CONTENTS

About the Author xiii
Preface xv
   Strengths and Features of this Book xv
   Changes in the Second Edition xv
Acknowledgments xvii

Introduction: A Brief History of International Trade 1
   Ancient Period 1
   Colonial Period (1500-1900) 2
   1900 to the Present 3

SECTION I: OVERVIEW OF INTERNATIONAL TRADE

Chapter 1. Growth and Direction of International Trade 7
   Importance of International Trade to the Global Economy 7
   Determinants of Trade 9
   Volume and Direction of Trade 9
   Important Developments in Trade 10
   Chapter Summary 14
   Review Questions 15
   Case 1.1. The Limitations of Export-Led Growth 15

Chapter 2. International and Regional Agreements Affecting Trade 19
   The GATT and WTO 19
   Regional Integration Agreements (RIAs) 22
   The North American Free Trade Agreement (NAFTA) 25
   The European Union 32
   Chapter Summary 36
   Review Questions 37
   Case 2.1. The Benefits and Costs of Free Trade 37
**SECTION II: EXPORT MARKETING AND STRATEGY**

<table>
<thead>
<tr>
<th>Chapter 3. Setting Up the Business</th>
<th>41</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership Structure</td>
<td>41</td>
</tr>
<tr>
<td>Business or Trade Name</td>
<td>48</td>
</tr>
<tr>
<td>Bank Accounts, Permits, and Licenses</td>
<td>49</td>
</tr>
<tr>
<td>Location and Use of Professional Services</td>
<td>49</td>
</tr>
<tr>
<td>Organizing for Export: Industry Approach</td>
<td>50</td>
</tr>
<tr>
<td>General Principles of Taxation</td>
<td>52</td>
</tr>
<tr>
<td>Taxation of Export-Import Transactions</td>
<td>54</td>
</tr>
<tr>
<td>International Transfer Pricing</td>
<td>61</td>
</tr>
<tr>
<td>Chapter Summary</td>
<td>65</td>
</tr>
<tr>
<td>Review Questions</td>
<td>66</td>
</tr>
<tr>
<td>Case 3.1. Globalization and the Shrinking Tax Base</td>
<td>66</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 4. Planning and Preparations for Export</th>
<th>69</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessing and Selecting the Product</td>
<td>69</td>
</tr>
<tr>
<td>International Market Research</td>
<td>72</td>
</tr>
<tr>
<td>International Market Assessment</td>
<td>75</td>
</tr>
<tr>
<td>Developing an International Business Plan</td>
<td>77</td>
</tr>
<tr>
<td>Export Counseling and Assistance</td>
<td>78</td>
</tr>
<tr>
<td>Overseas Travel and Promotion</td>
<td>83</td>
</tr>
<tr>
<td>Chapter Summary</td>
<td>91</td>
</tr>
<tr>
<td>Review Questions</td>
<td>92</td>
</tr>
<tr>
<td>Case 4.1. Developing Export Markets</td>
<td>92</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 5. Export Channels of Distribution</th>
<th>95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect Channels</td>
<td>99</td>
</tr>
<tr>
<td>Direct Channels</td>
<td>105</td>
</tr>
<tr>
<td>Locating, Contacting, and Evaluating Agents and Distributors</td>
<td>108</td>
</tr>
<tr>
<td>Contracts with Foreign Agents and Distributors</td>
<td>110</td>
</tr>
<tr>
<td>(Representatives)</td>
<td></td>
</tr>
<tr>
<td>Major Clauses in Representation Agreements</td>
<td>110</td>
</tr>
<tr>
<td>Maintaining and Motivating Overseas Representatives</td>
<td>115</td>
</tr>
<tr>
<td>Chapter Summary</td>
<td>115</td>
</tr>
</tbody>
</table>
Review Questions 116
Case 5.1. Export Channel Decisions of Two U.S. Companies 117
Case 5.2. The Internet and Exporting: A Focus on Developing Countries 118

Chapter 6. International Logistics, Risk, and Insurance 121
International Logistics 121
External Influences on Logistics Decisions 123
Typical Logistics Problems and Solutions 125
The International Logistics Process 126
Logistics Functions 129
Risks in Foreign Trade 131
Marine and Aviation Insurance 135
Claims and Procedures 140
Chapter Summary 145
Review Questions 147
Case 6.1. Marine Insurance 147

SECTION III: EXECUTING THE TRANSACTIONS

Chapter 7. Pricing in International Trade 153
Determinants of Export Prices 154
Pricing in Export Markets 156
Terms of Sale 158
Chapter Summary 174
Review Questions 176
Case 7.1. Incoterms (CIF) 177
Case 7.2. Incoterms (C&F) 177

Chapter 8. Export Sales Contracts 179
Harmonization of Contract Law 179
CISG: Essential Elements 180
Pertinent Clauses in Export Contracts 185
Chapter Summary 193
Chapter 9. Trade Documents and Transportation 197

Documentation in Export-Import Trade 197
Transportation 201
Air Transportation 201
Ocean Freight 205
The Role of Freight Forwarders in Transportation 214
Chapter Summary 217
Review Questions 219
Case 9.1. What Constitutes a Package Under COGSA? 220
Case 9.2. The Container Revolution 221

SECTION IV: PAYMENT TERMS AND PROCEDURES

Chapter 10. Exchange Rates and International Trade 225

Foreign Exchange Transactions 225
Protection against Exchange Rate Risks 229
Chapter Summary 236
Review Questions 236
Case 10.1. Will the U.S. Dollar Maintain Its Key Currency Status? 237

Chapter 11. Methods of Payment 239

Consignment Sales 239
Open Account 241
Documentary Collection (Documentary Draft) 242
Documentary Letter of Credit 247
Cash in Advance 258
Other Letters of Credit 259
Chapter Summary 265
Review Questions 268
Case 11.1. Dishonoring Letters of Credit 269
Case 11.2. The Independent Principle in Letters of Credit 270
Chapter 12. Countertrade

Origins of Countertrade 271
Benefits of Countertrade 273
Theories on Countertrade 274
Forms of Countertrade 276
Countertrade and the WTO 284
Countertrade and the International Monetary Fund 285
Governments’ Attitudes Toward Countertrade 286
Chapter Summary 287
Review Questions 290
Case 12.1. The Bofors-India Countertrade Deal 290
Case 12.2. Offsets in U.S. Defense Trade 291

SECTION V: FINANCING TECHNIQUES AND VEHICLES

Chapter 13. Capital Requirements and Private Sources of Financing 297

Capital Sources for Export-Import Businesses 299
Private Sources of Export Financing 306
Chapter Summary 314
Review Questions 316
Case 13.1. Tadoo’s Sales to Belgium 316

Chapter 14. Government Export Financing Programs 319

Export-Import Bank of the United States (Ex-Im Bank) 320
Small Business Administration 332
Overseas Private Investment Corporation (OPIC) 334
Private Export Funding Corporation 337
U.S. Department of Agriculture 337
Chapter Summary 338
Review Questions 340
Case 14.1. Trade Finance for Small and Medium-Sized Enterprises in Transition Economies 341
Case 14.2. Ex-Im Bank Financing: Selected Cases 342
SECTION VI:
EXPORT REGULATIONS AND TAX INCENTIVES

Chapter 15. Regulations and Policies Affecting Exports 347
Export Licensing and Administration 347
Antiboycott Regulations 360
Foreign Corrupt Practices 363
Antitrust Laws and Trade Regulation 368
Incentives to Promote Exports 373
Chapter Summary 377
Review Questions 380
Case 15.1. Export Trade Certificate of Review 381
Case 15.2. Enforcement of Export Regulations 383

SECTION VII:
IMPORT PROCEDURES AND TECHNIQUES

Chapter 16. Import Regulations, Trade Intermediaries, and Services 389
Import Restrictions in the United States 389
U.S. Free Trade Agreements 394
U.S. Trade Preferences 396
Trade Intermediaries and Services 398
Chapter Summary 403
Review Questions 404
Case 16.1. Tax Deduction for Processing in Maquilas: Mere Assembly or Fabrication 406

Chapter 17. Selecting Import Products and Suppliers 407
Types of Products for Importation 407
Finding the Product 409
What Determines Import Volume? 411
Selecting the Supplier 412
International Sourcing 414
Pricing the Imported Product 417
Import Marketing Channels 417
Chapter 17. The ATA Carnet: Unlocking Customs for Temporary Entry of Goods 421
Case 17.2. Maytag’s Triad Strategy 423

Chapter 18. The Entry Process for Imports 425
The Entry Process 428
The Harmonized Tariff Schedule of the United States 432
Customs Valuation 433
Rules of Origin and Other Marking Requirements 438
Chapter Summary 439
Review Questions 441
Case 18.1. Deemed Liquidation by Customs 444
Case 18.2. Product Classification 445

Chapter 19. Import Relief to Domestic Industry 447
Antidumping and Countervailing Duties 447
Antidumping and Countervailing Duty Proceedings 453
Other Trade Remedies 456
Chapter Summary 461
Review Questions 462
Case 19.1. Similar Products and Dumping 463

Chapter 20. Intellectual Property Rights 465
What Are IPRs? 465
IPRs and International Trade 468
Protection of IPRs 469
International/Regional Protection 473
Chapter Summary 476
Review Questions 476
Case 20.1. Patents and Access to Lifesaving Drugs 477

Appendix A: Trading Opportunities in Selected Countries 479
Appendix B: Importing into the United States 521
Appendix D: Average Tariff Rates of Selected Countries (2002-2004) 535
Appendix E: Ex-Im Bank Programs 537
Appendix F: Sample Export Business Plan: Donga Michael Export Company 561
Appendix G: Sample Import Business Plan: Otoro Import Company 567
Appendix H: Export Sales Contract (Basic Clauses) 573
Appendix I: Sample Distributorship Agreement 585
Appendix J: Sample Sales Representative Agreement 593
Appendix K: North American Free Trade Agreement 601
Appendix L: Trade Documents 619
References 627
Index 649