EXPORT GUIDELINES

How to tacle export risks

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How to use the guidelines

IN ORDER TO FACILITATE THE READING AND THE USE OF THESE GUIDELINES, WE DESIGNED THEM ALONG THE SAME LINES.

The guidelines are classified in 6 categories:

- **NUMBER OF THE GUIDELINES + HASHTAGS** indicates the number of the guideline and 4 hashtags specify main key-words.
- **OBJECTIVES** defines the goal of the guideline.
- **DESCRIPTION** presents the main subjects that will be developed in the “content” section.

GUIDELINE #X

#hashtag

OBJECTIVES

Goal of the guideline.

DESCRIPTION

- Main subjects

- **CONTENT** develops the topics written in “description”.
- **TIPS & TRICKS** gives you general advice following the topic of the guideline.

TIPS AND TRICKS

Advice following the guideline.

- **FURTHER INFO** helps you to go further by following the useful links to find more by yourself or gives you experts’ contacts.

FURTHER INFO

Useful links:
Contact person:
Name Surname - function
Email: name@agency.com | **Mobile** : + 32 0 000 000

We hope that you will enjoy the reading and that they will be helpful for your exporting projects.
We wish you good luck and lots of achievements.

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#12 International contracts: how to limit your legal risks

GUIDELINE #12

#agreement
#contracts
#law
#protection

OBJECTIVES

What are the most important points you should take into account when writing an international contract.

DESCRIPTION

- Introduction
- The importance of a written contract
- 32 most common clauses in the contract to limit risks

CONTENT

INTRODUCTION

To do international business, you need a good strategy, reliable partners and good contracts.

Contracts can be:

Written: an agreement expressed in writing.

Verbal: an agreement expressed verbally.

Tacit: an existing agreement expressed neither verbally nor in writing, a "silent" contract.

What does a BtoB contract look like?

- A contract concluded by professionals doesn't need always to be in writing: a verbal contract (face-to-face, by phone...) remains a contract.
- A contract may have many forms: written contract, order form, offer signed for agreement, accepted pro-forma invoice, a letter, fax, e-mail, drawing, scheme, video, etc.
- Any means of evidence (proof) is accepted: clues, suspicions, customs and habits, mail, fax, e-mail, legal record (subject to the judge's discretion).
- Some countries require a contract to be written: Russia, Ukraine, Belarus, Armenia, Chile, Argentina and Paraguay.

THE IMPORTANCE OF A WRITTEN AGREEMENT

Proof of the transaction:

- Determines precisely what is expected of the other party: a contract is not to be put in the closet but serves as guidance with clear rules.
- A well-intentioned agreement: no surprises, interpretations or misunderstandings.
- The context may change with time: change of interlocutors, company's owners, economic conditions, constraints, difficulties, etc.

The Vienna convention: the United Nations Convention on Contracts for the International Sale of Goods, signed in Vienna on 11 April 1980. 94 countries have ratified it.

It is not mandatory (parties may opt out from it in a contract).

It can also be referred specifically to a contract, if for example an applicable law is from a country that has not ratified it.

Definition:

- Obligation of means: "best efforts" without commitment on results.
- Obligation of results: the expected results are clearly indicated in the contract. The supplier will not comply with all its obligations as long that the agreed results are not achieved.

32 MOST COMMON CLAUSES IN THE CONTRACT TO LIMIT RISKS.

1. The title of the contract: purchase agreement, international sale of goods, etc.
2. The parties are bound by the contract.
3. Preamble / Recitals.
4. The subject of the contract.
5. Detailed description of the merchandise to be sold or the services offered.
6. Detailed description of the services to be offered in addition to the delivery of the merchandise.
7. Adaptations & conformity to the local regulations.
8. Price and currency according to the ISO 4217 - International Standard Currency Codes.
9. Price revision clause: from the agreement to the end of the contract, there may be additional costs.
10. Means of payment: wire transfer, Letter of Credit (L/C)
11. Costs (bank costs, currency exchange variations, etc.)
12. Payment schedule.
13. Retention of title: a clause in which the seller retains the ownership of the goods - even if they have already been delivered to the purchaser - until the fulfillment of a condition (e.g. full payment by the buyer).
14. Delivery or performance schedule: instead of specifying a day, use "before the end of…".
15. Place of delivery or performance.
16. Transport terms and transfer of risks: Incoterms.
17. Reception terms: someone to open the door, authorization to enter in a specific place…
18. Acceptance of goods/services.
19. Conformity of goods/services and warranty of conformity.
20. Bank guarantees in favour of the supplier:
    - stand-by Letter of Credit
    - bank guarantee at first demand
21. Bank guarantees in favour of the customer:
    - advance payment guarantee
    - performance bond
22. Consequences in case of breach of contract or bad performance.
23. Causes of termination, penalties and consequences.
24. Limitation of liability.
25. Force Majeure: give a definition of your own "force majeure": event that can't be foreseen.

26. Hardship: supportive collaboration between the parties.
27. Intellectual property rights.
28. Confidentiality.
29. Non-competition.
30. Effective date of the agreement.
31. Competent jurisdiction:
    - Mediation first or not.
    - Court or Arbitration.
32. Applicable law.

TIPS ANS TRICKS

- The digitalization of a contract: mail exchanges can be considered as a contract and eSignatures are more and more used.
- If a signatory is not authorized to commit his company, the contract is null and void.
- International contracts for services can be done without moving from your country's borders. Example: a Japanese company requests a consultant in Belgium to write a commercial contract. (It is an international contract between the Belgian consultant and the Japanese company, executed in Belgium.)
- In some cases, a subsidy is allowed for legal services (40 to 60% of the total cost). Learn more about it in the "useful links" section.

FURTHER INFO

Useful links:

- United Nations Commission on International trade law:
  https://uncitral.un.org/en/texts
- Legal services consultancy – info available only in French and Dutch
  https://economie-emploi.brussels/prime-consultance
  https://economie-werk.brussels/premie-consultancy

Contact person: /

#13 Risks in international transactions

GUIDELINE #13

#international
#risks
#politic
#economic

OBJECTIVES

What are the risks you may face when dealing internationally.

DESCRIPTION

- Political risks
- Exchange rate risks
- Del credere risks
- Global trade controls risks
- Logistics risks
- Boycott risks

CONTENT

POLITICAL RISKS

Definition: refer to the implications of political decisions, events, or conditions on the profitability of a business or the expected value of a given business decision. It affects several aspects of a business, notably: personnel, assets, contracts, operations, transfers, and company goals.

Example of risks:

- Risks to personnel and operations could include intimidation, kidnapping, sabotage, terrorism, etc.
- Risks on assets could include: nationalization, expropriation, restrictions on ownership, locally owned shareholdings/ directorships.
- Risks on contracts cover all the legal and administrative changes and their implications in contractual conditions, as well as the violation or termination of contracts due to violence or political change, including revolution, civil war, etc.
- Risks to operations are numerous and broadly include all regulatory changes affecting business operations, such as labour relations, technology transfers, local content, consumer protection, access to procurement, environmental protection, etc.
- Risks on transfers may include exchange controls, profit repatriation, and restrictions on royalty payments, etc.

EXCHANGE RATE RISKS

Definition: cover various risks arising from currency fluctuations:

- Transaction risk: risk of a currency fluctuating in an unexpected negative way. When importing goods, there is a risk that the foreign currency will depreciate. When exporting, there is a risk that the foreign currency will appreciate.
- Translation risk: fluctuating currencies may affect your balance sheet after conversion.
- Economic risk: fluctuating currencies may affect your competitive place.

Recommendations:

- Transact with your own currency: no longer directly impacted by exchange rates.
- Build client/suppliers relationships: include exchange rate clauses in contracts.
- Hedging strategy (adapted to your own needs): analyse the possibilities with your bank.

DEL CREDERE RISKS

Definition: Del Credere risks cover the risks arising from the possibility of a buyer not capable or reluctant to make a payment.

As a result of:

- Customer insolvency/ inability to pay.
- Bankruptcy of client.
- Unwillingness of counterparty to pay.
- Different understandings of the trade agreement by both parties.
- Missing documents, unfulfilled obligations.

It can seriously impact the financial stability of your company.

Recommendations:

- Know your client and build relationship: before the first sale, check your client's financial position, make credit terms clear, etc.
- Factoring: you sell your accounts receivable to a 3rd party who will collect them for you.
- Letters of credits: commitment by a bank on behalf of the importer that the payment will be made to the exporter.
- Cash-in advance: payment is received before the shipment of the goods (upfront payment by the buyer).
- Trade/ export credits insurance: Insurance policy offered by private insurance companies.

GLOBAL TRADE CONTROLS RISKS

Definition: cover a variety of legal instruments: export control, trade defence, protective, restrictive, rebalancing measures – managed under both the EU Common Commercial Policy (CCP) and the EU Common Foreign and Security Policy (CFSP) – aiming at ensuring global trade is conducted in the context of the principles and objectives of the Union's external action.

Find more in the "useful links" section.

Recommendations:

1. Engage with the supply chain to gather critical information on the products, their components, their origin and value.
2. Plan ahead by considering a broad range of export scenarios and by mapping product flows.
3. Stay up-to-date with the latest developments in the jurisdiction and matters relevant to your company.
4. Share your questions and experiences with counterparts.
5. Solutions: Use technology-enablers in order to facilitate and speed up the processes as well as to minimize risks.

LOGISTICS RISKS

Definition: cover various risks arising throughout the supply processes. According to the World Bank, those risks are reduced by:

- The efficiency of customs and border management clearance.
- The quality of trade and transport infrastructure.
- The ease of arranging competitively priced shipments.

- The competence and quality of logistics services – trucking, forwarding and customs brokerage.
- The ability to track and trade consignments.
- The frequency with which shipments reach consignees within scheduled or expected delivery times.

Find more in DHL website in the "useful links" section.

BOYCOTT RISKS

Definition: derive from a concerted refusal to do business with a particular person or business in order to obtain concessions or express displeasure. In that perspective, boycotts reflect the ethical purchase behaviours of consumers or economic operators which influence their purchase and consumption behaviours.

Recommendations:

- Know your supply-chain.
- Map your existing sectoral risks.
- Follow guidelines and develop your own policy.

TIPS ANS TRICKS

- For a successful international presence, companies must have legal, practical and ideational back-ups.

FURTHER INFO

Useful links:

- Websites where you can check the political risks:
  The armed conflict location & event data project.
  https://acleddata.com/#/dashboard
  Marsh
  https://www.marsh.com/us/services/political-risk/insights/political-risk-map-2020.html
  The World Bank
  https://databank.worldbank.org/source/worldwide-governance-indicators
- EU santions map
  https://www.sanctionsmap.eu/#/main
- Trade barriers : access to markets.
  https://trade.ec.europa.eu/access-to-markets/en/barriers
- Global trade Alert: independent monitoring of policies that affect world commerce.
  https://www.globaltradealert.org/
- DHL : global connectedness index
  https://www.dhl.com/discover/en-global/about-dhl/reports-and-press-releases/dhl-global-connectedness-index-2022

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#14 How can Credendo help you with your exportation

GUIDELINE #14
#risks
#credit
#international
#insurance

OBJECTIVES
Credendo is a European credit insurance group that is present all over the continent and active in all segments of trade credit and political risk insurance, providing a range of products that cover risks worldwide.
Turning uncertainties into opportunities.

DESCRIPTION
- Mission
- International transaction risks
- How to limit the risks
- 3 tools from Credendo for SME's when exporting
  - Credit insurance
  - Forfaiting
  - Financial guarantees for bank loans

CONTENT

MISSION
Credendo's mission is to support trade relations. It provides customised solutions of insurance, reinsurance, guarantees, bonding and financing related to domestic and international trade transactions or investments abroad. It protects companies, banks and insurance undertakings against credit and political risks, and facilitate the financing of such transactions. It acts in a responsible and forward-looking way.

INTERNATIONAL TRANSACTION RISKS
- Country risk
- Commercial risk

HOW TO LIMIT THE RISKS
- Down-payment
- Letter of credit (L/C)
- Guarantees
- Credit insurance

3 TOOLS FROM CREDENDO FOR SME'S WHEN EXPORTING
1) Credit insurance

Comprehensive policy: offers solutions to protect you against non-payment of your receivables. It can provide insurance cover for risks caused by your customers' problems due to insolvency/payment default or due to political events.

Product benefits

- Certainty that your receivables will be paid.
- Help you to collect the money from your customers.
- Banks can grant financing using the credit insurance policy as an additional guarantee/security.
- Convenient and accessible for companies, regardless of their area of business.
- Access to information about the credit worthiness of your customers by credit limit decisions.

Cash transaction insurance: export contract between Belgian exporter and foreign buyer with cash payments during execution period, pro rata determined milestones. Credendo – Export Credit Agency covers the termination and/or non-payment of the contract.

Product benefits

- Payment terms can be split up in milestones during the execution of the contract.
- The Belgian exporter is sure to be paid.
- No credit, no bank needed.

Bank guarantee insurance: insurance against the unfair calling of guarantees issued in favour of the foreign buyer (i.e. bid bond, advance payment bond or performance bond).

Product benefits

- Such guarantees can often be claimed on first demand without having to give any reason.
- The Belgian exporter is protected against risks which do not depend on its contractual obligations.
- Contract guarantees are accessory risks directly linked to the export contract.

2) Forfaiting: a Belgian exporter wants to grant a credit facility to its foreign buyer to allow it to pay for the equipment goods it bought from the exporter. For a credit facility of up to EUR 8 million and a tenor between 2 and 5 years, Credendo – Export Credit Agency covers and pays the exporter after delivery of the equipment.

Product benefits

- Competitive advantage for the Belgian exporter which can offer extended payment terms of up to 5 years to its foreign buyer.
- The Belgian exporter is paid as soon as its contractual obligations are fulfilled.

3) Financial guarantees for bank loans: Credendo – Export Credit Agency participates up to 50% in a bank loan granted to a Belgian company with international operations, by providing a guarantee for the benefit of the bank, without additional cost for the company.

Product benefits

- Support for the Belgian company to obtain a credit.
- Possibility of higher credit amounts.
- Additional capacity and comfort provided to the bank granting the credit.

TIPS ANS TRICKS

- Download the app from the website to have the latest updates about all the countries and their situation.

FURTHER INFO

Useful links:

- Credendo website
  https://credendo.com/en

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#15 The payment mechanisms

GUIDELINE #15

#contract
#risk
#payment
#method

OBJECTIVES

Dealing with foreign markets adds distance but also uncertainty relating business and of course payments. Therefore, it is mandatory to have an overview of all the aspects linked with payment to reduce risks of non-payment.

DESCRIPTION

- For a good start, a good contract
- Estimating your payment risk on a client
- Possible methods of payment
- How to choose the proper payment method?

CONTENT

FOR A GOOD START, A GOOD CONTRACT

10 key elements of the contracts and their relation with payment

1. Parties (Seller/Buyer): taking care of the buyer is important because the Supplier is facing a commercial risk (insolvency, bankruptcy) but also a political risk (revolution, riot but mostly lack of foreign currency) in the country of its client but also in its own because, in order to do certain kinds of business, the supplier has to be registered toward the authorities of their client's country. If not, it could be forbidden for the client to pay their supplier.
2. Object: what the supplier has to deliver should be clearly defined in order for the delivery or performance of the contract/order by the supplier to become payable.
3. Price: has to be negotiated in a transferable currency but you need to check the political risk of the client's country.
4. Term of delivery: incoterms from family E/F/C made payment due when risks are transferred to client at delivery in Seller's country while, incoterms D require goods to arrive in Buyer's country in good conditions.
5. Delivery date: the payment is linked to delivery/ performance by Seller, meaning that if the goods/services suffer delays, the payment could be postponed, reduced or not become due according to specific clauses in the contract. Do not forget that in incoterms of D family, the goods have to arrive on time and in good condition at destination.
6. Payment method: transfer / draft / Cash Against Documents / Letter of Credit (also called Documentary Credit).
7. Payment time: time granted to client to pay after delivery/performance (usually request in Western European market).
8. Applicable law: can affect the payment in case of non-compliant/delayed delivery as well as in property matters (for example, French law establishes that the client becomes the owner of the goods after full payment.)
9. Court or arbitration.
10. Enter into force: should be linked with down-payment and/or opening of a Letter of Credit if any.

ESTIMATING YOUR PAYMENT RISK ON A CLIENT

When dealing with a foreign client, you should have a look on the website of the Belgian public Credit Insurer named CREDENDO. See link in "useful links" section.

There is accessible information relating to the:

- POLITICAL RISK of the country of the buyer (1=best to 7=worse)
- COMMERCIAL RISK being the average of the payment of private companies in a country (A=pay on time, B=pay with delay, C=no payment) without specific surety like Letter of Credit and/or bank guarantees.

POSSIBLE METHODS OF PAYMENT

Transfer

1. Transfer without any additional surety/insurance: the seller will bear all the consequences of a non-payment.
2. Transfer within a «factoring» contract: the 'factor' will check solvability of clients from the Seller and agree on a credit limit with a certain payment term granted to each client => The factor 'purchases' the invoice and pays the supplier in advance, meaning that the transfer needs to be done on a specific account from the Seller so that payments are driven to the factor, as he already paid the Seller in advance or directly by clients on account of the factor.
3. Transfer with an insurance credit: the client has to be accepted by the credit insurer and a credit limit as well as a payment term will be determined. Should the client not pay the Supplier, payment will be done after a certain period with a deduction (guaranteed quotity) fixed.
4. Should the transfer be the only solution acceptable by the client but could not be secured through a factor or credit insurer, the only solution should be a full or partial downpayment before manufacturing or delivery.

Draft or bill of exchange

A draft is an independent commitment from the contract.

The seller will issue a draft/ bill of exchange toward its client, who has to accept it.

By accepting the draft, the client commits to pay the amount in the currency indicated, at the maturity date indicated.

The draft is well protected under Belgian law but, if a contract is signed under another applicable law, the surety of this method can be different and has therefore to be checked.

There will be bank fees for presentation of the draft to the client or its nominated bank in addition of payment commission.

The draft is mostly used in Belgium by suppliers dealing with a new company or a company with solvability problems because should the draft not being paid at maturity: problems with buyers appear faster as they will be blacklisted by banks.

Cash against documents or documents against payment

When the Seller sends goods, usually, they send documents (invoice, packing list, Certificate of Origin, transport documents in case of sea/ air transportation, etc.).

In case of Cash Against Documents, at the time of the contract, the Buyer will inform the Supplier of their banker's name and address, where the supplier has to send the documents through intermediary of its bank.

The procedure is as follows:

1. The goods are sent.
2. The Seller gives the documents to their banker with the request to send it to the Buyer's Banker.
3. The Seller's banker sends the documents to the Buyer's banker with the instruction to deliver it to the buyer only against payment.
4. Buyer receives documents from their banker after payment.

Should payment not occurred, the buyer cannot access the documents and, therefore, most of the time, they cannot import the goods.

It is highly recommended to use this method of payment only for sea/air transportation while it can only be totally secured for sea transport, (the client cannot have access the goods at the port of arrival if they don't have in hand one original Bill of Lading). This payment method is used for relatively not high value deliveries in Morocco and Tunisia because the ships reach these countries too fast to use the mechanism of Letter of Credit and the costs are limited in comparison because banks are not taking any risk on client's solvability.

Letter of credit or documentary credit

The 'Letter of Credit' or 'Documentary Credit' abbreviated as 'L/C' is THE international payment method. It is known worldwide and consists in replacing the commercial risk of a client by a bank with whom the client has agreements.

It is impossible to know the solvability of each client worldwide but the international banking system is making ratings available on solvability of banks. Furthermore, all the banks are linked by a single method of private communication named SWIFT.

All banks around the world also apply the rules of International Chamber of Commerce related to L/C named UCP 600. The Letter of Credit is an independent commitment from the bank of buyer named 'issuing bank' toward the Seller. The issuing bank commits to pay a certain amount in a certain currency to the Seller.
The seller/beneficiary presents the documents mentioned in the Letter of Credit according to the requirements (meaning delivery according to the conditions of the L/C) to a nominated bank in its country called the 'notifying bank' within a certain number of days after the date of transport documents. (This bank can become the confirming bank if it takes over the commitment to pay from the issuing bank.) The notifying or confirming bank (depending on the request from the issuing bank) will check the conformity of the documents with the L/C received from the issuing bank and the rules of the International Chamber of Commerce (UCP 600).

If the notifying or confirming bank finds the documents compliant, it will:
a) transmit the documents to the Issuing Bank and request payment from the issuing bank if acting as the notifying bank
—> meaning that the Supplier will be paid after the issuing bank pays the notifying bank.
b) pay the Seller/Beneficiary directly, send the documents to the issuing bank and request reimbursement as the Seller has already been paid.

HOW TO CHOOSE THE PROPER PAYMENT METHOD

1. Knowing your treasury (what are your prefinancing needs?)
2. Checking the Political Risk of the Buyer's Country.
3. Checking the Commercial Risk relating to your customer.
4. What are the payment method used in the client's country of client and by the client themselves.
5. If you need prefinancing, is the client able to make a down-payment?
6. If not, can your banker grant you prefinancing? At which conditions?
7. Can your client be covered by an Insurer Credit?
8. Should you be at risk for payment, do you have enough treasury to absorb the non-payment?

TIPS ANS TRICKS

- For transfers within the European Union in EURO currency, the cost of transaction applied by the bank to one of its clients cannot be higher than for a national operation.
- It is highly recommended to businesses dealing in another currency than EURO to open a bank account in the foreign currency to receive their payments.

FURTHER INFO

Useful links:

- Credendo: Belgian public credit insurer
  www.credendo.com/country-risk/

Contact person:
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International business adviser
G-D Luxembourg
Email: vincent.repay@bela.lu | **Mobile:** + 352 621 296 628

#16 Financing your international business activities

GUIDELINE #16

#business
#terms
#insurance
#payment

OBJECTIVES

What are the financial opportunities you can use in order to boost your business?

DESCRIPTION

- New clients purchasing at your Belgian company.
- New suppliers outside of Belgium.
- New project opportunities abroad.
- Conclusion

CONTENT

NEW CLIENTS PURCHASING AT YOUR BELGIAN COMPANY

Secure your sales: making sure that you will be paid for the performance executed.

- Credit insurance: most of the time only 90% of cover.
  - Credit insurance applied to your invoices to mitigate the risk of: orders being cancelled, non-payment after performance due to political or credit default.
  - On short payment terms (up to 180 days) for revolving sales of long terms for punctual sales.

- Letter of credit/ SBLC (stand by letter of credit): Covering up to 100%.
  - The LC is issued by the bank of the client and confirmed/discounted by your bank:
    - > Make sure that your bank can take the risk (country, issuing bank, amount, duration…)
    - > Budget the costs of confirmation/discount in your offer.
  - Once you receive and confirm the LC:
    - > You can be sure that upon presentation of complying shipping documents (B/L or depending on the incoterms), you will be paid by your bank.
    - > Your clients are sure that if you don't execute the right performance, they will not have to pay.
  - Letter of credit mainly used for punctual sales of goods above 50.000 EUR.
  - SBLC is mainly used for revolving small orders where you won't present documents.
  - You may provide deferred payment in the LC (i.e. at sight +180 days) to finance the supply chain delay but take it into account in your confirmation and discounting price provided by your bank.
  - Pay attention to the wording to avoid discrepancies, otherwise you are not covered.

Finance your activities: the funding that may be sourced on the receivables on offshore clients.

- Factoring/ receivables finance.
  - On revolving business with an approved list of clients, your bank may discount the value of each invoice on day 1 till you get paid at the due date.

- Depending on the countries and clients, you may need to insure the invoices with credit insurance or the bank may provide a non-recourse offer (and therefore managing the risk).
- If your business is constant, the financed invoices arriving at due date will be replaced by new invoices, creating a permanent working capital line.
- Durations of 30 to 120 days + grace period of 30 days.

Boost your business: how to provide added value to clients by providing deferred payment terms?

- Buyer's credit with ECA & Bank.
  - Supported by ECA (Export Credit Agencies).
  - International banks (not only Belgian ones).
  - Diversification of funding for the client.
  - Often less expensive than local funding.

- Discounted insured drafts.
  - Covered by credit insurances.
  - Financed on the balance sheet of the supplier (but may be non recourse).
  - In house/package solution with possibility to create 0% financing offers.
  - Very powerful commercially.

- Extended factoring up to 180 days.

NEW SUPPLIERS OUTSIDE OF BELGIUM.

Secure procurement: your supplier is small, newly established or in an instable country.

- Import letter of credit:
  - You will issue a letter of credit in favor of your supplier to make sure that your bank will only debit your account if the supplier has performed according to the terms.
  - Importance of the wording and respect of the UCP norms.
  - It is impacting your banking lines so, if your bank is acceptable, there is no reason for a supplier to refuse it.
  - There will only be a discussion on the costs (insurance & confirmation).

Convince new suppliers: Your company is newly created or needs some credentials/track record.

- Import letter of credit
  - The LC issued by your bank will comfort the supplier to be paid on due time when the performance is executed.
  - It is impacting your banking lines so, if your bank is acceptable, there is no reason for a supplier to refuse it.

- Collaboration with credit insurances (and need for structure).
  - You may also share information about your company with your supplier and its credit insurance in order to obtain deferred payment terms being credit insured.
  - Need for audited figures, cash forecast and well-structured and formalized business plan.

Obtain payment terms: You are not in a position to finance your business model on its own.

- Deferred payment import LC: (if your supplier is OK with LCs)
  - The supplier may confirm and discount the LC and replicate the costs of discount in the price.

- Supplier's factoring/finance (if your supplier is bigger than your company).
  - Your supplier will discount the invoice to you (potentially with credit insurance).

- Reverse factoring (if you are bigger than your supplier).
  - Your bank, based on your credit lines, will provide additional payment terms to you while paying your supplier immediately.

NEW PROJECT OPPORTUNITIES ABROAD

New markets where you need to establish subsidiaries.

- Finance local activities: When starting, look for receivables finance and treasury lines backed by HQ corporate guarantees.
  - Local factoring ?
  - Trade bonds/guarantees.
  - Support from the HQ with deferred payment terms.

- Finance local assets/stocks: Try to finance the assets locally as much as possible.

- You will not be able to grow globally if you do it centrally.
  - Difficulties to find long term funding.
  - Lack of sophistication for floorplans, stocks financing.
  - Expensive interest rates.

- Manage intercoms (intercompanies): There is no credit insurance or bank to finance it (except through LCs) and be careful about trapped cash.
  - Foreign exchange regulations: delays, documentation, maturities…

CONCLUSION

After all, the rest of the cash to fund your international business is already in your company:

- Decrease the costs.
- Improve the terms with your existing suppliers.
- Improve your aging balance.
- Improve your business model/supply chain to consume less working capital.
- Decrease your stocks/inventories.

TIPS ANS TRICKS

- Always start the financing of your international operations with collateral financing (here invoices) which is preferred by banks.
- If there are needs above the factoring, you may still ask for pure treasury lines.
- Understand the capacities of your local bank before investing.
- The cost of financing is different in each country: (tax, logistics, customs…)

FURTHER INFO

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