

Lesson 6

Running an Export Business



OVERVIEW: Imports and exports are important for a strong state economy in that both provide jobs for Nebraska citizens. In this simulation, groups of students will form a corporation, develop a product, and market it abroad. Using information provided by community resources, students will follow the procedure for doing international business and completing a successful exporting transaction.

ECONOMIC CONCEPTS: The students will learn about:

1. international trade
2. employment

OBJECTIVES: The student will be able to:

1. define and give examples of importing and exporting.
2. analyze the role of importing and exporting on employment.
3. outline the basic procedures for exporting in an international market
4. utilize community resources to assist in preparing a business for exporting.

NEBRASKA STANDARDS:

8.3.5, 8.3.6, 8.3.7, 12.4.17, and 12.4.23

MATERIALS:

1. Creating an Export Business Student Packet
2. International Business Contract

PROCEDURE:

1. Review the terms Imports and Exports with the students. Imports are goods brought into one country from another. An example of this would be the United States importing televisions from Japan. Exports are goods sent from one country to another. An example of this would be that Nebraska currently exports robotics to Japan.

2. Ask students their opinions on imports in terms of the employment of our citizenry. Students may have heard the opinion that we should buy American-made products, rather than imports (products made abroad), to keep U.S. citizens employed. The theory is that we shouldn't provide jobs for foreign workers when some U.S. citizens do not have jobs. The truth is that exporting goods provides many jobs for Nebraska and U.S. citizens. We must realize, however, that importing also provides jobs for Americans. Many people make a living selling imported products, transporting and processing imports, translating for foreign companies, being customs officials, and international bankers. Both importing and exporting are vital for a healthy economy.
3. Announce to the students that they will now get the opportunity to become exporters. Put the students into groups of three. The directions for the simulation are in their packet but be sure they are clear to the students.
4. Invite the guest speakers into the classroom as experts to assist students in completing their own export business contract. Use this list as a guide.
 - Local Successful International Business Person -- to describe the story of how their company entered the international market by either exporting or importing goods or services.
 - Marketing Consultants -- to assist in the development of a corporate name and logo, they may also discuss cultural information and taboos.
 - International Bankers -- to describe the process of completing international financial transactions.
 - Corporate Attorneys -- to assist in the legalities of international business.
 - Representatives from the transportation industry -- to provide background information on transporting to and within a country.
5. Have the groups complete the packet *Creating an Export Business*. For additional information on international exporting, the students can visit the website:
<http://international.ded.state.ne.us/nexport.htm>



Creating an Export Business

You and your group make up the board of directors of a newly formed international corporation. Your first task is to work with members of the board to come up with a product idea you feel would be successful in the international market. You must also create a name for your corporation. If you have an artist among you, you could also design a corporate logo. Consider the resources and assets in your area to help you develop a product to be marketed abroad.

PRODUCT FOR INTERNATIONAL DISTRIBUTION:

CORPORATION NAME:

CORPORATE LOGO:



Now that you have determined your corporate name, product and logo, follow the next 11 steps to successfully export a product to another country.

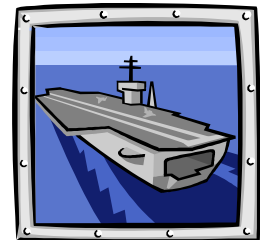
1. First -- identify customers. For the purpose of our simulation the board of directors will choose one country to export to. We (the board) will be sending our goods to the country _____, which is on the continent of _____.
2. The second step to exporting is to determine the mode of transportation to be used. We have looked on a map and determined the location of the country we are exporting to will consider the following forms of transportation _____
_____ (example, trains, boats, trucks, aircraft).
3. Determine how you will communicate with the company that will receive the goods you export. Will you use phone, fax, mail, email, etc.? Will you need a translator?
4. You also need to determine how the export will be financed. You may want to have this order prepaid. This would mean that they would pay for the shipment before it was received. The other option is C.O.D. (Cash on Delivery). In this case, the company wouldn't pay for the order until it was received. Would you prefer to have your exporting order prepaid or sent C.O.D.?



5. Determine the form of inland transportation you plan to use. This is the transportation from your local area to Canada, Mexico, or the East or West coast. Train, a trucking company, or airfreight will do this. Which would you prefer? You might consider calling a railroad, trucking line, or airfreight company to determine the cost for 30,000 pounds of freight. Your freight costs will be determined by weight, distance, and how fragile the product is. Our choice of transportation will be _____.



6. As the board of directors of your corporation, you need to determine whether or not you would like an All-Risk Insurance Policy. In this case, your freight would be replaced in case of war, earthquake, fire, a ship sinking, a truck accident, or a train derailment, etc. Would you like to purchase this type of insurance? _____ What do you think the benefits of insurance are? _____
7. Once you reach the border of the United States, your freight must go through export processing. You will have to have the freight inspected and pay filing fees for the following: U.S. Government Export Declaration charge. Filing fee of U.S. records. Goods will be transferred for international shipping. This step will ready the shipment for travel to the country that will receive the goods.
8. Your product must now be shipped from the U.S. border to the border of the exporting country. This phase is referred to as international shipping. For exports to Canada and Mexico, you could use a truck or train. For most other place you would use air or sea travel. What transportation would your corporation prefer? _____ Which forms of transportation do you think would be the cheapest and which would be the most expensive? _____
9. Import processing comes after international shipping. This happens at the seaport or airport of the importing country. During import processing, the freight is unloaded and examined by customs agents as well as the processing of all tariffs and paperwork.
10. Once the freight has entered the import country and is processed, it will need to be transported to its final destination. Like Step #5, this will be known as inland transportation and your corporation will once again need to choose air, trucking, or railroad. Our choice for shipping will be _____.
11. The final step is to complete the simplified international business contract. As a group, fill out the contract and negotiate the terms.



Once all the business ends are tied up, you have completed your first successful export operation from the United States to another country. Your corporation can see what a lengthy and extensive process this is and how many different people it involves.

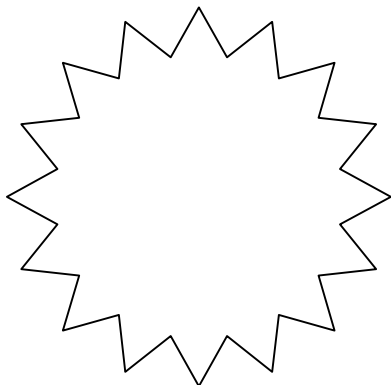


International Business Contract

We, the board of directors of the _____ Corporation agree to sell _____ (product) to the ACME Company of _____ (country) under the following contract conditions:

1. Shipping: We are shipping 30,000 pounds of our _____ product.
2. Payment: Your cost will be _____ dollars. Our form of currency is the American (U.S.) dollar and your form of currency is the _____. We expect our payment in U.S. dollars. Based on today's exchange rate, one U.S. dollar equals _____ of your currency.
3. We expect the payment in U.S. dollars to be _____ (prepaid or C.O.D.).
4. Delivery: We will deliver the above quantity and product to you on or before _____ (date).
5. Destination: Your order will be delivered to the ACME Company in _____ (city), _____ (country) by means of _____ (transportation methods).

We enter into this contract in good faith on _____ (date).



Company logo in seal

Signed:

_____ Director

_____ Director

_____ Director

_____ Director

