) 22 730 05 78, Email: [itcregl@intracen.org](mailto:itcregl@intracen.org), Website: <http://www.intracen.org/policy/library-catalogue/> Gives an overview of the types and practices of electronic commerce, B2B e-marketplaces and their potential for business development and customer retention: assists in developing strategies of engaging in B2B practices.

# **Section 5:** **CULTURAL ISSUES**



### 38. What are the rules of business etiquette when doing business in various countries?

As a general rule, respecting culture and traditions of the country with which the exporter would like to do business, is key element for being successful in the international market. What is considered polite in Qatar may be regarded as rude elsewhere. Undoubtedly, it is best to discover any idiosyncrasies here in Qatar before the business trip is launched. Although an international potential buyer will often realize that the exporter is a foreigner and forgive any inadvertent cultural *faux pas*, the buyer will be more often impressed by the knowledge of cultural norms the exporter has acquired prior to entering the country. It should always be remembered that the exporter's personal image will be linked to the company. If something is considered morally objectionable, culturally insensitive, or socially outrageous, the exporter should try to understand why a foreign culture acts as it does before passing judgment. The golden rule of business etiquette is to be open-minded, non-judgmental, and flexible.

Simply put, when travelling to another country, the exporter must be more formal and polite than in Qatar. Respect for the hosts must be shown by making formal introductions with full names and titles.

Exporters travelling abroad should be familiar with as many customs and practices as possible. Here are some examples:

**Punctuality:** It is advisable to value the time of business partners while coming for business discussions. This should be done even if the other side is known not to be on time for appointments.

**Addressing individuals:** Different countries have different practices of addressing people. In some countries, using first names is considered a friendly gesture, but in some others, it is preferred to be formal and even use titles as a matter of course. An exporter should never call an individual by the first name unless invited to do so. The correct pronunciation of the names of each of the members of the delegation that are likely to be encountered should also be known before hand in order to avoid embarrassment for both parties. There may also be special rules about addressing women.

**Dress codes:** In some countries, the dress code is formal and in others informal or casual. It may be helpful to know if there are any special tips for conventions on dressing for women. Sometimes formal discussions are followed by informal dinners or get-together. Here again, customs differ on the dress code, going from formal to casual.

**Greetings:** Different forms of greetings are used in different places. Shaking hands may be accepted in one country, but frowned upon in another. Bowing may be the formal greeting. It may be useful to know the correct practice about greeting women.

**Conversation:** Some societies are serious by nature and are not in the habit of cracking jokes or narrating anecdotes during business discussions while other would consider conversations dry and uninteresting otherwise. It is also a good idea to be well informed about sensitive topics to avoid (political situation, recent scandals etc) and of topics to which it would be polite to refer (World Cup victory, health of the President etc).

**Socializing:** In some cultures business people will frequently invite clients to their homes and extend hospitality, while others keep the personal side of their lives away from all business transactions. What is the natural practice in one place may be considered attempted bribery in another.

**Gift Giving:** Many countries practice this custom and one must know whether a gift is expected or not. The exporter should know to whom the gift should be directed (e.g., the host, the wife of host, the family, the business contact, or the company head). A gift to a government official may appear to be a bribe, therefore it is important to make sure the gift is appropriate and will be well-received before giving it.

**Negotiating styles:** Some enjoy negotiating and like to haggle over the terms of any transaction. Others prefer a firm and precise proposal so that they can seriously evaluate it and respond to it.

**Business Cards:** An exporter should always carry business cards with information printed in the native language on the reverse side. In some countries, business cards are treated quite reverently, as a declaration of status of that person. It is important not to bend, write on, or put away the business card while in the company of the presenter of the card.

## RESOURCES

**Addressing Cultural Issues in Organizations: Beyond the Corporate Context**, R. Carter, (2000), £27, Sage Publications Ltd, 6 Bonhill Street, London, EC2A 4PU, UK, Tel: +44 (0) 20 7374 0645, Fax: +44 (0) 20 7374 8741, Website: <http://www.sagepub.co.uk>. Analyses how unexamined cultural patterns influence an organization's culture.

**African Culture and American Business in Africa: how to Strategically Manage Cultural Differences in African Business**, E. Nnadozie, (1998), \$17.95, Afrimax, Inc. P. O. Box 946 Kirksville, MO 63501-0946, USA, Tel: +1 660 665 0757, Fax: +1 660 665 8778, Email: [info@afriamax.com](mailto:info@afriamax.com), Website: <http://www.afriamax.com>. Gives the differences between American and African business cultures and shows how to manage cultural differences in African business.

**Going International:** Lennie Copeland and Lewis Griggs. Random House, 201 East 50<sup>th</sup> Street, New York, NY, 10022, Cost: US\$ 34.95, Provides country specific, demographic and cultural information.

**The Economist:** Cities guide [www.economist.com/cities](http://www.economist.com/cities) guide provides cultural specifics of doing business in selected cities around the world.

### 39. Does gender make a difference in doing business abroad?

Discrimination based on gender is, for the most part, no longer made when conducting business negotiations. Businesses around the world have lowered barriers to women who now occupy senior management positions. However, in some cultures, history, tradition and social norms may still deny women true equality in the international business world.

Business practices based on gender differences may be more pronounced in the case of SMEs who usually conduct business on a personal level. In some countries for example, hosts commonly use “separate but equal” dining facilities. Even if a woman heads the delegation, she may be placed in the women’s dining room. It is important to note that the treatment of women who are residents of a particular country does not necessarily indicate how foreign business women will be treated.

Business women may face problems and feel prejudices in a business scenario usually dominated by men, particularly concerning access to finance. However, business is business and if a good business plan is developed, the fact that it is presented by a woman should not, in principle, raise any problems.

Regardless of the country in which a woman may choose to conduct business, business woman should, as “rule of thumb”:

- Dress conservatively.
- Careful and cautious when dining alone.
- Not give business gifts unless they are for the family.
- Offer but do not insist on picking up the checks during business lunches/dinners.

### RESOURCES

**Asia for Women on Business: Hong Kong, Taiwan, Singapore, and South Korea**, T. Wilen, P. Wilen, (1998), \$13.50, Stone Bridge Press, P.O. Box 8208, Berkeley, CA 94707, USA, Tel: +1 510 524 8732, Fax: +1 510 524 8711, Email: sbporder@stonebridge.com, Website: <http://www.stonebridge.com>. The book gives advice on how to crack the culture barrier of the four tigers.

**Breaking Through Culture Shock: what You Need to Succeed in International Business**, E. Marx, (1999), \$20, Nicholas Brealey publishing Ltd, 36 John Street London, WC1N 2AT, UK, Fax: +44 (0) 171 404 8311, Website: <http://www.nicholasbrealey.com>. Outlines practical steps one can take to further a successful international career, summarizing characteristics of the world’s main business cultures.

**Do’s and Taboos Around the World for Women in Business**, John Wiley and Sons, US\$14.36, Describes what women need to know of culture and gender-specific aspects of international trade.

#### 40. What safety precautions should be undertaken before and while travelling abroad?

Traveling abroad is often a wonderful adventure. Sometimes new experiences may overwhelm travelers so much that they become unobservant of their surroundings. People must be aware of potential acts of violence that may occur while abroad. A company sending a representative to foreign countries has a legal responsibility to warn, train and inform their travelers of how to respond to emergencies there. Informing the traveler on security problems, political unrest and what to do should a violent situation occur is a necessity. Staying safe abroad largely depends on knowing the culture and the environment. With this knowledge, many undesirable experiences can be easily avoided.

Simple precautions like, carrying always a copy of one's travel documents, not wearing expensive accessories or setting down heavy bags while browsing in a store should be taken. A traveler should also know what to do if their passports or airline tickets get misplaced or stolen, if the traveler is arrested, robbed, etc. When in trouble, it is advisable to contact the nearest police station, embassy, consulate, mission.

#### RESOURCES

**Business Cultures in Europe**, C. Randlesome, W. Brierley, K. Bruton, C. Randlesome, (1993), \$39.95, Butterworth-Heinemann, 225 wildwood avenue, Woburn, MA 01801, Tel: +1 781 904 2500, Fax: +1 781 933 6333.

**Culture Clash: managing in a Multicultural World**, H. Seelye, A. Seelye-James, (1996), \$17.95, NTC Publishing Group, Tel: +1 800 323 4900, Email: ntc-contemporary@tribune.com, Website: <http://www.ntccpg.com>. Covers topics such as dealing with language barriers and value differences among employees, negotiating and analyzing cross-cultural situation.

**Personal Safety Guide for International Travelers**, Edward Lee, Lee Group, 2044 Reynolds Street, Free Church, VA 22043, US\$ 20, This book addresses the wide spectrum of concerns a business traveler can face while travelling abroad.

# **Section 6: Agents distributors**



## 41. In what ways can an exporter be represented in a foreign market?

Small enterprises often start exporting through the receipt of unsolicited orders from abroad. As the volume of export orders grows, the enterprise will have to give thought to setting up a long term relationship with the export market by having some kind of representation there. There are a range of options for such representation:

**Branch office:** The enterprise could set up its own office in the export market. This strategy might be suitable for a well establish export operation and would ensure that the exporter has control over channels of distribution. This option is not really applicable to small exporters as it can be costly and often involves a number of formalities.

**Joint venture:** Another option for the well-established exporter might be to set up an association with a local partner to form a joint venture. There are, however, often binding legal implications with this option making it difficult for the exporter to withdraw from the agreement. Before agreeing to a joint venture, the exporter should ensure that it is possible to end the arrangement if so required.

**Appointing an agent:** This is a common forms of representation for exporters in developing countries. An agent is someone who works for the exporter in the foreign market (the exporter is called the principal). The agent "introduces" customers to the exporter and can help in marketing the exporter's products. For this, the agent is paid a fee or a commission by the exporter. It is important to note that the agent does not buy the exporter's goods nor does he or she contract with a customer for those goods.

**Appointing a distributor:** Many exporters confuse agents with distributors. A distributor is someone who buys the exporter's goods and then sells those goods on the customers in the distributor territory, often through his or her own sales outlets. The distributor can also provide the exporter with services such as credit reports, marketing information and, in some cases, design engineering.

## RESOURCES

**Commercial Representation (pack)** International Trade Centre UNCTAD/WTO, Palais des Nations, 1211, Geneva, 10, Switzerland  
Tel: (41-22) 730 01 11; Fax: (41-22) 733 44 39; Email: [itcreg@intracen.org](mailto:itcreg@intracen.org); Website: <http://www.intracen.org>. Free of charge to public and private trade related institutions and firms in developing countries and economies in transition in limited numbers of copies.

## 42. What role does a sales agent perform in exporting?

As the volume of export orders grow, the exporter may find it difficult to maintain direct long-term relationships with markets personally. It becomes essential for the exporter to use a sales agent to act as a sales “ambassador” to establish and develop market contacts and build up a client base with healthy customer relations.

Broadly speaking, there are two kinds of sales agents viz. The Commission Agent and the Distributor. Both have their own merits and demerits.

**Commission Agent:** A commission agent is essentially a person appointed by the exporter to maintain a direct relationship with the customer. The commission agent does not buy and sell the goods but merely locates business opportunities for the exporter and negotiates and concludes deals on behalf of the exporter. Working on a fixed salary or commission, i.e. percentage on sales concluded and paid for, the commission agent normally carries no inventory or credit risk. The sales contract is always between the exporter and the buyer even though the commission agent may sign it on behalf of the exporter. The exporter controls the price, but the commission agent undertake market research on behalf of the exporter as he’s in direct contact with this market.

**Distributor:** A distributor, usually a wholesaler or a local importer, buys goods outright from the exporter and then sells them to the customer at a profit. The distributor usually represents the interest of the exporter in a specified territory or region for an agreed range of products. There are relatively no credit risks for the exporter in such cases although there is always the possibility of some credit risk with the distributor. The distributor holds stock and looks after local publicity and sales promotion. He or she also provides after-sales service where required. With a distributor, a more direct and deeper market penetration can be achieved, and, if the distributor is well known, this choice of sales agent can be an effective way of securing a quick entry for the product in the local market. The distributor may, however, represent more than one manufacturer, though not necessarily the same range of products. Usually, the exporter does not have control over the final pricing of the product which is fixed by the distributor depending on market conditions.

## RESOURCES

**International Directory of Importers – South/Central America**, (2000), \$225 – sea mail, INTERDATA, 1741 Kekamek, Poulsbo, Washington 98370, U.S.A, Tel: +1 360 779 1511, Fax: +1 360 697 4696. Volume reference tool to importing firms and import agents in south and in Central America.

**International Directory of Importers – Africa**, (2000), \$225 – sea mail, INTERDATA, 1741 Kekamek, Poulsbo, Washington 98370, U.S.A, Tel: +1 360 779 1511, Fax: +1 360 697 4696. Volume reference tool to importing firms and import agents in Africa.

### 43. What criteria should be used in the selection of a commission agent or a distributor?

Whether an exporter chooses a commission agent or a distributor depends primarily on the product to be exported. For example, commission agents would be better suited to handle consumer products as they are able to keep in constant touch with consumers and therefore provide feedback on changing consumer tastes and preferences. On the other hand, distributors are more appropriate for selling consumer durable and other products requiring after-sales servicing as well as for industrial products.

In light of the differences in products generally handled by both types of sales agents, different criteria should be used when selecting one or the other.

**Commission agents** are required to have direct communication with the consumer. They should have:

- Sound knowledge of the domestic market.
- Technical knowledge of the product.
- Easy access to communication facilities.
- Extensive coverage of the target market.
- Proven ability to conduct market research.

When choosing a commission agent, the exporter should also keep in mind:

- Product lines held, especially competing lines.
- Commission demanded and its mode of calculation.

**Distributors** require similar traits as a commission agents but they should also have:

- Reputable track record, or sales history.
- Sound financial standing.
- Extensive resources (staff, showrooms, storage facilities, etc.).
- Capability of meeting stringent customer requirements.
- Facility for providing after-sales service.
- Ease with which the distributor's performance can be appraised.
- Clear reporting procedures.

It is essential to ensure that both types of agents are well known in the local market and can fully meet the exporter's requirements.

## RESOURCES

**Pre-Screening Prospective Agents: Some Guidelines.** **Manufacturer's Agents National Association**, P.O. Box 3467, Languna Hills, CA 92654. \$3.50 Illustrate effective screening techniques for potential commission agents or distributors for the benefits of both parties involved. Contains a comparative analysis of leading distributors, dealers, commission agents and representatives in more than 90 countries.

#### 44. How are sales agents' contracts drawn up?

The exporter must be very thorough while drafting a commission agency or distributorship contract to ensure that all possible areas of the relationship are covered. Some of the general contract details are found below:

<b>Parties to the agreement</b>	Names of individuals and firms and complete contact information.
<b>Definition of products</b>	General statement. The exporter may reserve the right to discontinue manufacture of any goods upon giving reasonable notice to the sales agent. The representation of competitive goods may be totally excluded or allowed under certain conditions. The understanding on non-competitive goods should also be specified.
<b>Territories covered</b>	Clear definition of each territory. This may be confined to the area of a single town; be wholly included within, or entirely cover, the boundaries of a single country, or state; be defined by latitude and longitude; be coincident with the limits of a mandated territory, etc.
<b>Exclusivity or non-exclusivity</b>	This clause is necessary to regulate whether the exporter may send other representatives into the territory of the sales agent or if the exporter may transact business there directly.
<b>Duration of contract</b>	This clause should determine the duration of the agreement.
<b>Responsibility for local Advertising</b>	This clause should include the expenses and the nature of advertising, to be subject to the exporter's authorisation.
<b>Probationary period</b>	When entering a contract, parties tend to be optimistic but their optimism is not justified. A probationary period of, say, one year is always to be recommended.
<b>Periodic reports</b>	The sales agent should submit regularly scheduled reports on activities in the territory, and the exporter should keep the latter constantly informed of changes and developments in supplies.
<b>Confidentiality requirement</b>	The sales agent should not pledge the exporter's credit without consent, nor commence legal proceedings in the name of the exporter. He or she should not divulge unwarranted to others information relating to the exporter's business.
<b>Termination requirement</b>	Great attention should be given to the circumstances in which the contract is either automatically terminated or may be terminated by notice.
<b>Method of quoting</b>	Whether FOB, CIF, CFR, CPT, CIP, etc. This will determine the landed price for the distributor. In case of a commission agency agreement, the agent should be fully aware of the terms of delivery so that he or she can take them into account while discussing with buyers.
<b>Force majeure clause</b>	Such a clause, which requires careful drafting, may be appropriate, particularly in distributorship agreements.
<b>General conditions</b>	This clause should address other conditions not mentioned elsewhere in the agreement.

**Choice of law**

It is important to state the law which shall apply to the contract. It is appropriate to state that the contract shall be governed by the law of the exporter.

**Arbitration provisions**

A well-drafted agreement should also contain an arbitration clause.

Any additional clauses like dispute settlement, delayed payments, etc. should be included.

## RESOURCES

**Guide to Drafting International Distributorship Agreements (no. 411)**, (1989), ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. The publication, designed to help those who negotiate and draft distributorship agreements, provides essential information on the difficulties that arise in business practice and highlights the most important issues encountered in such agreements.

**Commercial Agency Guide for Drawing up Contracts (no. 410)**, (45FF), ICC Publishing, 38, Cours Albert 1er, 75008 Paris, France. Tel: +33 (1) 49.53.29.23 or 49.53.28.89, Fax: +33(1)49.53.28.62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: [www.iccwbo.org](http://www.iccwbo.org). This guide provides necessary information for exporters as well as commission agents to consider when drafting and negotiating commercial agency agreements. Topics covered include: heading of the contract, parties to the contract, authentic text, date and normal expiration of the contract, contractual products, contractual territory, sale and exclusive agency rights and obligations of exporter/commission agent, general conditions of sale and general clauses.

## 45. What are the specific clauses to be included in commission agency and distributorship contracts?

The clauses mentioned in the prior question are to be included in both types of contracts however, since commission agent and distributor functions are different, so will be the contract details. Following are some specific contract clauses that should be included in either a commission agency or distributorship contract:

### For Commission Agents:

- Extent of commission agent's authority.
- Commission rates.
- Responsibility for credit checks on potential customers and for collecting debts.
- Requirement to disclose all relevant facts.
- Principal's right to inspect client's accounts.
- Commission agent's discretion to offer special terms to customers.

### For Distributors:

- Advertising, fairs and exhibitions.
- Conditions of sale – discounts.
- Guaranteed minimum target.
- Stock product and spare parts.
- After-sales services, repairs, warranty.
- Selling prices.
- Suppliers liability for defective goods.

## RESOURCES

**The ICC Model Commercial Agency Contract (no. 496).** (195FF), ICC Publishing, 38, Cours Albert 1er, 75008 Paris, France. Tel:+33(1)49.53.29.23 or 49.53.28.89, Fax:+33(1)49.53.28.62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. The ICC has prepared this model form, which incorporates prevailing practice in international trade as well as principles generally recognized by domestic laws on agency agreements.

**ICC Agency Model Contract: a Commentary (no. 512).** (Including diskette 480FF), ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. Provides extensive illustrations of the clauses of the contract and gives lawyers and business people comprehensive explanation of the problems encountered by those who negotiate commercial agency agreements.

**The ICC Model Distributorship Contract (Sole Importer-Distributor) (no.518).** (195FF), ICC Publishing, 38, Cours Albert 1er, 75008 Paris, France. Tel:+33(1)49.53.29.23 or 49.53.28.89, Fax:+33(1)49.53.28.62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. In this new model form, the ICC provides a set of uniform contractual rules for those distributorship agreements where distributors act as buyers-resellers and as importers who organize distribution in the country for which they are responsible.

## 46. Legally, what can happen if the sales agent agreement is terminated?

In general, governments are very protective of their agents, representatives and distributors. In the event of “unjust” termination many courts insist on compensation being paid to the commission agent / distributor for loss of income and on reimbursement of the costs of establishing the sales territory, even at the end of the contract period. Although the drafting of a legal agreement can be costly, it may in the end up saving both contracting parties from the other legal expenses in the event of a termination of contract. It is therefore critically important to seek the advice of an experienced international trade attorney before entering into any agreements.

In the contract, particular attention should be paid to the Termination clause. It may be necessary to include a Breach or agreement clause so that if either party is guilty of breaching agreement, the non-defaulting party may have recourse and be able to terminate the contract.

While negotiating the contract, businesspersons are often reluctant to consider which law governs their agreement and how potential disputes will be settled. However these two clauses, i.e. the choice of law and arbitration clause, may once again save both parties from costly, drawn out legal procedures.

## RESOURCES

**Managing Channels of Distribution**, K. Rolnicki, (1996), \$59.95, AMACOM, PO.BOX, 169, Saranac lake, NY 12983, Tel: +1 518 891 5510, Fax: +1 518 891 3653, Email: cust-serv@amanet.org, Website: <http://www.amanet.org>. Explains the complexities of managing multiple channels — distributors, dealers, brokers, wholesalers, etc.

**Managing and Motivating your Agent and Distributor**, V. Iyer, (1993), £35, Pitman publishing, financial times management, 128 long acre, London WC2E 9AN, UK, Tel: +44 (0) 171 447 2000, Fax: +44 (0) 171 240 5771. Explains how to select, influence the right distributors, and how to develop mutual agreed policies in order to increase profits.

## 47. How does the exporter find information on foreign representatives?

There are a number of ways to locate qualified, interested representatives, including:

**Word of mouth:** Purchasing agents of a customer's company may be able to recommend someone suitable for the job, but the exporter should be sure to choose the representative based on qualifications, not the opinions of others. Other manufacturers may provide names of effective agents in a territory, though these manufacturers may be reluctant to suggest better agencies for the simple reason of competition.

**Trade fairs:** At trade fairs, agents circulate among exhibits and talk with potential customers about their interest in locating product lines. These conversations often may produce a source of candidates, though one should be warned that many other manufacturers may have had similar conversations.

**Commercial list:** Trade associations and commercial organizations publish directories of manufacturers' representatives.

Industry trade organizations also publish lists with a brief description of registered agencies, though these lists normally do not contain detailed information on the agents.

**Advertising media:** Classified advertisements can be used to locate industry-specific representatives. Newspapers or industry trade publications contain classified sections that list manufacturers' representatives. Foreign telephone directories, such as the Yellow Pages, may be used.

**Search organizations:** These are professional organizations locate agents for their client companies. The search organizations usually meet with the manufacturing client to discuss their requirements and, later, pass along the information to agencies that may be appropriate for the client. Search organizations charge for their services, but the time saved and the benefit of having agencies screened and questioned for the client makes up for the cost incurred.

## RESOURCES

**Selling Through Independent Representatives**, H. Novick, (2000), \$60, AMACOM, PO.BOX, 169, Saranac lake, NY 12983, Tel: +1 518 891 5510, Fax: +1 518 891 3653, Email: [cust-serv@amanet.org](mailto:cust-serv@amanet.org), Website: <http://www.amanet.org>. Shows how to find and hire the best possible representatives, motivate, and control them so as to make profits.

# **Section 7: Contracting**



## 48. What kind of export contract should an exporter use?

A written contract helps to solve disputes that may arise during the execution of a business transaction by making certain the rights and duties of the parties involved in the trade deal. Therefore, to ensure the smooth running of the business transaction, it is necessary to draft the contract carefully by including comprehensive and precise terms and conditions on all important aspects of the trade deal.

The obligations arising out of a contract for the sale of goods might differ according to the law which will apply to contract. For this reason, some internationally-accepted contracts and forms have been prepared by the United Nations (UN) and the International Chamber of Commerce (ICC). Selecting these forms will make it easier for the exporter to handle the contractual part of export and avoid conflicts of law that are always cumbersome.

ICC has developed standard terms of delivery (Incoterms 1990) which can be incorporated into contracts for the international sale of goods. Each Incoterm provides clear obligations for each party. It must be said, however, that some countries will apply their own law.

In this respect, the United Nations Commission for International Trade Law (UNCITRAL) has prepared a model law for international sale goods, which is known as the Vienna Sales Convention which has been ratified by many countries. It is a very clear and simple instrument. The convention will automatically apply if the buyer and the seller are nationals of countries which have ratified the Convention. The Convention can also apply if the parties agree upon its application in the contract.

## RESOURCES

**Incoterms 1990 (no.460).** (140FF) ICC Publishing, 38, Cours Albert ler, 75008 Paris, France. Tel: +33 (1) 49.53.29.23 or 49.53.28.89, Fax: +33 (1) 49.53.28.62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: [www.iccwbo.org](http://www.iccwbo.org). This edition of the incoterms clarifies existing terms and overall list of incoterms fully into line with the needs of the 1990s.

**Guide to Incoterms (no. 460 /90).** (335FF). ICC Publishing, 38, Cours Albert ler, 75008 Paris, France. Tel: +33 (1) 49.53.29.23 or 49.53.28.89, Fax: +33 (1) 49.53.28.62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: [www.iccwbo.org](http://www.iccwbo.org). A companion to Incoterms, the guide indicates why it may be in the interest of buyer and seller to use one or another trade term. Each explanation is illustrated with easy-to-understand graphics which show the respective responsibilities of the parties in transaction.

## 49. What are the essential elements of an export contract?

It is difficult to provide a comprehensive standard contract form which is applicable to all export agreements; however, it is important to be aware of certain minimum general requirements or general conditions in the export contract which will help the exporter and importer in developing an export contract. These conditions can serve as the basic elements of an export contract.

### **Name and addresses of the parties**

**Product, standards, and specifications:** The export contract should explicitly state the product name including any technical names; sizes, if any, in which the product is to be supplied; national or international standards and specifications; specific buyer requirements; and sample specifications.

**Quantity:** The quantity should be clearly stated both in figures and words, specifying whether it is in terms of number, weight, or volume. If the quantity refers to goods by weight or by measurement, the nature of the same should be specified.

**Total value of the contract:** The total value of the contract should be put in both words and figures specifying the currency along with the name of the country.

**Terms of delivery:** Terms of delivery (under Incoterms 1990) should be put in both words and figures specifying the currency along with the name of the country.

**Period of delivery/shipment, etc.:** The place of dispatch and delivery should be clearly specified. The time for delivery should be also specified, either as stating from, **1)** the date of the contract, **2)** the date of notification of the issue of an irrevocable confirmed letter of credit, or **3)** the date of receipt of the notice issuing the import license by the seller.

**Inspection:** Although a number of goods are now subject to pre-shipment inspection by designated agencies, foreign buyers may still stipulate their own conditions and manner of inspection by any other agency. Therefore, the parties must clearly state the nature, manner, aspects, and agency for inspection of goods which are different from those articulated under the quality control and pre-shipment inspection rules.

**Taxes, duties and charges:** The terms of delivery (i.e., the price quoted by the seller) is normally inclusive of taxes, duties, and charges relating to export of goods. Similarly, such levies, if any, in the country of importation are to the account of the buyer.

**Part-shipment / transshipment /consolidation by cargo scheme:** The contract should explicitly state whether the parties to the contract have agreed upon part-shipment or transshipment. The contract should also indicate the port of transshipment and the number, if any, of partial shipments agreed upon. If the goods are likely to be shipped under a "Consolidation of Export Cargoes" scheme, the same should be mentioned in the contract.

**Packaging, labeling and marking:** The packaging, labeling and marking requirements are normally quite different in case of export consignments and should be clearly stated in the contract.

**Terms of payment – amount, mode & currency:** While quoting different payment terms the exporter should specify whether the prices are based on a current rate of exchange of the Qatari Riyal on the basis of another currency (e.g., US dollar). Fluctuations in the rate of exchange should be addressed as well.

**Discounts and commissions:** The contract should specify the amount of discount or commission to be paid and by whom (i.e. by the exporter or by the importer). The basis of calculation of commission and rate of the same may also be clearly stipulated. Discount or commission rates may or may not be included in the export price to be agreed to by the exporter and importer.

**Licences and permits:** Obtaining import licences in the buyer's country may be more difficult in some countries than others. Parties to the contract should therefore clearly state whether the export transaction will require any export or import licenses and whose responsibility and expense it will be to obtain them.

**Insurance:** A contract should explicitly provide for insurance of goods against loss, damage, or destruction during voyage. The contract should cover the extent of insurance risk and its incidence.

**Documentary requirements:** Documents required for international trade transactions can be divided into four broad categories:

- Documents required for exportation and subsequent importation of goods.
- Documents needed by the buyer for taking delivery of the goods.
- Documents relating to payment.
- Special documents depending upon the nature of goods and conditions of sale (e.g., certain engineering goods may involve documents relating to assembly, repair, and maintenance).

Common export documents include the bill of exchange; commercial invoice or any other kind of invoice; bill of lading or air way bill; insurance policy; and letter of credit.

**Force majeure or excuse for non-performance of contract:** Parties should include certain provisions in the contract defining the circumstances which would relieve them of their liability for non-performance of the contract. Such provisions are called "force majeure" and are intended to identify the relief which may be available to either party to the contract in the event of supervening circumstances occurring after the conclusion of the contract.

**Guarantee:** The length of the period of guarantee should be fixed.

**Remedies:** In the event of different defaults of contractual obligations by any of the parties, it is always advisable to include in the sale or purchase contracts certain specific remedies. These remedies should reflect the mandatory provisions of applicable law to the contract.

**Arbitration:** The contract should include an arbitration clause for amicable and quick settlement of disputes or differences that may arise between the parties.

**Applicable law:** The contract should state the law of the country which is to govern the contract.

**Delay in delivery:** The contract should define the damages due to the buyer from the seller in the event of late delivery owing to reasons other than *force majeure*.

## RESOURCES

**ICC Model Commercial Agency Contract**, (1991), \$ 35, ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. The ICC has prepared this model contract, which incorporates prevailing practice in international trade as well as principles generally recognized by domestic laws on agency agreements.

**ICC Model International Sale Contract** (with diskette), (1997), \$48.33, ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. A model contract providing directions to sellers and buyers of manufactured goods. A diskette provides the text of the model, annexes include Rules of Incoterms and United Nations Convention for the International Sale of Goods.

## 50. What are Incoterms?

Incoterms (International commercial terms) are shorthand expressions (such as EXW, FCA, CIF) which are internationally standardized and tell the buyer and seller what is included in the sales price regarding the transport costs, transfer of risks, customs clearance and insurance. There is, however, one important one which is not governed by Incoterms 1990, and that is the transfer of property of goods.

Incoterms have been developed by the International Chamber of Commerce (ICC). The current valid version was published in 2010 and should be explicitly quoted as such in the contract (include the words: "Incoterms 2010"). There are 13 Incoterms in the 2010 version.

Incoterms 2010 are used for the bulk of international trade in the world. However a parallel system of terms of delivery (using similar abbreviations to FOB, CIF etc.) is used in the US. This American system does not give the same meaning to these abbreviations as Incoterms. It is for this reason that the exporters should specify the words Incoterms 2010 in referring to terms of delivery.

The 13 Incoterms currently in use are:

### "E" – Terms

**EXW** – Ex Works: the seller makes the goods available at his premises.

### "F" – Terms

**FCA** – Free Carrier: the seller hands over the goods, cleared for export, into the custody of the first carrier (named by the buyer) at the named place. This term is suitable for all modes of transport, including carriage by air, rail, road, and containerized / multi – modal transport.

**FAS** – Free Alongside ship: the seller must place the goods alongside the ship at the named port. The buyer must clear the goods for export. Suitable for maritime transport only.

**FOB** – Free On Board: the seller must load the goods on board the ship nominated by the buyer, cost and risk being divided at ship's rail. The seller must clear the goods for export. Maritime transport only.

### "C" – Terms

**CFR** – Cost and Freight: seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods have crossed the ship's rail. Maritime transport only.

**CIF** – Cost, Insurance and Freight: exactly the same as CFR except that the seller must in addition procure and pay for insurance for the buyer. Maritime transport only.

**CPT** – Carriage Paid To: the general / containerized / multi modal equivalent of CFR. The seller pays for carriage to the named point of destination, but risk passes when the goods are handed over the first carrier.

**CIP** – Carriage and Insurance Paid To: the containerized transport/ multi modal equivalent of CIF. Seller pays for carriage and insurance to the named destination point, but risk passes when the goods are handed over the first carrier.

### "D" – Terms

**DAF** – Delivered At Frontier: the seller makes the goods available, cleared for export, at the named place on the frontier. Suitable for rail/ road transport.

**DES** – Delivered EX Ship: the seller makes the goods available to the buyer on board the ship at the port of destination, uncleared for import.

**DEQ** – Delivered Ex Quay: one step further than DES – the goods must be unloaded into the quay at the port of destination, and import clearance must be obtained by the seller.

**DDU** – Delivered Duty Unpaid: the seller must deliver the goods all the way to a named place in the country of destination. However, the buyer must clear the goods for import and pay the necessary duties.

**DDP** – Delivered Duty Paid: maximum obligation for the seller – seller pays for costs, charges, and official formalities up to destination.

## RESOURCES

**Incoterms 1990 (no.460). (140FF) ICC Publishing, 38, Cours Albert 1er, 75008 Paris, France Incoterms 2000:** ICC Official Rules for the Interpretation of Trade Terms, (2000), \$26, ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. Contains the official ICC text of the thirteen trading terms. It takes into account the latest developments in commercial practice and modifies some of the existing terms.

## 51. What are the common problems with Incoterms?

Many exporters forget that:

- All Incoterms must specify a place (port of shipment, port of destination etc.).
- Some Incoterms (notably FOB, CFR and CIF) are reserved for sea or inland waterway transport only. They should not be used for air, road or rail transport (the equivalent terms for these modes of transportation are FCA, CPT and CIP).
- Even for sea transport FOB may be inappropriate, if the shipment is containerized, the Incoterm to use is FCA.
- “C” terms specify the place/ port of destination. This does not mean that delivery takes place there. Because C terms refer to shipment contracts, the seller discharges his duty to deliver at the place/ port of shipment.

### RESOURCES

**Incoterms 1990 (no.460).** (140FF) ICC Publishing, 38, Cours Albert ler, 75008 Paris, France. Tel: +33 (1) 49.53.29.23 or 49.53.28.89, Fax: +33 (1) 49.53.28.62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: [www.iccwbo.org](http://www.iccwbo.org). This edition of the incoterms clarifies existing terms and overall lisat of incoterms fully into line with the needs of the 1990s.

**Guide to Incoterms (no. 460 /90).** (335FF). ICC Publishing, 38, Cours Albert ler, 75008 Paris, France. Tel: +33 (1) 49.53.29.23 or 49.53.28.89, Fax: +33 (1) 49.53.28.62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: [www.iccwbo.org](http://www.iccwbo.org). A companion to Incoterms, the guide indicates why it may be in the interest of buyer and seller to use one or another trade term. Each explanation is illustrated with easy-to-understandgraphs which show the respective responsibilities of the parties in transaction.

## 52. What are the documents involved in the transportation of goods?

**Airway bill or air consignment note:** This document is a receipt issued by an airline or its agent for the carriage of goods. Goods are delivered to the consignee after he or she is able to identify himself or herself as the party named in the airway bill. It is therefore desirable to consign the goods in favor of the foreign correspondent bank as it will enable the exporter to retain control over the goods until the payment is made and documents are accepted for payment.

**Bill of lading (B/L):** The B/L itself is not the actual contract between the owner of the goods and the carrier, although it does provide evidence of the contract. It is a receipt for goods shipped on board a vessel (for marine B/Ls) and is a document of the title to the goods which are the subject of the contract between the buyer and the seller. There are two types: a straight bill of lading which is non-negotiable and the negotiable/ shipper's order bill of lading which can be bought or sold or traded while goods are in transit and is used for letter-of-credit transactions. The customer usually needs a copy as proof of ownership to take possession of the goods.

**Bill of exchange:** This requires the buyer to pay the value of the exported goods to the seller. The document does not provide any security of payment, but it is often used together with a letter of credit. This document is prepared and signed by the exporter.

**Mate Receipt:** This document is issued by the chief of the vessel after the cargo is loaded. This document contains the name of the shipper, place of receipt, and other related details. Sea freight is calculated as per weight or volume, whichever is higher.

**Combined Transport Document:** This document allows goods to be moved from dry ports to the destination.

Most commonly completed export documentation forms in the State of Qatar are available as follows:

- Bill of lading.
- Commercial invoice.
- Packaging list.
- Certificate of inspection.
- Certificate of insurance.

## RESOURCES

**ICC Guide to Incoterms 2000: understanding and Practical Use**, J. Ramberg, (2000), \$45, ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. ICC's guide provides you with a terms-by-term review of the new Incoterms and with expert commentary on each obligation of the seller and buyer.

### 53. What are the documents involved for clearance of goods by customs?

**Certificate of origin:** Certain nations require a signed statement as to the origin of the export item in order to allow import tariffs and quotas to be monitored. Such certificates are usually obtained through a semi-official organization such as a local chamber of commerce, and must be certified by the chamber of commerce. A certificate may be required even though the invoice contains all the necessary information. Documentation that requires a notary stamp or chamber of commerce stamp can be completed by a freight forwarder.

**Destination control statement:** This statement appears on the commercial invoice, ocean or airway bill of lading, and Shipper's Export Declaration (SED) to notify the carrier and all foreign parties that the item may be exported only to certain destinations.

**Export packaging list:** The export packaging list is considerably more detailed and informative than standard domestic packaging list. An export packaging list itemizes the material in each individual packaging list and shows the individual net, legal, tare, and gross weights. Package markings should be shown along with shipper's and buyer's references. The packaging list is attached to the outside of the package in a clearly marked waterproof envelope. The list can be used to determine the total shipment weight and whether the correct cargo is being shipped. Customs officials may use it to check the cargo at inspection points.

**Inspection certificate:** Some purchasers and countries may require a certificate of inspection attesting to the specifications of the goods shipped, usually performed by a third party and obtained from independent testing organizations.

**Insurance certificate:** If the seller provides insurance, the insurance certificate states the type and amount of coverage.

**Shipper's Export Declaration (SED):** The SED authorizes the export of freight. It is used to control exports and compile trade statistics and must be prepared and submitted to the customs.

**Commercial invoice:** As in a domestic transaction, the commercial invoice is a bill for the goods from the buyer to the seller. A commercial invoice should include a description of the goods, address of the shipper and seller, and the delivery and payment terms. The buyer needs the invoice to prove ownership and arrange payment. Some government agencies use the invoice to assess customs duties.

**Consular invoice:** Consular invoices are issued by the embassy of the importer's country. A consular invoice allows the importer's country to collect information on the value, volume, quality, and source of the goods.

The invoice is purchased or obtained from the consulate of the country into which the goods are being shipped and must be prepared in the language of that country.

**Note** – If hazardous goods or export-restricted goods are shipped, a **hazardous cargo certificate** or an **export licence** is needed.

## RESOURCES

**Incoterms Q & A: 42 Cases and the Official ICC Responses**, G. Jimenez, (1998), \$34.95, ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. Contains the most frequently asked questions about Incoterms.

**Incoterms 2000 wall chart**, (2000), \$ 75, ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. This full-colour, poster-sized chart sets out the responsibilities of sellers and buyers for each of the 13 Incoterms.

## 54. Is it a must for goods to be insured for shipment?

An international sale always requires insurance covering goods during carriage. Depending on the terms of the delivery used in the contract, the importer/ buyer or the exporter/ seller will arrange the insurance. For example, under a CFR contract, the responsibility of arranging insurance rests with the buyer. Under a FAS contract, the seller is obligated to bring the goods to the side of the ship whereupon the insurance responsibility shifts to the buyer who arranges for the shipment and insurance of the goods.

It is important to obtain insurance to cover against usual risk, such as fire, sea storm, error of navigation, etc. The insurer will create the contract based on the terms of the contract of sale and will reflect standard policies used worldwide.

It should be noted that if a CIF or CIP Incoterm 2010 is used in the contract and a letter of credit is the specified term of payment, the seller is responsible for arranging and paying the insurance for the main carriage on 110% of the CIF or CIP value.

## RESOURCES

**Marine Insurance Compendium:** GMS Publications. The Centre for International Trade, 76 Mamroneck Ave. #6, White plains, New York 10601, Tel: 914-946-2734, Fax; 914-946-3093; Toll free: 800-206-5656, (\$ 25.95). Tell why the export shipment should be covered by Marine insurance and who is responsible for the cargo.

## 55. What does the exporter have to check before delivering the goods to the carrier?

The exporter who has entered into an international sales contract is required to deliver the goods to the buyer. The entity to whom the exporter will have to deliver the goods will vary with the Incoterms 2010 used in the contract. If it is an FOB contract (a common one for exporters) the seller delivers the goods should ensure the following:

- That a proper license has been obtained for exporting the goods.
- If the buyer requires quality control inspection of the goods shipped by an independent firm, then the exporter should contract with certifying companies. These companies will test and check the goods and deliver a certificate of quality.
- That the exporter has prepared appropriate commercial invoices representing the quantity and the price of the goods. It is recommended that clear and simple invoices should be used in a language which is understood by national authorities of the buyer.

The United Nations have been working on standard commercial invoices which are available at the ITC headquarters in Geneva, Switzerland. The International Chamber of Commerce in Paris, France has also prepared standard commercial invoices.

The exporter should ensure that all documents are identical in terms of signatures, quantity, and price. If there are differences, an exporter may face problems with in-country and foreign authorities as well as with banks.

## RESOURCES

**Export/Import Procedures and Documentation:** T. Johnson (1997) \$75, AMACOM, P.O. Box 169, Saranack Lake, NY 12983, USA Tel: 1 518 891 5510, Email: [cust\\_ser@amanet.org](mailto:cust_ser@amanet.org), Website: <http://www.amanet.org>. Covers the entire export / import arena, including: shipping and insurance, dealing with banks, currency exchange contracts, customs transportation etc.

## 56. What happens if the buyer disagrees with the delivery of goods?

Generally, the exporter is likely to face two types of disputes with the buyer: either the buyer refuses to pay (to prevent this case a letter of credit should always be used) or the buyer protests regarding the quality of the goods. To prevent this case, the exporter should look for a certificate of quality before shipping the goods.

It must be emphasized that once the goods have been shipped and the appropriate documents are given to the bank under the letter of credit L/C, the payment will be made. In any international sale the exporter should make sure the proper documentation is complete which allows the claiming of the payment at the issuing bank without any problems.

In most cases of disagreement, it will be for the buyer to sue for reimbursement. In this respect, it is recommended that the contract provides for either a jurisdiction clause or an arbitration clause. The party may agree that in case of dispute, the case will be brought to a court in the country of the buyer or the exporter.

If the parties agree that the dispute shall not be solved by a national court of justice they will provide for an arbitration procedure. International arbitration is recognized in most countries, although small exporters should be aware that the costs of such arbitration procedures can sometimes be high. As opposed to court proceedings, arbitration provides an economic and expedient settlement of commercial disputes with the added benefit of privacy. The arbitrator is usually an expert in the subject matter of the dispute.

Arbitration can be arranged by the parties involved in the dispute on ad-hoc basis or according to the rules of an arbitral institution. Standard arbitration clauses are available at the ICC and at the London Court of International Arbitration (LCIA).

**Once an arbitration award has been received, the decision must be enforced in a country where the condemned party has assets.**

## RESOURCES

**Multi-Party Arbitration (no.480/1)**, (1991), 410FF, ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. Specialists in international commercial arbitration express their views on how to resolve questions related to the drafting of arbitral agreements, the appointment of the arbitral proceedings and consolidation when there are multiple claimants or defendants involved in the same proceedings.

**Competition and Arbitration Law (no.480/3)**, (1992), 410FF, I, ICC publishing, 38, Cours Albert 1er, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, Email: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. A research programme undertaken by the ICC Institute of International Business Law and Practice on the powers and duties of arbitrators when they are confronted with the implementation of competition law

## 57. What are the general liability clauses governing shipping claims and the different cases in handling loss of cargo by the shippers/carriers?

Export shipments are usually insured against loss, damage, and delay beyond the control of the insured in transit by cargo insurance. For international shipments, the carrier's liability is frequently limited by international agreements and the coverage is substantially different from domestic coverage. Arrangements for cargo insurance may be made by either the buyer or the seller, depending on the terms of sale. Exporters are advised to consult with international insurance carriers or freight forwarders for more information.

Damaging weather conditions, rough handling by carriers, and other common hazards to cargo make marine insurance important protection for exporters. If the terms of sale make the firm responsible for insurance, it should either obtain its own policy or insure cargo under a freight forwarder's policy for a fee. If the terms of sale make the foreign buyer responsible, the exporter should not assume (or even take the buyer's word) that adequate insurance has been obtained. If the buyer neglects to obtain coverage or obtains too little, damage to the cargo may cause a major financial loss to the exporter.

Shipments by sea/ air/ road are covered by marine cargo insurance. Although sellers and buyers can agree to different components, coverage is usually placed at 110 percent of the CIF (cost, insurance, freight) or CIP (carriage and insurance paid to) value.

### **Insurance Documents:**

Insurance documents also constitute evidence of a contract with a third party, namely the insurance company and therefore must be distinguished from the commercial documents.

The two main insurance documents are:

- Insurance certificate or cover note.
- Insurance policy.

### **Insurance certificate:**

While lacking the legal status of an insurance policy, insurance certificates serve to acknowledge that insurance cover has been obtained. The insurance certificate is issued to the assured by the insurer in advance of the policy, as the preparation of the policy takes time, particularly if there is more than one underwriter.

### **Insurance policy:**

A marine insurance policy is a document which embodies the contract of insurance. General terms and conditions of the policy are included in small print on the document.

### **Other required Documents:**

- Invoice copy.
- Packing list.
- Bill of Lading/ Airway Bill/ Bill of Entry etc.

## **RESOURCES**

**Law and Practice of Marine Insurance and Average:** A Parks, E. Cattell, (1997), \$190, Cornell Maritime Press; P.O. Box 456, Centreville, MD 21617, USA, Tel: +1 410 758 1075, Fax: +1 410 758 68 49, Website: [www.schifferbooks.com](http://www.schifferbooks.com). Explains and helps understand marine insurance.

# **Section 8: Quality**



## 58. What is quality?

The quality of a product can be defined as its “fitness for use.” And is hence the totality of its characteristics to satisfy the stated and implied needs. Thus managing for quality has become the overall management function to assure that customer requirements are identified and met with satisfaction conforming to the requirements. The needs of the customer may change with time and implies a periodic review of the requirements for quality. As all businesses start with the customer, enterprises small, medium and large everywhere are increasingly conscious of the competitive potential of quality. A customer buying a product has certain expectations which are determined by several factors, and the intended use, appearance, and performance that affects these expectations. If the product fulfills the customer’s expectations when used, he will be pleased and say that the product is of high or acceptable quality. Thus, the quality of a product depends on its ability to fulfil the customer’s expectations.

The quality of a product is a major factor in any purchase decision. Before placing an order, the purchasing organization likes to know whether the supplier is capable of supplying a product that can meet all its requirements. Traditionally, the purchaser calls for samples from potential suppliers and carries out inspection and testing to determine whether the samples conform to specifications. Major buyers may send technical experts to assess the quality management systems of suppliers to assure themselves that these suppliers will be able to supply products of consistent quality. To control problems arising from the subjective nature of assessments and the high costs for buyers to assess a supplier’s quality system, the need for a universally accepted standard quality assurance system is adopted to serve as a reference or benchmark for the assessment of any supplier’s quality system. The quality system should therefore be as comprehensive as needed to meet quality objectives and should be designed to satisfy internal managerial needs of the organization. For contractual or mandatory quality assessment purposes, demonstration of the implementation of identified quality system elements is required.

Definitions regarding “quality” as provided in the International Organization for Standardization (ISO) are given below:

**Quality:** is defined as the totality of characteristics of an entity that bear on its ability to satisfy stated and implied needs.

**Quality policy:** is defined as the overall intentions and direction of an organization with regard to quality, as formally expressed by top management.

**Quality management:** is defined as those activities of the overall management function that determine the quality policy, objectives and responsibilities, and implement them by means such as quality planning, quality control, quality assurance and quality improvement within the quality system.

**Quality control:** is defined as operational techniques and activities that are used to fulfill requirements for quality.

**Quality assurance:** is defined as all the planned and systematic activities implemented within the quality system, and demonstrated as needed, to provide adequate confidence that an entity will fulfill requirements for quality.

**Quality loop:** is defined as those functions which are part of an industrial loop and affect product quality: inspection, marketing, service, market studies, product development, manufacturing engineering, purchasing and production.

## RESOURCES

**Introduction to Quality Control by Kaoru Ishikawa:** Explains concepts like quality, quality control, quality standards, control standards and technical standards.

**Export Quality Management: A guide for SMEs: 2<sup>nd</sup> edition** [www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Export%20Quality%20Management\\_web.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Export%20Quality%20Management_web.pdf)

**International Organization for Standardization (ISO):** P.O. Box 56, 1211 Geneva 20, Switzerland. Tel: (41-22) 749 0111, Fax: (41-22) 733 3430.

## 59. What is a quality standard?

A “standard” is a document established by a consensus process, prescribing the requirements to be fulfilled by a product, process or service and approved by a recognized body. While at the enterprise level the fundamental purpose of standardization is to promote the profitability of the enterprise, at the international level its main purpose is to promote trade between countries, eliminating technical barriers to trade and also protecting health, safety and environmental aspects. While a product standard specifies the requirements to establish the product’s fitness for use, a service standard specifies the requirements to establish its fitness for purpose.

Since the concept of quality management systems is comparatively new, many enterprises confuse the terms “product standard” and “quality system standard.”

The product standard specifies various characteristics or parameters which the product must meet if it is to conform to the specified standard/ customer requirements. The basic principle in product certification authorizes a manufacturer, through a license, to use a prescribed certification mark on a product thus assuring that the product conforms to the specified requirements. Conformity of a product to the required specifications is ascertained by a recognized certification body through periodic surveillance of the output of the certified enterprise.

The quality system of an organization comprises of the organizational structure, procedures, processes and resources needed to implement a comprehensive quality management system to meet the quality objectives. A quality system standard defines the method of managing quality in a company to assure that products conform to the standard/ requirements that it has set. A company is free to set any quality level for its products on the basis of marketing considerations and customer requirements. A quality system standard helps the company to manage the quality system to consistently achieve the requisite quality level thus conforming to the standard. In a contractual situation, implementation of a system such as ISO 9000 will help the company clearly to understand customer requirements, the operation of various functional departments will be so managed to ensure that the final product or service fully meets contractual requirements.

## RESOURCES

**Harmonization of Technical Standards in the EC:** 2nd Edition, S. Farr, (1996), \$194.95, John Wiley & Sons, 605 Third Avenue, New York, NY 10158-0012, USA, Tel: +1 212 850 6000, Fax: +1 212 850 6088, E-mail: info@wiley.com. Brings the rules on manufacturing standards up to date within Europe. All industries are required to maintain the levels established by Brussels.

**How to implement Total Quality Management,** (1996), \$25, Federal quality Institute publication, Quality Control Systems and Services PO. Box 3411 San Clemente, CA 926 74-3411, USA, Tel: +1 949 388 7686, Fax: +1 949 388 7696, E-mail: qcass@qcass.com, Website: <http://www.qcass.com>. Contains step by step instructions on how to implement simple TQM principles.

## 60. What is ISO 9000?

### Background

It was in 1987 that the International Organization for Standardization (ISO) developed and published ISO 9001, 9002 and 9003 and other related guidelines on international standards. This gave birth to the currently popular 'ISO 9000 family of standards'. The first revision of the ISO 9001, 9002 and 9003 standards took place in 1994 without much alteration in their structure. The second major revision was done in 2000, when ISO 9001, 9002 and 9003 were replaced by a single standard – 'ISO 9001:2000 Quality Management Systems – Requirements'. This was revised again in 2008 as ISO 9001:2008. Both the 2000 and 2008 versions of the ISO 9001 standard promote the adoption of the process approach.

### The ISO 9000 family

The ISO 9000 family of standards represents an international consensus on good quality management practices. It consists of standards and guidelines related to quality management systems (QMS) and supporting standards. The ISO 9000 family comprises of the following four main standards:

**ISO standards and contents**

Standard	Content
ISO 9000:2005	Gives the principles, fundamental concepts and terms used in the ISO 9000 family of standards.
ISO 9001:2008	Defines the requirements of QMS, the purpose of which is to enable an organization continually to satisfy its customers. It is the only standard in the ISO 9001 family against which organizations can be certified.
ISO 9004:2009	Provides guidelines on how an organization can achieve sustained success by applying quality management principles
ISO 19011:2011	Provides guidance on the principles of auditing, managing audit programmes, conducting quality management system audits and environmental system audits, as well as guidance on the competence of quality and environmental management system auditors

The adoption of all standards published by ISO, including standards in the ISO 9000 family, is voluntary in nature. Many countries have adopted the ISO 9000 family of standards as is and have also appropriated its numbering system for their national standards. For instance in the United Kingdom, ISO 9001 is referred to as BS EN ISO 9001:2008, with BS standing for British Standard and EN for European Norm.

In Sri Lanka, the standard is numbered SLS ISO 9001:2008, with SLS denoting Sri Lankan Standard. The ISO standards can be purchased (hard or soft version) from ISO through its online store. Your country's bureau of standards may also sell ISO publications as well as its adopted version of these standards (you will probably pay less for the national version).

### ISO 9001

ISO 9001 is applicable to all sectors of industry, including manufacturing and service, and to organizations of all sizes. It is not a product standard but a management system standard to demonstrate an organization's ability consistently to provide products or services that meet customer and regulatory requirements. ISO 9001 specifies 'what' is required to be done by an organization but does not indicate 'how' it should be done, thus giving you great flexibility in running your business.

Furthermore, ISO 9001 does not set any particular level of quality. You and your customers do that. The standard will only help you to achieve the level you want. For example, if you set an objective that 99% of the time you will meet your delivery commitments, the system will help you to achieve that.

At both national and international levels, certification<sup>2</sup> to ISO 9001 by accredited certification bodies has received wide acceptance. As of 31 December 2009, 1 064 785 certificates for ISO 9001 were issued in 178 countries. The highest share (47%) was achieved in Europe, followed by 37.4% in the Far East, 7.3% in Africa and West Asia, 3.4% in Central and South America and 1.0% in Australia and New Zealand<sup>3</sup>.

### ISO 9001 and the export trade

The ISO 9000 family of standards is increasingly becoming a symbol of quality in both the manufacturing and services industries. It engenders greater customer loyalty as implementation ensures that customer needs and expectations are continually met, giving customers less or no reasons to complain. More and more small and medium-sized firms are choosing to adopt the ISO 9000 family of standards – often because their customers expect them to have it. Adherence to the ISO standards can also be publicized to gain market access abroad, because many foreign buyers place a premium on these standards.

### Guidance documents

In addition to the above international standards, there are a number of guidance standards and guidance documents which provide help in implementing and improving your QMS. These documents are listed below.

As with the ISO standards, these can be purchased online from the ISO website or from your national standards bodies.

Guidance standards	Guidance documents
ISO 10001, Quality Management (TQM) Customer satisfaction – Guidelines for codes of conduct for organizations	*ISO 9001 – What does it mean in the supply chain <a href="http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards/quality_management/more_resources_9000/9001supchain.htm">http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards/quality_management/more_resources_9000/9001supchain.htm</a> <a href="http://www.iso.org/iso/9001supchain">http://www.iso.org/iso/9001supchain</a>
ISO 10002:2004, Quality Management – Customer satisfaction – Guidelines for complaints handling in organizations	*Selection and use of the ISO 9000 family of standards <a href="http://www.iso.org/iso/iso_9000_selection_and_use.htm">http://www.iso.org/iso/iso_9000_selection_and_use.htm</a>
ISO 10003:2007, Quality Management – Customer satisfaction – Guidelines for dispute resolution external to organizations	*Quality management principles <a href="http://www.iso.org/iso/qmp">http://www.iso.org/iso/qmp</a>
ISO/DIS 10004, Quality Management – Customer satisfaction – Guidelines for monitoring and measuring	*Publicizing your ISO 9001:2008 or ISO 14001:2004 certification. <a href="http://www.iso.org/iso/publicizing_your_certification.htm">http://www.iso.org/iso/publicizing_your_certification.htm</a>
ISO 10005:2005, Quality management systems – Guidelines for quality plans	**ISO 9001 for Small Business –What to do: Advice from ISO/TC 176 <a href="http://www.iso.org/iso/pressrelease.htm?refid=Ref1329">http://www.iso.org/iso/pressrelease.htm?refid=Ref1329</a>
ISO 10006, Guidelines for quality management in projects	**The integrated use of management system standards. 2008. <a href="http://www.iso.org/iso/pressrelease.htm?refid=Ref1144">http://www.iso.org/iso/pressrelease.htm?refid=Ref1144</a>
ISO 10007:2003, Quality management systems – Guidelines for configuration management	*1 Introduction and support package: Guidance on ‘Outsourced processes’ *2 Introduction and support package: Guidance on the documentation requirements of ISO 9001:2008
ISO/TR10013:2001, Guidelines for QMS Documentation	*3 Introduction and support package: Guidance on the concept and use of the process approach for management systems
ISO 10014:2006, Quality management – Guidelines for realizing financial and economic benefits	*4 ISO 9000 Introduction and Support Package: Guidance on the Terminology used in ISO 9001and ISO 9004
ISO 10015:1999, Quality management – Guidelines for training	
ISO/TR 10017:2003, Guidance on statistical techniques for ISO 9001:2000	
ISO/DIS 10018, Quality management – Guidelines on people involvement and competencies	
ISO 10019:2005, Guidelines for the selection of quality management system consultants	
ISO/IEC 90003:2004, Software Engineering – Guidelines for application of ISO 9001:2000 to computer software	

## Guidance standards Guidance documents

\*These documents can be downloaded for free from the ISO website

[http://www.iso.org/iso/publications\\_and\\_e-products/management\\_standards\\_publications.htm](http://www.iso.org/iso/publications_and_e-products/management_standards_publications.htm)

\*\* These documents can be purchased from ISO.

\*1 Can be downloaded for free from:

[http://www.iso.org/iso/iso\\_catalogue/management\\_standards/quality\\_management/iso\\_9001\\_2008/guidance\\_on\\_outsourced\\_processes.htm](http://www.iso.org/iso/iso_catalogue/management_standards/quality_management/iso_9001_2008/guidance_on_outsourced_processes.htm)

\*2 Can be downloaded for free from:

[http://www.iso.org/iso/iso\\_catalogue/management\\_standards/quality\\_management/iso\\_9001\\_2008/guidance\\_on\\_the\\_documentation\\_requirements\\_of\\_iso\\_9001\\_2008.htm](http://www.iso.org/iso/iso_catalogue/management_standards/quality_management/iso_9001_2008/guidance_on_the_documentation_requirements_of_iso_9001_2008.htm)

\*3 Can be downloaded for free from:

[http://www.iso.org/iso/iso\\_catalogue/management\\_standards/quality\\_management/iso\\_9001\\_2008/concept\\_and\\_use\\_of\\_the\\_process\\_approach\\_for\\_management\\_systems.htm](http://www.iso.org/iso/iso_catalogue/management_standards/quality_management/iso_9001_2008/concept_and_use_of_the_process_approach_for_management_systems.htm)

\*4 Can be downloaded for free from:

<http://www.inlac.org/documentos/N526R2-Guidance-on-the-Terminology-used-in-ISO-9001-and-ISO-9004.pdf>

## FOR MORE INFORMATION

• Grajek, Michal. ISO 9000: New Form of Protectionism or Common Language in International Trade? ESMT European School of Management and Technology. <http://www.etsg.org/ETSG2007/papers/grajek.pdf>.

*Reviews the literature considering the role of networks in reducing the information costs associated with international trade.*

• International Trade Centre and International Organization for Standardization. ISO 9001 for Small Businesses – What to do: Advice from ISO/TC 176, ISBN 978-92-67-10516-1. Obtainable from ISO or ISO members (list at [www.iso.org](http://www.iso.org)).

*This handbook gives guidance to small organizations on developing and implementing a quality management system based upon ISO 9001:2008. It offers some practical advice on different options should you wish to introduce a quality management system into your organization or update an existing one.*

## RESOURCES

International Organization for Standardization

– ISO catalogue. [www.iso.org/iso/iso\\_catalogue](http://www.iso.org/iso/iso_catalogue)

– ISO 9001:2008, Quality management systems – Requirements. Obtainable from ISO or ISO members (list at [www.iso.org](http://www.iso.org)).

– Survey of ISO 9000 certificates issued as on December 2009. <http://www.iso.org/iso/survey2009.pdf>

## 61. What is ISO 14000?

### **ISO 14000 family of standards**

Organizations around the world as well as their stakeholders are becoming increasingly aware of the need for environmental protection.

To enable organizations to manage environmental issues proactively, ISO has developed the ISO 14000 family of environmental management standards. Its two main standards are: 'ISO 14001:2004 Environmental management systems – Requirements with guidance for use' and 'ISO 14004:2004 Environmental management systems – General guidelines on principles, systems and support techniques'.

ISO technical committee TC-207, which is responsible for developing the ISO 14000 family, has since 1996 been developing standards in other areas as well, such as environmental labeling, life cycle assessment, greenhouse gas management and related activities, and carbon footprint of products.

### **ISO 14001:2004**

ISO 14001 is the world's most recognized framework for environmental management systems (EMS). The overall aim of an EMS based upon ISO 14001 is to support environmental protection and the prevention of pollution in a balance with socio-economic needs.

ISO 14001 can be implemented by any type (public, private, manufacturing, service) and size (small, medium-sized or large) of organization. An EMS based upon ISO 14001 provides a framework to help you identify those aspects of your business activities that have significant impacts on the environment, to set objectives and targets to minimize those impacts, and to develop programmes to achieve targets and implement other operational control measures to ensure compliance with your environmental policy.

ISO 14001 does not establish a minimum level of environmental performance. Rather, it requires you to achieve the objectives for environmental performance that your management has set in your environmental policy. It also requires you to demonstrate a commitment to complying with the applicable environmental legislation and to the continual improvement of your environmental performance.

It will be possible for you to integrate your ISO 14001 EMS with your ISO 9001 QMS as they are compatible with each other.

The impact of the environmental performance of an organization goes beyond its customers and suppliers to a broader range of stakeholders – ordinary citizens, regulators, employees, insurance companies and shareholders. Everyone has an interest in the quality of the environment around them.

Thus, demonstrating compliance with an environmental management system based on ISO 14001:2004 is a sound business decision.

Certification to ISO 14001 has been constantly increasing. By the end of December 2009, a total of 223 149 certificates had been issued to organizations in over 159 countries.

For further information on ISO 14001 and a diagram of the standards related to the environment

### **Applicability to the services sector**

As has been said earlier, ISO 14001 is a set of generic environmental management system requirements that are applicable to all types and sizes of organization, and accommodate diverse geographical, cultural and social conditions. The system benefits both manufacturing and services industries, as all business activities have an impact on the environment.

Although the implementation of ISO 14001 is more popular in the manufacturing sector, it is equally applicable to the services industry.

Public utility organizations like power-generating and power supply units, water supply agencies, waste collection and disposal agencies, domestic fuel and gas supply agencies, petrol stations dispensing petrol, diesel oil and gas to the public, and transport companies belong to the services sector.

The implementation of ISO 14001 EMS will enable such entities to control their environmental aspects and minimize their environmental impact. For example, transport services could use less petrol, have more efficient and better tuned engines, and follow more efficient routes.

In addition to these public utility organizations, other services providers have made effective use of ISO 14001 EMS. Examples are hotels, construction agencies and general office services.

A hotel can make substantial savings in power, fuel and water consumption by implementing ISO 14001. General office activities generate large quantities of waste such as computer monitors, printers, cartridges, telephones, cameras and other electronic devices (popularly called e-waste) which need to be safely disposed of.

The implementation of ISO 14001 in offices can assist the organizations concerned in the handling, handling, recycling and disposal of e-waste.

### FOR MORE INFORMATION

- Euromines. The ultimate SME implementation guide for QMS and EMS. 2005.  
[http://www.euromines.org/publications\\_downloads/general.pdf](http://www.euromines.org/publications_downloads/general.pdf)  
*This guide for the implementation of quality management systems (QMS) and environmental management systems (EMS) has been developed for small and medium-sized enterprises by Euromines.*
- International Trade Centre. *Export Quality Management Bulletin* No. 78, An introduction to ISO 14000 – Environmental management systems. [www.intracen.org/exporters/quality-management/Quality\\_publications\\_index](http://www.intracen.org/exporters/quality-management/Quality_publications_index)  
*This bulletin provides information on the ISO 14000 family of standards for environmental management systems and aims to help exporters implement such systems.*

## RESOURCES

- International Organization for Standardization
- Environmental management – The ISO 14000 family of International Standards (brochure).  
[http://www.iso.org/iso/theiso14000family\\_2009.pdf](http://www.iso.org/iso/theiso14000family_2009.pdf)
  - Survey of ISO 14001 certificates issued as on December 2009. <http://www.iso.org/iso/survey2009.pdf>.
  - ISO Technical Committee ISO/TC 207 on Environmental Management.  
[http://www.iso.org/iso/iso\\_technical\\_committee?commid=54808](http://www.iso.org/iso/iso_technical_committee?commid=54808)
  - ISO 14001:2004 Environmental Management Systems – Requirements with guidance for use. Obtainable from ISO or ISO members (list at [www.iso.org](http://www.iso.org)).
  - ISO 14004:2004 Environmental Management Systems – General guidelines on principles, systems and support techniques. Obtainable from ISO or ISO members (list at [www.iso.org](http://www.iso.org))

## 62. What is ISO 9000 certification?

The **Laboratory and Metrology Department**: Ministry of Environment may provide Qatari exporters with advice on ISO certification. However, the following answer may serve as a useful model.

The expression "ISO 9000 certification" means certification against ISO 9001, ISO 9002 or ISO 9003 by a recognized body or third party. ISO itself does not give the certification. An ISO 9000 certificate is a written assurance by the certification body or third party that the quality management system covering a specified scope of activities has been assessed and found to be in conformance with a specific ISO 9000 standard.

An assessment or auditing may be carried out by the company itself to verify that it is managing its processes effectively. It may invite its clients to audit its quality system in order to give them confidence that the company is capable of delivering products or services that will meet their needs. Lastly, it may engage the services of an independent quality system certification body to obtain an ISO 9000 certificate of conformity. This option has proved extremely popular in the market place because of the perceived credibility of an independent assessment. The company may thus avoid multiple audits by its clients or reduce the frequency or duration of client audits. The certificate can also serve as a business reference between the company and potential clients, especially when the supplier and client are new to each other, or far removed geographically, as in an export context.

Third-party certification to ISO 9000 results in a high degree of market acceptance among purchasers, sales outlets and others. Businesses all over the world are the driving force behind ISO 9000, and its implementation reduces possible technical barriers to trade.

Accreditation is another term and refers to the procedure by which an authoritative body gives formal recognition that a body or person is competent to carry out specific tasks. In the ISO 9000 context, an accreditation body will accredit - or in simpler language, approve - a certification body as competent to carry out ISO 9000 certification of quality management systems.

Accreditation enhances mutual recognition of certification bodies operating with uniform principles and methodologies. A group of certification bodies may enter into mutual agreements so that their certificates are recognized by others and are regarded as of equal value.

Enterprises are often required to implement a quality management system that meets international standards. To evaluate the need for a better quality management system the exporting enterprise must consider whether it suffers from poor yields, high incidence of non-conformities, repeated customer complaints, high warranty returns, delayed deliveries and high inventories.

## RESOURCES

**Publicizing your ISO 9000 or ISO 14000 Certification:** ISO Central Secretariat. Case postale 56, CH-1211 Geneva 20.  
Tel: (41-22) 749 01 11 Fax: (41-22) 733 34 30 E-Mail: [iso9000@iso.ch](mailto:iso9000@iso.ch).  
Website: <http://www.iso.org/iso/home.html>. Provides information on ISO9000 Certification.

## 63. How is ISO certification awarded?

The **Laboratory and Metrology Department**: Ministry of Environment may provide Qatari exporters with information on how ISO certification is awarded. However, the general steps involved in the certification process are listed below.

There is no such thing as ISO certification. ISO only issues international standards and a recognized certification body may certify against, for example, an ISO standard. Certification is a process by which a certification body/ third-party gives a written assurance that a product, processes or service conforms to the specified requirements. Certification arises from the demand for quality assurance which is demonstrated by a form of certification which may be first-party/supplier's certification, second-party or third-party-certification. Certification is awarded on the successful completion of assessment by and independent third-party certification body against ISO 9001/ 9002.

Certification has become a contractual situation and enables organizations to demonstrate their commitment to quality, to employees as to get them involved in a change towards quality culture. The following steps may be followed when preparing for certification, namely:

- Education and training on the principles of "quality" with reference to ISO 9000.
- A comprehensive review of all organizational systems and procedures followed by improvements, if any.
- Design and documentation of the systems and procedures.
- Pilot testing by internal auditing etc.
- Implementation.
- Internal and external audit of procedures and processes.

Today more and more enterprises engaged in exporting to the international market are preparing themselves for certification or are demonstrating that their quality management system conform to ISO 9000 through a third party certification as a marketing tool, as a competitive weapon and as an assurance of quality and services to the customer. The following gives the steps in more detail to prepare for ISO 9000 certification.

### Steps For Certification

- Form core quality group.
- Determine quality goals and objectives.
- Communicate the overall quality goals and objectives.
- Determine departmental goals and objectives.
- Develop and distribute a quality policy deployment matrix.
- Assign a representative who will report to management.
- Conduct awareness programmes on ISO 9000 for all in the firm.
- Prepare a matrix detailing which procedures will be written into the quality system.
- Write procedures which form the quality system.
- Compare these procedures with ISO 9000 series.
- Write additional procedures.
- Issue common procedures to all in firm regarding document control, record control, quality audits, training, and others.
- Conduct training programmes for internal audits/ 5S/calibration, SPC/SQC.
- Compile quality manual which establishes linkages among the various procedures.
- Conduct an adequacy audit and documentation review.
- Conduct internal audits.
- Conduct management reviews.
- Undergo a pre-assessment audit.
- Undergo a compliance audit by the certification body.
- Obtain certification.

### RESOURCES

**How to Win with ISO 9000 and Achieve Certification**, G. Gump, (1997), \$38, QCSS publication, Quality Control Systems and Services PO.Box 3411 San Clemente, CA 926 74-3411, USA, Tel: +1 949 388 7686, Fax: +1 949 388 7696, E-mail: qcass@qcass.com, Website: <http://www.qcass.com>. Provides a clear understanding of the ISO 9000 standards family and explains quality audits and the three certification options.

## 64. What is eco-labeling?

### Principles

Eco-labelling is a labelling system to identify consumer products that are manufactured in a way that avoids or reduces detrimental effects on the environment based on life-cycle considerations. It is therefore a type of product certification.

Although eco-labelling was started by NGOs decades ago, it has now become a big business, with a growing number of schemes being offered in the marketplace. EU has even promulgated legislation to bring some order into this growing market. Any type of product can be subject to eco-labelling, but it is more usual to find consumer goods being labelled.

Eco-labelling can be a first-party or supplier's declaration of conformity – also known as a 'green' statement. If the manufacturer or supplier declares that the product is eco-friendly, this is done to promote its image of being sensitive to environmental concerns. Some will even use the international recycling symbol on their packaging, but this is still only a supplier's declaration.

More important from a market perspective are third-party eco-labelling schemes.

There are a growing number of certification organizations that have specialized eco-labelling schemes; these are independent from manufacturers or suppliers and the purchasers, and could be of relevance in specific markets.

ISO has published a number of eco-labelling international standards in its ISO 14000 series for use by eco-labelling certification organizations. They include 'ISO 14020, Environmental labelling and declarations – General principles'; 'ISO 14021, Environmental labelling and declarations – Self-declared environmental claims (Type II environmental labelling)'; 'ISO 14024, Environmental labelling and declarations – Type I environmental labelling – Principles and procedures'; and 'ISO/TR 14025, Environmental labelling and declarations – Type III environmental declaration.

### Global Ecolabelling Network (GEN)

The Global Ecolabelling Network (GEN) is a non-profit association of third-party, environmental performance labeling organizations founded in 1994 to improve, promote, and develop the 'ecolabelling' of products and services. Currently, it consists of 26 members from Asia, Europe, North and South America, including major organizations such as Good Environmental Choice (Australia), Green Seal (United States), Federal Environmental Agency (Germany), Japan Environment Association (JEA), Nordic Ecolabelling Board (covering five Nordic countries) and the Department for Environment, Food and Rural Affairs (United Kingdom).

Their activities include the collection and promotion of information on ecolabelling programmes and participation in the eco-labelling activities of the United Nations Environment Programme (UNEP), the International Organization for Standardization (ISO) and the World Trade Organization (WTO).

They also explore mutual recognition programmes and provide a mechanism for information exchange. More information can be obtained from the website of the Global Ecolabelling Network.

### EU Ecolabel

The EU Ecolabel is recognized throughout the 27 EU Member States as well as in Iceland, Liechtenstein and Norway.

The scheme recognizes environmentally sound goods and services by awarding them a distinctive and easily recognizable symbol of environmental quality – the Flower. The Flower helps manufacturers, retailers and service providers to gain recognition for good environmental standards while helping purchasers to identify products that are less harmful to the environment.

This voluntary scheme covers 26 types of products and services (2010), with other groups being continuously added. The products covered include cleaning products, electronic equipment, paper products, textiles, home and garden products, lubricants and services such as tourist accommodation. The label is awarded only to the most environmentally friendly brands in each product group.

The scheme has recently been revised to simplify procedures for companies applying for the label and increase the number of product groups. Some of the important changes include reduced fees, less administrative burdens for companies, increased synergy with other national labels, and faster criteria development and revision procedures. More information on the EU Ecolabel can be obtained from its websites.

### **Forest Stewardship Council (FSC)**

The Forest Stewardship Council (FSC) is another organization whose projects could be considered eco-labelling. It was founded in 1993 to improve forest conservation and to reduce deforestation.

A growing number of wooden products, paper and paper products are available with the FSC endorsement. It operates on a 'chain of custody' principle, the process whereby the source of the timber used in the manufacture of these products is verified against standards for environmentally appropriate, socially beneficial and economically viable management.

The timber is tracked through the supply chain to the end product, so that consumers can choose to buy sustainably harvested wood over alternatives that may be contributing to deforestation worldwide. More information on the FSC scheme and the certification bodies involved can be found on the FSC website.

### **Marine Stewardship Council (MSC)**

The Marine Stewardship Council's distinctive blue eco-label enables consumers to identify seafood that has come from a sustainable source. The MSC programme is voluntary and fisheries that are independently assessed and meet the MSC's environmental standard may use the MSC blue eco-label. As of 2010, nearly 4 000 products in over 60 countries around the world carry the MSC ecolabel.

The MSC standard is consistent with the 'Guidelines for the Eco-labelling of Fish and Fishery Products from Marine Wild Capture Fisheries', adopted by the United Nations Food and Agriculture Organization (FAO) in 2005. Any fishery that wishes to become MSC-certified and use the eco-label is assessed against the MSC standard by an independent certification body that has been accredited to perform MSC assessments by Accreditation Services International (ASI). The chain of custody certification along the supply chain from boat to point of sale ensures that seafood sold bearing the ecolabel originated from an MSC-certified fishery.

### **Packaging and recycling**

There are many recycling schemes that can be considered eco-labelling, especially in the packaging industry. Some are of economic importance only in their country of origin, others have gained wider relevance. Two examples are discussed below.

**Green Dot.** The Green Dot (German: Grüner Punkt) mark originated in Germany, but has now been introduced throughout Europe as a license symbol of a European network of industry-funded systems for recycling the packaging materials of consumer goods.

The logo is trademark protected worldwide. Since its European introduction, the scheme has been rolled out to 27 European countries. The Green Dot is used by more than 170 000 companies and about 460 billion packaging items are labelled yearly with the Dot.

The basic idea of the Green Dot is that consumers who see the logo know that the manufacturer of the product contributes to the cost of recovery and recycling. This can be the recycling of household waste collected by the authorities (e.g. in special bags – in Germany these are yellow), or in containers in public places such as car parks and outside supermarkets. The system is financed by a Green Dot license fee paid by the producers of the products. Fees vary by country and are based on the packaging materials used (e.g. paper, plastic, metal, wood, cardboard) as well as the cost of the collection, sorting and recycling methods used. Each country also has different fees for joining the scheme and ongoing fixed and variable fees. In simple terms, the system encourages manufacturers to cut down on packaging as this saves them the cost of license fees. The use of the Green Dot is overseen by the Pro-Europe Organization. Detailed Information is available on its website.

**Resin identification codes.** This set of codes developed by the Society of the Plastics Industry (SPI) in 1988 is now used worldwide for the primary purpose of allowing efficient separation of the different polymer types for recycling.

The symbols (of which only two are shown in the diagram) used in the code consist of arrows that cycle clockwise to form a rounded triangle enclosing a number, often with an acronym representing the plastic below the triangle. More information on the symbols, their use and design can be obtained from the SPI website.

*Japanese recycling codes.* Japan has a system of recycling identification marks which indicate and classify recyclable materials. They are similar to the resin identification codes in that they have surrounding arrows with text inside to indicate the type of material. Rather than using the triangular recycling symbol for all materials with differing text, the shape formed by the arrows also varies, which allows them to be distinguished at a glance.

### FOR MORE INFORMATION

- European Commission. Communication on Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan. [http://ec.europa.eu/environment/eussd/pdf/com\\_2008\\_397.pdf](http://ec.europa.eu/environment/eussd/pdf/com_2008_397.pdf)  
*Communication from the European Commission to the organs of the European Union.*
- International Trade Centre. *Export Quality Management Bulletin* No. 86, Directory of marks and labels related to food safety, environmental integrity and social equity. [www.intracen.org/exporters/quality-management/Quality\\_publications\\_index](http://www.intracen.org/exporters/quality-management/Quality_publications_index).
- Regulation (EC) No. 66/2010 of the European Parliament and of the Council of 25 November 2009 on the EU Ecolabel. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:027:0001:0019:EN:PDF>  
*Original EU regulation on the Ecolabel.*

### RESOURCES

EU Ecolabel. <http://ec.europa.eu/environment/ecolabel>  
Forest Stewardship Council. [www.fsc.org](http://www.fsc.org)  
Global Ecolabelling Network (GEN). [www.globalecolabelling.net](http://www.globalecolabelling.net)  
Green Dot. [www.pro-e.org/](http://www.pro-e.org/)  
Pro-Europe Organization. [www.pro-e.org/](http://www.pro-e.org/)  
Resin identification codes. [www.ides.com/resources/plastic-recycling-codes.asp](http://www.ides.com/resources/plastic-recycling-codes.asp)  
The Plastics Web. [www.ides.com/resources/plastic-recycling-codes.asp](http://www.ides.com/resources/plastic-recycling-codes.asp)

## 65. What is the Hazard Analysis Critical Control Point (HACCP)?

Every person has the right to expect that the food he/she eats is safe and will not cause injury or illness. The hazards related to food safety are known as biological, chemical and physical hazards, which, if present in food, may cause injury or illness to the human being.

Hazard Analysis and Critical Control Points (HACCP) is defined as “a system, which identifies, evaluates and controls hazards which are significant for food safety” (FAO).

HACCP is a proactive concept. It helps to ensure that food is safe from harvest to consumption (‘from farm to fork’). Each step involved in food production, i.e. purchasing, receiving, storage, processing, packaging, warehousing, distribution up to the point of consumption is subjected to hazard analysis and necessary controls are introduced. The premise is simple: if each step of the process is carried out correctly, the end product will be safe.

HACCP was first developed in 1960 in the early days of the space programme. NASA (National Aeronautics and Space Administration) wanted assurance that food taken on board space flights would not cause food-borne diseases. As a result of this requirement, the Pillsbury Company and the United States Army Natick Research Laboratories developed a process that would ensure production of safe food; the process was named HACCP.

In 1993, the Codex Alimentarius Commission (CAC) published guidelines for the application of the HACCP system. Later, in 1997, CAC incorporated HACCP into an appendix of the ‘Recommended International Code of Practice General Principles of Food Hygiene (latest version: Rev.4-2003).

The HACCP system consists of seven principles, which give an outline of how to establish, implement and maintain a HACCP plan.

### Seven principles of the HACCP system

1. Conduct a hazard analysis	Prepare a process flow diagram covering all steps from receipt of raw material to dispatch of finished product.  Identify likely hazards at every process step.  Describe the measures for control of hazards at each process step
2. Determine the critical control points (CCPs)	Analyse each step by using the decision tree. Identify the steps (points) where control is critical for assuring the safety of the product.
3. Establish critical limits	Fix critical limit for control measures relating to each identified CCP (e.g. temperature, time, speed, pH, moisture content)
4. Establish a system to monitor control of the CCP	Decide on monitoring procedure, which should cover the nature of monitoring (observation, testing), monitoring frequency and responsibility for monitoring and recording monitoring results
5. Establish corrective action to be taken when monitoring results indicate that a particular CCP is not under control.	Develop procedures for dealing with the deviation from critical limits when it occurs and how to bring the CCP back into control, including disposition of the affected product produced during deviation.
6. Establish procedures for verification to confirm that the HACCP system is working effectively.	Develop procedures for verification to confirm that the HACCP plan is working (e.g. periodic audit, random sampling and analysis, review of the HACCP system and its records)
7. Establish documentation on all procedures and records appropriate to the HACCP principles and their application.	Prepare and follow procedures and work instructions for each control measure, including those needed for maintaining hygiene conditions; keep records.

HACCP is not a stand-alone system. Good hygiene practices and other prerequisites for food processing as well as strong management commitment are also necessary. HACCP is not a substitute for these.

If your company produces a variety of food products, you should develop a separate HACCP plan for each product, abiding by the seven principles outlined above.

During the 1990s, HACCP was adopted by many countries (Australia, Denmark, Germany, India, Ireland, Netherlands, United States and others) in national standards specifying requirements for a food safety management system. It was also included in the regulations of the European Community dealing with

'Hygiene of foodstuffs'. The International Organization for Standardization (ISO) developed in 2005 an international standard, 'ISO 22000:2005 Food Safety Management Systems – Requirements for any organization in the food chain', which incorporates HACCP principles.

It is important for SMEs in the food processing business to use HACCP for two reasons. First, it brings internal benefits such as reduced risk of manufacturing and selling unsafe products, which will in turn generate greater consumer confidence in these products. Second, food regulatory authorities in many countries are adopting or are likely to adopt HACCP in their food regulations. By implementing HACCP,

you will have greater chances of succeeding as an exporter to these countries. For example, in the guidance document entitled 'Key questions related to import requirements and the new rules on food hygiene and official food control', issued by the European Commission's Directorate General, Health and Consumer Protection, EU has clarified that the new EU rules on food hygiene (effective 1 January 2006) confirm that all food businesses after primary production must put in place, implement and maintain a procedure based on HACCP principles. These rules are, however, more flexible than under the old system, as the HACCP-based procedures can be adapted to all situations (European Commission, 2006).

#### FOR MORE INFORMATION

- Asian Productivity Organization. Hazard Quality Enhancement in Food Processing Through HACCP (Analysis and Critical Control Point). 2004. [http://www.apo-tokyo.org/00e-books/AG-14\\_HACCP/AG-14\\_HACCP.pdf](http://www.apo-tokyo.org/00e-books/AG-14_HACCP/AG-14_HACCP.pdf)  
*Report of the APO Study Meeting on Quality Enhancement in Small and Medium Food Processing Enterprises through HACCP, held in India in 2002. APO stands for Asian Productivity Organization.*
- Food and Agriculture Organization of the United Nations and World Health Organization. Assuring Food Safety and Quality: Guidelines for Strengthening National Food Control Systems.  
[www.who.int/foodsafety/publications/capacity/en/Englsih\\_Guidelines\\_Food\\_control.pdf](http://www.who.int/foodsafety/publications/capacity/en/Englsih_Guidelines_Food_control.pdf)  
*This document covers food safety, quality and consumer protection and highlights the specific issues of developing countries.*
- International Trade Centre
  - *Export Quality Management Bulletin* No. 71, Introduction to HACCP.  
[www.intracen.org/exporters/quality-management/Quality\\_publications\\_index](http://www.intracen.org/exporters/quality-management/Quality_publications_index).  
*This bulletin provides information on what HACCP is, the HACCP principles; HACCP implementation, HACCP in international trade; gives an example of the use of the decision tree to identify critical control points; lists websites where information about HACCP can be obtained as well as published books and other documents on HACCP.*
  - *Export Quality Management Bulletin* No. 85, An introduction to ISO 22000 – Food safety management.  
[www.intracen.org/exporters/quality-management/Quality\\_publications\\_index](http://www.intracen.org/exporters/quality-management/Quality_publications_index)  
*Provides information on food safety, SPS measures, HACCP food safety basics, the ISO 22000 food safety management system (FSMS), benefits of FSMS, costs of FSMS, implementation and certification of FSMS, etc.*

#### RESOURCES

Codex Alimentarius Commission. Recommended International Code of Practice General Principles of Food Hygiene (CAC/RCP 1- 1969, Rev. 4-2003). Freely obtainable from [www.codexalimentarius.org/standards/list-of-standards/en/](http://www.codexalimentarius.org/standards/list-of-standards/en/)  
European Commission. Guidance document: Key questions related to import requirements and the new rules on food hygiene and on official food controls (Brussels, 5.1.2006). [http://ec.europa.eu/food/international/trade/interpretation\\_imports.pdf](http://ec.europa.eu/food/international/trade/interpretation_imports.pdf)

## 66. Where can information be obtained on standards and inspection bodies and quality associations?

Following are key organizations from which to obtain information on standards, technical regulations, certification, eco-labeling, and quality management schemes:

WTO- TBT & SPS Enquiry Point, Standards Code and Information Program, Office of Standards Services, National Institute of Standards and Technology, TRF Building, Room A-163, Gaithersburg, Maryland 20899 USA, Tel.: (1301) 9754040.

Codes Alimentarius Commission, Joint FAO/WHO Food Standards Programme, Via delle Terme di Caracalla, 00100 Rome, Italy, Tel.: (396) 5794476.

International Telecommunications Union, Place des Nations, 1211 Geneva 20, Switzerland, Tel.: (4122) 799 5111.

International Commission on Microbiological Specifications for Foods, ICMSF Secretary, 2022 La Vista Circle, Tucker, Georgia, USA, Tel.: (1404) 938 8094.

International Electrical Commission, 3 rue de Varembe, P.O. Box 131, 1211 Geneva 20, Switzerland, Tel.: (4122) 9190211.

International Office of Epizootics (Animal Health), 12 Rue de Prony, 75017 Paris, France, Tel.: (331) 227 4574.

International Organization of Standardization, 1 Rue de Varembe, 1211 Geneva 20, Switzerland, Tel.: (4122) 7490111

International Organization of Legal Metrology, II Rue Turgot, 75009 Paris, France, Tel.: (331) 4878 1282

Department of Health and Human Services, Food and Drug Administration, Toxic Lab Monitoring Program, Room 12A-55 Parklawn, 5600 Fishers Lane, Rockville, MD 20857 USA, Tel.: (1301) 4432390.

In Qatar, Qatar General Organization for Standards and Metrology, Ministry of Environment, P.O. Box 7634, Doha, State of Qatar, Tel: (974) 44207777, Fax: (974) 44207000, E-Mail: [responsibility@moe.gov.qa](mailto:responsibility@moe.gov.qa), Website: [www.moe.gov.qa](http://www.moe.gov.qa)

## RESOURCES

**World Directory of International Sources on Standards, Technical Regulations, Certification, Eco-Labeling and Quality Management Schemes**, (1997), (free), International Trade Centre/ UNCTAD/WTO, 54-56 Rue de Montbrillant, CH 1202, Geneva, Switzerland, Tel: +41 (022) 730 0111, Fax: +41 (022) 733 4439, E-mail: [itcreg@intracen.org](mailto:itcreg@intracen.org). Sources and addresses on standards, technical regulations, certifications, Eco-labeling

## 67. What are the activities of the Laboratories and Metrology department in State of Qatar?

### 1. **Standard specifications:**

Laboratories and Metrology (Department specifications and Metrology) is the official entity in the State of Qatar entrusted with the preparation edit delete and approve the national standards to be applied in Qatar and also to adopt and approve the international standards.

### 2. **Quality and Conformity:**

Laboratories and Standardization (quality management and conformity) is the official entity in the State of Qatar entrusted with the supervision on product quality and verification of its compliance with the standards and technical regulations within the State of Qatar.

### 3. **Tests and calibration:**

Based on laboratory and standardization (laboratory management) examined the test products and to determine the extent of compliance with the standards and technical regulations.

### 4. **Technical consultancy:**

Laboratory and Standardization provides Technical consultations in the field of standardization for organizations, companies and scientific research bodies and regulators.

### 5. **International Trade:**

Laboratories and standardization Affairs (Department of specifications and standards) is the official body entrusted to be the point of contact with the International Organization for Trade, in the field of standardization within the State of Qatar.

## RESOURCES

## 68. What sectors are covered by the Qatari standards?

1. Food and agricultural products.
2. Chemical products, petroleum, textile and calibration.
3. Electrical and engineering products.
4. Building materials.
5. Information and management systems.

## RESOURCES



# **Section 9: Pricing**



## 69. How does an exporter price a product?

During negotiations, exporters too often limit discussions to pricing issues. Although pricing is a key factor in any business transaction, a number of other questions need to be clarified before any business proposal can be considered. Price is only one of the issues that have to be discussed during negotiations with buyers. Yet very often new exporters compromise on price at the beginning of discussions, thereby sidelining other negotiating strengths that they might possess. The subject of price should be postponed until other aspects of the transaction have been agreed upon.

Besides customers' preferences, an exporter should assess competition from both domestic and foreign suppliers and be familiar with the prices they quote. The distribution channels used for the products and the promotion tools and messages required should also be examined. Making counter-proposals also requires detailed information on the costs of the exporter's production operations, freight insurance, packing, and other related expenses.

As a partner committed to long-term business relationships, the exporter can stress the following aspects of operations: management capabilities; production capacity and processes; quality control system; technical cooperation, if any, with foreign firms; structures for handling orders; export experience, including types of companies dealt with; financial standing and links with banks. After dealing with these issues, the exporter can then steer the discussion towards price quotations. It is in this phase that the exporter must clarify all matters pertaining to credit terms, payment schedules, currencies of payment, insurance, commission rates, warehousing charges, after-sales servicing responsibilities and costs of replacing damaged goods. Agreement on these points constitutes the "price package".

### **Price negotiation tips:**

If the buyer indicates that the initial price quoted is too high and a substantial drop is required, the seller should not hesitate to ask on what basis the drop is called for; stress must be laid on product quality and benefits before discussing price.

If the buyer indicates that better offers have been received from other exporters, more details could be requested on such offers. The seller tries to convince the buyer that there could not be a better offer than the seller's proposal. If the buyer makes a counter-offer or requests a price discount, the seller should avoid making a better offer without simultaneously asking for something in return. For example, the seller could make a specific suggestion, such as "If I give you a 5% price discount, would you arrange for surface transport including storage costs?"

It is important to avoid "last offers" presented by the buyer. The seller should find out the quantities involved, determine if there will be repeat orders, and negotiate who pays for storage, publicity, and after-sales service. If the buyer indicates that the product is acceptable but the price is too high, the seller could agree to discuss the details of costing, and promote the product's benefits, own reliability as a regular supplier, and promise timely delivery.

If the buyer accepts the price quoted, the seller needs, then, to:

- Find out why the importer/buyer is interested in the offer.
- Recalculate the costing, check competitors' prices.
- Contact other potential buyers to get more details on market conditions.
- Review the pricing strategy.
- And agree to the order as a trial order only.

## **RESOURCES**

**Costing and Pricing for Export:** The Essentials for Small and Medium-Sized Enterprises. Revised Edition. ITC publication, International Trade Centre UNCTAD/WTO, Palais des Nations, 1211 Geneva, 10, Switzerland. Tel: (41-22) 730 01 11 Fax: (41-22) 730 0905; E-mail: [itcreg@intracen.org](mailto:itcreg@intracen.org); Website: <http://www.intracen.org/policy/library-catalogue/>. Textbook on costing and pricing for export.

## 70. What elements should an export costing worksheet contain?

The following is a sample export costing worksheet used to establish a “cost-plus” series of pricing points which could be used to make a quotation. In this example the goods are planned to be moved by seas as the principal mode of transport; the shipment is not containerized. The worksheet is used to establish prices at a number of Incoterm points of delivery: EXW, FAS, FOB, CFR and CIF Incoterms 2010. The exporter should refer to the answer to question XX for a brief description of these terms of delivery. For simplicity everything is costed and priced in US\$.

[Insert, as an original, Customer Information and Product Information]

<b><u>Product charges and prices</u></b>	<b>US \$</b>
Product Cost: \$10 per unit x 100 units (A)	1000
Target mark-up: 10% of (A)	100
Overseas agent's commissions: 5% of (A)	<u>50</u>
	1150
Financing costs on production: 8% of (A)	80
Export Packing Charges	100
Labeling and Marking for 100 units	50
Other direct export costs	<u>20</u>
<b>EXW PRICE (Factory)</b>	1400
Inland freight to port of shipment	100
Unloading and terminal charges	<u>100</u>
<b>F AS PRICE (Port of Shipment)</b>	1600
Loading charges on Ship	50
Export documentation, clearance for export	<u>30</u>
<b>FOB PRICE (Port of Shipment)</b>	1680
Ocean Freight to port of destination	<u>300</u>
<b>CFR PRICE (Port of Destination)</b>	1980
Insurance Coverage	<u>20</u>
<b>CIF PRICE (Port of Destination)</b>	<b><u>2000</u></b>

Notice how the CIF price is double the initial product cost: this shows how important it is to work through these costing carefully.

## RESOURCES

**International Trade Forum n°3 – Setting Export Prices to Sell competitively**, p.10, A. Roberts, (1988), free, ITC Publication, International Trade Centre/ UNCTAD/WTO, Palais des Nations, 1211 Geneva, 10, Switzerland, Tel: +41 (022) 730 01 11 Fax: +41 (022) 730 0905, E-mail: itcreg@intracen.org, Website: <http://www.intracen.org>  
Explains how to set up competitive export prices

## 71. What do buyers look for when determining the purchase of a product?

It is important to remember the three “P”s that influence the buying decision. They are, “Product”, “Price” and “Performance”. Normally, buyers have in mind a combination of the following factors while making any buying decision:

### **Product Related:**

- Quality and Guarantees.
- Technical Specifications ..Design and Drawings.
- Patent and Proprietary considerations ..Environmental aspects.
- Packaging, Labeling and Marking.

### **Price Related:**

- Price.
- Escalation clause, if any.
- Terms of Payment.

### **Performance Related:**

- Delivery schedules.
- Continuity of supplies.
- Transportation arrangements.
- Spare parts and after-sales service ..Warranties.
- Confidentiality.

The guaranteed quality of the product, it's conformity with specified or international standards and proper packaging, labeling and markings can be a major selling factor. High quality also offsets considerations of after-sales service.

Price is a critical factor, but does not by itself tilt the buying decision unless combined with the product related factors. Some buyers may make a trade-off between quality and price. Pricing strategy should also take into account the specific market segment. Once the product and price are right, the buyer looks at the exporter's ability to perform well. Realistic delivery schedules and having confidence in meeting them will go a long way in securing export orders.

## **RESOURCES**

**Costing and Pricing for Export (handbook)**, (1989), free ITC Publication, International Trade Centre/UNCTAD/WTO, Palais des Nations, 1211 Geneva, 10, Switzerland, Tel: +41 (022) 730 01 11, Fax: +41(022) 730 0905, E-Mail: itcreg@intracen.org, Website: <http://www.intracen.org>. Course on costing and pricing for export.

## 72. How does an exporter prepare an accurate quote?

To calculate the cost of a product for a foreign market, there are a number of factors for which the exporter is responsible. It is important to remember that the foreign buyer should be charged only for the expenses incurred that are applicable to the exported goods and not those used for domestic production. The price quoted will represent the product's value, status, quality and durability and the Incoterm used.

Price depends on competitive situations, the level of demand for the product in the foreign market and total costs involved in bringing the product to the market. Listed below are variables that should be considered while preparing the quote:

- Packaging, marking and labeling costs.
- Rates of interest at which export finance has been availed.
- Costs of direct materials and labour for the production of the goods.
- Factory overhead expenses.
- Clearing and forwarding charges.
- Port trust charges.
- Insurance premium, export duties, wharfage and portage.
- Insurance (both to port of shipment and destination).
- Shipping charges.
- Commission.
- Incentives available from government such as duty drawback.

"Marginal costing" is a frequently used pricing method under which costs are categorized by fixed and variable costs. It only takes into account costs related to export production. Variable costs include labeling, packaging, and marking of goods. After arriving at a marginal cost, a reasonable profit margin may be added to arrive at a final price. Care must be exercised with this method. It is mainly suitable when:

- The enterprise has surplus production capacity.
- Exporting is only incidental to producing for the home market. There are unplanned special order situations.
- The home market is sufficiently large to absorb fixed costs. Marginal pricing only gives ex-factory price plus a marginal profit, other expenses incidental to exporting have to be added while preparing the quote.

## RESOURCES

### 73. How should an exporter respond to an unsolicited enquiry from overseas?

All inquiries from overseas should be answered promptly and precisely. Each of them has the possibility of turning into a potential export order. The exporter may however, before disclosing certain hints of information, wish to run a background check on the foreign company to assess the authenticity of its inquiry.

While answering the inquiry, clear and simple language must be used. Sometimes, English might not be easily understood in the country from which the inquiry originates. In such cases, the reply must be drafted in a language understood in that country. All letters must be signed by the person to whom the initial inquiry was addressed.

If faxes are sent, which is widely accepted, the original letter should also follow by post.

In the response, a buyer will be interested to have information on product specifications, price, shipping schedules, and terms of payment and, of course, the price quotation.

Price quotations can vary greatly but there are certain minimum requirements the exporter should keep in mind:

**Buyer's details:** Clearly specify the buyer's name, address, for correspondence and any references. It may be necessary to refer to any previous correspondence and negotiations.

**Product details:** Ensure that the product characteristics and details are concisely and clearly stated (sizes, quality etc.)

**Packaging arrangements:** Make sure that clear details of these are given.

**Price and Delivery:** Write out the price (and currency) clearly and refers to an Incoterm delivery point.

**Terms of Payment:** This will often be a confirmed, irrevocable letter of credit.

**Conditions of Sale:** Specify clearly the delivery time (e.g. 45 days from the notification of the issue of the letter of credit).

**Validity Time:** Make sure for which period the quotation is made.

**Seller's details:** Identifying clearly the person making the quotation by name and title, as well as including full details of the seller's address.

## RESOURCES

## 74. How can an exporter determine whether the price quoted is competitive?

An exporter can determine if the price is competitive by simply looking at other producers within a particular market. Checking the selling prices of other exporters of the same or similar product and foreign producers could be useful. Good sources of information to help determine foreign market competition are trade associations/export promotion councils identified with the product. Understanding the competition in a global market will establish some guidelines for an effective pricing policy.

It is important to complete a survey of the competitors' prices. How does the price compare with the exporter's price? Is it higher or lower? What is the image of the exporter's product in the marketplace? Are the products considered "top of the line" or "deep discount?"

A high-pricing strategy: should be utilized if the company is selling a unique or new product, or if the company wishes to establish a high-quality image for the product. This approach has the advantage of high profit margins. Conversely, selecting a high-price strategy can also limit the product's marketability and will probably attract competition to that market.

A low-price strategy: is ideal for disposing-off excess or obsolete inventory; however, it should be used as a short-term strategy. Although it tends to discourage new competition and may reduce the competition's market share, the result would be low profit margins. In some cases, low prices can attract "anti-dumping" charges by foreign competitors.

A moderate price strategy: is a safe alternative to the above mentioned strategies. It enables a company to meet the competition and at the same time retain an adequate margin and develop market share. Moderate pricing can lead to a long-term position in the market. The disadvantage is that it may encourage existing suppliers to present tough price competition. For this reason, prior knowledge of the competitor's market entry prices is necessary.

## RESOURCES

**Strategy and Tactics of Pricing: a Guide to Profitable Decision Making**, T. Nagle, R. Holden, (1994), \$66.67, Prentice Hall, corporate sales department, one lake street, upper Saddle river New Jersey 07458, USA, Tel: +1 800 382 3419, Fax: +1 201 236 7141,

E-mail: [web\\_tech\\_support@prenhall.com](mailto:web_tech_support@prenhall.com), Website: <http://www.prenhall.com>. Explains concepts that are essential to integrate pricing successfully into marketing strategy.

# **Section 10: Financing and getting paid**



## 75. How are financial needs assessed for exports?

In order to establish the amount of financing needed for an export transaction, it is important to assess financial needs. The exporter can do this by separating financial needs for a specific transaction (short term) from those permanent activities required to maintain operations (long term).

**Short-term financing:** If the funds needed is going to be used to finance current operating activities, such as the purchase of goods or services, the payment of wages and interests on debt, or the extension of trade credit, short-term financing will be needed. Analysis of the production cycle from the purchase of raw materials to the delivery of finished goods will determine the amount of finance exporter needs to borrow and for how long. The exporter might find that financing needs are limited to those needed to purchase raw materials or, on the contrary, that the financing needs are required to cover a larger range of direct costs. One way for the exporter to reduce financing needs is to request that the buyer make faster payments.

As a general rule, short-term financing needs should be met by short-term sources of financing, such as overdraft and short-term loans.

**Medium or long term financing:** Investments such as purchasing new machinery, modernizing existing equipment, or construction a new building, may require medium-term financing. The exporter can obtain this by inducting new shareholders to increase the equity position; finding investors willing to invest in preference shares, debentures; or by borrowing from banks or other financial institutions.

For Medium or long term financing, it is important that the exporter does a detailed feasibility analysis covering technical aspects, market analysis, profitability estimates and forecasted cash flows.

Medium-or long-term financial needs should be covered either by equity or term loans or a combination of both. The more equity an exporter has invested in a project, the greater the level of financial protection will be against external event.

In order to avoid to weakening the financial structure of the firm, it is critically important to maintain the overall credit exposure under a certain limit.

## RESOURCES

**Financial Appraisal of Export Projects (English):** International Trade Centre UNCTAD/WTO, Palais des nations, 1211 Geneva, 10 Switzerland, Tel: (41-22) 730-01-11; Fax: (4122) 733-44-39, E-Mail: [itreg@intracen.org](mailto:itreg@intracen.org); Website: <http://www.intracen.org>. Free of charge to public and private trade related institutions and firms in developing countries and economies in transition in limited number of copies.

## 76. What are the ways in which an exporter can finance the purchase of raw materials?

When an exporter has orders from customers, but is short of cash to buy the goods and services required to fulfill the orders, promissory note can be issued. This note promises that the exporter will pay the supplier at a future date. If the exporter is not well known to the supplier, he countersigns a bill of exchange, which can be used. In this case, the supplier may also ask the exporter to provide a guarantee. Since the bill of exchange specifies payment dates, the exporter must respect those dates or possibly face legal action.

If exporters need a more permanent external source of financing to pay for goods and services, they can apply to financial institutions for short-term capital in the following forms:

**Overdraft:** With overdraft protection, the bank opens a current account in the exporter's name and allows the account to be overdrawn up to an agreed maximum level over an agreed period of time.

**Letter of Credit:** By presenting a letter of credit opened by the bank of the foreign buyer, the exporter can obtain an advance up to 80% of a sales contract. The exporter can also ask for pre-shipment financing on the basis of red clause letter of credit or a green clause letter of credit.

With all forms of financing, exporters typically provide security in the form of assets to be pledged to a bank, together with legal document, and generally obtain a revolving credit. At the end of the loan period, if both parties are satisfied, the facility can be renewed without major changes to the security of contracts.

## RESOURCES

**Export – Import Financing:** 4<sup>th</sup> Edition, G. Warfield, (1996) \$79.95, John Wiley & Sons, Inc., 605 Third Avenue, New York, NY 10158-0012, USA, Tel: +1 212 850 6000, Fax: +1 212 850 6088, E-Mail: [info@wiley.com](mailto:info@wiley.com), Website: <http://www.wiley.com>. Provides with an in depth guide to every aspect of global trade financing.

## 77. What documents should the exporter prepare for a bank when seeking financing?

Before evaluating a request for finance, banks and financial institutions must have basic information about the exporter, the business, and the proposed transaction.

If the exporter does not have a well-established relationship with a bank, presenting the following background information both specific and general will be necessary:

- A brief profile of the exporter, which includes curriculum vitae and possibly a letter of introduction or reference by a person of integrity and reputation.
- A brochure or a letter describing the exporter's company.
- The last audited accounts (balance sheet, profit and loss account) and, if available, the latest annual report.
- The company's registration and the exporter's status.
- A description of the proposed transaction.
- The annual cash flow, with or without the proposed transaction.
- A forecast profit and loss account.

If the exporter needs to borrow, the bank will need a feasibility study or business plan related to the export transaction. Both documents should show capital expenditure, current expenditures, and forecast revenues covering the full transaction cycle, where long term debt is sought; the forecasts should cover the entire term of the loan

## RESOURCES

**Export/Import Letters of Credit and Payment Methods:** a Guide for Payments in International Trade, J Gordon, (2000), \$65, Global Training Center Inc., 7801 N. Dixie, Dr. Dayton, OH 45414-3128, Tel: 1 937 454 5044, Fax: +1 937 454 5099. Review discussion, and analysis of payment decisions for international shipments, giving the exporter guidelines in helping to set up the letter of credit.

## 78. What can the exporter provide as security or collateral?

Banks and lenders will not provide the exporter with credit without adequate guarantees in the form of security or collateral. Banks and financial institutions require that the exporter pledge assets often worth as much as twice the amount of the loan. Their intention is to cover the risk of default by the borrower. They expect to recover the outstanding by disposal of the pledged assets. They, therefore, prefer assets which can be easily and quickly liquidated.

If the exporter needs short-term credit, lenders typically require that the exporter pledge current assets. They need to be sure that the security can be easily sold in case of default. Current assets such as the following can be pledged:

- Stock of raw materials.
- Finished goods.
- Commodities for re-export.
- Receivables.
- Cash, in case of excess liquidity.
- Treasury bonds or other fixed term placements.

If the exporter approaches a bank for medium - or long-term credit, the most common form of security is a charge on fixed assets, especially land and property. Machinery, equipment, and vehicles are also acceptable but might be less practical since their commercial value in case of liquidation is quite uncertain. Security in the form of bonds, treasury bills, and share certificates of listed companies is also acceptable.

## RESOURCES

**Financing Means and Sources: a Guide to Financing Export Projects**, (English, French, Spanish), (1995), \$40, International Trade Centre UNCTAD/WTO, Palais des Nations, 1211 Geneva, 10, Switzerland. Tel: (41-22) 730 01 11; Fax: (41-22) 730 0905; E-mail: [itcreg@intracen.org](mailto:itcreg@intracen.org); Website: <http://www.intracen.org>. Focuses on means and sources of export project financing and their implications for developing countries.

## 79. What terms of payment are available to exporters?

For the exporter the greatest fear in international trade is that the buyer will not pay for the goods purchased. The exporter needs, therefore, to think through the terms of payment to be used in the export contract. A variety of options exists which provides more or less security to the exporter:

**Cash in advance (with order):** This is clearly the safest term of payment for the exporter but is not common in international trade with developing countries. This is because the buyer is the one taking a substantial risk. A partial advance under L/C payment can sometimes be obtained from a buyer (up to, say 25%) when the exporter is well known.

**Standby credit:** Open account payment backed by a standby credit or demand also provides good security for the exporter. Although the exporter gives credit to the buyer (on so-called "open account" terms) the standby credit, or demand guarantee, is security for payment. If the buyer does not pay, the exporter can claim the amount from the bank which has issued the standby credit or demand guarantee.

**Letter of credit:** An irrevocable confirmed letter of credit is the next safest term of payment for the exporter. This method of payment can be relatively costly in terms of banking fees and relies on the exporter providing a bank with a set of documents related to a shipment in order to be paid. For payment to be made, the bank will subject these documents to rigorous scrutiny. If there are any discrepancies, the bank may refuse to pay.

**Documentary collection:** This term of payment is not as safe as a letter of credit, but is much cheaper in terms of banking fees. This method of payment requires the exporter to ship the goods and send the documents associated with the shipment to the buyer's bank through the exporter's own bank. The buyer then pays the agreed price to its bank. After payment is made, the buyer obtains the documents entitling it to the goods. There is always a risk that the buyer may decide not to accept the documents or the goods.

**Open account:** This term of payment is rarely used by exporters in developing countries.

## RESOURCES

**Export/Import Letters of Credit and Payment Methods:** a Guide for Payments in International Trade, J Gordon, (2000), \$65, Global Training Center Inc., 7801 N. Dixie, Dr. Dayton, OH 45414-3128, Tel: 1 937 454 5044, Fax: +1 937 454 5099. Review discussion, and analysis of payment decisions for international shipments, giving the exporter guidelines in helping to set up the letter of credit.

## 80. What is a letter of credit and how can an exporter use it when exporting?

A letter of credit (L/C) is an arrangement whereby a bank (the issuing or opening bank) guarantees on behalf of its customers (the applicant or importer) to make payment to the beneficiary (or exporter) upon presentation of documents specified in the credit, under specified terms and conditions. The financial transaction may be further secured by the intervention of another bank. The intervening bank informs the exporter of the issue of the L/C and may add its confirmation to it, thereby guaranteeing the payment against the risk of default of the issuing bank.

The L/C is a very precise document, usually created by following an international standard form model. It contains a brief description of the goods, a listing of documents required to obtain payment, the shipping date, and the expiration date after which the payment will no longer be made. The L/C guarantees the exporter will be paid only after fulfilling certain terms and conditions. Upon the fulfillment of all the conditions set down in the L/C, the exporter can submit appropriate shipping documents to the bank to collect payment. The following documents are required to be submitted in order to obtain payment according to the L/C (however, there are no specific rules on what an L/C most often should require):

- Commercial invoice.
- Bill of lading (B/L) or another multi-modal transport document proving that the goods have been embarked for transport, sometimes also evidencing that the freight has been pre-paid.
- Insurance document.
- Certificate of origin.
- Inspection certificate showing conformity to quality, quantity, packaging requirements.
- Packing list.

If the exporter has a long-standing relationship with the foreign buyer, cash advance may be the easiest form of payment. If this is not the case, the letter of credit can act as the easiest way of getting paid while, at the same time, protecting the exporters interests. The most commonly used forms of L/C are:

**Irrevocable Documentary L/C:** This form of L/C cannot be canceled or modified without agreement of all parties involved. Payment is guaranteed by the bank provided that the exporter fulfills all the terms and conditions laid down in the contract, including the presentation of the required documents.

**Revocable L/C:** This form offers fewer guarantees but is more flexible as it can be canceled or modified at any time without the knowledge of beneficiary. A few exporters accept these L/Cs.

**Revolving L/C:** This form is often used in repeated trade transactions with the same client. The funds used for the same or a similar transaction will again be available in the future, usually under the same terms without having to issue a new L/C.

Although a letter of credit is used most frequently in the process of payment, there could be several problems in employing this method.

## RESOURCES

## 81. What problems most commonly arise with a letter of credit process?

### Problems with the letter of credit:

- Documents required by the credit are missing.
- Documents required to be signed are not signed.
- The credit amount is exceeded.
- The credit has expired or the documents are presented late.
- Shipment was short or late.

### Problems with bill of lading:

- The bill of lading is “unclean”. For example, it has comments on it relating to damage or other deficiencies in the goods.
- A marine bill of lading is required but the bill does not state that the goods were “shipped on board” a name vessel.
- The bill of lading shows shipment between ports other than those specified in the credit.
- The bill of lading shows that the goods were shipped on deck. This is normally forbidden unless the credit explicitly allows it.
- The bill of lading offers no evidence that freight was paid by the exporter (if this was required).
- There is no endorsement (if endorsement is necessary).

### Problems with insurance:

- The insurance document is not of the kind specified in the credit (e.g., a certificate of insurance is produced while the credit calls for a policy).
- The insurance risks are not those specified in the credit.
- Insurance cover is expressed in a currency other than that of the credit. This is forbidden, unless the credit explicitly allows it
- The sum insured is below the figure required.
- Insurance cover does not begin on or before the date of the transport document.

### Inconsistencies among the documents:

- Description of the goods on the invoice and in the credit is different.
- Weights differ between two documents.
- Marks and numbers differ between two documents.

Exporters should remember that it is vital to check the letter of credit when they receive it and to ask the buyer to amend the credit if they think they will have any difficulty in complying with its terms.

## RESOURCES

**All About Credit:** Questions (and Answers) About the Most Common Credit Problems, D. McNaughton, (1999), \$14.35, Dearborn Trade, 155, N. Wacker DR., Chicago, IL 60606-1719, Tel: +1 312 836 4400, Fax: +1 312 836 1021. Helps find answers to questions like this: qualifying for or being denied credit, problems with creditors and collection agencies, etc.

## 82. How can an exporter ensure payment against a letter of credit?

The letter of credit, and particularly the documentary irrevocable letter of credit, is considered among the safest methods of international trade payment. The letter of credit is an agreement by a bank to pay money to an exporter against documents presented. Provided that the documents are correct, the bank is obliged to pay, whatever the disputes between the exporter and the buyer may be. However, the bank will only pay if the documents are exactly in line with the buyers instructions. It is for this reason that the exporter must be thorough while reviewing letters of credit and meticulous in providing the documents required by the bank. It is worth mentioning that, in some countries, exporters experience major problems when presenting documents for the first time (about 50-90% are rejected on the first presentation).

**To minimize this happening, exporters should do the following:**

- Cross-check all terms with the foreign buyer, in order to clearly and completely define which documents should be presented before the L/C is used.
- Ensure that every word in the documentary credit is related to and checked against the documents.
- Check whether the documents are consistent with each other, and that they have been drawn up in compliance with the ICC's Uniform Customs and Practice for Documentary Credits.
- Present documents well before the relevant time limits.
- Make sure that any corrections are authenticated by the issuer.

The exporter can be protected against the risk of default by the bank issuing the L/C by asking another bank in the exporter's country to add its confirmation to the L/C. Once this confirmation is added, the confirming bank gives an assurance similar to that of the issuing bank. The exporter has a double assurance of payment. The exporter should bear in mind that this bank will be willing to add its confirmation only if the L/C is an irrevocable and freely negotiable.

## RESOURCES

**ICC Guide to Collection Operations for URC 522, L.** Wickremeratne, \$46, ICC, Publishing, 38 Cours Albert ler, 75008 Paris, France, Tel: +33(0)1 49 53 29 23 or 49 53 28 89, Fax: +33(0) 1 49 53 28 62, E-mail: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. Explains the role played by banks in collection operations, provides a background to the changes made in the revision and examines some of the issues relating to collections.

### 83. For what other purpose can a letter of credit be used?

Letters of credit and, in particular, irrevocable documentary letters of credit, are often used as a basis to obtain trade finance support.

There are normally two methods open to an exporter to get financing at the pre-shipment stages. These are the anticipatory letter of credit or red clause credit, and packaging credit or green clause credit.

**Anticipatory letter of credit:** Also known as red clause credit, the anticipatory letter of credit is credit granted against L/Cs which contains a “red” clause. A red clause L/C is a normal L/C which contains a special clause authorizing the negotiating/ advising or confirming bank to make immediate payment to the exporter in full or in part of the amount of the L/C, or to make payment to the exporter from time to time as per L/C terms and against specified documents and/or fulfillment of any special conditions mentioned in the contract. The red clause L/C must be irrevocable.

**Packaging letter of credit:** Also known as the green clause credit, this covers an advance granted by a bank against a L/C not containing a red clause. These advances are made in different forms such as loans, overdrafts or cash credit.

**Post-shipment financing:** According to typical export contracts, if payment is not due on presentation of the document, but 60 or 90 days later, the exporter can discount the L/C at the bank. Since irrevocable documentary letters of credit are considered secure, banks and other specialized financial institutions are usually willing to discount them on favorable conditions.

## RESOURCES

**ICC World Payment Systems Handbook:** \$38, ICC publishing 38, Cours Albert ler, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33 (0) 1 49 53 28 62, E-Mail: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>. Brings together a instruments which enable these systems to operate.

## 84. What foreign exchange risks does an exporter face?

The exporter faces two kinds of foreign exchange risks. The first is the risk of depreciation (loss of value) of the foreign currency in which an exporter has invoiced the export contract. If the currency depreciates the exporter would receive less money in the home currency. The second is the risk of appreciation of the foreign currency in which the exporter holds a due. This would effect the exporter's product by making it more expensive abroad. The categories of foreign exchange risks are briefly described below.

**Economic currency risk:** This occurs as a result of changes in real exchange rates. Economic currency risks are not directly accounted for in the financial statement of an exporter. Fluctuations of this sort have indirect financial effects as export transactions or sales may not take place as a result of the loss of competitiveness (i.e., economic currency risks prevent sales from taking place). Economic currency risk has effects across the board irrespective of the currency in which the quotations or the sales are being made. Factors like the strength of competitor's currency, relative cost and prices in each country, business structures, etc., all lead to economic currency risks.

**Trading risk:** This occurs because there is an appreciation or depreciation in the currency in which sales or purchases are made. If the currency of the importing country appreciates, the exporter stands to gain. Trading risks occur either because the currency in which pricing was quoted is not the currency in which costing is done, or because an assumed (future) exchange rate is used at the time of the pricing decision. However because of the time lag between the pricing decision and the conversion of the sale proceeds into the currency in which costing is done, the assumed rate can be different from the actual exchange rate.

An exporter's vulnerability to foreign exchanger risk depends on the following factors:

**Currency mix:** Risk may be greater on account of currency mix if the exporter exports to more than one country. A balance of outflows and inflows of different currencies has to be achieved in order to minimize risk.

**Competitive structure:** The particular industry in which the exporter is operating may also be prone to currency risks. More competition in the industry will expose the exporter to currency risks due to price sensitivity.

## RESOURCES

**Managing Foreign Exchange Risks:** N. Douch, \$38, ICC publishing, 38, Cours Albert ler, 75008 Paris, France, Tel: +33 (0) 1 49 53 29 23 or 49 53 28 89, Fax: +33(0) 1 49 53 28 62, E-Mail: [pub@iccwbo.org](mailto:pub@iccwbo.org), Website: <http://www.iccwbo.org>.  
Sets out a model showing the stages that a company needs to work through to establish a foreign exchange policy.

## 85. How can foreign exchange risk be covered?

Planning for, or covering, the foreign exchange risk is termed as “hedging” the risk. Hedging techniques seek to reduce the currency risk by taking some form of compensatory action. Some hedging techniques are described below.

**Forward cover:** Forward cover is an agreement to exchange two currencies at a stipulated future date at a rate that is determined when entering into the cover. Forward contracts are known as outright contracts and are used for reducing trade risks. However, forward contracts are time-bound and may not have an exit option.

**Option forward:** The option forward contract is a little more flexible since it gives the right to undertake a particular exchange rate transaction at anytime during a fixed period. The exporter is protected if the rate changes unfavorably and can benefit from any gain if the rate changes favorably.

**Borrowing the exposed currency:** Currency borrowings are more flexible than forward contracts, especially for small contracts. The borrowing can be for more flexible periods, with variable interest rates rather than fixed rates. The conditions for rolling over also tend to be more flexible than for forward contracts.

**Creating additional assets in the exposed currency:** One way of creating additional assets is to trade in financial futures or currency futures. A currency future contract is an obligation to sell or purchase a currency at a fixed price at a pre-determined rate. A future trading is done in standard units. Maturity dates also tend to be standardized and are not flexible.

**Swaps:** In a swap transaction of the simplest type, a currency is purchased in the spot market and simultaneously sold in the forward market. Conversely, the currency can be sold in the spot market and purchased in the forward market.

**Matching liability:** This technique seeks to make inflows of currency equal to outflows to reduce translation risks by borrowing in the same currency and in the same amount as the exporter’s assets. Thus if the dollar value of the asset declines, the exporter’s dollar liability declines as well, thereby maintaining balance sheet values at the existing levels.

**Discounting, factoring and forfeiting:** As a hedging technique, discounting is similar to borrowing in foreign currency or a forward contract. If the shipment is on an open account basis where there are no bills that can be discounted, the invoices can be presented to a factor that would pay the exporter on maturity or prior to maturity, at a discount. Factoring tends to be more expensive than forward contracts and is not often used as a hedging device.

Forfeiting is similar to discounting and factoring, but for the fact that forfeiting involves medium-and long-term bills of exchange and not short-term ones. Forfeiting is used more as a tool to avoid credit risk than as a hedging tool.

## RESOURCES

**Currency and Interest Rate Hedging:** a User’s Guide to Options, Futures, Swaps, and Forward Contracts, T Andersen, (1993), \$39.96, Prentice Hall Trade, 200 old Tappan Road, Old Tappan, NJ07675, USA, Tel: +1 201 909 6452, Website: <http://www.vig.prenhall.com> Shows the tools that cover foreign exchanges and interest rate risks.

## 86. How is the credit worthiness of a foreign buyer evaluated?

Before executing an export order for a new customer, the exporter must thoroughly verify the credibility and reputation of a potential buyer. Essentially, the buyer must have a sufficient track record and be able to pay. To determine this, the buyer must be asked to provide a recent audited set of financial statements, including profit-and-loss accounts, balance sheets and cash flow statements for the previous three years and the finance expectations for the coming six months.

The foreign buyers must be forthcoming in supplying this information, since they would have to provide similar information in order to borrow the same amount of money from their banks. It is important to verify the authenticity of the statements as well as the liability of the auditors, as forged documents have sometimes been submitted.

The exporter can also request that the bank to get in touch with the foreign buyer's bank or another corresponding local bank to obtain relevant financial and market information about the company. Several banks subscribe to independent research companies which provide financial and market information about companies from all over the world. Among them are: Dun & Bradstreet, Extel, Reuters, etc.

Such information and opinions may help to reassure the exporter about the credit worthiness of foreign buyers, but still may not guarantee that the foreign buyers will discharge their obligations. Therefore, the exporter may try to involve the buyer's bank by requiring the provision of a payment guarantee. Such a guarantee extended by the buyers' bank is conditional upon the fulfillment of the exporter's obligation (i.e., the exporter will be certain of payment by the buyers bank only when all the terms fixed in the contract have been satisfied).

TASDEER can help Qatari exporters to evaluate the credit worthiness of foreign buyers.

TASDEER provides credit insurance cover by approving appropriate credit limits on overseas buyers after evaluating buyers as well as country risks. This is being done upon receipt of detailed credit information reports on buyers for reliable sources. These will include the following key information:-

- Date of Business Established.
- Legal status and details of ownership.
- Activities.
- Financial Figures.
- Payment Records.
- Commercial Morality.
- Brief Profile (History) of the buyer's company.

While evaluating the buyer's risks, TASDEER analyzes the above information and takes into consideration the past trading experience established between the Qatari exporters and the buyers. In addition, country risks are also being evaluated by analyzing the social, economic and political situation of the country of import.

## RESOURCES

**Elsevier's Dictionary of Export Financing and Credit Insurance in English/ German and French**, P. Dorscheid, (1997), \$210, French and European Publications, Inc., Rockefeller Center Promenade, 610 Fifth Avenue New York, NY 10020, USA, Tel: +1 212.581.8810, Fax: +1 212.265.1094, E-mail: Livresny@aol.com, Website: <http://www.frencheuropean.com>. Comprises export financing and credit insurance terms.

87. Which institution in Qatar provides export credit insurance and what type of activities and programs are available to Qatari exporters through this institution?

Qatar Export Development Agency "TASDEER" commenced its export credit insurance operations since January 2011. It operates under the umbrella of the Qatar Development Bank.

TASDEER provides various credit and guarantee services in promoting Qatari non-oil exports. It does this by providing export credit insurance cover against both commercial and political risks as well as assisting exporters in obtaining financial facilities for export financing.

The following are various credit insurance, financing and guarantee services provided by TASDEER to exporters:

- Provides export credit insurance cover to Qatari exporters against commercial as well as non-commercial or political risks.
- Assists exporters in availing post shipment financing for credit insured exports.
- Issues guarantees to commercial banks in order to provide pre-shipment financing facilities to exporters.

## RESOURCES

**Qatar Export Development Agency "TASDEER"**

A Division of Qatar Development Bank

Telephone: +974 4459 6783 Fax: +974 4435 5009, +974 4430 0053, P. O. Box 22789, Postal Code Doha, State of Qatar,

E-mail: [tasdeer@qdb.qa](mailto:tasdeer@qdb.qa), Website: [www.qdb.qa](http://www.qdb.qa)

## 88. How can an exporter get paid immediately after extending credit to the foreign buyers?

Extending credit to foreign buyers enhances the exporter's competitiveness in the foreign market but reduces the exporter's liquidity. Unless the exporter is able to arrange for an immediate inflow of working capital, the production cycle could be disrupted. Some of the methods whereby an exporter can extend credit and yet not face a drop in liquidity are described below.

**Discounting of receivables:** An exporter's receivables (e.g. bills of exchange, promissory notes, L/Cs and invoices) can be discounted, that is to say, the bank immediately pays the exporter an amount of equal of the value of the receivable less interest and fees. This form of discounting can be with or without recourse. Its advantages are that it is quick and gives exporters flexibility as they can propose the receivable to discount and when to discount them. Moreover, procedures are simple and the exporter does not have to provide the bank with special legal document or security.

**Factoring:** Factoring is the sale at a discount of accounts receivable on a daily, weekly, or monthly basis to a factoring house (usually a bank). Factoring with recourse means that the supplier (exporter) will carry the credit risk in respect of receivables sold to the factor. The factor will have recourse in the event of non-payment for whatever reason, including financial inability of the customer to pay. In factoring without recourse, bad debts are borne by the factoring agents, and not surprisingly, commissions are higher.

**Forfeiting:** Forfeiting can help an exporter maintain cash flow when credit is extended to importers. It is the non-recourse discounting of export receivables. In a forfeiting transaction, the exporter surrenders, without recourse, the right to claim payment on goods delivered to an importer, in return for immediately cash payment from a forfaiter. Receivables can be in the form of bills of exchange issued by the exporter and promissory notes issued by the importer. Once goods have been delivered and the contract fulfilled, the exporter can sell receivables to a forfaiter who will assume all risks without recourse and give the exporter cash after deducting fees. All exports of capital goods and other goods made on medium to long-term credit can be financed through forfeiting.

## RESOURCES

**Export – Import Financing:** 4th Edition, G Warfield, (1996), \$79.95, John Wiley & Sons, Inc., 605 Third Avenue New York, NY 10158-0012, USA, Tel: +1 212 850 6000, Fax: +1 212 850 6088, E-Mail: [info@wiley.com](mailto:info@wiley.com)  
Website: <http://www.wiley.com>. Provides with an in-depth guide to every aspect of global trade financing.

## 89. How can costs be reduced?

If exporters have short-term financial needs that do not normally involve large amount of capital, they can start improving their liquidity by:

**Reducing current assets:** Exporters can reduce the stock of raw materials, consumables, or commodities by improving the frequency and reliability of current suppliers. Stocks of finished goods or inventories can be reduced; work-in-progress can be speeded up; receivables can be reduced; and/or expenses can be paid at the point of purchase.

**Increasing current liabilities:** Another option is to attempt to obtain longer payment terms from suppliers (i.e., extending the raw materials payment date).

For medium-or long-term financing needs, exporters should approach banks or other institutions financing such activities. A second option is for the exporter to modify the firm's financial structure by:

**Optimizing equity structure:** Exporters can reduce the distribution of profits, increase share capital, or issue bonds and preference shares.

Changing the proportion between debt liabilities and equity: It is advisable for exporters to meet with a bank consultant in order to obtain proper advice.

**Reducing fixed assets:** Another option is to consider the possibility of selling unproductive assets or assets that need not be owned but can be leased. Typical of such assets are: unused buildings, land or equipment.

## RESOURCES

**Zero Base Pricing:** achieving World Class Competitiveness Through Reduced All-In costs, D, Burt, W. Norquist, J. Anklesaria (1990), \$ 79.95, Byline Publishing 347 billing road east, northampton, NN3 3LL UK Tel: +44(0) 1604 629 483, Fax: +44 (0) 1604 629 483. shows how to set efficient prices by reducing costs as much as possible.



# **Section 11: Transportation and documentation**



## 90. What are the services Qatari shipping and forwarding companies provide to Qatari exporters?

*Following are the major functions of a Forwarding Agent:*

- Booking the Air/Sea/Land Carriers.
- Transportation.
- Documentation.
- Customs Clearance.
- Preparation and submission of documents to various authorities and carriers.
- Assist traders on import/export customs regulations periodically.
- Arranging door-to-door transportation of commercial cargo as well as personal effects.
- Logistics, consolidation, distribution, arranging inspection, survey and prepare documents for claims.

A forwarder normally works as an extension of a manufacturer or shipper. He takes care of all the transportation and documentation requirements after a commercial deal is signed between a buyer and seller, including preparation of export/import documents through often packing, forwarding and unpacking.

*Functions of a Liner Agent:*

On behalf of the Shipping Lines, the Liner Agent protects and promotes their interests, keeps their status and reputation, work on revenue programmes, build up and maintain a market share.

The Agent will handle the vessels and carry out all the commercial and legal requirements on behalf of his principal for a mutually agreed remuneration.

The Agent will staff the operation of his principal, even finance activities in certain cases and normally have limited rights to sign on behalf of the principal.

An Agent is expected to uphold the reputation and commercial rights of the principals he represents in the country.

The presence, growth and longevity of a Line in a country depend on the planning and feedback of the Liner Agent.

## RESOURCES

## 91. What are the import and export documentation procedure in Qatar?

Import documentation procedure in the State of Qatar is as follows:

The papers and documents required before starting the steps and procedures of clearing goods imported for companies and establishments or others in general:

- Copy of the commercial register and a form of the business activity issued by the Ministry of business and Trade.
- Certificate of membership with the Chamber of Commerce and Industry.
- Certificate of origin for imported goods certified by the competent authorities in the exporting or producing country.
- Original invoice of purchase certified by the competent authorities in the exporting or producing country.
- Bill of Lading for goods imported by sea or air.
- Manifest papers of goods imported by sea or air.
- Delivery order by the shipping agent of goods imported by sea or air.
- Letter of Authority certified party concerned with custom clearance in case of inability to appear in person.

### **General Goods:**

- To obtain a statement of imports from the custom office concerned or from the Directorate General of Customs.
- Filling in the statement with the details of the imported goods explaining the statistical number in accordance with the system.
- Attaching the paper and documents shown in (item I) together with the filled customs section statement of imports and then submitting them to the custom clearance to complete the customs procedure.

### **Steps and Procedures concerning exports:**

- Receiving shipping permit from the credited agent of the ship or the bill of lading from the agent of the airway company if the goods are being exported by the air or by sea.
- Filling the prepaid Bill of Export.
- Attaching the invoices of the goods or a written document in case of personal goods.
- Submitting the above mentioned documents to the exporting officer at the clearance section to complete the rest of the procedures.
- Certain goods and materials that can only be exported under certain conditions such as the approvals of permits of certain authorities concerned.

## **RESOURCES**

## 92. What are the different types of certificate of origin issued at State of Qatar?

Rules of origin are the criteria needed to determine the national source of a product. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.

There is wide variation in the practice of governments with regard to the rules of origin. While the requirement of substantial transformation is universally recognized, some governments apply the criterion of change of tariff classification, others the ad valorem percentage criterion and yet others the criterion of manufacturing or processing operation. In a globalizing world it has become even more important that a degree of harmonization is achieved in these practices of Members in implementing such a requirement.

Rules of origin are used:

- to implement measures and instruments of commercial policy such as anti-dumping duties and safeguard measures.
- to determine whether imported products shall receive most-favoured-nation (MFN) treatment or preferential treatment.
- for the purpose of trade statistics.
- for the application of labelling and marking requirements.
- for government procurement.

The certificate of origin is issued by the Qatar Chamber of Commerce and Industry (QCCI)  
The charge for the issue of Certificate of origin is 50QR

Different types of certificate of origin are issued in Qatar:

- Certificate of origin for GCC.
- Certificate of origin for Arab counties (AFTP).
- Certificate of origin for EU countries.
- Certificate of origin for agricultural products.

## RESOURCES

**Qatar Chamber of Commerce and Industry(QCCI):** Tel:44559111,Fax:44661728, E-mail: info@qcci.org, Website:www.qatarchamber.com

**World Trade Organization –** Tel: +41 (0)227395111, Fax: +41 (0)227314206, email: enquiries@wto.org, Website: www.wto.org

### 93. What are the re-export procedures from Doha Port?

The exporter provides the approved custom statement for re-exporting, attached to it the following documents:

- Manifest of the carrier.
- Shipping order issued by the carrier or his agent.
- Invoices of goods and list of their packaging.

**Note:** the import statement number should be mentioned in the export statement in case of re-exported goods which entered the country and the custom fees were not collected for as per the following:

- Imported goods which are not withdrawn from custom warehouses.
- Imported goods for the purpose of re-exporting them.
- Goods entered to the country under the “temporary insert” status.
- Goods kept in warehouses.

The examination procedures should be kept as per the law, and then goods shall be exported.

The procedures for giving back the provided collaterals for re-exported goods when goods have left the country should be taken. A statement should be provided for this.

## RESOURCES

## 94. What is a freight forwarder and how should an exporter select one?

Freight forwarders are agents who arrange land, sea, and air transportation of goods. They complete all procedural and documentation formalities involved in custom and port clearance on behalf of the shipper, and arrange for warehousing of cargo before shipment of export cargo. Some freight forwarders also undertake consolidation of shipments, which enables them to obtain preferential freight rates from the shipping line or airline.

Freight forwarders also assist the exporter in selecting economical shipping routes; arranging packaging and marking of shipments; preparing shipping and regulatory documents; delivering goods to carriers; collecting transport documents; arranging insurance and processing claims; booking shipping space; and providing advice on the relative costs of sending goods by sea and air.

Because of the variety of factors involved in the physical export process, new and experienced exporters rely on an international freight forwarder to perform these services. Essentially, the freight forwarder acts as an agent for the exporter in moving cargo to the overseas destination. These agents are familiar with import rules and regulations of foreign countries, methods of shipping, government export regulations and the documents of foreign trade.

Freight forwarders can assist with an order from the first step by advising the exporter of the freight costs, port charges, consular fees, cost of special documentation, and insurance costs as well as their handling fees - all of which help in preparing price quotations. Freight forwarders may also recommend the type of packaging for best protection of the merchandise in transit; they can arrange to have the merchandise packed at the port or containerized. The cost for their services is a legitimate export cost that should be accounted into the price charged to the customer.

When the order is ready to be shipped, freight forwarders should be able to review the letter of credit, commercial invoices, packaging list, etc. to ensure that everything is in order. They also reserve the necessary space on board an ocean vessel. If the cargo arrives at the port of export and the exporter has not done the needful to comply with customs export documentation regulations, freight forwarders may make the necessary arrangements with customs brokers to ensure this. In addition, they may have the goods delivered to the carrier in time for loading. They may also prepare the bill of lading and any special required documentation. After shipment, they forward all documents directly to the customer or to the paying bank.

Before selecting freight forwarder, the following three general issues should be kept in mind:

- Is it possible to make a business relationship with the freight forwarder?
- Does the freight forwarder size, system and specialization match the enterprise's needs?
- Is the freight forwarder reliable?

**Freight Forwarder:** Selection of a Freight Forwarder should be based on following terms:

- Reputation, reliability and credit worthiness.
- Knowledge on import/export customs regulations.
- Storage facility in the country and fleet of vehicle owned by them and by their sub-transport contractors.
- Efficiency in handling project cargo, compared on past handling in the freight forwarding field.
- Influence with various Shipping Lines to negotiate and obtain best lowest selling rates.
- Overseas contacts/branch offices/agents for door-to-door movements.

## RESOURCES

More information on freight forwarding can be obtained from: [www.fiata.com](http://www.fiata.com)

## 95. Who is responsible for force majeure, damage or missing goods?

Despite the best of intentions, certain supervening circumstances may make it impossible for the exporter or importer to fulfill obligations under the contract. Force majeure (or excuses for non-performance) are contractual provisions which address the relief which may be available to either party to a contract in the event of supervening circumstances taking place after the conclusion of a contract.

The types of events and circumstances which can be agreed upon between the exporter and importer must be listed in the contract. Typical of force majeure events listed in many international contracts are: war (whether war is declared or not), riots, insurrections, acts of sabotage, strikes or other labour unrest's, fire, explosion or other unavoidable accidents, flood, storms, earthquakes or other abnormal natural events.

The use of particular Incoterms in the contract will determine where delivery is made by the seller to the buyer, as well as where risks are transferred from the seller to the buyer. In case of a CIF Incoterm, the transfer of risks takes place when the goods pass the ship's rail at the port of shipment. Thus, the risk of any loss or damage to the goods after this point (e.g. on the sea voyage) falls on the buyer. This is so even, as under the CIF term, the seller pays for the ocean freight and marine insurance.

At various stages of transit, goods pass through the custody of several different intermediaries including agencies, carriers, ports and customs authorities. The intermediary holding possession of the goods, at that moment, may be found liable to pay damages to the cargo owners if there is loss or damage to the goods. However, an intermediary cannot be held responsible for loss of cargo due to natural disasters, war or strikes. Also, if an intermediary exercised suitable care in keeping the goods, he or she is not liable to pay for the loss. In such cases, the cargo owner suffers the loss.

## RESOURCES

**Force Majeure and Hardship (no. 421)**, (58FF), ICC Publishing, 38 Cours Albert Ier, 75008 Paris, France. Tel: +33 (1) 49.53.29.23 or 49.53.28.89, Fax: +33 (1) 49.53.28.62, E-mail: [pub@iccwbo.org](mailto:pub@iccwbo.org), website: [www.iccwbo.org](http://www.iccwbo.org). The execution of a contract imposes certain obligations on all parties to fulfil the terms and conditions agreed upon. Unforeseen economic, political or natural events can modify these obligations and, in some cases, prevent the contract from being fulfilled.

This book defines those situations and includes two sets of provisions designed to assist the exporter in drafting contracts.

## 96. What is the best way to ship products?

Qatari exporters may get advice on local transportation infrastructure and distance/ location of target markets from the relevant Qatari government ministry. However, the brief is useful.

All transportation methods have some advantages and disadvantages. The decision depends on the product, the exporter's needs and preferences of the importer. Price, delivery deadlines and special needs of the product are factors to bear in mind. The main transportation methods are:

**Maritime transportation:** The main inconvenience of maritime transportation is that it is slow, and therefore, may not be the most convenient method when transporting perishable products that have a high value relative to weight and/or volume of goods, or if it is an urgent delivery.

**Air transportation:** A secure and very fast method which usually needs little packaging, and has a low cost of capital locked with the goods, yet is usually the most expensive method. This method, often dismissed by SMEs in developing countries as being too expensive can be highly cost effective for transporting high value/low volume goods.

**Road transportation:** Allows direct transportation from the supplier's to the buyer's warehouses, heightens security and assures the greatest degree of flexibility. Normally fast and safe, the prices do differ greatly.

**Inland waters transportation:** Safe yet slow and inflexible but can be inexpensive if a minimum quantity of cargo is carried.

**Rail transportation:** Slow and inflexible and requires a certain number of containers before shipping, but this method is also safe and secure, allowing an exporter to ship large quantities at relatively inexpensive rates.

**Multi modal transportation:** A combination of two or more of the methods described above. The use of containers is the preferred method of transportation.

## RESOURCES

**Contemporary Transportation:** D wood, J.C. Johnson, (1995), \$81, Prentice Hall, 200 old Tappan Road, NJ07675, USA, Tel: +1 1 201 909 6452. Explains why transportation is important to the successful operation of business; examines transportation from the management perspective of the carrier; and looks at the earlier and looks at the role of government as they influence the transportation sector.

## 97. How does the exporter assess if the export documentation is correct?

The **Commercial Invoice** must contain information that is present in the bill of lading and other documents. The description of the goods in the invoice should be the same as that in the letter of credit. To avoid conflicts in description, it is good practice to keep the description in the letter of credit as short as reasonably possible. The same number of copies should be submitted to the bank as are required in the letter of credit. The invoice should be made in the name of the buyer or the person mentioned in the credit. The description, marks, number of packages, and weight in the invoice should conform to those appearing in the bill of lading. The basis of pricing (e.g., FOB, CIF) should be specified in the letter of credit. The amount of the invoice should not differ from the amount mentioned in the draft drawn under the terms of credit.

The Customs Invoice must be signed by two people, the exporter or manufacturer and a witness and it should indicate the origin of merchandise. **The Consular Invoice** should incorporate all the conditions fixed for their validity by the consular authorities of the countries of importation.

The date of the **Bill of Lading (B/L)** should not be later than the shipping date specified in the letter of credit (L/C). The port of shipment and destination mentioned in the L/C should be strictly followed in the B/L. The B/L should be presented to the bank at a date which makes it possible for the bank to dispatch it in time to reach the port of discharge from the vessel carrying the export merchandise. The description of goods, number of packages etc. in the B/L should correspond to those given in the invoice. The B/L should only be for the merchandise stipulated in the L/C, and it must show that the merchandise has been loaded on board (unless waived by credit terms) and that 'on board notation' must be dated and signed. The B/L must be signed by the shipping company or its authorized agents. A B/L issued by forwarding agents is not acceptable. If the B/L is made out in the name of the buyer or the foreign bank opening the credit as consignee then no one else can take delivery.

**Bill of Lading:** Bill of Lading is the most important document in overseas transaction – a document evidencing shipment. BL must be signed by the shipping company or its agent as a receipt for the goods. It also contains the terms and conditions of the contract of carriage.

A Bill of Lading is issued in several signed originals plus non-negotiable copies. All the originals together are referred to as a "full set". As soon as one of these copies is presented for the purpose of obtaining the release of goods, the others become invalid. Thus the Bank will insist that the beneficiary present full set, unless the credit contains a provision to the contrary.

Following clauses are to be thoroughly checked on the BL prior presenting to bank:-

- BL must bear 'onboard' notation duly stamped and initialed by the Shipping Line and its Agents.
- Date of shipment shown on BL conforming with LC/ contract requirements.
- Endorsement of B/L, if necessary.
- Reference to payment of freight as per delivery terms.
- Consigning goods as stipulated in the LC/Contract.
- Port of Loading and Port of Discharge exactly as stipulated in the LC/Contract.
- Marks, weights etc consistent with other documents.
- Authentication of all alternations on B/L.

**Air Consignment Notes or Airway Bills:** are issued and signed by the airways company and made out in the name of the bankers of the buyers, the airway bill (AC Note) should be dated and presented within two or three days from the date of shipment or within such period from date of issue as stipulated in the credit. The airway bill (AC Note) is issued in three originals and nine copies. Only the second original goes to the buyer. Sometimes a L/C calls for "a full set of original airway bills": this is obviously a mistake -the seller cannot provide the complete set. This is a point exporters should watch for in examining a letter of credit (L/C). The details of shipment such as description of the goods, weight, quantity etc. must be stated in the airway bill (AC Note). It should also state whether freight has been 'prepaid' or 'to pay' and mention the airport of discharge.

Regarding **Insurance Policies**, banks accept only a "policy of insurance" while, a "certificate of insurance" or a broker's certificate is accepted only when permitted in the L/C. The insurance policy should cover the required risks for a sufficient amount. The exporter should that when using a CIF or CIP Incoterm in the price quotation, the exporter, under the rules governing letter of credit, should arrange and pay for the insurance for the main carriage on 110% of the CIF or CIP value. If it is not this value, banks often refuse to accept the insurance document.

The insurance policy should be taken out in the name of the shipper and the policy should be endorsed in blank, except when stipulated to the contrary. It should be negotiable and countersigned /endorsed, unless specified to the contrary. The insurance policy should mention the name of the vessel carrying the exported goods and should be same as mentioned in B/L. The description of the goods should correspond with that in the B/L or the invoice, and the place of payment of claim should be same as that in the L/C.

## RESOURCES

**New Standard Export Forms**, \$29.95, ICC publishing, 156 fifth Avenue, suite 305, New York, NY 10010, USA,  
Tel: +1 212 206 1150, E-mail: [iccpub@interport.net](mailto:iccpub@interport.net), Website: <http://www.iccwbo.org>. Shows how to fill out the new export forms.

Shipper's Export Declaration-CD ROM, \$225, Unz & Company, 700 Central Avenue, New Providence, NJ 07974-1139, USA,  
Tel: +1 908 665 8850, Fax: +1 908 665 7866, E-mail: [unzco@unzexport.com](mailto:unzco@unzexport.com), Website: <http://www.unzexport.com>.

Helps produce your SEDs on your computer and print out the government approved SED form.



# **Section 12: Packaging and labelling**



## 98. What packing might be needed to export a product?

Packaging protects and stores goods before, during and after shipment. When products are being packaged, their peculiar characteristics must be kept in mind. Different products need treatment. Product factors to consider when deciding upon the best type of packaging include:

- Fragility.
- Durability.
- Resistance to abrasion. .value.
- Susceptibility to moisture.
- Chemical reactions such as oxidation and corrosion.
- Chemical stability.
- Deterioration or shelf life.

The mode of shipment will determine what type of packaging to use. For example, air shipment requires lighter packaging than do ocean shipments. For both ocean and air shipments, freight forwarders can provide the best information on packaging.

To avoid pilferage in foreign ports, it is best to use plain packaging devoid of logos and brand names which advertise what is inside the package. It is best to make the external packaging as plain as possible to make the package less susceptible to tampering.

Various precautions should be taken by an exporter while packaging products. In specifying the packaging requirements, the exporter must conform to the customer's requirements, international packaging standards, and specific standards and regulations applicable in the market concerned. ISO, AFNOR (France), DIN (Germany), BS (UK), ASTM and ANSI (USA) standards are available.

To avoid misunderstanding with the customer, the contract should specify the type of packaging to be used to protect the goods during handling, transport and storage.

For exceptional export shipments, approval of the packaging and loading by an expert may be advisable. A fully documented dossier is needed, with particulars of the insurer, commercial description of the goods packed, premises where packed, details of products and packaging, modes of transport, handling and storage facilities.

## RESOURCES

**Export Packaging:** International Trade Centre UNCTAD/WTO, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 (022) 730 0111, Fax: +41 (022) 730 0905 Web site: <http://www.intracen.org/exporters>. A series of publications covering the basic areas of export packaging including technical notes on the use of metal cans, corrugated paperboard boxes, plastic films and wooden packaging.

## 99. What are the technical aspects of packaging?

MATERIALS USED FOR PACKAGING		
Material	TYPE	Example of packages
Metal	Sheet metal; tinplate; steel	Drums; cans; containers; pressurized containers; metal boxes
Wood	Rough sawn timber; planed timber; plywood; fiberboard; particle board	Cases; pallets; crates, etc.
Cardboard	Flat; corrugated; double-sided; double-double; triple corrugated	Boxes
Plastics	Polyethylene; polystyrene; PET; PVC	Bags; drums and bottles; bottle crates; rigid and semi-rigid containers
Paper	Multiwall bags	Sacks & bags
Glass		Bottles; flasks; cardboard, etc.
Composites: incorporate two different materials, for example, a cardboard box with a flexible plastic pouch inside; aseptic packaging		

**Physical and chemical protection:** Permanent protection can be provided by treating surfaces with protective substances such as anti-rust zinc or zinc-phosphate based paint. Products such as waxes and resins, which will be removed when the goods are unpacked, can provide temporary protection. Anti-corrosive papers, thin film protection, protective oils and greases, silica gels and volatile corrosion inhibitors are effective means of controlling corrosion. Waterproof barriers can be supplemented with polyethylene or heat-welded fabrics, with or without sachets of dehydrates inside the waterproofed space. Proper ventilation can also control condensation.

**Mechanical protection:** Mechanical protection, provided to control strains during shipment (compression, bending, torsion, shearing, jolting and vibration) can be supplemented by space fillers inside the package to prevent the merchandise from moving within the package. Fragile items must be treated differently and isolated from the container walls by means of suspension devices (shock absorbers and damping devices to minimize vibration).

**Protection against theft:** Effective protection against theft demands a series of precautions. Hopping with metal or even plastic straps prevents entry, strengthens packages and improves closure. The contents of the packages should not be indicated on the outer most packages. Goods should be shipped by the most direct route possible.

**Marking:** Marking, like packaging, is the responsibility of the exporter and is carried out at the exporting firm's expense. It is important to note that carriers and insurers are relieved of liability if marking is defective. The cost of marking is to be included in the price quoted. The exporter should make use of ISO recommendations on marking.

**Packaging list:** On completion of packaging and marking, packaging list is prepared with the following particulars for each package: marks, numbers, gross weight in kg, net weight in kg, dimensions in cm (length, breadth height,...), volume and details of contents. This list also gives the total number of packages and their total gross weight and volume and is an essential document since it is deeded in particular for customs purposes when goods are exported or imported. It will be used by carriers, cargo handlers, warehouses and customers.

**Pallets:** Pallets are used to assemble packages in a single unit load, thus speeding up handling and simplifying counting. Plastic stretch or shrink-wraps can be used to keep goods loaded on a pallet together. Made of wood and easily manufactured, pallets are inexpensive and supplied at no cost with the goods.

**Containers:** A freight container should be strong and suitable enough for repeated use. It should be specially designed to facilitate the carriage of goods by one or more modes of transport without intermediate reloading. It should be fitted with devices permitting ready handling, particularly its transfer from one mode of transport to another. It should be designed so as to be easy to fill and empty. Generally, a freight container has an internal volume of 1 cubic meter (35.3 cubic feet) or more.

## RESOURCES

**Fundamentals of Packaging Technology 2<sup>nd</sup> ed:** W. Soroka, (1999), \$195, Institute of Packaging Professionals, IoPP Packaging Bookstore, 481 Carlisle Drive, Herndon, VA20170-4961, USA, Tel: + 1 703 318 5512, Fax: +1 703 814 4961, E-mail: bookstore@pkgmatters.com, Website <http://www.packinfo-world.org/iopp/>. A concise and comprehensive book covering a range of packaging technology.

## 100. Does the target market influence the packaging of the product?

Packaging is an important marketing tool as it remains with the product at point of purchase until the product is used. It also gives the product a good visual image, and, through display techniques, distinguishes it from competing products.

A target market can influence packaging in several ways. The following are important factors the exporter should keep in mind when deciding what type of packaging to use for the exported good:

- Importers' requirements for transportation packaging.
- Buying behaviour of customers.
- Packaging of competing products.

Packaging requirements are also influenced by international guidelines such as Codex Alimentarius and ISO standards, and by national health, safety, environmental, and consumer protection measures and regulations affecting the product and packaging concerned.

Particular care must be taken for the packaging of products for export to developed countries. Some countries have strict regulations on packaging and labeling, particularly for nutritional, perishable or dangerous goods. In Europe, consumers are environmentally conscious; hence exporters exporting to these markets should use eco-friendly packaging.

The exporter must contact the importer/buyer in order to obtain information and guidance on required transportation packaging. To make the right decision on appropriate consumer packaging, the exporter must obtain information on particular markets and preferences of consumers there. The exporter can obtain information from the target countries' respective embassies and consulates on packaging and labeling regulations.

## RESOURCES

**Packaging Development Process:** K. De Maria (2000), \$59.95, Technomic Pub. Co, Technomic Publishing Company Inc., 851 New Holland Avenue, Box 3535, Lancaster, Pennsylvania 17604, USA, Tel: +1 717 291 5609, Fax: +1 717 295 4538, E-mail: [marketing@techpub.com](mailto:marketing@techpub.com), Website: <http://www.techpub.com>. Presents the techniques necessary for creating, testing and launching packaging in a convenient reference book.

## 101. What are the distribution chain requirements for the product?

The type of packaging used plays a crucial role in protecting the product against avoidable loss and damage during transportation. The path the product will follow during transportation, known as the distribution chain, can help the exporter determine the most appropriate form of packaging to employ. In general, the longer the distribution chain, the higher the risks for product loss and damage. In order to select the best form of packaging, the exporter should carefully analyse the various elements of the distribution chain. The exporter should be aware of:

- The transportation hazards that may arise along the distribution chain, including: breakage, crushing, contamination, climatic hazards (damp, heat, freezing) and theft.
- The quality of chosen shipment methods and their implications for packaging requirements.
- Handling and storage facilities available at each storage location in the proposed distribution chain.
- International distribution and coding or marking regulations that would apply for exported products.

## RESOURCES

**Distribution Packaging for Logistical Systems:** (1997), \$115, Pira International Publications, Randalls Leatherhead Surrey, KT22 7RU, UK, Tel: +44(0)1372 802088, Fax: +44(0) 1372 802079, E-mail: [publications@pira.co.uk](mailto:publications@pira.co.uk), Website: <http://www.pira.co.uk>. A comprehensive packaging review that addresses the fact that any integrated logistics approach to packaging can yield significant logistical value.

## 102. What kind of labeling does the product need?

Labeling is used on export shipping containers to meet shipping regulations, ensure proper handling and help receivers identify shipments. Labeling should not be used for advertising purposes. As the rules and regulations vary widely between countries as well as between importers and distributors, appropriate labeling necessitates consultation with parties involved in shipment. All information should appear clearly on the package with waterproof ink, and in the language of the port of destination. There are many internationally recognized symbols that can be utilized. Freight forwarders can provide guidance on the appropriate symbols for the shipments. Marking the packaged consignment is essential for proper identification. The marks and other information needed are as follows:

- Shipper's mark.
- Importer's mark as mentioned in letter of credit.
- Destination and port of entry.
- Order number.
- Country of origin.
- Port of shipment and places of dispatch.
- Gross and net weight, cubic measurement.
- Number of packages, and size of cases.
- Handling instructions conveying special precautions including symbols thereof.

### RESOURCES

**Marking, Coding and labelling, M Chamberlain (1996):** £70/US\$65, Pira International Publication, Randalls Road Leatherhead Surrey, KT22 7RU, UK Tel: +44 (0) 1372 802080, Fax: +44 (0) 1372 802079, E-Mail: [publications@pira.co.uk](mailto:publications@pira.co.uk), Website: <http://www.pira.co.uk>. This review examines the changes that have occurred in packaging: new methods of printing including ink-jet, electrostatic, laser burning and laser colour-transformation, etc.

### 103. What are the factors that should be kept in mind for the most effective packaging?

Environmental concerns and changing consumer behavior dictate packaging trends. Both importers and consumers are increasingly insisting on eco-friendly packaging. Consumers prefer packages that do not require cumbersome disposal procedures, are easy to carry and store, etc. To obtain information on these trends the exporter can seek information in technical journals and exhibitions. Suppliers of packaging equipment and materials can also provide useful information. The marketing and technical requirements for good packaging cover the following aspects:

**Physical protection:** Ability to withstand mechanical stresses such as shock, puncture, drop, or crush and vibration.

**Quality protection:** Protecting the product's shelf-life (colour, flavour, safety, etc) by safeguarding the product from physical and chemical stresses arising from heat, cold, humidity, dampness, dryness, light, oxidation, bacterial contamination, etc.

**Product promotion etc.:** Quality image; display value, visibility; brand name promotion; quality of decoration, printing, varnishing.

**Product information:** Facilitate product recognition by providing readable product information on such matters as weight, contents, shelf-life, name of manufacturer, seller, importer, country of origin, instructions for use and safety warnings if necessary.

**Efficiency use:** Easy to handle, to empty, to open, to dispense; pack stability, firmness; environmental acceptability, disposability; child-proof.

**Physical attributes:** Temperature resistance; stress and crack stability; performance attributes.

**Machinability:** Machine-stop sensitivity; shape stability before, during, and after use; ease of capping, labeling, and printing; filling speed; surface smoothness; abrasion properties; glue compatibility.

**Storage:** Fitness for pelletization; stacking weight and strength; fitness for internal transport.

**Transport:** Weight and volume ratio, maximum weight; dimensions.

**Trade aspects:** Weight, stacking performance, stability; identification of product, brand, marking and code; Shelf-space efficiency, display visibility; disposability, etc.

**Recyclability:** Weight minimization and reduction; metals; glass; no PVC, plastics; biodegradable natural materials (carton, paper, wood, etc.); returnability (glass, pallets).

## RESOURCES

**Integrated Packaging Systems for Transportation and Distribution:** C. Ebeling, (1991), \$145, Marcel Dekker Pub., Marcel Dekker Inc. 270 Madison Avenue New York, NY 10016-0602, USA, Tel: +1 212, USA, Tel: +1 212 696 9000, Fax: +1 212 685 4540, E-Mail: bulksale@dekker.com. Illustrates how packaging in addition to protecting and preserving contents, can affect total system cost efficiency in the logistical system if designed to adapt well to unitized shipping methods and equipment.

## 104. What proportion of the product's total costs should be represented by packaging?

Not only does good packing affect the cost of transport and handling, and the scale and cost of insurance, it also creates a favorable product image, differentiates the product among competitors, and aids retailers in making their shelf and window dressing more attractive. Simply put, the cost of packaging, which depends on its sophistication, must be low enough to permit the competitive pricing of the goods.

Packaging costs can vary enormously in relation to the total cost. The proportion is primarily influenced by the nature of the product, the method of shipment used, the distribution chain, product value, and consumer preferences in the market concerned. For heavy engineering products, the share of packaging costs should be as low as 1% or lower. For cosmetic and personal care products, this proportion can be in the region of 25% or more. The cost of packaging in the processed food sector could amount to 12-15% average.

### RESOURCES

**Packaging Development Process:** K. De Maria, (2000), \$59.95, Technomic Pub. Co, Technomic Publishing Company Inc., 851 New Holland Avenue, Box 3535, Lancaster, Pennsylvania 17604, USA, Tel: +1 717 291 5609, Fax: +1 717 295 4538, E-mail: [marketing@techpub.com](mailto:marketing@techpub.com), Website: <http://www.techpub.com>. Presents the techniques necessary for creating, testing and launching packaging in a convenient reference book.

**Section 13:  
World Trade  
Organization (WTO)**



## 105. What is WTO?

### Objectives

The World Trade Organization (WTO) is an international body dealing with international trade rules. It aims at facilitating trade among countries by creating conditions of competition that are fair and equitable. Towards this end, it encourages countries to enter into negotiations for the reduction of tariffs and for removal of other barriers to trade, and requires them to apply a common set of rules to trade in goods and service.

These rules are contained in the following legal instruments:

- General Agreement on Tariffs and Trade (GATT): In which GATT rules are applied in goods trading.
- Other Agreements on goods.
- General Agreement on Trade in Services (GATS): In which GATS rules are applied in services trading.
- Agreement on trade related Aspects of Intellectual Property (TRIPS).

Member countries are under an obligation to ensure that their national legislations, regulations and procedures are in full conformity with the provisions of these agreements. The resulting harmonization by all countries of rules and regulations applicable to trade in goods and services facilitates trade. The harmonized rules also go to ensure that national regulations do not create unnecessary barriers to trade and that country's exports are not disrupted by a sudden imposition of higher tariffs or other barriers to trade.

### Functions

The organization performs three important functions:

**Surveillance:** It exercises continuous surveillance on trade measures taken by countries, with a view to ensuring that the measures taken are in full conformity with the rules prescribed by the Agreements.

**Forum for negotiations:** It provides a forum for negotiations on removal of barriers applicable to trade in both goods and services and for the development of rules in new subject areas.

**Dispute settlement:** It provides a forum for the settlement of differences and disputes among countries in the area of trade. Any member country, which considers that another member country has failed to abide by the rules or has taken measures which are not consistent with its obligations under the WTO Agreements, could, if efforts to reach solutions through bilateral consultations prove unsuccessful, bring the matter for settlement to the Dispute Settlement Body.

Remember, however, that it is not open to a business enterprise to bring a dispute directly to the WTO. The right to invoke dispute settlement procedures rests solely with the governments which are parties to the WTO Agreements. A business enterprise facing restrictive measures imposed by another country must therefore take the matter up with its own government. On receipt of such a complaint the government could, if it is satisfied that there was a breach of obligation under WTO law, invoke the dispute settlement procedures.

### Membership

The WTO has 159 member countries as on 2nd of March 2013.

## RESOURCES

**World Trade Organisation**, web site, available from URL: <http://www.wto.org>. Explains what the organisation is, including through an interactive online training package; contains WTO news and archives, dispute settlement reports, as well as WTO documentation in a searchable database and answers to Frequently-Asked Questions (FAQs) on WTO issues.

**World Trade Organization: trading into the Future**, (English, French, Spanish) free, World Trade Organization, Publications Services, Centre William Rappard, Rue de Lausanne 154, CH-1211 Geneva, Switzerland, Tel: +41 22 739 5208/5308, Fax: +41 22 739 5792, E-mail: [publications@wto.org](mailto:publications@wto.org). An introduction to the WTO, what it is, why it was created, how it works, and what it does, written specifically for non-specialists. Available on diskette.

**WTO in Brief**, free, World Trade Organization, Publications Services, Centre William Rappard, Rue de Lausanne 154, CH-1211 Geneva, Switzerland, Tel: +41 22 739 5208/5308, Fax: +41 22 739 5792, E-mail: [publications@wto.org](mailto:publications@wto.org). A starting point for essential information about the WTO.

## 106. What is the importance of the Uruguay Round?

The Uruguay Round and GATT

In the past, negotiations for liberalization of trade took place in periodic rounds held under the auspices of the GATT, the predecessor to the WTO

The UR was one of the longest and most complex economic negotiations ever undertaken.

It was called the "Uruguay Round" as the decision to launch the negotiations was taken at the Ministerial meeting which took place in Punta del Este, Uruguay. The Round commenced in 1986 and ended in 1992.

The system under GATT General Agreement on Tariffs and Trade was the predecessor of WTO.

The Uruguay Round, one of the longest and most complex economic negotiations ever undertaken, was completed successfully in December 1993. Its results are embodied in nearly 30 legal agreements and a large number of supplementary decisions by over 100 countries. It also includes highly detailed separate undertakings in which each country specifies that it will not exceed the levels of trade restriction, for thousands of different products and services. The result of these joint agreements and decisions overhauled the basic rules and institutions of world trade and gave birth to a new institution, the World Trade Organization.

Business enterprises, governments and individual citizens are directly affected by what has been agreed in the UR texts and the world economic growth, economic and social development in every country is influenced by the reshaping of the multilateral trading system.

The results of the negotiations may be encompassed under the following themes

- The WTO, its establishment, settlement of disputes, multilateral reviews and transparency.
- The results of the UR on goods, its agreements, liberalization of tariffs and non-tariff measures affecting trade in industrial products, reduction in import barriers and other interventions affecting trade in agricultural products, trade and income effects of liberalizing trade in goods.
- The results of the UR for services, the General Agreement on Trade in Services (GATS), and related commitments.

### RESOURCES

**Political Economy of the World Trading System- WTO and Beyond:** B. Hoekman, (2000), £40, Oxford University Press, CWO Department Oxford University Press Saxon Way West Corby, Northants NN18 9ES, UK, Tel: +44 1536 454534, Fax: +44 1536 746337, Email: [bookshop@oup.co.uk](mailto:bookshop@oup.co.uk), Website: <http://www.oup.co.uk/contacts/>. Provides a non-technical introduction to the economics, institutional mechanisms, and politics of the world trading system.

## 107. What are the main features of the basic GATT rules and those applicable at the border?

### Basic rules

The four basic rules on which the legal framework of GATT is based are described below:

**Protection through tariff:** The rule permits countries to protect domestic production from foreign competition, provided that such protection is extended only through tariffs and is kept at low levels. To this end, it prohibits countries from using quantitative restrictions, except in specified cases.

**Reduction of tariffs:** This rule provides for the reduction and elimination of tariffs and other barriers to trade through multilateral negotiations. The tariffs so reduced are listed on a tariff-line basis in each country's schedule of concessions. The rates given in these schedules are known as bound rates. Countries are under an obligation not to increase tariffs above the bound rates shown in their schedules.

**MFN treatment:** This rule requires countries to conduct their trade without discriminating among countries from which goods are imported or to which goods are exported. This rule is embodied in the most-favoured-nation (MFN) principle. An important exception to this rule is permitted in the case of regional preferential arrangements. The other exception is Generalised System of Preferences (GSP). Under this system, developed countries allow imports from developing countries on a preferential and in most cases on a duty-free basis.

**National treatment:** This rule requires countries to refrain from imposing internal taxes such as excise duty or value-added taxes on imported products after they have entered the country and paid customs duties at rates which are higher than those levied on similar domestic products.

### Rules applicable at the border

The above four basic rules are complemented by rules covering the application of regulations and procedures at the border to imported and exported goods. They include rules relating to:

- Procedures for import licensing.
- The determination of the value of imported goods for levy of custom duties collected on ad valorem basis.
- The application of mandatory standards (technical regulations) to imported goods, in order to ensure that they meet the prescribed safety, health and quality standards.
- The application of sanitary and phytosanitary measures to imported agriculture products, in order to ensure that pests and diseases which do not exist in the country are not brought in by such imported products.
- The rules applicable in these areas are contained in GATT 1994 and the twelve other Agreements covering goods.

## RESOURCES

**World Trade Organization (WTO) and Developing Countries:** B. Surendra, (1998), \$69, South Asia Books, PO.BOX 502, Columbia, MO, 65205, USA, Tel: +1 573 474 0116, Fax: +1 573 474 24. Displays issues facing developing countries and benefits that these countries can expect from the WTO.

## 108. What are the GATT rules relating to contingency protection?

The GATT rules permit countries to take contingency protection measures in two situations:

**Firstly:** the recognised rules that certain industries accustomed to high levels of protection may find it difficult to withstand import competition when barriers are removed as a result of trade negotiations. In such situations, they permit countries to extend temporary protection to the affected industries to provide them breathing time in which to take steps to better their competitive position by improving their technology or rationalizing production. Such temporary protection measures taken by governments are called “safeguard actions”.

**Secondly:** the rules permit governments to come to the rescue of the industries when foreign suppliers engage in unfair competition. Such unfair competition could result when foreign suppliers are able to charge lower prices because of the subsidies they are receiving from their government or because they are dumping goods.

Under the rules, however, the goods are treated as being dumped only if the price charged by foreign suppliers for the product in the export market is lower than the price they charge for sale in their domestic market. It is open to a country to levy anti-dumping duties on goods that are being so dumped to offset the element of dumping. Likewise, countervailing duties could be levied on goods that are receiving subsidies. Such duties should not, however, exceed the margin of dumping or the amount of subsidy by which the product has benefited.

The rules lay down two conditions which have to be satisfied before a country can take safeguard actions or levy anti-dumping or countervailing duties. **Firstly**, before taking such measures, it is essential for the importing country to establish, through investigations carried out at national level, that increased imports are causing injury to the domestic industry. **Secondly**, governments can ordinarily initiate such investigations, only if a petition is submitted by or on behalf of the domestic industry requesting such contingency protection measures.

## RESOURCES

**Trade, Income Disparity and Poverty, WTO Special Study, (2000):** CHF. 30, World Trade Organization, Publications Services, Centre William Rappard, Rue de Lausanne 154, CH-1211 Geneva, Switzerland, Tel: +41 22 739 5208/5308, Fax: +41 22 739 5792, E-mail: publications@wto.org. Aims to clarify the interface between trade, global income disparity, and poverty by looking at the linkages between trade, economic growth, and income disparity among nations and by discussing the various channels by which trade may affect the income opportunities of poor people.

## 109. What are the main objectives of the GATT Agreements on Agriculture and on Textiles and Clothing?

In the past, GATT rules, particularly those prohibiting the use of quantitative restrictions were not followed in two sectors of trade: agriculture and textiles.

The reform programme adopted under the Agreement on Agriculture which requires countries which applied quantitative restrictions and other restrictive measures to imports to eliminate them. However, the countries which applied such restrictions were permitted to add to existing import tariffs the incidence of quantitative restrictions on the prices of imported products.

This process has come to be known as "tariffication". As a result, imports of agricultural products in most countries are subject only to tariffs. Under the reform programme, the countries which granted subsidies have undertaken to reduce by agreed percentages domestic subsidies which distort trade and export subsidies.

In the area of textiles, where quantitative restrictions are being applied by a number of developed countries to imports from selected developing countries of certain categories of textile products, the Agreement on Textiles and Clothing provides that these restrictions should be removed in stages over a period of 10 years ending on 1 January 2005.

### RESOURCES

**WTO Computer – Based Training:** WTO Secretariat, Rue de Lausanne, 154 CH-1211 Geneva 21, Switzerland  
Tel: (41 22) 739 52 08; Fax: (41 22) 739 57 92. Easy to use interactive guides to WTO Agreements in CD ROM.  
It covers the WTO agreement on Textile and clothing.

## 110. What is the purpose of the Agreement on Technical Barriers to Trade (TBT)?

Countries often require that imported products must conform to the mandatory standards they have adopted. Such mandatory standards and the administrative procedures used for their enforcement are known as technical regulations. Such regulations are adopted by countries for the protection of the health and safety of people using such products, to prevent deceptive practices and for the preservation of the environment. The products to which such regulations are applied vary widely. They include machinery and equipment used in manufacture such as boilers, medical and food processing equipment as well as consumer articles like cosmetics, household electric appliances and even toys.

Though such technical regulations are adopted by governments to attain of legitimate objectives mentioned above, they might in practice constitute barriers to international trade. Barriers resulting from technical regulations are known as Technical Barriers to Trade (TBT). International rules have been adopted to ensure that such technical regulations do not cause unnecessary barriers to trade. These rules are contained in the Agreement on Technical Barriers to Trade.

The basic aim of the Agreement is to ensure that technical regulations are not formulated and applied so as to create barriers to trade. Towards this end, the Agreement requires countries to base their technical regulations on international standards. The Agreement, however, recognises that the use of internationally developed standards or guidelines may sometimes be considered to be inappropriate or ineffective in achieving the national objectives.

Where, for example, for climatic and geographical reasons, or for fundamental technological factors, the use of international standards may be regarded inappropriate for developing a national technical regulation or where international standards do not exist, countries are free to develop their own national standards. Likewise, a country may adopt a conformity assessment system, to determine whether a product is in conformity with a technical standard. However, where the proposed technical regulation or conformity system is expected to have a significant effect on trade, the Agreement obliges countries, inter alia, to:

- Publish in draft form the proposed technical regulations, standards and conformity assessment systems.
- Give interested parties a reasonable opportunity to comment on these drafts.
- Take these comments into account in finalizing the drafts.

A big problem faced by enterprises in developing their export trade is the lack of information on the standards on health and sanitary regulations applicable to their products in target markets. To help these enterprises, the Agreement requires each member country to establish inquiry points from which information can be obtained on technical regulations and voluntary standards and conformity assessment procedures adopted or proposed to be accepted.

### RESOURCES

**Business Guide to the World Trading System (2<sup>nd</sup> ed):** International Trade Centre UNCTAD/ WTO and commonwealth Secretariate, ITC, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: (41 22) 739 52 08, Fax: (41 22) 739 57 92. One of the books major highlights is the review of development in the WTO system that have taken place in 1996 – 1999.

## 111. What are the main provisions of the Agreement on Sanitary and Phytosanitary Regulations (SPS)?

Imported agricultural products like meat and meat products, dairy products, fruits, vegetables and processed fruits, etc. have to meet the sanitary and phytosanitary regulations applicable in the importing country. Such regulations are adopted by countries to protect:

- Human or animal life from food-borne risks which arise from the use of additives, contaminants, toxins or disease-causing organisms (and thus ensure food safety).
- Human health from animal- or plant- carried diseases.
- Animals and plants from pests and diseases.

Where the objective of the regulations is to ensure that imported plant varieties do not bring into the country plant-borne diseases, they are called “phytosanitary regulation”. The term “sanitary regulations” is used to cover other types of regulations whose basic objective is to ensure food safety or to prevent animal-borne disease entering the country.

While these regulations are applied by countries ostensibly to attain the above-mentioned objectives, in practice they may be formulated and applied for protectionism purposes. The Agreement on Sanitary and Phytosanitary Measures lays down international rules for the formulation and adoption of such regulations.

In order to ensure that the sanitary and phytosanitary regulations do not cause unnecessary barriers to trade, the Agreement requires countries to base them on “scientific principles”. It further states that there shall be presumption that regulations are based on scientific principles if, in formulating its national regulations, a country bases them on international standards and guidelines developed by the following:

- F AO Codex Alimentarius Commission, on food.
- International Office of Epizootics, on animal health.
- International Plant Protection Commission, on plant health.

The Agreement provides that a country may, in adopting sanitary and phytosanitary measures, deviate from international standards or guidelines if it considers a “higher level of protection” is necessary. Such higher level of protection can only be adopted if there is scientific justification or where a country determines on the basis of its assessment of risks that a higher level of sanitary and phytosanitary protection would be appropriate.

In order to ensure that in all decisions are taken objectively, the Agreement lays down certain guidelines for assessing risks to human, animal or plant life or health. Further it urges countries to use the risk assessment techniques that are being developed by international organizations.

The Agreement further requires countries adopting sanitary and phytosanitary regulations that are not based on international standards, inter alia, to:

- Publish in draft form the technical regulations, standards and conformity assessment systems.
- Give reasonable opportunity to other interested parties to comment on them.
- Take into account these comments in finalizing the drafts.

The Agreement requires each member country to establishing inquiry points from which information can be obtained by business enterprises on:

- Sanitary and phytosanitary regulations adopted or proposed to be adopted.
- Procedures for control and inspection, production and quarantine treatment, pesticide tolerance treatment and food additive approval procedures.
- Risk assessment procedures developed for the determination of the appropriate level of sanitary and phytosanitary protection.

### RESOURCES

**WTO Agreements Series:** Sanitary and Phytosanitary Measures, WTO, CHF 30, WTO Publications, 154 Rue de Lausanne, CH 1211 Geneva, Switzerland, Tel: +41 22 739 5208, Fax: +41 22 739 5792. Offers a set of handy reference booklets reference booklets on selected agreements such as on sanitary and phytosanitary measures.

## 112. What are the main provisions of GATS?

### **MFN and National Treatment**

These two basic principles, which apply to trade in goods, now also apply to trade in services. They have been, however, modified to take into account the special characteristics of trade in services.

Thus the Agreement requires countries to apply MFN treatment by not discriminating between service products and service providers of different countries. However, it may be possible for a country to maintain for a transitional period of 10 years measures that are not consistent with the MFN principle.

The national treatment principle visualizes that countries should not treat Foreign Service products and service providers less favourably than their own service products and service providers. The Agreement, however, does not impose this as a binding obligation but requires countries to indicate in their schedules of concessions the sectors in which, and the conditions subject to which, such treatment would be extended.

### **Transparency requirements**

In order to ensure that Foreign Service providers are fully aware of the regulations which apply to trade in services, countries are required to publish all relevant laws and regulations. Each country is further required to establish “inquiry points” from which other member countries could obtain information on laws and regulations in the service sector.

The developed countries are in addition required to establish “contact points” from which the service providers in developing countries could obtain information, inter alia, on the availability of service technology, and commercial and technical aspects of the supply of services.

### **Increasing participation of developing countries**

The Agreement recognises that as service industries in developing countries are not fully developed, they may have to maintain higher levels of protection. It, therefore, provides that they should have flexibility, while making liberalisation commitments, to open fewer sectors to import competition and to impose conditions on foreign suppliers wishing to invest or establish a branch, that are necessary to secure transfer of technology or for the achievement of other developmental objectives.

### **Liberalisation commitments**

Specific commitments for liberalisation that have been assumed by countries in the Uruguay Round are contained in each country’s schedule of concessions. They indicate on a sector- by sector- basis and for each of the four modes described above, the conditions subject to which countries have agreed to improve the market access and to extend national treatment by eliminating or reducing discriminatory treatment of foreign suppliers as compared with domestic suppliers. Since the conclusion of the Uruguay Round, negotiations for further liberalisation of trade were held in the telecommunication and financial services sectors.

The Agreement further imposes on countries an obligation not to apply restrictions on international transfers and payments (except when they are in balance-of- payments difficulties) in sectors where they have given specific liberalisation commitments.

## **RESOURCES**

**Business Guide to Uruguay Round:** International Trade Centre UNCTAD/WTO and commonwealth secretariat, ITC, Palais des Nations, 1211 Geneva 10, Switzerland. Tel: (41 22) 739 52 08 Fax: (41 22) 739 57 92. This book, which is based on the work of Vinod Rege, explains the rules of the Uruguay Round Trade Agreements and their Implications.

## 113. What is the agreement on Intellectual Property Rights (TRIPS)?

### General

The inadequate protection of intellectual property rights or their ineffective enforcement could lead to increased trade in counterfeit and pirated goods. Manufacturers are also reluctant to market products produced with patented technology in countries which do not enforce patent rights-

The Agreement on TRIPs, lays down minimum standards of protection which countries must provide for, intellectual property rights. One of the other important features of the Agreement is that it also requires countries to ensure effective enforcement of these rights. Its rules apply to:

- Patents.
- Trademarks.
- Copyright and related rights.
- Geographical indication.
- Industrial designs.
- Layout designs of integrated circuits.
- Undisclosed information.

In structure the Agreement is built upon the main existing international conventions of the World Intellectual Property Organisation (WIPO).

### Basic obligation

The Agreement reaffirms the national treatment rule by requiring that “nationals” of other member states shall be accorded “no less favourable treatment than it accords to its own nationals” with regard to intellectual property .In addition, it requires nationals of all members to be accorded “most favoured nation treatment” (i.e. not to be discriminated against vis-a-vis other foreign nationals in securing protection of intellectual property rights).

### Anti-competitive practices in contractual licences

The Agreement provides for consultations between governments where there are reasons to believe that licensing practices or conditions constitute an abuse and have an adverse effect on competition in the relevant market.

### Enforcement

The Agreement lays down detailed obligations on governments to provide effective means of action by any right holder, foreign or domestic, to secure the enforcement of his or her rights. The procedures and remedies must be available both internally and at the border and include both preliminary and final measures as well as civil and criminal remedies.

Criminal penalties must be available for willful acts of counterfeiting and piracy on a commercial scale.

### **Transitional arrangements**

The provisions of the Agreement are being applied by all developed countries which are members of the WTO. The developing countries have a transitional period of five years (up to 1 January 2000) to bring their legislations and practices in conformity with the provisions of the Agreement. For least developed countries, this period is 11 years (up to 1 January 2006).

Developing countries which at present provide patent protection only to processes and not to products in certain areas of technology have up to 10 years to introduce product patent protection in these areas. However, in respect of pharmaceutical and agricultural chemical products, they must be ready to make available patents at the end of this period not only for new inventions but also for inventions made during the transition period.

### **RESOURCES**

**Sustainable Development Effects of the WTO TRIPs Agreement:** a Focus on Developing Countries, A Cosbey, (1996), International Institute for Sustainable Development (IISD) Working Paper, available online from Website: <http://iisd1.iisd.ca/trade/trips.htm#top> or from IISD, Trade Publications 161 Portage Ave East, 6th Floor, Winnipeg, Manitoba R3B 0Y4 Canada, Tel: +1 204 958 7700, Fax: +1 204 958 7710, E-Mail: [reception@iisdpost.iisd.ca](mailto:reception@iisdpost.iisd.ca). Brief introduction to the Agreement, with an analysis of its possible effect on agriculture, manufacturing and copyrighted goods in developing countries.

## 114. What minimum standards of protection does the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) lay down for different rights?

The minimum standards which the Agreement on TRIPS lays down for different intellectual property rights are described below:

**Patents:** Patents provide property rights to inventions. The Agreement stipulates that for an invention to be registered as a patent it must be new, involve an inventive step and be capable of industrial application. It further provides that countries shall grant patents for inventions in all fields of technology and for both products and processes, including those used in manufacturing the products.

Furthermore, patents are to be granted without discrimination as to place of invention and whether products are imported or locally produced.

The only products or processes which countries are permitted to exclude from patentability are diagnostic, therapeutic and surgical methods for the treatment of humans or animals; plants and animals other than micro-organisms; essentially biological processes for the production of plants and animals other than non-biological and microbiological processes.

However, where a country excludes plant varieties from patentability, it is obliged to provide protection under an effective SUI GENERIS system.

**Copyrights:** Copyrights protect works in the literary, scientific and artistic domain, whatever the mode or form of expression. For a work to enjoy copyright protection, however, it must be an original creation.

Owners of copyright in a protected work have a right to exclude others from using it without their authorisation. The acts usually requiring the authorisation of copyright owners are reproduction (copying and reproducing the work); performing the work in public (e.g. in a play or concert); making a sound recording of the work (e.g. in gramophone records or "phonogram" in the technical language of copyright law); making a motion picture (often called "cinematographic work" in technical language); broadcasting the work by radio or television; translating and adapting the work.

The Agreement further provides that computer programmes should be considered literary works and protected under national copyright laws.

**Industrial designs:** The Agreement imposes an obligation on its member countries to protect industrial designs that are new or original. The designs thus need to be either novel or original to qualify for protection. The owner of the protected design has an exclusive right to its use and can prevent third parties who have not obtained his or her consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design.

**Layout designs of integrated circuits:** Except when it provides otherwise, the Agreement requires countries to protect the layout design of integrated circuits in accordance with the Washington Treaty on Intellectual Property in Respect of Integrated Circuits (which was negotiated in 1989).

**Trademarks:** The Agreement provides that signs or combinations of signs capable of distinguishing the goods or services of one undertaking from those of other undertakings can be registered as trademarks. These include names, letters, numbers, figurative elements or combinations of colours.

The owners of registered trademarks have exclusive rights to prevent third parties from using on "identical or similar goods" signs that are "similar to those in respect of which the trademark is registered" where such use would cause confusion. A country may provide that a mark which has been in use for a period is also eligible for registration.

**Geographical indications:** Such indications aim at informing the consumer that a good has the “quality, reputation or other characteristic” which is “essentially attributable to its geographical origin”. The Agreement provides that countries should not permit registration of trademarks containing a misleading indication of the geographical origin of goods. The most common example of this is “champagne”, a term associated with wine produced in a certain region of France. In principle, therefore, it is not permissible to call wine produced elsewhere (in Argentina or the United States, for example) “Champagne”, even though the wine may be regarded in the producing country as comparable to French Champagne.

**Undisclosed information:** The Agreement carries provisions which, for the first time in public international law, explicitly require the protection of undisclosed information that is secret, which has commercial value because it is secret, and that has been subject to reasonable steps to keep it secret. The Agreement does not demand that undisclosed information should be treated as a form of property, but it does stipulate that a person lawfully in control of such information must have the possibility of preventing it from being disclosed to, acquired or used by, others without his or her consent in a manner contrary to honest commercial practices.

## RESOURCES

**Intellectual Property Rights in the Global Economy:** K. Maskus, (2000), \$18.95, Institution for International Economics, 11 Dupont Circle, NW, Washington DC 20036, USA, Tel: +1 202 328 9000, Fax: +1 202 328 5432  
Website: <http://www.iie.com/publications/toc.cfm>. The conclusion of the agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) elevates the protection and enforcement of IPRs to the level of inviolable international commitment.

## 115. What minimum periods of protection does the Agreement on TRIPS provide for different intellectual property rights?

**Minimum periods of duration:** The intellectual property rights described above (other than geographical indications and undisclosed information) are limited in duration. The Agreement establishes minimum periods for which different property rights must be protected. These are indicated below:

<b>Patents</b>	20 years from the date of filing the application for a patent.
<b>Copyright</b>	Work other than cinematographic or photographic: 50 years from the date of authorized publication or life of the author plus 50 years.
<b>Cinematographic work</b>	50 years after the work has been made available to the public or, if not made available, after the making of such work.
<b>Photographic work</b>	25 years after the making of the work.
<b>Broadcasting</b>	20 years from the end of the calendar year in which the broadcast took place.
<b>Industrial designs</b>	At least 10 years.
<b>Layout designs of integrated Circuits</b>	10 years from the date of registration; where registration is not required, of integrated 10 years from the date of first exploitation.

### RESOURCES

**Intellectual Property in Emerging Markets:** C Long, (2000), \$29.95, AEI press, E-mail: vbryant@aei.org  
 Website: <http://www.aei.org/press.htm>. Examines intellectual property laws in developing countries and how those laws can either attract or hurt U.S. companies holding rights such as patents, copyrights, and trademarks.

## 116. What benefits can SMEs derive from the WTO system?

With the increasing globalization of the world economy small- and medium-sized enterprises (SMEs) are becoming increasingly dependent on international trade both as exporters and as importers. The WTO legal system provides them benefits both as exporters and as importers.

As exporters the major advantage which the system provides is security of access. In trade in goods, almost all tariffs of developed countries and a high proportion of those of the developing and transitional economies have been bound against further increases by the Uruguay Round. Binding ensures that the improved market access resulting from the tariff reductions agreed in the Round will not be disrupted by sudden increases in rates of duties or the imposition of other restrictions by importing countries. In trade in services, countries have made binding commitments not to restrict access to service products and Foreign Service suppliers beyond the conditions and limitations specified in their national schedules.

The system also provides stability of access to export markets by requiring all countries to apply at the border the uniform set of rules elaborated by the various agreements. Thus countries are obliged to ensure that their rules for determining dutiable value for customs purposes, for inspecting products to ascertain conformity to mandatory standards, or for the issue of import licenses, conform to the provisions of the relevant agreements. The adoption of such uniform rules helps exporting enterprises by eliminating dissimilarities in the requirements of different markets.

As importers of raw materials, intermediate products and services used in production, SMEs benefit from the rules of the system. Its basic rules requiring imports to be allowed in without further restrictions upon payment of duties, and the obligation to ensure that the other national regulations applied at the border conform to the uniform rules laid down by the Agreements facilitate importing. They give exporting industries some assurance that they can obtain their requirements without delay and at competitive costs. Furthermore, the tariff bindings assures the importers that their importing costs will not be inflated by the imposition of higher customs duties.

In addition to these benefits, the legal system has created certain rights in favour of SMEs.

For instance the WTO system provides rights to enterprises to request their governments to take actions to restrict imports, when they find that they are not able to withstand the increased import competition resulting from the liberalisation measures which their government has taken. Likewise, they could request for levy of anti-dumping duties on imports that are being dumped and for the imposition of countervailing duties on products entering the country at extremely low prices because of the subsidies they are receiving. The invocation of these rights is subject to certain conditions. The request for such actions can be made if it is supported by enterprises who account for a substantial proportion of the domestic production and it is possible for them to demonstrate that the increased imports are injuring the industry by bringing about a decline in production, in profits or in employment.

Enterprises and their governments also have the right to give evidence and defend their interests in investigations undertaken by countries to which they export for the imposition of safeguard, anti-dumping or countervailing measures.

When the authorities in importing countries fail to honour their rights, the exporting enterprises cannot, however, approach them directly for redress. They must take the matter up with their own governments and leave it to the latter to pursue it on a bilateral basis with the government of the importing country and, if necessary, to raise it under WTO procedures for the settlement of differences and disputes.

## RESOURCES

**10 Benefits of the WTO Trading System:** free, World Trade Organization, Publications Services, Centre William, Rue de Lausanne 154, CH-1211 Geneva, Switzerland, Tel: +41 22 739 5208/5308, Fax: +41 22 739 5792, E-Mail: [publications@wto.org](mailto:publications@wto.org). Offers a range of benefits, some well known, others not so obvious.

117. Where does a Qatari exporter file a complaint of discrimination or excessive tariff or non-tariff barriers faced in exporting to any Arab country?

A Qatari Exporter can file a complaint of discrimination or excessive tariff or non-tariff barriers to:

**Ministry of Business and Trade**

Tel: 44945001

Fax: 44945555

Email: [mbt@mbt.gov.qa](mailto:mbt@mbt.gov.qa)

Website: [www.mbt.gov.qa](http://www.mbt.gov.qa)

## RESOURCES

**Barriers to Trade with the Economies in Transition:** OECD, 2rue Andre Pascal, 75775 Paris Cedex 16, France  
Tel: +33 (0) 1 45 24 82 00, E-mail: [sales@oecd.org](mailto:sales@oecd.org), Website: <http://www.oecd.org>. Reviews how OECD countries have increased market access for CEEC and NIS products by reducing tariff barriers and dismantling many non-tariff barriers.



# **Section 14: Importing**



## 118. How can an exporter best manage purchase and supply of inputs needed for export production?

On average, purchased goods and services account for about 50-60% of a company's turnover. Improving the cost effectiveness of purchasing and supply management can lead to substantially improved competitiveness through reduced costs, better quality, faster response to market changes and technological improvements. To achieve this, the exporter should:

- Make careful assessment of the requirements to be met through purchased inputs in terms of quality, quantity, delivery, and other relevant factors.
- Monitor international supply markets in order to take advantage of the best supply opportunities.
- Obtain the necessary information so as to be able to appraise potential suppliers.
- Analyse the cost and risk factors that determine the relative levels of importance of each input to be purchased in order to know where to focus priorities.
- Determine what are the most effective supply strategies for each category of inputs?
- Adopt the most effective method for appraising supply options and carrying out the purchase process.
- Determine what type of business relationship with the supplier is needed in order to meet supply objectives.
- Establish an efficient system for monitoring and administering purchase contracts in order to minimize and resolve problems in execution.
- Ensure that the purchased goods are stored efficiently and securely, properly accounted for and easily and economically available as and when required.
- Establish a system for measuring supplier's performance as well as exporter's own ability to effectively

## RESOURCES

**Guide to Import Management:** H. Raina, (1990), PRODEC publication, Toolonkatu 11A, 00100 Helsinki, Finland, Tel: +358 (0) 43131, Telex: 124500 prod sf, Fax: +358 (0) 409880. Presents an overview of the problem areas in import operations and techniques and suggests approaches so as to help users solve these problems in their own environments.

**Handbook for Trainers in International Purchasing and Supply Management:** (English, French, Spanish), (1995), \$20, ITC Publication, International Trade Centre/ UNCTAD/WTO, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 (022) 730 0111, Fax: +41 (022) 730 0905, E-mail: itcreg@itracen.org, Website: <http://www.intracen.org>. Defines the concept of international purchasing and supplies management, focusing on practical aspects related to the planning, implementation and evaluation of training events.

## 119. What are the procedures for importing goods for a limited period or for temporary use in the State of Qatar?

Importing is done through temporary input system according to article 88 – 93 in Customs Law and the implementing regulation as per the following procedures:

- Goods mentioned in articles 89 and 90 in the customs law are allowed to enter Qatar according to the temporary input system for 6 months (extendable) with the suspension of customs fees:
  1. Heavy equipment and machinery for projects accomplishment or conduct scientific experiments for these projects provided that no similar goods on the market.
  2. Foreign goods mentioned for the purpose of completion of industry.
  3. Goods imported temporarily for playgrounds, theatres, and exhibitions and the like.
  4. Machines and equipment coming to the country for the purpose of fixing them.
  5. Containers and covers mentioned to be filled in.
  6. Animals incoming for grazing.
  7. Commercial specimens for show.
  8. Any other cases.
- Customs fees and other taxes and commissions are guaranteed by a bank or cash guarantee as appropriate and as per decided by The General Director.
- 
- The temporary entry status ends by re-exporting the entered goods to other countries or be deposited in the free zones or customs warehouses or to be used for local consumption, after payment of the outstanding custom fees as per the conditions and procedures decided by the General Manager.

## RESOURCES

## 120. What services are provided by the General Directorate of Customs in the State of Qatar?

The General Directorate of Customs provides services that facilitate the process of entry or exit of goods from/to Qatar. These services include:

- Provide the “custom statement service” to facilitate goods’ classification, identification of custom fees and expenses supposed to be collected.
- Provide the “service of fees pending and re-collection” as per the terms and conditions followed in the country.
- Provide the Qatari citizen with “introduction of export/import procedures, definition of fees, and classification of goods”.

### RESOURCES

## 121. What are the export/import documents in the State of Qatar?

- Manifest statement.
- A detailed original invoice authenticated by the concerned formal entities, and diplomatic or consular representation for the State of Qatar in the country of export. In case both of them are not found, the authentication can take place in the Ministry of External Affairs in Qatar.
- Authenticated place of origin certificate.
- A detailed packaging list.
- A lading bill issued by the carrier.
- Permission of delivery issued by the Carrier or his/her agent.

## RESOURCES

## 122. What are the procedures for re-exporting from Qatar ports?

The exporter needs to provide an approved custom statement for re-exporting along with the following documents:

- Manifest of the carrier.
- Shipping order issued by the carrier or his agent.
- Invoices of goods and list of their packaging.

Note: the import statement number should be mentioned in the export statement in case of re-exported goods which entered the country and the custom fees were not collected for as per the following:

- Imported goods which are not withdrawn from custom warehouses.
- Imported goods for the purpose of re-exporting them.
- Goods entered to the country under the "temporary insert" status.
- Goods kept in warehouses.

The examination procedures should be kept as per the law, and then goods shall be exporter.

The procedures for giving back the provided collaterals for re-exported goods when goods have left the country should be taken. A statement should be provided for this.

## RESOURCES



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