A BASIC GUIDE TO

EXPORTING

THE OFFICIAL GOVERNMENT RESOURCE FOR SMALL AND MEDIUM-SIZED BUSINESSES

10TH EDITION REVISED


BANK

chapter 15

FINANCING EXPORT TRANSACTIONS

In This Chapter

- **Factors to consider in making financing decisions**
- **Private sources of financing**
- **Government sources of financing**

Export financing is often a key factor in a successful sale. Contract negotiation and closure are important, but ultimately your company must get paid. Exporters naturally want to get paid as quickly as possible, whereas importers usually prefer to delay payment until they have received or resold the goods. Because of the intense competition for export markets, being able to offer attractive payment terms is often necessary to make a sale. You should be aware of the many financing options open to you so that you choose the most acceptable one to both the buyer and your company. In many cases, government assistance in export financing for small and medium-sized businesses can increase your firm's options. The following factors are important to consider in making decisions about financing:

- **The need for financing to make the sale.** In some cases, favorable payment terms make a product more competitive. If the competition offers better terms and has a similar product, a sale can be lost. In other cases, the buyer may prefer buying from someone else but might buy your product because of shorter or more secure credit terms.
- **The length of time the product is being financed.** The term of the loan required determines how long you will have to wait before you receive payment from the buyer and influences your choice of how to finance the transaction.
- **The cost of different methods of financing.** Interest rates and fees vary, and an exporter may expect to assume some or all of the financing costs. Before submitting a pro forma invoice to the buyer, you must understand how those costs affect price and profit.
- **The risks associated with financing the transaction.** The riskier the transaction, the harder and more costly it will be to finance. The political and economic stability of the buyer's coun-

try can also be an issue. To provide financing for either accounts receivable or the production or purchase of the product for sale, the lender may require the most secure methods of payment—a letter of credit (possibly confirmed) or export credit insurance or a guarantee.

- **The need for preshipment financing and for postshipment working capital.** Production for an unusually large order or for a surge of orders may present unexpected and severe strains on your working capital. Even during normal periods, inadequate working capital may curb an exporter's growth. However, assistance is available through the public and private sectors. A number of those resources are discussed in this chapter.

For help in determining which financing options may be available or the most beneficial, you may consult the following sources:

- Your banker
- Your local Department of Commerce Export Assistance Center
- Your local Small Business Administration office
- The Export–Import Bank in Washington, D.C., and selected cities
- Your state export promotion or export finance office

EXTENDING CREDIT TO FOREIGN BUYERS

Foreign buyers often press exporters for longer payment periods. Although it is true that liberal financing is a means of enhancing export competitiveness, you need to carefully weigh the credit or financing that you extend to foreign customers. Moreover, the extension of credit by the seller to the buyer is more common outside the United States. U.S. sellers who are reluctant to extend credit may face the possibility of the loss of the sale to their competitors.

A useful guide for determining the appropriate credit period is the normal commercial terms in your industry for internationally traded products. Buyers generally expect to receive the benefits of such terms. For off-the-shelf items like consumer goods, chemicals and other raw materials, agricultural commodities, and spare parts and components, normal commercial terms (with few exceptions) range from 30 to 180 days. You may have to make allowances for longer shipment times than are found in domestic trade because foreign buyers are often unwilling to have the credit period start before receiving the goods. Custom-made or high-value capital equipment may warrant longer repayment periods. Once credit terms are extended to a buyer, they tend to be a precedent for future sales, so you should review with special care any credit terms extended to first-time buyers (see Box 15.1).

When exporting, your company should follow the same careful credit principles it follows for domestic customers. An important reason for controlling the credit period is the cost incurred through use of working capital or through interest and fees. If the buyer is not responsible for paying those costs, then you should factor them into the selling price. Your company should also recognize that longer credit periods may increase the risk of default.

Thus, you must exercise judgment in balancing competitiveness against cost and safety. Customers are frequently charged interest on credit periods of a year or longer but less frequently on short-term credit (up to 180 days). Most exporters absorb interest charges for short-term credit unless the customer pays after the due date.

Obtaining cash immediately is usually a high priority with exporters. Converting export receivables to cash at a discount with a bank is one way to do so. Another way is to expand working capital resources. A third approach, suitable when the purchase involves capital goods and the repayment period extends a year or longer, is to arrange for third-party financing. For example, a bank could make a loan directly to the buyer for the product, and you could be paid immediately from the loan proceeds while the bank waits for payment and earns interest. A fourth possibility, when financing is difficult to obtain, is to engage in countertrade. In a countertrade, you accept goods, services, or other instruments of trade in partial or whole payment for the product. Countertrade, therefore, provides the customer with an opportunity to generate earnings to pay for the purchase.

These options may require you to pay interest, fees, or other costs. Some options are more feasible for larger amounts. Your company should also determine whether it will incur financial liability should the buyer default.

WORKING WITH COMMERCIAL BANKS

The same commercial bank services used to finance domestic activities, including revolving lines of credit for working capital, are often sought to finance export sales until payment is received. Banks do not regularly extend financing solely on the basis of an individual order; they prefer to establish an ongoing business relationship.

A logical first step if you're seeking to finance short-term export sales is to approach the local commercial bank that your company already does business with. If the bank previously has extended credit to your company, it will be familiar with your financial standing,

BOX 15.1 FINANCING CONSIDERATIONS

Here are some important factors to consider about financing:

- The credit terms extended to first-time buyers are very important because they set a precedent for future sales.
- Longer credit periods may increase the risk of default.
- Your company may incur financial liability if the buyer defaults.
- The same careful credit principles you follow for domestic customers should guide you in your exporting business.

credit need, repayment record, and ability to perform. The bank may be willing to raise the overall limit on an existing working capital line of credit, to expand its scope to cover export transactions, or to approve a separate line specifically adapted to export-related transactions that involve arrangements such as discounting.

Alternatively, you may wish to approach a commercial bank with an international department. Such a bank will be familiar with export business and will also be in a position to provide international banking services related to documentary collections and letters of credit, including the discounting of drafts. An intermediate approach is to retain a relationship with your bank but seek a referral to a correspondent bank that has an international department.

You should visit the bank's international department to discuss export plans, available banking facilities, and applicable charges. You may wish to inquire about such matters as fees for amending or confirming a letter of credit, fees for processing drafts, and the bank's experience in working with U.S. government agencies that offer export financing assistance. Generally, the bank's representative handling your account will not be located in the international department. It is in your best interest to create and foster a close working relationship with the international department.

The responsibility for repaying a working capital loan ordinarily rests with you, the seller, even if the foreign buyer fails to pay. The bank takes this contingency into account in deciding on an export working capital line of credit. Both you and the bank will benefit, though, if you improve the quality of the export receivables by using letters of credit, credit insurance, or Export–Import Bank or Small Business Administration working capital guarantees.

When shipping capital goods, you may want the commercial bank to make medium-term loans directly to the foreign buyer to finance the sale. Such loans are available for well-established foreign buyers in more stable markets. But where there is an element of risk, the bank may require a standby letter of credit, a recourse to the exporter in case of default, or similar repayment reinforcement. You should be knowledgeable about loans from your own bank that are backed by Export–Import Bank guarantees and insurance—assuming that the commercial bank is willing to use them.

USING DISCOUNTING AND BANKER'S ACCEPTANCES

A time draft under an irrevocable letter of credit confirmed by a U.S. bank presents relatively little risk of default, so you may be willing to hold such a draft until it matures. Unless you have ample funds to use for other purposes, however, holding drafts will use up your working capital.

As another course of action, your bank may be willing to buy or lend against time drafts if you have a creditworthy foreign buyer who has accepted or agreed to pay at a specified future date. Such an arrangement allows you to convert the time draft into immediate cash. The amount that you receive will be less than the face value of the draft. The difference, called a *discount,* represents interest and fees that the bank charges for holding the draft until maturity. The bank may also require you to reimburse it if the draft is unpaid at the due date.

In a third option, known as a *banker's acceptance,* a commercial bank may undertake to accept the obligation of paying a draft for a fee. Banker's acceptances are usually in large denominations. Only a few well-known banks are accepted in the market as "prime name" banks for purposes of creating banker's acceptances.

FACT:

Owners of small businesses often believe that they can't afford to export.

INSIGHT:

Recognizing the special needs of small firms, several federal agencies have taken major steps to help small and medium-sized businesses access capital to support their export activities. The agencies include the Small Business Administration, the Export–Import Bank, and the Overseas Private Investment Corporation.

USING EXPORT INTERMEDIARIES

In addition to acting as export representatives, many export intermediaries, such as export trading companies and export management companies, can help finance export sales. Export intermediaries may provide short-term financing, or they may simply purchase the goods to be exported directly from the manufacturer, thus eliminating any risks to the manufacturer that are associated with the export transaction as well as the need for financing.

USING GOVERNMENT ASSISTANCE PROGRAMS

Several federal, state, and local government agencies offer programs to assist exporters with their financing needs. Some are guarantee programs that require the participation of an approved lender; others provide loans or grants to the exporter or to a foreign government.

Government programs generally aim to improve exporters' access to credit rather than to subsidize the cost at below-market levels. With few exceptions, banks are allowed to charge market interest rates and fees, including those paid to the government agencies to cover the agencies' administrative costs and default risks. Commercial banks use government guarantee and insurance programs to reduce the risk associated with loans to exporters.

Export–Import Bank of the United States

The Export–Import Bank of the United States (Ex–Im Bank) is an independent U.S. government agency that facilitates the export of U.S. goods and services. As the federal government's export credit agency, Ex–Im Bank provides export credit insurance, loan guarantees to lenders, direct loans to exporters on market-related credit terms, and loans to foreign buyers.

Ex–Im Bank's insurance and loan guarantees are structured to encourage exporters and financial institutions to support U.S. exports by reducing the commercial risks (such as buyer insolvency and failure to pay) and political risks (such as war and currency inconvertibility) of international trade that could result in non-payment to U.S. exporters by foreign buyers of their goods and services. The financing made available under Ex–Im Bank's guarantees and insurance is on market terms, and most of the commercial and political risks are borne by Ex–Im Bank.

Ex–Im Bank's loan program is designed to neutralize interest rate subsidies offered by foreign governments. By responding with loan assistance, Ex–Im Bank enables U.S. financing to be competitive with that offered by foreign exporters.

PREEXPORT FINANCING

The working capital guarantee enables lenders to provide the financing that an exporter needs to purchase or produce a product for export, as well as to finance short-term accounts receivable. If the exporter defaults on a loan guaranteed under this program, Ex–Im Bank reimburses the lender for the guaranteed portion—generally, 90 percent of the loan—thereby reducing the lender's overall risk. For qualified loans to minority, woman-owned, or rural businesses, Ex–Im Bank can increase its guarantee coverage to 100 percent. The working capital guarantee can be used either to support ongoing export sales or to meet a temporary need for cash flow arising from a single export transaction.

The working capital guarantee offers generous advance rates, so that exporters can increase their borrowing capacity. Those rates apply in the following categories:

- Inventory—up to 75 percent advance rate (including work-in-process—that is, material that has been released to manufacturing, engineering, design, or other services)
- Foreign accounts receivable—up to 90 percent advance rate

Guaranteed working capital loans are secured by export-related accounts receivable and inventory (including work-in-process) tied to an export order. (For letters of credit issued under a guaranteed loan, Ex–Im Bank requires collateral for only 25 percent of the value of the letter of credit.)

POSTEXPORT FINANCING

Ex–Im Bank offers export credit insurance to offset the commercial and political risks that are sometimes associated with international trade. Under the majority of policies, the insurance protects an exporter's short-term credit extended for the sale of consumer goods, raw materials, commodities, spare parts, and other items for which payment is expected within 180 days. If the buyer fails to pay, Ex–Im Bank reimburses the exporter in accordance with the terms of the policy. The majority of payment terms are up to 180 days, with some transactions qualifying for terms up to 360 days. Ex–Im Bank insurance is the largest federal program supporting short-term export credit.

Ex–Im Bank insurance policies for exporters include the Small Business Policy, the Single-Buyer Policy, and the Multi-Buyer Policy. With prior written approval, an exporter can assign the rights to any proceeds from an Ex–Im Bank insurance policy to a lender as collateral for financing.

Ex–Im Bank's policies generally cover up to 100 percent of defaults caused by specified political risks, such as war and expropriation, and up to 98 percent of defaults arising from commercial risks, such as buyer default and insolvency. Exporters generally must meet U.S. content requirements and, under some policies, must insure all eligible foreign sales.

Several private companies also offer export credit insurance that covers political and commercial risks. Private insurance is available, often at competitive premium rates, to established exporters who have a proven history, although underwriting in particular markets may be limited.

Under a separate program, the bank buyer credit policy, Ex–Im Bank offers a guarantee to encourage banks and other lenders to make export loans to creditworthy foreign buyers of U.S. goods and services. Ex–Im Bank's guarantee supports either medium-term financing (1 to 5 years for repayment after delivery or equipment installation) or long-term financing (up to 10 years for repayment) for heavy equipment and capital projects, such as power plants, telecommunications systems, and transport facilities and equipment.

As an alternative to guarantees, Ex–Im Bank also offers medium- and long-term loans. Ex–Im Bank loans are made on the same terms and conditions as guarantees, with the important difference that the bank sets the interest rate in accordance with international agreements. In many cases, an Ex–Im Bank guarantee results in a cost that is lower than an Ex–Im Bank loan.

For more information on Ex–Im Bank's programs, visit *www.exim.gov* or write to the Business Development Group, Export–Import Bank of the United States, 811 Vermont Ave., NW, Washington, DC 20571, or telephone (202) 565-EXIM (202-565-3946). You may also contact your local Export Assistance Center (see Appendix B).

Small Business Administration

The Small Business Administration (SBA) also provides financial assistance to U.S. exporters. Through its partnership with national, regional, and community lenders, SBA provides loan guarantees for export working capital and acquisition of plant and equipment, as well as capital for enabling small businesses to commence or expand export activity.

SBA's Export Working Capital Program (EWCP) will guarantee up to $1.5 million or 90 percent of the loan amount, whichever is less. These loans provide working capital for export transactions and finance export receivables. They can also support standby letters of credit used as bid or performance bonds. The loans can be set up to support individual transactions or as revolving lines of credit. Interest rates are negotiated between the borrower and the lender and may be fixed or variable.

SBA and Ex–Im Bank joined their working capital programs to offer a unified approach to the government's support of export financing. The EWCP uses a one-page application form and streamlined documentation. Turnaround is usually in 10 days or less. A letter of prequalification is also available from SBA.

If a larger loan guarantee is needed, Ex–Im Bank has a similar loan program to handle loan amounts in the multimillion dollar range.

Under its International Trade Loan Program, SBA can guarantee up to $1.25 million in combined working capital loans and loans for facilities and equipment (including land and buildings; construction of new facilities; renovation, improvement, or expansion of existing facilities; and purchase or reconditioning of machinery, equipment, and fixtures). Applicants must either (a) certify that loan proceeds will enable them to significantly expand existing export markets or develop new ones or (b) show that they have been adversely affected by import competition. Interest rates are negotiated between the small business exporter and the lender.

Export Express is a program that expedites multipurpose loans for small businesses. The Small Business Administration delegates the authority to approved lenders to unilaterally approve SBA-guaranteed loans. The lenders can use their own forms and can usually approve applications within a week. Export Express loans have a cap of $250,000. Loans of up to $150,000 receive an 85 percent SBA guarantee, and loans over that amount receive a 75 percent SBA guarantee.

To be eligible, a business must have been in operation for at least one year and must show that it will enter into or increase its export sales as a result of the loan. SBA's other eligibility requirements also apply. Eligible use of proceeds includes financing of export development activities, transaction-specific financing for export orders, revolving export lines of credit, fixed asset loans, and financing of standby letters of credit used as bid and performance bonds.

The EWCP, the International Trade Loan Program, and Export Express all require the participation of an eligible commercial bank. Most bankers are familiar with SBA's guarantee programs, but you should ask to speak to the SBA division of the lender you approach.

In addition to these export-oriented programs, SBA offers a variety of other loan programs that may meet specific needs of small businesses. For example, SBA's Surety Bond Program may help small exporters obtain bid or performance bonds that are required on construction contracts and on many service and supply contracts. Bid and performance bonds may be required when a small U.S. company is bidding on a contract with a foreign government or with a foreign prime contractor.

For information on SBA's programs, contact the nearest Export Assistance Center or SBA field office, or call (800) U-ASK-SBA (800-827-5722). SBA's Web site is *www.sba.gov*.

Department of Agriculture

The Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA) provides several programs to assist in the financing of exports of U.S. agricultural goods.

The USDA's Commodity Credit Corporation (CCC) administers export credit guarantees for commercial financing of U.S. agricultural exports. The guarantees encourage exports to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without CCC guarantees.

The Export Credit Guarantee Program (GSM-102) covers credit terms up to three years. GSM-102 underwrites credit extended by the private banking sector in the United States (or, less commonly, by the U.S. exporter) to approved foreign banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products sold to foreign buyers.

The Supplier Credit Guarantee Program (SCGP) is designed to make it easier for exporters to sell U.S. food products overseas by insuring short-term, open-account financing. Under the security of the SCGP, U.S. exporters become more competitive by extending longer credit terms or increasing the amount of credit available to foreign buyers without increasing financial risk. Foreign buyers benefit because they can increase their purchasing power and profit opportunities and can gain significant cash flow management advantages.

The Facility Guarantee Program (FGP) provides payment guarantees to facilitate the financing of manufactured goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets. By supporting such facilities, the FGP is designed to enhance sales of U.S. agricultural commodities and products to emerging markets, where the demand for such commodities and products may be constricted because of inadequate storage, processing, or handling capabilities for such products.

The FAS maintains a Web site to expedite and simplify applications to these financing programs. The General Sales Manager (GSM) Online System enables U.S. exporters and U.S. banks to submit required documentation electronically for the GSM-102, SCGP, and FGP. To apply online, visit *www.fas.usda.gov/excredits/gsmonline/intro.asp.*

Exporters who need further information should contact the Contract and Registration Branch of the FAS at (202) 720-3224 or by e-mail at *AskGSM@fas.usda.gov.* U.S. banks needing further information should contact the Bank Analysis Branch of FAS at (202) 690-1249 or by e-mail at *michelle.zissimos@usda.gov.*

Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) is a federal agency that facilitates U.S. foreign direct investment in developing nations and emerging market economies. OPIC is an independent, financially self-supporting corporation that is fully owned by the U.S. government.

OPIC encourages U.S. investment projects overseas by offering political risk insurance, all-risk guarantees, and direct loans. OPIC political risk insurance protects U.S. investment ventures abroad against the risks of civil strife and other violence, expropriation, and inconvertibility of currency. In addition, OPIC can cover business income loss caused by political violence or expropriation.

OPIC can offer up to $400 million in total project support for any one project—up to $250 million in project financing and up to $250 million in political risk insurance. The amount of insurance and financing available to projects in the oil and gas sector with offshore, hard-currency revenues is $300 million per product and $400 million if the project receives a credit evaluation of investment grade or higher from major ratings agencies. However, the maximum support OPIC may offer an individual project is $400 million, either by combined or single OPIC products.

U.S. exporters often can benefit from the construction and equipping of new facilities financed by OPIC, although the recipients of OPIC transactions are U.S. investors. U.S. exporters and contractors operating abroad can benefit directly from an OPIC program covering wrongful calling of bid, performance, advance payment, or other guarantees. Under another program, OPIC ensures against expropriation of construction equipment temporarily located abroad, spare parts warehoused abroad, and some cross-border operating and capital loans.

OPIC also provides services to facilitate wider participation by smaller U.S. businesses in overseas investment. They include investment missions, a computerized data bank, and investor information services. OPIC has undertaken several initiatives to increase its support for U.S. small businesses in their efforts to invest in emerging markets overseas. The Small and Medium Enterprise Department and OPIC's Small Business Center were established specifically to address the needs of small and medium-sized American companies and to ease their entry into new markets. A small business insurance "wrap" is offered to companies undertaking projects through the Small Business Center. A partnership with SBA enhances OPIC's outreach to the small business community.

For more information on any of these programs, contact OPIC's InfoLine at (202) 336-8799 or FactsLine at (202) 336-8700. OPIC maintains a Web site at *www.opic.gov.*

OBTAINING FUNDING FROM MULTILATERAL DEVELOPMENT BANKS

Multilateral development banks (MDBs) are international financial institutions owned by member governments. Their individual and collective objective is to promote economic and social progress in their developing member countries. The MDBs consist of the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank Group. They achieve their objective by providing loans, technical cooperation, grants, capital investment, and other types of assistance to governments, government agencies, and other entities in their developing member countries. The practical expression of MDB support usually takes the form of a project or study.

Increasingly, the MDBs are providing funding to private-sector entities for private projects in developing countries. A growing number of companies and project developers around the world are taking advantage of this funding, which is secured on the basis of the financial, economic, and social viability of the projects in question.

The MDBs have traditionally been heavily involved in infrastructure and poverty alleviation projects. All the banks support projects in the following areas: agriculture, energy, environment, finance, industry, transportation, telecommunications, health, education, urban development, tourism, microenterprises, and the public sector, as well as other types of economic reform. All the banks provide some funding for private ventures, too.

The MDBs also provide debt, equity, and guarantee financing to eligible private ventures in developing countries. These funds, offered on commercial terms, can be accessed directly by private project sponsors and do not require a government guarantee.

U.S. companies receive less business from the banks than do businesses from other developed countries because fewer U.S. companies compete for the banks' business. Substantial export opportunities are available to U.S. companies, and to increase U.S. business participation, the Department of Commerce maintains liaison offices at the MDBs. MDB contact information is available at *www.export.gov/advocacy.mdbs.*

EXPLORING STATE AND LOCAL EXPORT FINANCE PROGRAMS

Several cities and states have funded and operate export financing programs, including preshipment and postshipment working capital loans and guarantees, accounts receivable financing, and export insurance. To be eligible for these programs, an export sale must generally be made under a letter of credit or with credit insurance coverage. A certain percentage of state or local content may also be required. However, some programs may require only that certain facilities, such as a state or local port, be used.

To explore these and other options for financing, contact a U.S. Commercial Service Export Assistance Center (see Appendix B) at *www.export.gov/eac* or by telephone at (800) USA-TRADE (800-872-8723). You may also contact your state's economic development agency.

CASE STUDY:

JQ American

"When it comes to creating trusting, enduring relationships—business is more effective than politics or diplomacy."

—Jamal Qureshi, chief executive officer, JQ American

THE COMPANY

With his first sale of medical equipment many years ago, Jamal Qureshi turned the dream of starting his own business into a long-term reality. Now, as chief executive officer of JQ American in Hayward, California, Qureshi is tapping the lucrative world market as an exporter of products and services in the energy, medical, pharmaceutical, and chemical industries. Qureshi, who immigrated to the United States years ago, recently came full circle and has just started doing business in the city where he was born.

About a year ago, while attending a high school reunion in his native city of Bhopal, India, Qureshi learned that the Bhopal Medical College Trust wanted to outfit its soon-to-be-built medical training hospital with equipment using some of the latest U.S. medical technologies. For Qureshi, helping the citizens of his old hometown would turn into the opportunity of a lifetime.

Selling internationally wasn't new to Qureshi. He already had a solid record of export successes. He sold to 16 countries—including a contract with the United Nations in Kosovo to outfit a hospital with medical supplies and sales of medical and laboratory equipment to Iraq and its Ministry of Health.

THE CHALLENGE

Looking at India, Qureshi knew that financing was key to making the deal happen. India, like many countries, does not have a tradition of credit cards or other forms of advance payment. Purchasers want terms—often 45 days—and sellers from competitor countries are ready to grant them. Qureshi, however, does not usually have a cash flow sufficient to meet the buyers' demand for expensive imaging and other devices. Would the schmoozing with high school pals and the chance to do some good (and some good business) in his old stomping grounds come to naught?

THE SOLUTION

Over several months, Qureshi, with help from the U.S. Commercial Service in Oakland, California, arranged key meetings through videoconference and phone calls with the Bank of Alameda (California), the U.S. Export–Import (Ex–Im) Bank, the State Bank of India, and the Bhopal Medical College Trust. These efforts enabled Qureshi to obtain an Ex–Im Bank letter of interest and qualify for a subsequent commercial financing loan of $23 million through the Bank of Alameda and State Bank of India. Impressed with JQ American's reputation and its ability to meet the financial requirements of the project, Bhopal Medical College Trust considered JQ American its top choice for the supplier contract. After months of negotiation, Qureshi finalized the deal during a U.S. Commerce Department trade mission to India.

LESSONS LEARNED

Qureshi is aware that he personifies the American Dream, so much so that he made *American* part of his company name. Given that the markets JQ American works in often proclaim opposition to U.S. foreign policy and values in the form of consumer boycotts and worse, some people might consider the company's name the kiss of commercial death.

Qureshi doesn't buy it. "People around the world love our products and services," he says, directing a doubtful graphic designer to add more American flags to his new logo. "Even with embargoes, they want us. Iranians will shout, 'Down with America,' then buy our stuff through third parties."

Why do American companies have such an advantage? "Because we are world leaders in so many areas, but especially in setting high quality standards," Qureshi says. "In other countries, including China, quality varies from region to area and from company to company. My customers will pay more for the 'Made in America' label."

Qureshi's upbringing in a hardscrabble part of India gave him a certain comfort level for doing business in challenging parts of the world, but he says that the requisite skills can be learned by doing. "Get out in the world and get a feel for what people want and how they do business," he advises. "The opportunities for growth are tremendous, and the risks are very manageable, thanks to advances in logistics, banking, and market intelligence for the smaller U.S. company."

One lesson he learned in Kosovo and the Middle East is that it's important to have reliable locals perform after-sales service. In a new project in the Philippines, where he's equipping a medical tourism hospital, Qureshi plans to hire and train Filipinos to provide 24/7 maintenance for surgical and other sophisticated devices. "Hospitals are complex places that reflect local cultures," he explains. "By offering a turnkey solution with local maintenance, I was able to make a very favorable impression."

The U.S. Commercial Service has helped Qureshi find local equipment maintenance companies in markets around the world. Commercial Service specialists find and vet candidates and help Qureshi make the selection.

Working with U.S. government personnel has other advantages. Qureshi explains, "Showing up at a potential buyer's with U.S. officials in tow always makes a positive impression—so positive that I now conduct at least one business meeting with potential buyers who visit me in the U.S. at my local federal building."

The Commercial Service helped Qureshi line up financing and facilitate other deals in India during a recent trade mission there. Thanks to U.S. government resources such as the Ex–Im Bank, JQ American has lines of credit to finance new export sales and can get additional funds in turnaround times of five days or fewer.

By improving the lives of others through U.S. technology and innovation, Qureshi met a lifetime goal to make a positive difference in the world. "When it comes to creating trusting, enduring relationships—business is more effective than politics or diplomacy," he says.

ACTION

Are you ready to create enduring relationships abroad?

- **Learn to manage risk.** Visit Ex–Im Bank at *www.exim.gov* or the Small Business Administration at *www.sba.gov* for more information about risk insurance and export financing programs. You can obtain a free copy of the Department of Commerce publication "Trade Finance Guide: A Quick Reference for U.S. Exporters" by calling (800)-USA-TRADE (800-872-8723) or by visiting *www.ita.doc.gov/media/publications/abstract/trade_finance_guide2007desc.html.* For additional advice on credit and risk management for exporters, visit FCIB, an association of executives in finance, credit, and international business, at *www.fcibglobal.com.*
- **Attend trade missions.** Many state governments run their own trade missions, often led by governors. The Department of Commerce certifies industry-specific and multi-industry trade missions, and it operates its own missions. For information on upcoming missions, contact your state's office of international trade or economic development. For Department of Commerce missions, visit *www.export.gov* and *www.buyusa.gov.*
- **Follow leads.** For business leads other than those collected at your high school reunion, visit *www.export.gov/tradeleads.*

Jamal Qureshi is chief executive officer of JQ American. The Hayward, California–based business, with an established record of selling medical and laboratory equipment in 16 countries, recently expanded to India.

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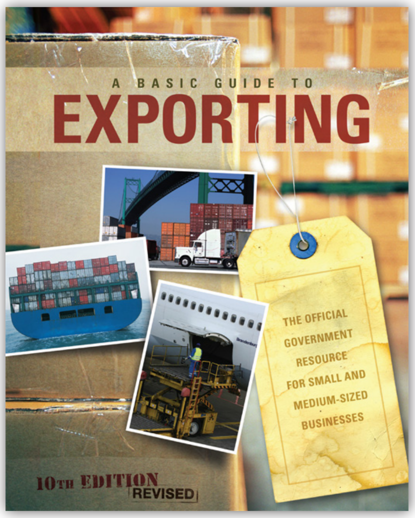

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For more than 70 years, **A Basic Guide to Exporting** has been the go-to resource that American businesses have turned to for answers to their questions about how to establish and grow overseas markets for their products and services. Whether your firm is new to exporting or in need of a refresher on the latest ideas and techniques, this comprehensive guide from the US Commerce Department's International Trade Administration provides the nuts-and-bolts information you will need to meet the challenges of the world economy.

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- How to finance your export transactions
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