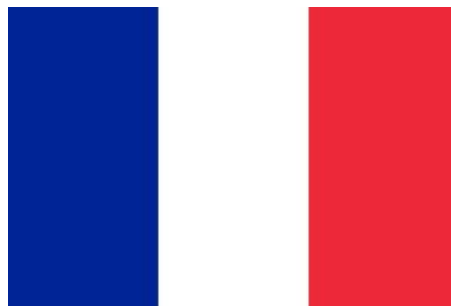


INTERNATIONAL TRADE OPERATION

EXPORT GUIDE IN FRANCE



Develop international is a legitimate ambition but also a real challenge. We must learn how to organize because fields of investigation, costs and risks may seem prohibitive if we do not address the matter of export with organization, methodology and knowledge. Commercial aspects but also logistical, financial and legal : how to put all the chance on its side to carry out such a project? We should answer the following three questions: Why go abroad? We will respond very briefly, this is not the subject of this paper. Where to go? Or what criteria taken into account in the decision of the country of destination? And overall how to get there?

I) Why go abroad ?

Commercial reasons:

- Identify new opportunities
- Reduce dependence on the French market
- Spread the risk
- Supporting the international development of its own clients
- Access to public markets
- Bypass particular barriers

Economic reasons:

- Distribute the charges
- Develop new technologies
- Strengthen competitiveness
- Achieve scale economies
- Reduce production costs
- Accelerate growth

Opportunistic reasons:

- In response to requests
- Get rid of surplus production
- Challenge and will leader

II) Where to go to international?

This is a crucial issue. Before going on any other steps, it is imperative to consider a number of information for the market we want to go. And in particular, to measure accessibility, and the potential and risks associated with it. Here are some points to consider to be best informed on the target market. Economic missions are the right people to turn to for this first research information.

Step 1: Learn about the target market

- Macro-economic data related to the product / services involved: market size, financial situation
- Political considerations: political stability, administrative barriers, development plans and development aid.
- Tax and customs consideration: in the European Community, the customs duties no longer exist, but in other countries (USA, China, India, Japan) these rights still exist.

Other data: distance from the market because the geographical distance of the country concerned may cause specific costs (logistics, transport), infrastructure condition, imports studies, French branding, purchasing behavior..

Once this pre-study is done, you get an idea of the country or countries where you want to develop. We can also rely on studies of specialized agencies. Their analysis can give indicators like this:

The top 10 growth in the world by OECD

Not surprisingly, it is China that records these recent years the highest growth of GDP, just ahead of the Russian Federation. In terms of private domestic consumption, Hungary and Ireland stand out.

Over the period 2000-2004, iChina registered the highest growth of GDP, with average annual growth rate of 8.56%. Second, the Russian Federation is also very dynamic. Ireland ranks third in the world rankings.

Average annual growth rate(2000-2004)

(Source: OECD)

Rank	Country	Growth rate
1	Chine	8,56 %
2	Fédération de Russie	6,84 %
3	Irlande	6,07 %
4	Inde	5,90 %
5	Corée	5,39 %
6	Grèce	4,44 %
7	Turquie	4,32 %
8	Hongrie	4,12 %
9	Slovaquie	4,07 %
10	Luxembourg	4,07 %

Another indicator of dynamism, private consumption still shows that Ireland is just behind Hungary. She returned to the ranking major industrialized countries such as the United States, Australia and the United Kingdom.

Average annual growth rate of private consumption (2000-2004)
(Source: OECD)

Rank	County	Growth rate
1	Hongrie	7,11 %
2	Irlande	6,08 %
3	Mexique	3,98 %
4	Nouvelle-Zélande	3,96 %
5	Australie	3,94 %
6	Corée	3,83 %
7	Espagne	3,59 %
8	Grèce	3,46 %
9	Royaume-Uni	3,45 %
10	Etats-Unis	3,34 %

Step 2: Market Research

Now, it's to be done a further market research. Sell its products or services abroad are characterized by specificities in relation to the marketing in France.

Among the questions to ask, here are the key issues :

Given administrative barriers, the product should be changed? Should take specific action to set the standards of the chosen country?

What are the specific export costs in the selected country? What is the cost of transportation?

What is the demand? What is the price market?

What is the local supply? What is the competition?

What are the differences in regulation?

What is the currency?

Step 3: Prospecting

The export operation will be realized only if the company manages to find potential customers. It is therefore very important to prospect, to solicit to make becoming its product known before starting the procedures that will make real a decision to export. This step may take time, money (because travel to the country) and lead to failure for lack of prospects. It is not to be underestimated. To assist in these prospecting activities, the company can rely on the insurance prospecting proposed by COFACE, but also on a sponsorship bank or regional aid. It is important early to find partners with whom we can collaborate. To build a portfolio of prospects, we can give a look on business directories and files of Chambers of Commerce and Industry (CCI), but also to appeal to different organizations such Ubifrance, economic missions, OSEO and finally Union of French CCIs abroad. We must implement prospecting documents, brochures and catalogs including terms of sale and rates. Seeking professional translators makes sense because they will take into account the intercultural dimension of a translation. In the country, it is interesting to participate in trade events or trade shows which provide an opportunity to meet buyers in the target country. On the occasion of these trips, take samples or products is the best way to attract attention and stimulate buying interest.

III) How to go abroad?

Three choices for companies for expanding internationally: to settle, in order to have a better control of the market, sell more, and also forget its foreign origin ; partnership , to combine forces and make a bilateral trade and the most common : export. Export requires the consideration of many issues both commercial and logistical, financial and legal. To do not forget anything and go in the right directions, here identified in a practical guide, what you need to know to get started in the right conditions.

Step 1: PREPARE

Training of employees in export

Several services are affected by an export decision : marketin, sales, human resources. It is not always necessary to create an export department, but it is important to prepare various collaborators in the export business.

To a classical export training (commercial, administrative, legal and financial) will add an intercultural dimension, essential to adapt to the way of thinking of people with whom you will have to negotiate. It is necessary to know their way of life, their way of thinking and working, living and consumption habits. Integrate cultural differences is very important in order not to commit mistakes and avoid misunderstandings with local partners because that would be dangerous to the realization of a business.

Finally, language training will efficiently delegate staff in a foreign market. The absence or lack of English skills is prohibitive. Speaking english is not an addition but not mastering it, it's is a less! Moreover, knowledge, even basic, the language of the country are always welcome.

Legal aspects

Four families of legal systems coexist on the planet:

- the civil law (which France depends on)
- the Anglo-Saxon
- the dominant religious right (which mainly Asia and Muslim countries depends on)
- the right of countries in Central and Eastern Europe (Russia and other Eastern European countries), which is like the communautary law.

When establishing the contract of sale, usually doing by a firm specializing in the field, you must choose the law applicable to the contract. Often preferred the law of the country of the buyer, because it is more convenient to resolve a dispute where the goods are situated. But if the balance of power between seller and buyer can consider something else, simply look at the law that is the most benefit, even French law if there is not sufficient knowledge of the law of the buyer.

In case of conflict between buyers and sellers, many solutions exist to avoid a costly sue in justice: conciliation, mediation, expertise, consent award. The arbitration is the often chosen for its neutrality (it stands in third place), impartiality (the referees have a nationality other than the two parties), its confidentiality and efficiency (no cassation). Arbitration allows sometimes the parties to pursue their trade relations after the settlement.

Implement a sales strategy

Your choice of distribution policy will determine the success of your marketing strategy. In preparation for export, it is important to make this decision because it will determine the number of contacts that the company needs and identify them at the earliest.

If the company wants total control of the distribution policy, there is a choice between hiring employees or representatives of the commission agents.

If it wants to sell through intermediaries and it can be satisfied by partial control, it can join a group of exporters, seek management companies to export or through a central purchasing by giving a license. Subcontract means saving time and concentration on the production, but also transfer the profit margin to the subcontractor.

Tips to help

In preparation for export, many partners are involved:

at regional level through the Chambers of Commerce and Industry,

at local level through local network of the Ministry of Economy, Finance and Industry,

at European and international level, through the aid program of the European Commission and regional development banks.

The export insurance

Export has many advantages but also risks:

- Risks to explore without result,
- Currency risk (potential losses)
- Risk of nonpayment (bankruptcy, credit)
- Political risks (war, boycotts, natural disasters)
- Risk of the breaching of contract).

For avoiding them, we need of course to learn about its new customers, thanks to the banks, Ubifrance, agents networks and business information companies.

Properly assess the risks in international trade is a prerequisite for any decision to export. You should know that these risks can be partly covered by specific insurance. They may be provided by the private market or by Coface which manages, with the state, a wide range of guarantees intended to promote and support French exports. This is to insure risks not covered by the private market for the benefit of companies which explore the export market and sell products and services whose origin is mainly french. For example, the banking partnership, conducted in partnership with Coface, has a component for insurance prospecting. It can assist companies in their prospecting steps by taking over part of their expenses. The contract with Coface is on a period from 3 to 9 years and covers a variable amount depending on the sector of activity and the markets prospected. Coface offers to cover the costs up to 65% of the budget determined. Since 2006, it is up to 80% in the 5 target countries determined by the Minister Delegate for Foreign Trade: China, Japan, India, Russia and the

United States.

Other instruments exist such as insurance exchange, investment, deposit and pre-financing or credit insurance export. They are negotiated on a case by case basis depending on the risk of the operation.

Step 2: Budgeting

Before anything else, in the best way possible the currency risk and know how to manage accounts, we should start by choosing the currency.

Choose your currency

The advantages of the payment in its own currency is important. Accounting is simple, the risk is zero. But it can complicate your negotiations with the buyer. Payment in foreign currency, however, allows obtaining financing at good rates but requires to organize to manage currency risk and implement a double-entry accounting. In this case, it may be better to entrust the management of the foreign currency account at one's bank. Always try to work with the currency of the buyer. This is very commercial and it allows him to compare your rates with those of your competitors. For currency whose price follows closely the one of the euro, we can choose the euro. But for other currencies, dollar or yen for example, it will be much better perceived to use it by the buyer.

Be paid

Choosing the right payment method is another critical step. This is both to limit the risk to us and not to choose a process too expensive for the client. Do not it is still imperative to be vigilant.

Regulations cash or credit (bill of exchange) may be appropriate if both parties know each other well. Cash settlements can be problematic if the time between delivery of the check (or wire transfer) and collection is too long.

For more security, documentaries payments are more appropriate, including documentary collections. We must ensure that it is feasible in a French bank. The client verifies the compliance of documents, looks the goods and, if it's good, pay the supplier (or the bank).

Some exporters require, for their part, full payment for the goods before delivery. A final solution can be provisioned to the doubtful.

Find funding

Before shipping, outside the customer payment method, we may request an advance from the bank in the form of seasonal credit, cash credit or revolving credit export.

During storage or manufacturing period, we must cope with needs that cash advances received from your buyer rarely cover. You can request a payment period to suppliers, progress payments by the buyer or ask the bank a specific funding.

After shipping, it is useful to know the payment behavior of foreign clients and consider negotiating a discount for cash payment.

Otherwise, banks offer foreign currency borrowings or trade discounts. Specialized financial institutions offer factoring, forfaiting or order confirmation.

Factoring

This is a technique that allows you to be paid in advance by invoice factoring firm. It is not a discount but a payment with subrogation receipt.

This technique is mainly used for short-term (6 months) as a means of financing. It discharges for administrative tasks related to the maintenance of accounts receivable, collection and litigation claims.

Forfaiting

Based on the principle of a redemption of the debt by the bank, the company is completely released its recovery from the buyer and can be paid in cash for 100% of the contract. The mechanism of development of a forfaiting transaction is a true sale assistance, since it allows, from contract negotiation, offer financing to the buyer, including the cost of financing in the price . Conditions of implementation depend on the bank.

The order confirmation

At the request of the exporter, the buyer asks the company to confirm the conditions of its operation and its commitment to purchase for cash without recourse to debt, cash against documents provided as proof of shipping. This is the confirmation company that takes the credit risk (the buyer's payment to the correct date deadlines)

There is also the technique of compensation which is used when the buyer does not have the foreign exchange to pay. It can then offer to pay in the form of products or services.

There are 5 main types of compensation:

- barter, which is based on a simple exchange of goods or property, without financial regulation.
- counter purchase, payment of supplies but commitment in return to use a certain percentage of sales to the purchase of products by the importer.
- buy back, or commitment to purchase for many years to buy some of the products manufactured using the delivered equipment.
- clearing, settlement mechanism by which compensation can limit the movement of capital.
- offset in the country of the buyer of a part of benefit incorporated in the exported goods.

Financial aid

In the form of grants or tax credits, these aids ntend to reduce the required investment for companies which develop export business. All these aids are combined in a maximum limit of € 100,000 over a period of three years.

- The export tax credit reduces the cost of an employee responsible for developing exports. Reserved for SMEs with fewer than 250 employees and 50 million euros of turnover, it is up to € 40,000 per company for two years and may not exceed 50% of charges. Business surveys within the European Economic Area are within the scope of the measure.

- Sidex grants, managed by Ubifrance for SMEs and VSEs, support operations expertise and any kind of mission to facilitate the positioning of the company through a contract negotiation. They can also cover the invitation of potential partners abroad. The amount allocated is 7,500 euros maximum and it's limited to 30% of charges. Companies wishing to benefit from this assistance must reach a size requirement: no more than 100 employees or achieve a turnover of less than € 30 million net of tax.
- Volunteering International (VIE) can entrust a young (up to 28 years) a working assignment abroad for a flexible period of 6-25 months. His remuneration is exempt from payroll and administrative management is up to the Ubifrance.

Step 3: EXPORT

Transport and customs

Once chosen mode of transport for the product, we will have to decide which contract to put up with the carrier. Exclusive shipping, groupage, chartering, transport for own account: several solutions exist. But given the number of tasks that the logistics required, it is recommended to use a freight forwarder. Unless, of course, being a large group to be able to assume its own logistics. The forwarder may have an obligation of means or results. In the first case, there is only following orders while in the second, he is responsible for all actions, chooses the carrier and other subcontractors.

Within the European Union, goods circulate freely, outside of certain categories of products. For export to third countries must proceed with clearance of its products. It is possible to withdraw its goods before having paid taxes and duties (deferment) or pay with a delay (credit fees and charges). By adding these two credits, we can have up to 150 days of delay. To pass through customs without surprises, you should know what kind of products you are exporting:

- they are "released", no formalities are necessary,
- they are monitored or subject to authorization will require an export declaration,
- they are prohibited, an export license must be provided and it will take 1-2 months time.

Incoterms

This is the Incoterm (for INternational COMmercial TERMS, standard terms recognized by all actors of international trade) that will define the steps of the logistics provided by the exporter on the following aspects:

- The point of transfer costs: distribution of freight, insurance and customs between seller and buyer.
- The point of transfer of risks: from which place the buyer is responsible for risks merchandise.
- A precise definition of documents (or equivalent computer data) owed by the seller to the buyer

An important concept of Incoterms is in Sales Departure and Sales Arrival.

For Sales Departure (EXW - FCA - FAS - FOB - CFR - CIF - CPT - CIP), the goods travel on international transport, at the risk of the purchaser.

For Sales Arrival (DAF - DES - DEQ - DDU - DDP), the goods travel on international transport, the risk is to the seller.

An Incoterm is always associated with a place!

VAT and exports

Goods for export to a country outside the EU are not subject to VAT. If the exporter does not collect VAT, it may nevertheless infer that he paid in advance himself

For intra-community trade, the transitional regime still prevails, waiting harmonization of VAT rates between the twenty-five countries and the implementation of the origin principle. The delivered goods to a taxable person is exempt from VAT for the exporter. The tax will be paid by the foreign customer at the applicable rate in the country. This mechanism is based on the destination principle.

Conclusion

An export decision is a process that requires a lot of reflexion, there are a lot of aspects and specifities to take into account This is not a complete guide to export to France because as the environment in which exports is, there are always changes, innovations and something new. I just hope that this guide was been enlightening about the steps to follow, as it was for me anyway!

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