***International Business***

**Chapter 13 Export and Import**

1) Which of the following transactions refers to the sale of goods or services produced by a company based in one country to customers that reside in a different country?

A) importing

B) countertrading

C) exporting

D) freight forwarding

Answer: C

2) Small and medium-size enterprises, such as SpinCent as seen in the opening case for chapter 13, account for \_\_\_\_\_\_\_\_ of all U.S. exporters.

A) 38%

B) 54%

C) 79%

D) 97%

Answer: D

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

3) Which of the following best explains why SpinCent decided to export?

A) growth opportunities in Asia

B) labor demands in the U.S.

C) declining tariffs in the EU

D) promising market locations in South America

Answer: A

4) Iverson Products is a U.S. firm that is considering expanding internationally by exporting. Which of the following is the LEAST likely benefit for Iverson?

A) boosting marketplace flexibility

B) improving economies of scale

C) facing lower business risk compared to other foreign market entry options

D) requiring fairly few resources

Answer: B

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

5) Which of the following transactions refers to the purchase of goods or services produced by a company based in one country from sellers that reside in a different country?

A) importing

B) countertrading

C) exporting

D) freight forwarding

Answer: A

6) Which of the following is NOT an example of a service export?

A) a management firm providing advice to a foreign client

B) an investment bank arranging financing for a foreign firm

C) a coffee chain opening a new store in a foreign country

D) an engineering firm building roads in a foreign country

Answer: C

7) This spring break you are planning to leave the U.S. and visit London, where you will stay in a hotel for 10 days. The London hotel will be performing a \_\_\_\_\_\_\_\_.

A) indirect merchandise export

B) merchandise export

C) service export

D) service import

Answer: C

8) The benefits of retaining a core competency within a company and purposefully threading that core competency through the value chain are referred to as \_\_\_\_\_\_\_\_ advantages.

A) internalization

B) domestic

C) location

D) ownership

Answer: A

9) Companies are likely to export products abroad in all of the following situations EXCEPT which one?

A) when their average cost per unit of home country production declines substantially by increasing output

B) when they want to use the riskiest but most profitable method to engage international trade

C) when they aim to increase degree of market diversification

D) when they are new to international business

Answer: B

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

10) Boyce Dynamics, a U.S. maker of LED flashlights, fills unsolicited orders from foreign buyers. It has not proactively investigated international trade options. Boyce Dynamics is best categorized as a(n) \_\_\_\_\_\_\_\_.

A) regular exporter

B) non-exporter

C) occasional exporter

D) domestic exporter

Answer: C

11) Which of the following is usually NOT a factor that triggers companies to look to exports to boost total sales?

A) maturity of the domestic market

B) potential to leverage core competencies in foreign markets

C) social needs in developing countries

D) response to the market entry of a foreign rival

Answer: C

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

12) The CEO of Coffman Enterprises wants to export products to foreign markets. However, top executives at Coffman are concerned that the firm will face fierce competition from foreign rivals because Coffman lacks significant core competencies. The executives are most likely worried that Coffman lacks \_\_\_\_\_\_\_\_.

A) capital advantages

B) internalization advantages

C) location advantages

D) ownership advantages

Answer: D

13) The probability that a business is engaged in exporting tends to \_\_\_\_\_\_\_\_.

A) decrease with the size of the firm

B) increase with the product life cycle

C) decrease with the product life cycle

D) increase with the size of the firm

Answer: D

14) Barton Accessories has two retail stores and one production facility where the firm's line of leather belts and purses are assembled. Barton employs 430 people and generates nearly $1 million in revenue each year through domestic and international sales. Which term best describes the status of Barton?

A) SME

B) MNE

C) MNC

D) FDI

Answer: A

15) The \_\_\_\_\_\_\_\_ of a firm is the share of its total output that is exported.

A) freight forward

B) incremental export

C) export intensity

D) intermodal export

Answer: C

16) Which of the following statements about small and medium-sized enterprises (SMEs) is true?

A) SMEs are steadily reducing their export intensity ratios.

B) SMEs make up the majority of all U.S. exporters.

C) SMEs are the source of more than half of the monetary value of U.S. exports.

D) SMEs that export goods have fewer than 20 employees.

Answer: B

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

17) According to the research described in your text, which of the following is among the factors that would increase a firm's probability of exporting?

A) low domestic productivity

B) high domestic labor costs

C) high level of operational efficiency

D) high R & D demands

Answer: C

18) Vantex Fabrics is a U.S. firm that designs, manufactures, and sells high-quality fabrics used for home decor. Executives at the firm believe that Vantex could significantly increase its profitability by exporting fabrics to foreign markets. The vice president of marketing is in favor of exporting to England, while the vice president of finance asserts that the firm would benefit most from exporting to China. Which of the following, if true, best supports the vice president of marketing's suggestion?

A) Incremental internalization reduces the exporting risks facing Vantex.

B) Rapid internationalization decreases the likelihood of failure for Vantex.

C) Vantex plans to diversify its product offerings within the next ten years.

D) Vantex employs 450 people and will likely develop worldwide operations within 12 months.

Answer: A

19) Vandelay Designs is a small firm based in Boston that makes and sells scrapbooking products through its retail store and Web site. Many of Vandelay's first sales were made to customers located in Canada, England, and Japan. Vandelay Designs would best be identified as a(n) \_\_\_\_\_\_\_\_.

A) incremental exporter

B) occasional exporter

C) born global

D) geo-expo

Answer: C

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

20) An Australian company makes athletic wear for women, men, and adults. After several years of successfully exporting its products to the U.K. and the U.S., the company began exporting to Japan. This is an example of \_\_\_\_\_\_\_\_.

A) a born-global company

B) a location advantage

C) third-party exporting

D) incremental internationalization

Answer: D

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

21) The perspective of \_\_\_\_\_\_\_\_ holds that as a company gains experience, resources, and confidence, it progressively increases its scope of countries to which it exports.

A) serendipity

B) export management

C) the born-global theory

D) incremental internalization

Answer: D

22) Which of the following best describes the concept of serendipity in exporting?

A) modifying products to meet cultural preferences

B) initiating global sales through e-commerce methods

C) relying too much on exports when domestic sales suddenly increase

D) opportunistically responding to unsolicited orders from foreign customers

Answer: D

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

23) Which of the following has been the LEAST likely outcome of e-commerce on exporting?

A) enhancing supply chains

B) triggering a rise in born globals

C) overcoming capital limitations for SMEs

D) expanding market opportunities for traders

Answer: A

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

24) What is the most likely reason that firms avoid aggressively seeking export opportunities?

A) Exporting is an activity best left to large, resource rich firms.

B) Firms are unaware of opportunities in foreign markets.

C) Foreign customers cannot easily communicate their needs.

D) Firms are reluctant to adjust their established business practices.

Answer: D

25) All of the following are common problems associated with exporting and importing EXCEPT \_\_\_\_\_\_\_\_.

A) managing financial risks

B) finding reliable intermediaries

C) matching foreign rivals' prices

D) establishing distribution networks

Answer: B

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

26) The basis for designing an effective export strategy most likely begins with \_\_\_\_\_\_\_\_.

A) identifying how a firm can leverage its core competencies into foreign markets

B) hiring local personnel in target markets to build the business

C) enlisting the support of an export management company

D) simultaneously targeting a large number of foreign markets

Answer: A

27) In designing an export plan, managers initially do all of the following EXCEPT \_\_\_\_\_\_\_\_.

A) sequence tactics

B) specify objectives

C) identify useful resources

D) organize financial support

Answer: D

28) You are the manager of an SME in the United States, and your firm wants to begin exporting. Since you have never been involved with exporting, there are many compelling reasons that encourage contacting the \_\_\_\_\_\_\_\_ to obtain expert counseling on exporting.

A) U.S. Treasury Department

B) Small Business Administration

C) Federal Credit Insurance Association

D) U.S. Commerce Department

Answer: D

29) The incremental internationalization view of exporting holds that companies first target countries that are \_\_\_\_\_\_\_\_ their home market.

A) different from

B) similar to

C) smaller than

D) larger than

Answer: B

30) Which of the following is NOT one of the three main types of importers?

A) importers looking for suppliers abroad to concentrate their operating risks

B) importers looking for any product around the world they can deliver to local citizens for a profit

C) importers looking to foreign-sourcing to get the highest quality products at the lowest possible price

D) importers using foreign sourcing to optimize their supply chains

Answer: A

31) A driving factor for the growth in imports is the impact of \_\_\_\_\_\_\_\_.

A) government programs

B) labor specialization

C) consumer preferences

D) social trends

Answer: B

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

32) A broker or other import consultant can help an importer minimize import duties by \_\_\_\_\_\_\_\_.

A) bypassing duty rebates available through drawback provisions

B) incurring duties by using non-bonded warehouses and foreign trade zones

C) maximizing liability by improperly marking an import's country of origin

D) valuing products in such a way that they qualify for more favorable duty treatment

Answer: D

33) The primary responsibilities of the \_\_\_\_\_\_\_\_ are the assessment and collection of all duties, taxes, and fees on imported merchandise, the enforcement of customs and related laws, and the administration of certain navigation laws and treaties.

A) Bureau of Customs and Border Protection

B) U.S. Secret Service

C) Internal Revenue Service

D) Food and Drug Administration

Answer: A

34) All of the following are primary duties of the Bureau of Customs and Border Protection EXCEPT which one?

A) assessing all duties, taxes, and fees on imported merchandise

B) collecting import and export tariffs

C) protecting the U.S. from threatening imports

D) policing smuggling operations

Answer: B

35) In conducting \_\_\_\_\_\_\_\_, a business sells goods directly to or through an independent domestic intermediary in the exporter's home country that exports the products to foreign markets.

A) direct exporting

B) global marketing

C) strategic planning

D) indirect exporting

Answer: D

36) Which of the following is NOT one of the common ways that trade intermediaries are paid by exporters?

A) commission rate

B) buy-sell basis

C) fixed salary

D) special event contribution

Answer: C

37) Corbin Coffee plans to initiate activities in foreign markets through indirect exporting. The firm is most likely to use \_\_\_\_\_\_\_\_.

A) local managers to pay tariffs and duties

B) external specialists to assist in the export process

C) the International Trade Administration to monitor exports

D) freight forwarders to act as distributors in foreign markets

Answer: B

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

38) Meade Clocks has hired an intermediary to manage its export activity. Meade should most likely expect \_\_\_\_\_\_\_\_.

A) lower profit margins

B) greater control over global sales

C) more responsibility for customer satisfaction

D) frequent misunderstandings about trade regulations

Answer: A

39) A(n) \_\_\_\_\_\_\_\_ operates on a contractual basis and provides exclusive representation for an exporter's goods and services in a foreign market.

A) export management company

B) import broker

C) invoice agent

D) countertrader

Answer: A

40) Which of the following is typically true of an export management company?

A) It is usually a division of a manufacturing company.

B) Most EMCs in the United States are large, representing a wide range of products and large number of companies.

C) It operates on a contractual basis for a manufacturer by helping obtain orders for its clients' products.

D) It usually takes title to products rather than act as an agent.

Answer: C

41) Which of the following is a difference between export management companies (EMCs) and export trading companies (ETCs)?

A) ETCs deal with both exports and imports, while EMCs deal only with exports.

B) ETCs are subject to antitrust laws, while EMCs are not.

C) ETCs typically carry inventory, while EMCs typically do not.

D) ETCs operate more on the basis of demand, while EMCs operate more on the basis of supply.

Answer: D

42) Which of the following is true of export trading companies in the United States?

A) They are like independent distributors that match buyers with buyers.

B) They are prohibited from working with a firm's competitors due to antitrust laws.

C) They must be established independently of the company in order to avoid a conflict of interest.

D) They have been a successful form of export intermediary in recent years.

Answer: D

43) Exporters who opt for direct exporting are most likely to \_\_\_\_\_\_\_.

A) sustain long-term profitability

B) sell products to domestic retailers

C) depend on international marketers

D) sell products to a foreign distributor

Answer: D

44) An exporter that implements a(n) \_\_\_\_\_\_\_\_ strategy does so with the intent to develop its own international marketing capability.

A) indirect selling

B) freight forwarding

C) direct exporting

D) export intermediation

Answer: C

45) The Internet supports more companies' efforts to launch a direct exporting strategy by \_\_\_\_\_\_\_\_.

A) providing information quickly and inexpensively

B) eliminating the need for highly detailed export plans

C) letting software take over customer service responsibilities

D) countering the power of electronic data interchange systems

Answer: A

46) Federal, state, and local governments that recognize the benefits of international trade, actively aid the efforts of potential and active exporters and \_\_\_\_\_\_\_\_.

A) ensure the quality of exported products

B) establish barriers to punish foreign rivals

C) collect a fee for each successful export sale

D) protect the interests of struggling importers

Answer: D

Learning Outcome: Discuss arguments for and against government intervention in international business

47) Morris Lighting is a U.S. firm that wants to start exporting its high-end lighting fixtures to foreign markets. Morris Lighting should seek assistance from U.S. government agencies for all of the following EXCEPT \_\_\_\_\_\_\_\_.

A) organizing trade events that help potential exporters make foreign contacts and explore export opportunities

B) understanding how to comply with domestic and foreign trade regulations

C) acting as an export marketing department or international department for the company

D) providing information about market demographics and product demand

Answer: C

48) A freight forwarder performs which of the following functions?

A) arranging the fastest and cheapest transportation of products to and from foreign suppliers

B) taking title to the goods it exports and imports from country to country

C) acting as a sales representative in a foreign market

D) valuing products that qualify for favorable tariffs

Answer: A

49) Which of the following types of agents moves international cargo, facilitates shipment tracking, and handles product returns for exporters and importers?

A) trade intermediaries

B) third party logistics

C) customs brokers

D) freight forwarders

Answer: B

50) What is typically the most difficult aspect of an export plan for SMEs?

A) finding a freight forwarder

B) identifying core competencies

C) creating countertrade activities

D) targeting the right foreign market

Answer: D

51) Jordan Jewelry is a U.S. firm that designs, manufactures, and sells inexpensive jewelry and accessories. Executives at the firm believe that Jordan Jewelry could significantly increase its profitability by exporting products to foreign markets. Before engaging in international trade, Jordan executives need to develop an export plan. Which of the following questions is LEAST relevant to this activity?

A) Would Jordan's resources be better utilized developing business in the United States?

B) How much will it cost to get Jordan's products to the targeted markets?

C) What marketing campaign would be best for Jordan's foreign markets?

D) Is exporting consistent with Jordan's long-term goals?

Answer: C

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

52) Countertrade is an alternative means of structuring an international sale when \_\_\_\_\_\_\_\_.

A) natural resources are highly desirable

B) an importer is able to obtain a bank loan

C) an importer does not belong to the World Bank

D) conventional forms of payment are difficult, costly, or nonexistent

Answer: D

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

53) \_\_\_\_\_\_\_\_ refers to any one of several different arrangements that business parties negotiate so that they can trade goods and services with limited or no use of currency.

A) Factoring

B) Offset

C) Countertrade

D) Barter

Answer: C

54) Ultimately, countertrade is an inefficient way of doing business because it \_\_\_\_\_\_\_\_.

A) encourages buyers and sellers to use customs brokers to handle exchanges

B) requires buyers and sellers to negotiate a fair value on the exchange

C) reduces the risk that the goods sent as payment are of poor quality

D) eliminates the potential for price and financial distortion

Answer: B

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

55) Companies can anticipate conducting countertrade with businesses in countries that \_\_\_\_\_\_\_\_.

A) experience widespread economic problems

B) command strong negotiation positions

C) have sufficient access to cash

D) weakly regulate international trade

Answer: A

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

56) Proctor & Gamble exchanges cleaning products for machinery with Russia and Hungary. The nature of this transaction indicates that Proctor & Gamble is engaging in \_\_\_\_\_\_\_\_.

A) third-party logistics

B) freight forwarding

C) countertrade

D) e-commerce

Answer: C

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

57) Fundamentally, countertrade is best described as a(n)\_\_\_\_\_\_\_\_ transaction.

A) simple

B) common

C) desirable

D) inefficient

Answer: D

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

58) All of the following are benefits of countertrade EXCEPT \_\_\_\_\_\_\_\_.

A) decreasing trade protectionism

B) increasing access to innovative technology

C) developing new trade relationships with foreign companies

D) preserving foreign exchange reserves

Answer: A

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

59) Fair Day Paper Products is a family-owned start up that imports bamboo paper from China to make custom greeting cards. The firm has experienced many problems in receiving the supplies from China; recurring problems include lost shipments, delays, and damaged products. Fair Day would most likely benefit by enlisting the help provided by which of the following?

A) countertraders

B) customs brokers

C) import agents

D) third party logistics

Answer: D

60) As described in the opening case, SpinCent's CEO analyzed foreign markets, assessed industries, prepped his company, traveled overseas, and hired trustworthy distributors. SpinCent manages the export process including making and marketing its products for foreign buyers. The nature of these activities shows that the leadership of SpinCent is committing the company to \_\_\_\_\_\_\_\_.

A) countertrade

B) direct exporting

C) indirect exporting

D) third party logistics

Answer: B

61) The opportunity to increase profitability is the primary reason that firms decide to export.

Answer: TRUE

62) A company classified as a small and medium-sized enterprise (SME) has fewer than 500 employees.

Answer: TRUE

63) Ownership advantages refer to a firm's specific assets, international experience, and the ability to develop either low-cost or highly differentiated products within the context of its particular value chain.

Answer: TRUE

64) Serendipity is often an export trigger for companies that purposefully look to internationalize their operations.

Answer: FALSE

65) Export intensity, the percentage of total revenues coming from exports, is not always correlated with company size.

Answer: TRUE

66) The probability of a company being an exporter is independent of the size of the company.

Answer: FALSE

67) "Born global" firms are those that step straight onto the world stage, making exporting the primary goal of the firm from day one of operations.

Answer: TRUE

68) The stages of development in a company's export expansion are tied to company size.

Answer: FALSE

69) A major pitfall of exporting is misclassifying products in terms of the destination country's tariff schedule, thereby incurring a higher tax or slower delivery.

Answer: TRUE

70) Companies new to exporting most frequently suffer over-commitment by top management in taking on the initial difficulties and financial requirements of exporting.

Answer: FALSE

71) Advocates of exporting e-waste assert that the activity helps entrepreneurs in developing countries create value by recovering and recycling scarce resources such as copper.

Answer: TRUE

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

72) One advantage of importing is that an importer can diversify its operating risks by developing alternative suppliers.

Answer: TRUE

73) An arbitrageur is an exporter that seeks to conduct countertrade in emerging markets.

Answer: FALSE

74) The primary duty of the customs agency of a government is the assessment and collection of all duties, taxes, and fees on imported merchandise.

Answer: TRUE

75) The U.S. government has more than 10,000 tariff classifications and more than half of them are subject to interpretation.

Answer: TRUE

76) Indirect exporters sells goods to a foreign intermediary, who then sells the product in the domestic market to the final consumer.

Answer: FALSE

77) Exporters employ an export management company as part of an indirect exporting strategy.

Answer: TRUE

78) Major types of indirect intermediaries include export trading companies, distributors, and freight forwarding companies.

Answer: FALSE

79) An export trading company (ETC) works with many manufacturers rather than representing a single manufacturer.

Answer: TRUE

80) In what is known as direct exporting, the exporter sells goods directly to or through an independent domestic intermediary in the exporter's home country that then exports the products to foreign markets.

Answer: FALSE

81) The foreign freight forwarder is the largest export intermediary in terms of value and weight of products managed.

Answer: TRUE

82) Countertrade refers to any one of several different arrangements that parties negotiate so that they can trade goods and services with limited or no use of currency.

Answer: TRUE

83) Countertrade is an efficient way of doing business.

Answer: FALSE

84) Smithson Pottery is considered a regular exporter because the firm fills unsolicited orders from foreign buyers and passively investigates international trade options.

Answer: FALSE

85) Exporting helps firms improve productivity by utilizing unused capacity and spreading research costs over more customers.

Answer: TRUE

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

86) Pender Pet Products is considered an opportunistic importer because the firm seeks products around the world that it can import and sell profitably to domestic consumers.

Answer: TRUE

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

87) According to surveys, the most common concern regarding international trade is a shortage of working capital to finance exporting activities.

Answer: TRUE

88) According to the text, technological advances such as e-mail and VoIP have increased the appeal of international trade because it is now easy and inexpensive to manage customer needs and communicate with customers frequently.

Answer: FALSE

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

89) In the U.S., international trade is hampered by homeland security issues and delays.

Answer: TRUE

90) Export intermediaries are third-party firms that market products and services abroad on behalf of manufacturers, farm groups, and distributors.

Answer: TRUE

91) What is the difference between exporting and importing? What are the unique characteristics of service exports and service imports?

Answer: Exporting is the sale of goods or services produced by a firm based in one country to customers that reside in another country. Exports involve any good or service that is traded from sellers in one country to buyers in another country. Exportable products can include goods, services, or intellectual property. Importing is the purchase of a good or service by a buyer in one country from a seller in another. The import of services has subtle characteristics. For example, the installation of nuclear power equipment in Sweden by French firm Areva, even though it is a hard good, qualifies as a service import for Sweden. The standard to keep in mind is that an import of a service consists of any transaction that (1) does not result in ownership and (2) is rendered by non-residents to residents. Lastly, it clarifies matters by defining what is not a service export. Opening a Starbucks in a foreign market, which is generally regarded as a service enterprise, is not a service export. Foreign ownership of some or all of the productive assets of the local operation qualifies it as a foreign direct investment. Service exports typically include higher education, management consultants, and investment banks.

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

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92) What are the three main types of exporters? What are the three main types of importers? Briefly describe the characteristics of each.

Answer: Occasional exporters are firms that have filled unsolicited orders from foreign buyers but passively, if at all, investigate international trade options. A regular exporter aggressively pursues export sales and has extensive experience with its practicalities, complexities, and technicalities. A non-exporter commands little to no knowledge about exporting and often professes no intention, now or in the future, to engage international trade. An input optimizer is an importer that uses foreign sourcing to optimize, in terms of price or quality, the inputs fed into a supply chain. An opportunistic importer looks for products around the world that it can import and profitably sell to local citizens. An arbitrageur looks to foreign sourcing to get the highest-quality products at the lowest possible price.

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

, 2

93) What difficulties of exporting can be minimized by customs brokers?

Answer: A battery of documents regulates international trade. Duty rates, customs clearance, and entry processes, though overlapping, differ. Tariff classifications, value declarations, and duty management spawn confusion and boost costs. Customs and security initiatives impose regulations on international traders. Navigating these obstacles requires traders manage the paper trail that documents, certifies, and legalizes transactions. Exporters hire customs brokers to manage trade documentation and obtain appropriate government permissions.

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

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94) What are some reasons that firms decide to export their products or services? What does a firm need to consider when developing an export plan?

Answer: Several reasons motivate exporting. Companies that are capital- and research-intensive, such as pharmaceuticals or avionics, export to amortize the steep costs of product development and production. Many, such as advertisers, lawyers, and consultants, export their services to meet the needs of clients working abroad. They either follow their clients abroad or risk losing them to the rival that does. Companies that are not leaders in their domestic markets may export as an indirect way to counter the volume advantage commanded by the industry leader. Finally, some companies export rather than invest abroad because of the higher risk of running international operations. Serving foreign markets from the home office imposes far fewer operational requirements than other modes. The decision to go international influences resource allocation, executive effectiveness, and financial stability. Successful exporters report that developing an export plan is useful. Defining its present status, specifying objectives, and formalizing commitment requires the company set precise objectives, sequence tactics, and set timelines. In addition, an export plan identifies useful resources, assigns responsibility, and stipulates controls. Collectively, it prevents losing track of the company's export strategy in the face of endless decisions and details.

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

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95) Discuss the various ways a broker or other import consultant can help an importer minimize import duties.

Answer:

a. Valuing products in such a way that they qualify for more favorable duty treatment: Different product categories have different duties. For example, finished goods typically have a higher duty than parts and components.

b. Qualifying for duty refunds through drawback provisions: Some exporters use imported parts and components on which they paid a duty. In the United States, the drawback provision allows domestic exporters to apply for a 99 percent refund of the duty paid on their imported goods, as long as they become part of the exporter's product.

c. Deferring duties by using bonded warehouses and foreign trade zones: Companies do not have to pay duties on imports stored in bonded warehouses and foreign trade zones until the goods are removed for sale or used in a manufacturing process.

d. Limiting liability by properly marking an import's country of origin: Because governments assess duties on imports based partly on the country of origin, a mistake in marking the country of origin could result in a higher import duty. For example, in the United States, if a product or its container is not properly marked when it enters the country, the product could be assigned a marking duty equal to 10 percent of the customs value. This would be in addition to the normal tariff.

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

96) What role does the customs agency of a government play?

Answer:

a. When importing goods into any country, a company must be totally familiar with the customs operations of the importing country. In this context, "customs" are the country's import procedures and restrictions, not its cultural aspects. The primary duties of the U.S. Bureau of Customs and Border Protection are the assessment and collection of all duties, taxes, and fees on imported merchandise, the enforcement of customs and related laws, and the administration of certain navigation laws and treaties. As a major enforcement organization, it also deals with smuggling operations.

b. An importer needs to know the way to clear goods, the duties to pay, and the special laws that exist regarding the importation of products. On the procedural side, when merchandise reaches the port of entry, the importer must file documents with customs officials, who assign a tentative value and tariff classification to the merchandise. Then customs officials examine the goods to determine whether there are any restrictions on their importation. If there are restrictions, the goods may be rejected and not be allowed to enter the country.

Learning Outcome: Discuss the roles of exporting, importing, and countertrade in international business

97) What are export management companies, and how do they help potential exporters?

Answer: An export management company (EMC) usually acts as the export arm of a manufacturer. The EMC primarily obtains orders for its clients' products through the selection of appropriate markets, distribution channels, and promotion campaigns. It collects, analyzes, and furnishes credit information and advice regarding foreign accounts and payment terms. The EMC also may take care of export documents, arrange transportation, set up patent and trademark protection in foreign countries, and assist in establishing alternative forms of doing business, such as licensing. EMCs operate on a contractual basis and provide exclusive representation in a foreign territory. In the United States, most EMCs are small, entrepreneurial ventures that tend to specialize by product, function, or market area. Although EMCs perform an important function for companies that need their expertise, a manufacturer that uses an EMC may lose control over foreign sales, as they are passing off that responsibility to an independent party. If the EMC does not actively promote the product, the company will not generate many exports.

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98) Why is countertrade considered inefficient?

Answer: Countertrade is an inefficient way of doing business; companies prefer the straightforward efficiency of cash or credit. In the case of countertrade, rather than simply consulting current foreign-exchange rates, buyers and sellers must enter complex and time-consuming negotiations to reach a fair value on the exchange. As a result, traders often find themselves stuck in situations where the goods sent as payment may be poor quality, packaged unattractively, or difficult to sell and service. Also, there's a lot of room for price and financial distortion in countertrade deals given that nonmarket forces set the prices of these goods. Most fundamentally, the trade uncertainty and currency distortions created by countertrade threaten free market forces with protectionism and price-fixing.

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99) What is a born global? How has technology triggered the growth of born globals?

Answer: Rather than methodically engaging foreign markets, born globals immediately step onto the world stage, exporting from inception. International markets are not simply places it turns to when sales slow in the home market. The born global regards the domestic market as one of many opportunities in the world. E-commerce continues turbo charging the born-global trend. A generation ago, going global involved slow-acting trade officials directing slow-moving flows between tough-to-understand markets that differed on innumerable characteristics. Hence, incremental, market-by-market export expansion was not only practical, it was arguably the only feasible option. Now, e-commerce immediately gives small startups global reach, providing a platform that efficiently overcomes historic barriers to internationalization.

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100) Why are financial risks a key concern of SMEs considering international trade?

Answer: Financial constraints are arguably the greatest impediment to international traders. A survey of 978 SMEs asked their perceptions of trade barriers; the top ranked factor was the "shortage of working capital to finance export." Traders often reason that export or import offer low profitability given unexpected costs and unknown financial constraints, both of which are aggravated by fluctuating exchange rates. Managing these risks involves currency and credit processes that call for relatively sophisticated financial expertise. Moreover, completing international sales may require helping foreign customers obtain credit, whether in the form of trade credits, government-financed support, or bank guarantees. Firms accustomed to offering financing in terms of the traditional 30- or 60-day trade-credit cycle at home regard the need for different arrangements abroad as excessively escalating risk.

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