

# CREDIT AND COLLECTIONS FOR EXPORTS

## Credit

You can, and should, use export credit as a marketing tool. You will need to choose payment terms which satisfy importers while protecting your own interests. It is essential to realize that buyer and seller are operating under very different conditions and have different objectives. The exporter wants to be paid as soon as possible in the correct currency, while the importer wants to receive the materials ordered on time and be extended the maximum possible credit terms.

## Evaluation

You must be sure of the creditworthiness of the individual buyer and of the buyer's country. The evaluation of country risk is a basic step in the development of credit policy. Here are items about the country that you need to know. This information is sometimes difficult to acquire, and we suggest you approach your bank or the Export Development Corporation for assistance.

### 1. Economy

- Gross Domestic Product and per capita income
- balance of payments
- international indebtedness
- currency convertibility
- exchange controls
- inflation rate
- unemployment
- trade agreements, including current trade with Canada
- trade restrictions — import quotas and tariffs
- customs rates, preferential treatment
- level of industrial development
- population size, distribution
- skill and wage level of work force
- income distribution
- labelling and packaging requirements

### 2. Political and Legal Factors

- Form of government, stability
- attitude towards foreign business, especially Canadian
- international credit record
- fiscal and monetary policies
- tax laws and equity in their administration
- fairness of courts, collectibility of debts

A detailed assessment of the country along these lines will indicate how stable a market it is.

The next step is to evaluate your buyer's credit standing: major considerations are length of time in business, the size of operations and amount of importing, financial strength, credit rating and ability to pay.

There are numerous ways to find this information:

- The major banks, through their overseas branches and correspondents, can usually obtain information on any publicly owned company.
- The Trade Commissioner Service can tell you if the buyer is known to other Canadian companies and may put you in contact with local suppliers.
- You may directly contact exporters who have done business with your importer. Their comments are a good indicator of the buyer's overall reliability.
- Dun & Bradstreet International will investigate a foreign firm and submit a credit report. There is a charge for Dun & Bradstreet reports, however, and they are only as reliable as the information they can assemble from foreign sources.
- The U.S. Department of Commerce publishes the *World Traders' Data Report* with information on foreign firms, covering their size, operations, background, bank references, etc.