



# Global Watch<sup>®</sup>

THE NEWSLETTER OF THE INTERNATIONAL IMPORT-EXPORT INSTITUTE, EST. 1995  
11225 N. 28TH DRIVE, SUITE B 201, PHOENIX, ARIZONA USA 85029

NOVEMBER/DECEMBER 2006, VOLUME 8, ISSUE 6

## Global Competition for Night Vision Imaging and Sensors Industry Increasing

Increasing global competition in most overseas markets for defense and commercial products has raised some concerns about the long-term competitive position of the U.S. and other countries and specifically about the U.S.'s ability to maintain technological leadership. To better understand these concerns and the potential implications for U.S. defense production capabilities, the U.S. Army Night Vision & Electronic Sensors Directorate supported a Bureau of Industry and Security (BIS) assessment of the competitiveness of the industry. The BIS conducted an extensive survey, which



resulted in the following findings and conclusions:

### *A Growing Global Commercial Market*

Defense sales of these technologies once accounted for nearly all revenues, but commercial sales now account for 29.8 percent of the total market. The overall commercial market for imaging and sensors grew by over 55 percent between 2001 and 2005. There are new and growing commercial applications for imaging and sensors technology, including astronomy, fire fighting, medical imaging, hunting, and wildlife observation. For example: Swiss authorities used thermal imaging sensors to check the structural integrity of the Kitzsteinhorn tunnel following a deadly train fire in 2000. China used thermal imaging sensors to monitor the temperatures of incoming travelers to help contain the SARS outbreak.

### *Positive Overall Trade Balance, but International Competition Increasing*

Industry reports that U.S. exports of all imaging and sensor products have increased steadily, from \$280 million in 2001 to \$462 million in 2005. However, worldwide customs data show that there is increasing competition in

Night Vision - Continued on page 12

**Pricing for International Sales is a Complex Task**  
See Page 3

**Two California Men Arrested on Charges of Violating U.S. Embargo**  
See Page 4

**Reporting of known or suspected export violations requires knowing the regulations**  
See Page 6

**Discover why terms of sale are necessary for international transactions**  
See Page 11

**Licensed U.S. Customs Broker Exam and Test Keys Available**

People who sat for the October 2006 U.S. Licensed Customs Broker Exam can now download the test and key from the government site. While U. S. Customs and Border Protection (CBP) makes every effort to ensure that each Customs Broker License Exam and corresponding answer key are correct, CBP does not guarantee accuracy.

We congratulate those of you who passed the exam this time and to those of you who will be retaking the exam, we encourage you to examine the October test thoroughly and challenge any questions that you can verify you got correct but were scored as wrong. It is not uncommon for well research

Customs - Continued on page 4

## INSIDE THIS ISSUE

IIIEI Director's Notes	2
International Pricing	3
BIS Update	4
DDTC Update	5
In Compliance...	6
Country Profile: Iceland	8
Certification Board of Governors	10
INCOTERMS	11
BIS 2006 Review	12
IIIEI Honor Roll	13
BS in Global Supply Chain Mgt	14

**GlobalWatch®** is a publication of  
**The International  
 Import-Export Institute**  
 Phoenix, Arizona, USA

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## Notes from the Executive Director

# Looking Ahead

*by Dr. Donald N. Burton*



Looking ahead into 2007, the word change will continue to be the norm here at the IIEI.

The BIS Update 2006 Conference was the first time we have been an exhibitor. It was exhilarating for two of our staff who manned the booth to meet so many of our students, putting faces to names and to meet soon to be students. Caulyne and Tanya both remarked how good it was to finally meet their friends (our students) face to face. Tanya said, "it was great to hear from people how much they appreciated and enjoyed our courses." That makes me very proud of our team's numerous accomplishments. Knowing that we are providing critical knowledge to those in need and that they like what we are doing makes our efforts worth while and energizes us to do even more. In 2007, we will be exhibiting regularly at industry events. Come see us.

The IIEI promotion on page 14 should catch your attention if

you're ready to finally finish your bachelor degree or want another degree focusing on international trade. There are now two emphasis areas for our bachelor degree: Global Supply Chain Management and Trade Compliance Management. For either program, you can transfer in credits to minimize the time it takes to earn your degree. Call and speak to an Enrollment Advisor if you have interest in these programs. Next year, you will see a continual stream of new courses and programs. It's a little early to tell you the details, but rest assured future issues of GlobalWatch® will keep you well informed.

I am very thankful for the strong support and interest in our program by governments and people around the world. I also want to thank those who shared kind words with Caulyne and Tanya at the BIS Conference about the IIEI. We promise to continue to work hard to exceed your expectations as we move forward into 2007. Be well.



## The International Compliance Professionals Association

*One of the fastest growing organizations in trade today  
 and dedicated to the enrichment and advancement of the  
 compliance professional is having their*

**4<sup>th</sup> Annual Conference, March 26-29, 2007, Miami, Florida**

Member, Sponsor and Exhibitor Registration Opens November 15<sup>th</sup>, 2006.  
 Non-member Registration Opens January 8<sup>th</sup>, 2007.

**- Space is limited - Sign up early - Don't miss it! -**

ICPA is a Certification Board of Governors  
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Stay tuned to <http://www.icpainc.org> for more details....

## Pricing For International Sales

Courtesy TradePort  
California's Gateway to Global Trade

Pricing your product for competition in a foreign market can be a complex process requiring knowledge and skill. You will want the price of your product high enough to make your company a reasonable profit, yet low enough to accommodate each overseas market you seek. Pricing may become your greatest challenge, as international prices and consumer needs fluctuate, market-by-market.

Before setting a price on your product, you will want to find the answers to these questions:

**What is the demand for your product?** Smart exporters understand their market before entering it. Gather as much information as you can concerning its local customs and prices so you can better compete in the marketplace.

**What are your company's foreign market objectives?** The price of your product is essentially tied to what your company hopes to accomplish by its international sales business. Once you know your aims, you can

gauge prices to meet the needs of your company while accommodating the demands of your market.

**What are your product's costs?** Costs of exporting goods may include charges that stagger the uninformed. It pays, then, to have a clear idea of those costs and of what it takes to be a shrewd cost bargain-hunter. What you need is an insightful glimpse at measuring costs.

No magic formula exists for setting prices on international sales. But, being educated about the converging factors included in international pricing strategies can increase your company's profit.

### Your Company's Foreign Market Objectives

What you hope to accomplish by exporting your product plays a big part in deciding the price for your product. Those same goals can help determine which method, or combination of methods you will use to calculate prices for exported goods. The two principal methods of calculating product price are Cost-Plus and Marginal-Cost pricing.

### Pricing Methods: Cost-Plus vs. Marginal-Cost

#### Cost-Plus

This method looks easy, but be careful. The Cost-Plus accounting rationale revolves around maintaining the domestic profit margin. It uses the domestic price as a base price, adds export costs, and deducts any domestic marketing costs from the total. You may run into trouble with it, as variable costs connected with marketing in a foreign land are not taken into account. As such, your price may end up too high to compete in your foreign market. Cost-plus calculations look like this:

$$\begin{aligned} & \text{Domestic Price} \\ & + \text{Export costs} \\ & - \text{Domestic Marketing costs} \\ & = \text{Price on Product} \end{aligned}$$

#### Marginal-Cost

The Marginal-Cost method sets a "floor price" based on fixed costs, variable costs of foreign marketing, and profit. Floor price marks the point at which your

Pricing - Continued on page 9

## American Conference Institute (ACI)

### Upcoming International Trade Events



16<sup>th</sup> National Conference on the **FOREIGN CORRUPT PRACTICES ACT**  
Nov 8 & 9, 2006; Workshops, Nov 7 & 10; Washington, DC

2<sup>nd</sup> National Forum on **EXPORT ENFORCEMENT & INVESTIGATIONS**  
Dec 5 & 6, 2006; Workshops, Dec 7; Washington, DC

3<sup>rd</sup> National Forum on **INTERNATIONAL TECHNOLOGY TRANSFERS** Jan 24 & 25,  
2007; Workshops, Jan 23; San Francisco, CA

ACI is a Certification Board of Governors Approved Continuing Education Provider

For complete details and registration go to [www.americanconference.com](http://www.americanconference.com)



## U.S. Bureau of Industry and Security Update

### Two California Men Arrested on Charges of Violating U.S. Embargo Against Iran

**Washington, D.C.** - Two California men have been arrested and indicted on federal charges of violating the U.S. embargo against Iran in 2005, U.S. Attorney Jeffrey A. Taylor, William Reid, Special Agent in Charge for U.S. Immigration and Customs Enforcement (ICE), Department of Homeland Security, and Darryl Jackson, U.S. Department of Commerce Assistant Secretary for Export Enforcement, announced today.

Babak Maleki, 28, of Los Angeles, California, and Shahram Setudeh Nejad, 53, of Newport Beach, California have been charged with conspiring to violate the International Emergency Economic Powers Act ("IEEPA"), and the Iranian Transactions Regulations and making an unlawful export in violation of IEEPA and the International Trade Regulations. Also charged in the indictment is Mojtada Maleki-Gomi, 57, of Los Angeles, California. Maleki-Gomi is currently in Iran.

According to the indictment, Babak Maleki and Mojtada Maleki-Gomi did business as M&M Investment Co. ("M&M") of Beverly Hills, California. M&M sold and exported textile machinery and other commodities. Nejad worked for M&M in coordinating and facilitating exports and sales.

On December 7, 2005, a container with the KDK machinery that M&M had sold to the undercover agent left the United States for Dubai. A short time later, U.S. Customs and Border Protection (CBP)

### ACE Truck Manifest Test

On September 13, 2004, CBP published a general notice in the Federal Register (69 FR 55167) announcing a test allowing participating Truck Carrier Accounts to transmit electronic manifest data for inbound cargo through ACE, with any such transmissions automatically complying with advance cargo information requirements as provided in section 343(a) of the Trade Act of 2002. Truck Carrier Accounts participating in the test have the ability to electronically transmit the truck manifest data and obtain release of their cargo, crew, conveyances, and equipment via the ACE Portal or electronic data interchange messaging. A series of notices have announced additional deployments of the test, with deployment sites being phased in as clusters. Clusters were announced in subsequent notices published in the Federal Register including: 70 FR 30964, published on May 31, 2005; 70 FR 43892, published on July 29, 2005; 70 FR 60096, published on October 14, 2005; 71 FR 3875, published on January 24, 2006; and 71 FR 23941, published on April 25, 2006.

The use of ACE to transmit advance electronic truck cargo information will not be required in any port in which CBP has not first conducted the test. ACE will be phased in as the required transmission system at some ports even while it is still being tested at other ports. CBP will continue, as necessary, to announce in subsequent notices in the Federal Register the deployment of the ACE truck manifest system test at additional ports.

### Comments on Foreign Policy-based Export Controls Requested

The Bureau of Industry and Security (BIS) is reviewing the foreign policy-based export controls in the Export Administration Regulations to determine whether they should be modified, rescinded or extended. To help make these determinations, BIS is seeking comments on how existing foreign policy-based export controls have affected exporters and the general public. Comments must be received by November 22, 2006.

**ADDRESSES:** Written comments may be sent by e-mail to [publiccomments@bis.doc.gov](mailto:publiccomments@bis.doc.gov). Include "FPBEC" in the subject line of the message. Written comments (three copies) may be submitted by mail or hand delivery to Sheila Quarterman, Regulatory Policy Division, Bureau of Industry and Security, Department of Commerce, 14th Street & Pennsylvania Avenue, NW., Room 2705, Washington, DC 20230.

*Customs - Continued from page 1*

challenges to add two or three correct answers to a person's score. Obviously this can make the difference as to whether you pass the test or not. However, unless you are certain of your research don't attempt to challenge the results.

Although the IIEI has not heard from all the students who took the IIEI exam preparation course, it looks that as usual the majority of our students passed. Congratulations. From year to year the pass rate for IIEI students in taking the exam has varied between 50 to 80%. With that said the IIEI can not guarantee that anyone will pass the exam. It is a very difficult test.

# DDTC Update

Directorate of Defense Trade Controls

## Letter from the Director of Defense Trade Controls Licensing (DTCL) to the Defense Export Community

On October 12, 2006 DDTC took a big step in completely transitioning to D-Trade, the fully electronic license processing system. With the impending introduction of more forms on this system, we expect – by the end of the year – that the majority of defense export license applications will be processed electronically through D-Trade, thereby eliminating the need to submit paper copies of backup documentation for applications submitted under the legacy ELLIE system. We still have a large number of “paper” cases that we need to process before the significant benefits gained

...by the end of year a majority of defense export license applications will be processed electronically...

by D-Trade may be fully realized.

We have committed to taking extraordinary measures to process the vast majority of your license applications and agreements by January 2007. All available personnel within DDTC are dedicated to the successful completion of this goal. We made significant progress as a result of the “Tiger Team” efforts started earlier this year, and we now have additional personnel on board that will help us to meet this goal. What this means to you, the exporter,

is that licensing officers will continue to focus entirely on processing applications. Routine activities such as training, meetings, and outreach events will be minimized during this period.

The Response Team will handle ALL incoming calls and will be your link to DTCL. You can check on the status of licensing applications submitted before October 12, including agreements and DSP-119s, by clicking on ELLIE NET under the Defense Export Licensing link. The information is updated every 24 hours. To check on the status of a D-Trade submission, log on to D-Trade and click on the ‘Track Status’ button. You may also contact the D-Trade Help Desk with D-Trade specific questions. For all other submissions, contact the Response Team. We ask that you refrain from contacting licensing officers directly, as voice mail messages will simply direct you to the Response Team.

Excerpted from the letter at:  
<http://www.pmdtcc.state.gov/>

### What Are Students Saying?

**Here are comments from participants across industry about a recent Ethics in Trade Compliance Course (IIEI-320) that reinforce why it’s so important and required for CUSECO® certification.**

*“Provides you the essential knowledge and strength to stand firm for ethical trade compliance behavior.”*

Jose Abrantes, International Trade Compliance Export Coordinator, PerkinElmer LAS

*“This courses makes sure your “moral compass” is pointing the right direction.”*

Dana Alvares, Compliance Manager, Tyco Electronics / Precision Interconnect

*“One of the most thought-provoking courses I’ve ever taken . . . essential and relevant to every aspect of my job.”*

Raymond Lovorn, Export Compliance Administrator/Logistics Coordinator, Marathon Oil Company

*“A stimulating class that should be required by anyone in the trade compliance field, early in their career.”*

John McElroy, International Licensing Analyst, Senior Staff, Lockheed Martin Integrated Systems & Solutions.”

*“I highly recommend “Ethics in Trade Compliance; this class is excellent for the trade novice or experienced professional. In my opinion, it’s a “best practice” that sets “the benchmark” in our industry.”*

Larry Vigil, Trade Compliance Specialist, The Stanley Works

Sign up now for the next offering of IIEI-320 at [http://www.iiei.edu/Courses/Classes\\_start.htm](http://www.iiei.edu/Courses/Classes_start.htm) and join numerous other trade compliance professionals from around the world in dealing with this challenging and very important aspect of international trade in our demanding and dynamic global marketplace.

# In Compliance....

## Disclosure Timeliness - A Matter of National Security

*by the IIEI Staff*

Timely reporting of suspected or known violations of the Export Administration Regulations (EAR) and International Traffic in Arms Regulations (ITAR) is critically important. It is also essential for trade compliance professionals to understand the voluntary disclosure provisions in the EAR and ITAR and differences between them. While the basic concept of disclosures are similar, the EAR and ITAR have different approaches in terms of when the disclosure should be submitted to the appropriate agency.

NOTE: The EAR uses the term voluntary self-disclosure (VSD) and the ITAR uses voluntary disclosure (VD). For the sake of consistency, this article generally uses VD and VSD to represent the collective concepts and considerations underpinning voluntarily disclosing to any US Government (USG) enforcement authority.

As a result of amendments to the ITAR issued earlier this year, section 127.12(c)(1) states that parties should "... initially notify the Directorate of Defense Trade Controls (DDTC) **immediately** after violation(s) are discovered and then conduct a thorough review of all export-related transactions where violation(s) are suspected." In its changes to the ITAR, the DDTC replaced the words "as soon as possible" with "**immediately**." According to DDTC sources this was

done because some parties that chose to submit VDs took great latitude in their definition of "as soon as possible." In some cases that timeframe turned into weeks, months and years after violations were discovered.

In contrast, section 764.5(c)(1) of the EAR states that, with respect to VSDs exporters should "...initially notify OEE (the Office of Export Enforcement) as soon as possible, after violations are discovered, and then conduct a thorough review of all export-related transactions where violations are suspected." While the phrase "as soon as possible" is not well defined, parties are strongly encouraged to submit their VSDs to the Bureau of Industry & Security (BIS) OEE within days after the suspected violation is uncovered. Again, even if all of the facts are not available, an initial disclosure can be submitted, followed by a more detailed account.

While VSDs are, of course, voluntary, parties engaged in covered transactions have a continuing obligation to notify the BIS and other relevant agencies about errors or omissions relating to licensed transactions. Specifically, section 764.2(g)(2) of the EAR provides that:

"All representations, statements, and certifications made by any person are deemed to be continuing in effect. Every person who has made any representation, state-

ment or certification must notify the BIS and any other relevant agency, in writing, of any change of any material fact or intention from that previously represented, stated, or certified, immediately upon receipt of any information that would lead a reasonably prudent person to know that a change of material fact or intention has occurred or may occur in the future."

While the ITAR does not have an identical provision, section 127.2 does, of course, prohibit the use of any export control document that contains a false statement or omission of a material fact. Thus, offenders should likewise notify the DDTC of any errors or omissions in an export license or other application immediately after they are discovered. That includes VDs. If you make the decision to submit a VD, then be sure to disclose all of the relevant facts and information. Doing otherwise risks further exposure, greater risk, additional violations, criminal prosecution and perhaps even more damage to national security.

Senior officials at the DDTC, BIS, Office of Foreign Assets Control and Customs and Border Protection continue to emphasize the importance of expeditious reporting and the value-added of VDs and VSDs.

Based on discussions over the years with various USG compliance and enforcement officials "as soon as possible" had been generally understood to be within no more than a few

weeks after discovery of the known or suspected violation, unless exigent circumstances are present, such as an imminent violation. In those cases, immediate notification is warranted. Anything longer than a couple of months, it was felt, reflected negatively and seriously called into question the submitter's sincere intent at compliance. Such delays in reporting may likely affect the consequences including more severe penalties with even greater potential negative impact on the individuals and organizations involved as well as our Nation.

The USG enforcement community also indicates they have the latitude to assess additional violations for intentionally not reporting violations (i.e. if you knowingly fail to report one violation, they can assess an additional one, thereby doubling the number, or they could refer the matter to the US Department of Justice for possible criminal prosecution). The timeliness of reporting violations is viewed as an indication of how an organization conducts its business. Late disclosures may cause the USG agencies to conduct a much wider investigation of practices, policies, procedures and transactions to determine what else was not disclosed by the organization in a timely manner.

The enforcement community has a great deal of latitude and discretion to do whatever they deem appropriate based on the specific details of each case. Another reality is when enforcement begins to evaluate and research the specifics of one circumstance they may find other problems. Thus a relatively simple vertical investigation by one agency for an administrative infraction may suddenly go horizontal and interagency to uncover even more serious criminal violations.

While there's no set number of days in the regulations in which a VD or VSD must be filed, the words "immediately" and "as soon as possible" certainly imply an initial disclosure should

be submitted quickly after the violation is discovered. Even if all the facts of a possible violation are not uncovered, an initial VD or VSD with as much detail as possible satisfies the regulatory intent of "immediately" or "as soon as possible." That initial written notification should include a specific and well-defined time frame for more comprehensive follow-up (e.g. 30 days).

Any further delay can increase suspicion and the potential magnitude of assessed penalties. Along with damaged reputations, some of the many other possible negative outcomes include: denial of export privileges and USG contracts, enormous legal costs, increasing monetary fines, adverse publicity, contract termination threats, adverse impact on award fees, loss of shareholder value and confidence.

Also note, the USG in general has an even greater interest when sensitive national security and/or foreign policy concerns are involved. Commodities on the U.S. Munitions List annotated as Significant Military Equipment or identified by the intelligence community as Targeted Advanced Conventional, Enabling or Targeted Technologies (i.e. automated production and control, directed energy, electronic countermeasures, guidance and navigation systems, high resolution satellite imagery, microelectronics manufacturing, optics/optoelectronics, stealth and telecommunications) or virtually anything having to do with weapons of mass destruction or their delivery systems get "very special" attention from the Departments of Commerce, Defense, Energy, Homeland Security, Justice, State and Treasury.

Do not make the mistake of making your own assessment of the impact on national security. No one in industry is appointed the respon-

sibility for making those determinations. That is the responsibility of the USG. Moreover, no one in industry has the resources or access to sensitive USG information to make an accurate and complete evaluation, particularly when it comes to intelligence implications and exactly what impact there is on our warfighters or on broader foreign policy and national security interests. That is another reason why timely disclosure to the USG is important. Give them the facts quickly and let them sort it out with their vast expertise and resources, and, if possible, initiate appropriate countermeasures.

Further, penalties for export violations are significant. The USG continues to aggressively search out offenders and is not reluctant to impose sanctions. The effect of potential civil fines alone could be significant. For example, under the ITAR, a civil fine of up to \$500,000 can be assessed along with other penalties for each violation. ITAR criminal fines are up to \$1,000,000 per violation—also with a long list of other negative, potentially devastating consequences. Under the EAR, the maximum criminal sanctions associated with willful violations or conspiracy to violate by an individual is five times the value of the exports involved or \$250,000 (whichever is greater), imprison for not more than 20 years, or both, for each violation; and for companies up to five times the value of the exports involved or \$1,000,000 (whichever is greater) assessed per violation. In addition, civil penalties of up to \$50,000 per violation as well as the denial of export privileges can be imposed.

In every case of a known or suspected export violation of any trade



Iceland, officially the Republic of Iceland, is a volcanic island nation in the northern Atlantic Ocean between Greenland, Norway, Scotland, Ireland and the Faroe Islands. Iceland was one of the last large islands uninhabited by humans until it was discovered and settled by immigrants from Scandinavia, Scotland and Ireland during the 9th and 10th centuries. Iceland boasts the world's oldest functioning legislative assembly, the Althing, established in 930.

Independent for over 300 years, Iceland was subsequently ruled by Norway and Denmark. Limited home rule from Denmark was granted in 1874 and complete independence attained in 1944. An important key to understanding Icelanders and their culture (and which differentiates them from many contemporary Nordic peoples) is the high importance they place on the traits of independence and self-reliance. Literacy, longevity, income, and social cohesion are first-rate by world standards. Icelandic society

and culture has a high degree of gender equality, with many women in leadership positions in government and business.

Iceland is the fifth most productive country in the world based on GDP per capita at purchasing power parity. It is also ranked second on the 2005 United Nations Human Development Index.

The economy historically depended heavily on the fishing industry, which still provides almost 40% of export earnings and employs 8% of the work force. In the absence of other natural resources, the economy remains sensitive to declining fish stocks as well as to drops in world prices for its main material exports: fish and fish products, aluminum, and ferrosilicon. Although the Icelandic economy still relies heavily on fishing it is constantly becoming less important as the travel industry and other service, technology, energy intensive and various other industries grow.

Source: CIA World Fact Book and Wikipedia



## Iceland at a Glance

**GDP:** \$13.05 billion (2005 est.)

**GDP - real growth:** 5.7% (2005 est.)

**GDP - per capita (PPP):** \$35,600 (2005 est.)

**Inflation Rate:** 4% (2005 est.)

**Labor Force:** 165,900 (2005 est.)

**Unemployment Rate:** 2.1% (2005 est.)

**Population:** 299,388 (July 2006 est.)

**Exports:** \$3.215 billion f.o.b. (2005 est.)

**Exports - Commodities:** fish and fish products 70%, aluminum, animal products, ferrosilicon, diatomite

**Exports - Markets:** UK 17.9%, Germany 16.4%, Netherlands 13%, US 8.1%, Spain 7.7%, Denmark 4.3% (2005)

**Imports:** \$4.582 billion (2005 est.)

**Import Commodities:** machinery and equipment, petroleum products, foodstuffs, textiles

**Import Partners:** Germany 13.4%, US 9.1%, Sweden 8.6%, Denmark 7.3%, Norway 7.2%, UK 5.9%, China 5.3%, Netherlands 5%, Japan 4.7% (2005)

**Exchange Rate:** Icelandic kronur per US dollar - 62.982 (2005), 70.192 (2004), 76.709 (2003), 91.662 (2002), 97.425 (2001)

**Internet Users:** 225,000 (2005)

**Internet Hosts:** 190,140 (2005)

Source: CIA World Fact Book



**Pricing** - Continued from page 3

company starts taking a loss on the sale of its product. Some deem the marginal-cost method a more realistic approach to setting product prices. Floor price is calculated thus:

Fixed costs =

- Production costs
- Overhead
- Administration
- Research & Development

+ Product modification costs =

- Special labeling, translated instructions required under regulations.
- Foreign market research
- Advertising and marketing, promotion to establish product recognition in the new market
- Translation, consulting and legal fees for translating documentation
- Company in-service training for foreign distributors/agents
- After sales service warranty costs
- Direct costs (freight, insurance, handling)
- Tariffs

+ Unexpected variable expenses:

- time cycle of export sales
- change in supplies or components
- complications in filling orders
- risk coverage in case of payment default
- extra sales and administrative costs

+ Profit Margin (usually 12-15%, depending on financing and credit terms) = Floor Price

**Pricing Options**

You may want to set a price range for your product, predicated upon the specific customer level you want to capture. Positioning your

product or service at the upper end of the market can call for a higher price. Using a moderate price will lower your risk factors.

Using a moderate price will lower your risk factors

Pricing at the lowest range is possible when you want to reduce inventory and do not have a long-term commitment to your market area.

Always price your product in U.S. dollars terms (even if you live in a country other than the U.S.) to avoid currency exchange risks. This should be clarified in all financing agreements as well as on your pro forma quotation. (You will learn more about Preparing a Proforma Invoice later in this section.) At the same time, be aware that currency fluctuations in a foreign land can affect your price at anytime.

The examples below will shed some light on how your business objectives can influence your foreign marketing plan.

- **Breaking Into A New Market.** If you are trying to break into a new market

where the competition is fierce, you should adopt a pricing plan that adjusts your price to beat the competition. In some instances this may mean lowering your price to gain a long-term market share. You may need to sacrifice profit in the short term to reach long-term goals.

· **Increasing Your Market Share.** You may need to set your prices slightly lower than the competition to do this. Cutting your marketing costs may be the way to go. Another way to allow you to drop price is to cut your freight costs.

Pricing your product when entering a foreign market is critical. Therefore, be prepared to spend extra time in considering the pricing strategies outline here.

Source: [www.tradeport.org/tutorial/details/index.html](http://www.tradeport.org/tutorial/details/index.html)

**Puerto Rico Removes Import Excise Tax**

The Government of Puerto Rico has announced that Governor Anibal Acevedo Vila signed a bill into law to remove a 6.6 percent excise tax on imports into Puerto Rico, effective for goods entered on or after October 17, 2006. The tax was based on the commercial value of the imported goods and was collected by a local government tax agency.

Courtesy: Expeditors Newsflash <http://www.expeditors.com/newsflash>

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[www.usexportcompliance.com](http://www.usexportcompliance.com)



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## Certification Board of Governors

Meet the Compliance Enforcement Committee

The Certification Board of Governor's Compliance and Enforcement Committee (CEC) is comprised of a maximum of seven individuals that each serve two-year terms. Their task is to maintain the integrity of the industry certification process by ensuring that individuals who are industry certified comply with the established standards. This committee works in unison with the Ethics and Professional Standards Committee in fulfillment of its duties.

The CEC is Chaired by Douglas Jacobson, a Partner and Chair of the International Trade Practice of Strasburger & Price, LLP, a Washington, DC law firm. Doug has extensive experience representing companies on a wide range of export issues and regularly counsels U.S. companies and their foreign subsidiaries on compliance with U.S. and multi-lateral regimes governing the export of dual-use items, software, technology, defense articles and humanitarian products.

F. Amanda DeBusk is an Attorney and Chair, International Trade Department with Hughes Hubbard & Reed LLP, Washington, DC. She is Vice Chairman of the CEC. She served previously as the U.S. Department of Commerce's Assistant Secretary for Export Enforcement. As a Senate-confirmed presidential appointee, she was the head of a 165-person organization charged with enforcing U.S. export controls (including sanctions) and the antiboycott regulations.

Art Causin is the Director, Corporate Compliance at EDO Corporation (EDO). EDO provides military products and professional services to the United States and allied governments, and their prime defense con-

tractors. The company also has a number of commercial product lines which are sold to the domestic and international marketplace.

Mary E. ("Lisa") Gilmer has worked on export controls matters since 1985 for Newark, Delaware-based W. L. Gore & Associates, Inc. (Gore) and is currently the Gore attorney responsible for international trade matters, including export controls and customs issues.

Peter L. Flanagan, a partner with the Washington, DC-based law firm of Covington & Burling, concentrates in international trade matters and financial services regulation. In the international trade area, Peter counsels clients on U.S. export controls, economic sanctions, and foreign blocking measures. He also advises on supply chain security issues and has been involved in a variety of trade policy matters, particularly involving U.S. relations with the European Union. He has significant pro bono experience in the area of international human rights.

Richard Seamans is President, RS Global Trade Compliance Services, Inc. With over 20 years experience as a compliance professional, including serving in Motorola, where he had business roles for the Asia and Pacific region, Latin America, and the Near East and Middle Africa areas, he has implemented all facets of export compliance programs in industry and currently is a trade management consultant. He has given over 200 trade compliance training presentations during his career and is an instructor and course developer of senior college level trade compliance courses at the International Import-Export Institute (IIEI).

*BIS - Continued from page 4*

recalled the container and detained it. Over the next several months, Nejad and Babak had phone conversations and meetings with representatives of CBP attempting to get the container released. During those contacts, they made false representations about the identity of the purchaser of the KDK machinery and the ultimate destination of the equipment.

**Courtesy:** NGC Export/Import Compliance Daily Update ("The Daily Bugle") published by the Northrop Grumman Corporation Law Department

*In Compliance - Continued from page 7*

related regulation, Empowered Officials, senior compliance practitioners and experienced legal counsel MUST be advised immediately in accordance with organizational policies, processes and procedures. Additionally, in today's world with the Sarbanes-Oxley Act and US Sentencing Commission Federal Sentencing Guidelines, Chief Executive Officers, Chief Financial Officers and Boards of Directors should be in the loop since they too face potential liability and risk for a violation.

Compliance professionals should always ensure thorough investigation of every suspected or known violation in a timely manner, take decisive action and expeditiously report it to the USG if it is appropriate to do so. The risk of anything less than 100% compliance and not abiding by the letter and spirit of the law remain enormous. Remember the consequences are not just to the individual and the organization. It's also not just a question of impact on your corporate profit and loss statements. There are national security implications. And in some scenarios, people's lives are at stake.

## Why are Terms of Sale Necessary? - INCOTERMS - A Brief Overview

Sometimes called “shipping terms,” “incoterms,” or “international trade terms,” the terms of sale establish the contractual obligations of the seller and the buyer under the price quotation and sales agreement. They distinguish in abbreviated form who is responsible for certain costs at the time of “transfer of risk,” who holds ownership when and where the goods will be delivered.

Take note that as seller, you may be still held responsible for any goods that get damaged in transport depending on the mutual financial arrangements for payment.

**Terms of Sale for domestic transactions differ from those for international transactions.** When you are quoting internationally, international and domestic terms of sale can have different meanings. As a matter of good customer relations and in your own self-interest, you should ensure you and your buyer fully understand the extent of the terms used before shipment of your goods.

**Definitions of Terms** When choosing terms you will want to consider the relationship you have with the buyer and the economic and political climate of the exporting country. The table below defines the most widely used terms.

Term	Definition	Risk	Cost	Include on the Quotation
<b>EXW</b> Ex Works	Buyer arranges for pick up of goods at the seller's location. Seller is responsible for packing, labeling, and preparing the goods for shipment on a specified date or time frame.	Buyer assumes all risk.	Buyer pays all transportation costs.	N/A
<b>FCA</b> Free Carrier	Seller is responsible for costs until the buyer's named freight carrier takes charge.	<b>Seller and Buyer</b>	Split	N/A
<b>FAS</b> Free Alongside Ship (over water only)	Buyer arranges for the ocean transport. Seller is responsible for packing, labeling, preparing the goods for shipment, and delivering the goods to the dock.	<b>Seller:</b> until the goods reach the dock. <b>Buyer:</b> from dock to destination	<b>Buyer:</b> all ocean transport costs. <b>Seller</b> is responsible for costs associated with transporting the goods to the dock.	Cost of transporting goods to the dock.
<b>FOB</b> Free On Board (over water only)	<b>Seller</b> arranges for ocean transport of the goods, preparing the goods for shipment, and loading the goods onto the vessel. The goods ship ocean freight collect.	<b>Buyer:</b> once the items are on board.	<b>Seller:</b> wharfage (charges to load the goods onto the ship) and freight forwarder fees.	Costs, until on board.
<b>CFR</b> Cost and Freight (over water only)	<b>Seller</b> has the same responsibilities as when shipping FOB, but shipping costs are prepaid by the seller, instead of shipping collect.	<b>Seller:</b> assumes the risk until the shipment reaches the overseas dock.	<b>Seller:</b> costs of freight fees up to destination.	Add Freight to cost of product.
<b>CIF</b> Cost, Insurance, and Freight (over water only)	<b>Seller</b> has the same responsibilities as when shipping CFR with the addition of including a marine insurance policy.	<b>Seller:</b> until the shipment reaches the overseas dock.	<b>Seller:</b> insurance and freight forwarder fees.	insurance, freight, and costs of goods.

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**NOTE:** This listing is meant only as a brief introduction. It by no means spells out all the obligations under each incoterm.

# BIS Update Conference Review

## Raffle Winners Announced

by **Caulyne Barron,**  
**Academic Programs Director**

It was great to meet so many IIEI students at the 2006 BIS Update Conference. IIEI Enrollment Advisor Supervisor Tanya Cook and I set up shop in the exhibit hall on the upper level and we had a great time putting faces to names. This was IIEI's first time exhibiting at the Update Conference and it was a success! About 800 attended the conference October 16 and 17th in Washington DC. And we know that we met many of you!

During the conference, we raffled off two free courses and we are proud to announce the winners. Glenda Johns, Manager, Export Trade Services and International Compliance of ITT Goulds Pumps of Seneca Falls, NY and Lorenzo McPhatter, Systems Specialist, Eastern Region, Pitney Bowes Management Services of Research Triangle Park, NC are the lucky recipients. We look forward to see-

ing them in the online classroom.

Not surprisingly, about 10% of those we saw in the exhibit hall were CUSECO® certified. But only a few remembered their CUSECO® pins! We hope that you'll remember to pack your pin at the next conference you attend and show off your hard-earned certified status! Don't forget that attending conferences can often count toward your Continuing Education requirements to keep your certifications up to date.

Bob Geiges, IIEI Vice President, Global Marketing, and I will be attending the Society for International Affairs conference in November and hope to meet even more students and see even more pins. See you there! Come by and introduce yourself and perhaps win one of the free classes in our raffle.

*Night Vision - Continued from page 1*

commercial products from the European Union (EU), Japan, and China. As a result, total U.S. share of global exports for imaging and sensors products declined between 2001 and 2005 according to Census Bureau data.

### *Majority of U.S. Licenses Issued to NATO Allies and Japan*

The U.S. requires a license for the export and reexport of uncooled cameras to all destinations except Canada. In Fiscal Year 2005, licenses for thermal imaging cameras were the single largest category of licenses issued by the Department of Commerce. Between 2001-2005, 67 percent of all licenses approved by the Department of Commerce were for exports to the EU and Japan.

For more information, call the Bureau of Industry and Security Office of Congressional and Public Affairs at 202-482-2721.

**Source:** <http://www.bis.doc.gov/>



### A Reminder to All CUSECOs®

Ethics in Trade Compliance (IIEI-320) must be completed by January 1<sup>st</sup>, 2007, to maintain certification. If you're unable to meet this requirement contact your IIEI Academic Advisor.

**How certain are you about the jurisdiction of your commodity, item, article and the related assistance, service(s), software, technology or technical data?**

**If you didn't or don't get it right, you risk violation(s) of the law and exposure to enforcement action(s) along with a long list of potential negative consequences.**



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**Enroll Now for Spring Term**

Now is the time to begin the admissions process for the Winter term beginning January 11<sup>th</sup>, 2007. Whether you are interested in finishing your degree or starting in one of our new degree emphasis programs, IIEI has a flexible schedule to meet your needs.

With the registration deadline of December 21<sup>st</sup>, 2006, students should complete their registration early to ensure they are able get into the classes they want.

**1. Submit an Application and Application Fee**

Complete the degree application and fee. Applications are available in paper or electronic format. You may contact an IIEI Enrollment Advisor for the application or IIEI 2006-2007 General Catalog at 800-474-8013.

**2. Send in official transcripts listing prior coursework**

Have an official copy of high school transcripts, and or college sent to IIEI

Registrar Office. These records are useful in determining transfer credit opportunities, and are important records for the applicant's file.

**3. Discuss enrollment options with your degree counselor once admitted**

Admitted degree seeking students may enroll half, three-quarter, full or double time in the course offerings for any given term. Students should contact their Degree Counselor for a list of possible schedules based on their enrollment tier, and the possible advantages of each schedule. Counselors can also direct students on course content, necessary course materials, and provide support on getting ready for class.

**4. Enroll in class**

For admitted degree students, the final step is finalizing your course schedule and starting class. Your Counselor can help you do this. Most first time students will enroll in a set sequence of courses to best meet both the major and general education requirements of the program.

**IIEI Certifications**

Congratulations to the following on successful completion and recent award of the respective certifications.

**Certified International Trade Logistics Specialist®**

- Hitomi Nishimura - CA
- Yuko Kato - CA

**Certified U.S. Export Compliance Officer®**

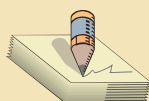
- Dana Alvares -
- Gregory Herzog -TX
- Dana Madhu - TX
- Kristy Myers - PA
- Tom Nunez - TX
- Justin Penman - KY
- Antonette Perez - CA
- Shelley Staggs - TX
- Li Tao - CA
- Russell Stewart - AZ

**Meet Jeff Shaver**



Jeff Shaver, one of IIEI's recent additions to the staff of Enrollment Advisors, was born in Michigan but has lived in Arizona for a several

years. He brings with him a wealth of experience assisting students in meeting their educational goals. Jeff's interests outside of work include the remodeling and personalizing of his new home with his fiancé and living up to the expectations of his two cats. We are very pleased to have him join our growing staff.



**IIEI Student Honor Roll**

*Outstanding "A" performance for two or more semesters.*

- Jose Abrantes
- Sherry Aitken
- Dana Alvares
- Ali Ashu
- Juan Bastardo
- Jessica Bejarano
- Barb Brown
- Denice Clark
- Marcia Davis
- Karen Flanigan
- Catherine Forgey
- Janice Glad
- Alvis Guillen
- Steve Harding

- Tuan Hoang
- Teresa Johnson
- Adam Kupetsky
- Jennifer Kupiec
- Jim Langlais
- Art Larkin
- Jared Looper
- Deni Lorson
- Raymond Lovorn
- Susan Luker
- Rita Lyons
- Tracey Lyons
- Julie Macheledt
- Jay Massimino

- Kenneth Mcdaneld
- Michael Montez
- Raj Ohneswere
- Kelly Pacy
- Stephanie Ratliff
- Jason Redd
- James J. Robinson
- Karin Ryerson
- Tina Seale
- Arunee Suriyapoom
- Joe Tarrant
- Roberta Valdivia
- Don Williams

***Congratulations!***



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