

# Introduction

## Opportunities, Risks, and Trade Finance

Welcome to the third edition of the *Trade Finance Guide: A Quick Reference for U.S. Exporters*. This guide is designed to help U.S. companies, especially small and medium-sized enterprises (SMEs), learn the basic fundamentals of trade finance so that they can turn their export opportunities into actual sales and to achieve the ultimate goal of getting paid—especially on time—for those sales. This guide provides general information about common techniques of export financing. Accordingly, you are advised to assess each technique in light of your specific situation or needs. This edition includes two new chapters on “Consignment” and “Government-Backed Agricultural Export Financing” with minor updates on other chapters. The *Trade Finance Guide* will be revised and updated as needed. Future editions may include new chapters discussing other trade finance techniques and related topics.

### Benefits of Exporting

The United States is the world’s second largest exporter, with \$2.06 trillion in goods and services exports in 2011, according to the World Trade Organization’s *World Trade Report 2012*. In 2011, the United States was the top exporter of services and second largest exporter of goods, behind only China. However, 95 percent of the world’s consumers live outside of the United States. So if you are selling only domestically, you are reaching just a small share of potential customers. Exporting enables SMEs to diversify their portfolios and insulates them against periods of slower growth in the domestic economy. Free trade agreements (FTAs) have helped to open markets such as Australia, Canada, Central America, Chile, Israel, Jordan, Korea, Mexico, and Singapore. FTAs create more export opportunities for U.S. businesses. The *Trade Finance Guide* is designed to provide U.S. SMEs with the knowledge necessary to grow and become competitive in overseas markets.

### Key Players in the Creation of the Trade Finance Guide

The International Trade Administration (ITA) is an agency within the U.S. Department of Commerce whose mission is to foster economic growth and prosperity through global trade. ITA provides practical information to help you select your markets and products, ensures that you have access to international markets as required by our trade agreements, and safeguards you from unfair competition such as dumped and subsidized imports. ITA is made up of the following four units: (a) **Manufacturing and Services**, the industry analysis unit that supports U.S. industry’s domestic and global competitiveness; (b) **Commercial Service**, the trade promotion unit that helps U.S. businesses at every stage of the exporting process; (c) **Market Access and Compliance**, the country-specific policy unit that keeps world markets open to U.S. products and helps U.S. businesses benefit from our trade agreements with other countries; and (d) **Import Administration**, the trade law enforcement unit that ensures that U.S. businesses face a level playing field in the domestic marketplace. For more information, visit [www.trade.gov](http://www.trade.gov) or contact the

### A QUICK GLANCE

#### *Trade Finance Guide*

A concise, simple, and easy-to-understand guide designed to help U.S. small and medium-sized exporters learn quickly how to get paid from their foreign customers in the most effective manner.

#### Trade Finance

A means to turn export opportunities into actual sales and to get paid for export sales—especially on time—by effectively managing the risks associated with doing business internationally.

#### Opportunities

- Reaching the 95 percent of potential customers worldwide who live outside the United States
- Diversifying customer portfolios

#### Risks

- Non-payment or delayed payment by foreign buyers
- Political and commercial risks as well as cultural influences

Trade Information Center, 1-800-USA-TRADE or the Commercial Service's global network of domestic Export Assistance Centers and overseas posts. To find the nearest Export Assistance Center or overseas Commercial Service office, visit [www.export.gov](http://www.export.gov).

## Partnership and Cooperation

The *Trade Finance Guide* was created in partnership with FCIB—The Finance, Credit, and International Business Association—a prominent business educator of credit and risk management professionals in exporting companies ranging in size from multinational to SMEs. FCIB's parent, the National Association of Credit Management, is a non-profit organization that represents nearly 16,000 businesses in the United States and is one of the world's largest credit organizations. This *Trade Finance Guide* was also created in cooperation with the U.S. Small Business Administration, the U.S. Export-Import Bank (Ex-Im Bank), the International Factoring Association, the Association of Trade & Forfaiting in the Americas, and BAFT-IFSA, the association for organizations actively engaged in international transaction banking. (BAFT-IFSA was formed by the merger of the Bankers Association for Finance and Trade (BAFT) and the International Financial Services Association (IFSA).) Their contact information is listed below and provided in other sections of the *Trade Finance Guide*.

## Trade Finance Guide in Spanish

ITA has published a Spanish version of the *Trade Finance Guide* in partnership with the California Centers for International Trade Development (CITD) to help facilitate U.S. exports to Spanish-speaking countries. The CITD is a state-funded non-profit organization that promotes California's international trade and global competitiveness. With offices across California, the CITD assists local SMEs with expanding their global presence, especially in Mexico and Latin America, where Spanish is the primary language. Through this collaboration with CITD, the Spanish language *Trade Finance Guide* will enable ITA to reach thousands of potential new exporters. Visit [www.citd.org](http://www.citd.org) for more information.

## For More Information about the Guide

The *Trade Finance Guide* was created by ITA's Office of Financial Services Industries (OFSI). A part of ITA's *Manufacturing and Services* unit, OFSI is dedicated to enhancing the domestic and international competitiveness of U.S. financial services industries and providing internal policy recommendations on U.S. exports and overseas investment supported by official finance. For more information, contact the project manager and author of the Guide, Yuki Fujiyama, tel. (202) 482-3277; e-mail [yuki.fujiyama@trade.gov](mailto:yuki.fujiyama@trade.gov).

## How to Obtain the Trade Finance Guide

The *Trade Finance Guide* (both English and Spanish versions) is available online for free download at [Export.gov](http://Export.gov), the U.S. government's export portal. Print copies of the Guide may be available upon request at FCIB.

## Where to Learn More about Trade Finance

As the official export credit agency of the United States, Ex-Im Bank regularly offers trade finance seminars for exporters and lenders. These seminars are held in Washington, DC and in many major U.S. cities. For more information about the seminars, visit [www.exim.gov](http://www.exim.gov) or call 1-800-565-EXIM (3946). For more advanced trade finance training, FCIB offers the 13-week International Credit and Risk Management online course, which was developed with a grant awarded by the U.S. Department of Commerce in 2001. For more information about the course, visit [www.fcibglobal.com](http://www.fcibglobal.com) or call 1-888-256-3242. BAFT-IFSA also offers trade finance events and educational programs. For more information about the events and programs, visit [www.baft-ifs.com](http://www.baft-ifs.com) or call (202) 663-7575.