

European Polytechnical Institute, Ltd.

Study field: Management and Marketing of Foreign Trade

**EXPORT POLICY OF HAMÉ INC. TOWARD
EASTERN COUNTRIES**

Bachelor thesis

Elaborated by: Yuliya Pryadka

The supervisor: Ing. Bohumil Vráblík, Ph.D.

Kunovice April 2004

Hereby I declare that, I worked on this thesis myself and with the use of literature and materials, enumerated in the attached list.

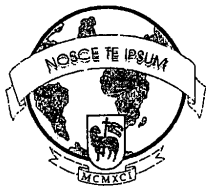
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J. Pryadka Yuliya Pryadka

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Kunovice April 2004

Yuliya Pryadka



Evropský polytechnický institut, s.r.o.

Osvobození 699, 686 04 Kunovice
☎ a fax: 572549018, 548035, e-mail: epi@vos.cz
<http://www.vos.cz/epi>

Student(ka)
Yuliya Pryadka
Na řádku 9
690 02 Břeclav

VÁŠ DOPIS ZNAČKY / ZE DNE

NAŠE ZNAČKA
BP_MZ3/2004

VYŘIZUJE / LINKA
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Zadání bakalářské práce

Vážený studente, vážená studentko,

jako téma Vaší bakalářské práce ve studiu oboru Management a marketing
zahraničního obchodu Vám zadávám

Exportní politika firmy Hamé a.s. do východních zemí

- Osnova:
1. Základní informace o firmě. Přehled produktů firmy Hamé, a.s.
 2. Exportní politika firmy. Země exportu
 3. Vstup na nový trh. Možnosti vstupu na zahraniční trh
 4. Výběr cílového trhu. Prvotní výběr trhu. Nalezení distribučních cest
 5. Výběr odběratele
 6. Souvislosti exportu. Celní a daňové souvislosti
 7. Zahraniční doprava a dodací podmínky. INCOTERMS 2000
 8. Platební podmínky. Stanovení podmínek. Bankovní instrumenty zajišťující platbu
 9. Kontrola kvality. Ochrana domácího trhu
 10. Sjednání podmínek

Bakalářská práce bude zpracována pro: Firmu Hamé a.s.

Tento dokument je součástí Vaší bakalářské práce.

S pozdravem

Evropský polytechnický institut
s. r. o.
Osvobození 699
686 04 KUNOVICE


Ing. Oldřich Kratochvíl
rektor

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Introduction

Economics has been going through a notable development which has brought many changes. Not only negatives or positives. Opportunity of entering foreign trade is getting wider and more risky.

Entering the new markets allows company to expand in new markets and compensate for a decline of home market. Another reason for entering the international markets is extension of product durability.

This bachelor work is done for the firm Hamé, Corp., which engages in production of foodstuffs.

The company has already entered some foreign markets and is currently thinking of additional expansion its export activities on new markets.

Companies enters on foreign marketplace for example because of satisfy of domestic market, high competition or want to make use of competitive advantage. Most common reason of entrance used to be occasional improvement of sales, and thereby increase of turnover of the company. Higher sale usually means also a higher profit, and making of profit is the main purpose of realization prospects in international world.

Each company, that decides to enter foreign trades has to think not only of maximalization of benefit, but also of risk, which is connected to international trade. The company has to decide which group of customers they want to reach in international trade.

The purpose of this bachelor work would therefore be get information, that would support the company Hamé, Corp. along with decision of entry into new foreign markets.

1 Hamé

1.1 Information about the firm

HAMÉ joint stock company resident in Babice near Uherské Hradiště is a private company founded by individuals for the purpose of privatization of the state-owned factory BIOFRUCT Babice. Babice canning factory was established as early as in 1920y. and it was focused especially on processing vegetables.

Nowadays the leading manufacturing activities of the company are processing meat, tomato purée and fruit vegetables. In 2002 HAMÉ produced more than 90 000 tons of ready-made products. This volume of manufacturing is not realized only in the factory in Babice but it is placed into next four plants , which have been gained by HAME during 1996 and 1999. Meat production is realized today in Babice and Kunovice plant, vegetable production in Bzenec and the production of sweet products including infantile fruit snacks is performed in Fruta Podivín. Ketchups and other products from tomato purée are produced in Otma - Sloko in Uherské Hradiště.

Products of HAMÉ company have their fixed place in the domestic market but they are known also abroad where cca 25% of the production finds its market. The target of export deliveries is especially the Slovak Republic, the Russia, Romania, Poland, the Ukraine, Israel, Lithuania, Latvia and other countries. In the Slovak Republic, Poland and Russia, today HAMÉ has its subsidiaries, which have been established there to improve quality of contacts and goods supplies for its business partners in these countries. Another country where HAMÉ is preparing its subsidiary is Romania.

MEAT PRODUCTS

In the area of meat products HAMÉ company offers today about 246 items. These are various kinds and various packing of pâtés, ready-made dishes, canned meats and travel refreshments. From pâtés, products packed in aluminium packing become more and more common. These packing are easy to open but first of all the products have better taste, which is connected with gentler manner of heat-treatment than in tin-plate packing. HAMÉ also offers some ready-made dishes and some travel refreshments in these packing from aluminium sheet. Innovations in our assortment are also pates in glass packing produced according to special recipes under the brand name "From Granny's Cookbook". New manufacturing plant of patés put into operation already in 1996 complies with ISO standards conditions and has a CZ certification which authorizes HAMÉ to export products from this manufacturing plant

into the countries of European Community. At present time the certification of the new manufacturing hall , which has been realized during 2002 and 2003 by the investment of 150 million CZK , is being prepared. This new manufacturing hall completely complies with standards of EU. The hottest new in the area of meat production are pâtés in polypropylene packings with durability of 55 days which already rank among fresh cooled products. These products brought HAMÉ company into a new product line of cooled, and not preserved foodstuff. The cooled pâtés are supplied to the market under two brand names: Hamé and Veselá Pastýřka. The latter is related to the last (so far) capital acquisition of Hamé company - purchase of 100% trade share of Pastýřka Ltd. in January 2001. In 2002 the assortment of cooled products was enlarged with 6 sorts of cooled soups and with pâtés in skin: with the mass of 100 and 140 g. Production of the cooled assortment is realized in the new technological equipment in a newly built workshop in Kunovice, which is one the biggest investment actions of Hamé joint-stock company in 2001 .

TOMATO PUREE - PRODUCTS

Products from tomato purée have been an important part of Hame product line since 1993. These are 44 kinds of tomato ketchups and ketchup sauces in four glass packing TO 300g, TO 500g, TO 840g and S 3800g. Tomato ketchups are delivered to the market under the following brands: Hamé, Otma and Gurmán. Ketchups packed in plastic packing weighing 490g, 900g ,1500g, 5kg and 10kg belong to the novelties in the segment of ketchups.

VEGETABLE PRODUCTS

Vegetable products - from single-sort heat-treated vegetables to various vegetable salads (the most known are Moravanka, Hradišťanka, Dynastie, Dallas) - are a suitable supplement of the wide product line, together with legume products. In these seasonal products, HAMÉ company focuses especially on its regular, multiyear customers for whom it efforts to ensure regular supplies of these products all over the year. At present time HAMÉ prepares an assortment of vegetable products under the brand name ZNOJMIA, gained in relation with surrender of a claim on behalf of FRUTA ZNOJMIA.

FRUIT PRODUCTS

Among assortment groups delivered to the market by Hamé company belong also fruit products - marmalades, jams, plum jams, preserved fruit and candied fruit.

These assortment groups were included in HAMÉ offer in the year 1997 after capital connection with Fruta Podivín and Fruta Miroslav companies. A group of fruit drinks and syrups comprising 27 products also belongs to Hamé assortment.

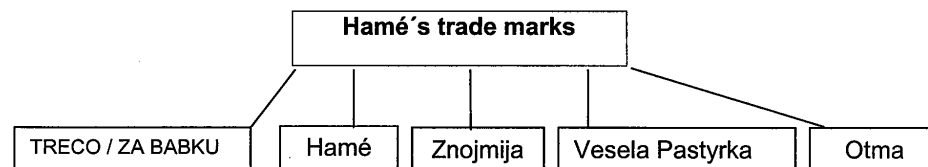
BABY FOOD

A separate group in Hamé assortment are baby foods which have been delivered to the market by HAMÉ since March 1998. Today, HAMÉ offers these products in the following types of glass packings: - TO 130g, TO 190g, TO 210 ml and TO 700g. Altogether, HAMÉ offers 53 sorts of baby foods. These are fruit snacks, meat-vegetable snacks, fruit drinks for infants and wide assortment of fruit snacks with cream and fruit mushes.

IMPORTED PRODUCTS

However, HAMÉ company is not involved only in manufacturing activity but it also tries to supplement its offer with imported goods, especially with preserved fruit and vegetables (pineapple, tangerines, champignons, asparagus etc.).

1.2 Trade marks



Hamé's assortment



Salads

Salmagundi

Fruit sirups

Cooled products

Baby foods

Jams

Succade

Compote

Ketcups

Sterilize vegetables

Meat products

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003

Trade marks of Hame Corp.

Assortment groups	Assortment subgroups	Trade marks
Cooled products	Patees Patees Patees Scoops Salades Vegetable salads Spreads	Hamé, Veselá pastýřka Veselá pastýřka Hamé Hamé Veselá pastýřka Veselá pastýřka Veselá pastýřka
Meat products	Patees Meat preserves Snacks Prepared food	Hamé, Otma, Gurmán Hamé Hamé Hamé, Otma, Gurmán
Ketchups	Tomato puree Kethups Kethup dressings Dressings Minnades	Hamé, Otma Hamé, Otma, Gurmán Hamé, Gurmán Veselá pastýřka Hamé
Sweet products	Jams Marmelade Jellies Succade Baby foods Fruit sirups Compotes	Hamé, Otma Hamé, Otma, Veselá pastýřka Hamé, Otma Otma Hamé, Otma Hamé, Otma Hamé, Otma
Vegetables	Vegetables Vegetable salads Pulses	Hamé, Otma, Veselá pastýřka Hamé, Otma Hamé
Import	Compotes Sterilize vegetables	Hamé Hamé

2 Export policy of companies

Export is the most popular method of companies to participate in international marketing. The export of goods determines the supply of commercial-technical and other services, as well as an endeavor of close connection and capital representation in prospective markets.

The basic forms of export:

a) The direct export

The exporter sells goods and services directly to foreign partners, regardless are these partners the commercial companies or final purchasers.

In this way, the exporter besides manufacturing own goods should himself ensure all necessary export services by his own efforts or through certain specialized companies, also he should have the survey in business and legal environment at export place and etc.

b) Indirect export

The exporter sells his goods or services to company with headquarter in Czech Republic, which is specialized on export mainly in single states or in single goods -- for the exporter it means actually a in-country transaction.

The exporter can specialize only on its own goods or services and all export services will be ensured by domestic partner.

On chosen export markets it is necessary to carry out their detailed analyze, which may have for example the following evaluative criteria:

The criteria of market – the extent of sale, the temp of gross of sale, the indicator of difference between sale price and expenses

The economy of sale – the profit after taxation, the length of period, afterward the export will be profitable, the rate of return of profit

Competitive position – the impact of competition on determined price, the expenses of entry at the market, the technical advance ahead of competitors.

The identification of direct competitors is of course far more simple then the identification of potential competitors, who are located outside the our branch. Although it is not possible to find the potential competitors, who up to now are acting outside out branch.

This goal is possible to reach mainly through the inquiry of the most modern technologies and seeking the ways to prosper from the branch, in which company operates.

The inquiry of competition may not be understood as effort to find the way to eliminate the competitive benefit of competitor. It also can be understood as effort to identify branches, in which we can be differed from the competitor and utilize it for inimitable creation of customers' value and achieving the monopoly profits.

We can learn from the competitors in three basic branches: a) the inquiry of basic competency of competitor, b) the inquiry of unexpected success and unexpected failures and c) inquiry of competitive products.

Intra-company prerequisites – what is probably to be regulated in the branch of organizational structure, personal indemnity and financial means.

- The determination and creation of new position (the export manager) or departments (export department), which will be in charge of all export activities and their coordination.
- The insertion of this new element to existing organizational schema with determining of information flows, subordination and etc.
- Export departments have to be flexible and communicative and etc.
- Survey of market, advertisement, search and verification of partners, negotiations on transaction terms, financial, transportation, custom essentials of export should be ensured.
- Final products or producing capacity are apt to export or to produce to export, in some case exits the opportunity to enlarge the production or capacity
- The products are capable to be exported according to the quality, price, packing, safety, service and etc.
- The increased expenses are connected mainly to travel, ensuring the information, survey of market, building the network, foreign correspondence, transport and in some cases if necessary by certification of products.

Today, after more than ten years of its existence, which have successfully taken up almost 80-year tradition of canning production in Babice, HAMÉ, a.s. joint-stock company is an absolute number one on the Czech market of canned foods.

The foresightful commercial and production operations of the 100 % Czech owned company enabled to expend over CZK 1 billion investments throughout the past five years, which is the main reason why Hamé company is today completely ready for

Czech accession to EU. Unlike many domestic competitors, which will have to cease production after Czech accession to EU because they fail to meet statutory requirements concerning health harmlessness, sanitation, cleanliness and advanced technology of their plants, HAMÉ company meets the strict requirements of EU in all aspects and it is able to supply its products, complying with high demands of the common European market and produced by up-to date technology on advanced production equipment, practically all over the world. This places HAMÉ company in the position of a noticeable supplier of all significant European customers. Economic stability of HAMÉ a.s. together with its production and distribution capacities, are a warranty of excellent business relations also for future, and of high competitiveness of all products carrying HAMÉ trademark.

HAMÉ a.s. will continue to prepare appetizing delicacies for you, including pâtés, canned meat, tomato sauces, ready-to-eat meals, ready-to-eat sauces, vegetable products, marmalades, jams, preserved fruits, baby food, cooled pâtés and ready-to-eat meals, marinades, dressings and plenty of others, in an undiminished variety.

To the contrary, consumers will be able to find HAMÉ products also in other product line groups, in which HAMÉ company has not been involved so far, such as ready-to-eat meals with trimmings, mayonnaise salads, fresh vegetable mixes etc. The price policy of HAMÉ a.s. addresses a wide spectrum of consumers, who can choose from all assortment groups always from several brand lines of products.

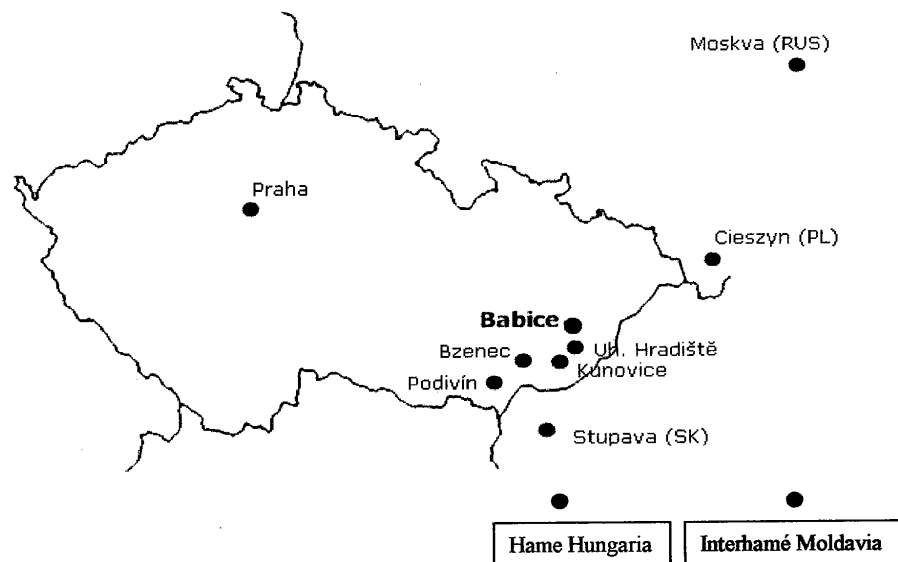
These products produced under the well-known brands – HAMÉ, OTMA, GURMÁN, VESELÁ PASTÝŘKA and ZNOJMIA are offered to customers so that both the demanding and the saving customer can choose. Despite price differentiation of the individual brands, the company always uses harmless raw materials of verified quality for its production, which are processed by certified technology. For all its products, the company guarantees 100 % quality, health harmlessness and traditionally delicious taste. HAMÉ a.s. conducts inspection of excellent properties of all raw materials and products in its modern laboratories as well as through accredited facilities.

With its output of over 90,000 tons of finished products, HAMÉ is currently the biggest Czech producer of canned foods with highest variety of pâtés, canned meat, tinned vegetables, vegetable salads, tomato sauces, sauces, marmalades, jams, preserved fruits, syrups, baby food and cooled products. Let us assure you that any one who seeks home quality, traditional as well as new tastes and absolute health

harmlessness of food for pleasant Czech prices will find their product in our variety - and that is not too little in our days, not speaking about near future.

2.1 Countries of export

The ever expanding production facilities currently consist of five production plants and a logistic centre in the Czech Republic, two subsidiaries in Slovakia, one subsidiary in the Russian Federation, one in Poland and one in Moldavia. However, export destinations of Hamé company include a number of other countries, of which Romania, Lithuania, Ukraine, Hungary, Israel and Croatia are very important. But Hamé products travel also to New Zealand and Cuba.



COUNTRIES OF EXPORT

Slovak republic	Yugoslavia
Romania	Azerbaijan
Russia	Hungary
Ukraine	Georgia
Poland	Germany
Belorussia	Moldavia
Bulgaria	Latvia
Estonia	Armenia
Israel	New Zealand
Lithuania	Cuba
Croatia	Macedonia
Kazakhstan	Canada
Mongolia	USA
Bosnia and Herz.	Greece
Slovenia	Austria
Netherlands	Great Britain
Australia	

3 Entry at market

To the most usual forms of the entry and presentation of company at world markets belong:

- Indirect export
- Direct export
- The sale license
- Franchising
- Providing of management know-how
- The property and control of foreign branches
- Co-ownership of foreign company

3.1 The opportunities of entry to foreign market

The question of entry of company to the international markets is very key issue. In connection with the decision to export its goods or not its necessary to realize that the domestic market in Czech Republic with the 10 million inhabitants is for the majority of industrial, also other goods and services is very limited. Since the company wishes to ensure the further growth, the entry to the international or world markets will become necessary.

The company, which exports the part of the goods, is creating own image and good brand before its purchasers, suppliers, banks, establishments and etc. The company uses its whole capacity, which has good impact on the efficiency of manufacturing.

At the company have to encounter the international competition. The company lives at international market that leads to the improvement of competition capability not only of goods (technical operation, design, packing and etc) but also of the whole company (the system of management, organization, efficiency, technological level and etc.).

With the entry to the foreign market the company meets the more purchasers of production, sometimes in mutually economical independent regions, which brings very purposeful distribution of risk connected with the payment incapability of purchasers, with collapse of the local markets and etc.

The key determinants determining the success of entry to the foreign market mainly are:

- Decision and support of management of company with the necessary export measures
- Split-off of the necessary funds for realization of export measures and activities,
- Securing of necessary human resources.

3.2 Fairs and exhibitions in abroad

The participation of exporter in foreign exhibitions a fairs brings the following advantages:

- The concentration of significant number of interested persons about the exhibited commodity
- The demonstration of concrete goods
- The opportunity of appraisal of reaction of purchasers on exhibited goods
- Finding the broad circle of contacts with clients
- Opportunity to gain the information on competition
- Opportunity of joining of more manufacturers and therefor to decrease the expenses

The participation in foreign exhibitions and fairs requires the careful preparation connected with the preparation and distribution of advertising materials, the choice of optimal method of presentation, choosing the way of personal presentation and etc. It will pay off to use the services of specialized companies, which are operating in the given branches, or if necessary to chose the exhibitions with the state participation.

3.3 Propagation and advertisement

The advertisement in the narrow sense of this word can be characterized as information, which is directed to the consumers. Among the basic and most important requirements on the advertisement means belongs originality, impressiveness and convincingness.

The number of advertisement means is constantly growing. These means are improving, are changing and modifying mainly in connection with the development of science and technology and doubtless with the increasing requirements of consumers.

The advertisement mediums and advertisement media:

- Printed advertisement mediums
- The advertisement mediums of direct advertisement (the advertisement mediums sent at the concrete address have the high extent of impressiveness)
- Spatial advertisement mediums (advertisement stands, kiosks, billboards)
- Packing (attracts the attention of consumers, its role is to impact its choice)
- Luminous advertisement mediums (exterior advertisement)
- sound advertisement mediums (advertisement in radio)
- audiovisual advertisement mediums (TV advertisement)

To this belongs mainly relation with the public, use of gifts and propagation materials, offers, competitions, phone inquiry, ads in different media and etc.

The important to know which advertisement and propagation is admitted in the given state – if it enables imaging of feelings, comparison of goods, ads directed to kids and etc.

The optimal is to use the services specialized on the advertisements companies, which should have:

- quality translating services
- the knowledge of local environment and contacts with the local media
- the capability to provide and promoting services as distribution of propagation materials
- enough history and results of last activities

3.4 Requirements on propagation, advertisement and marketing in Ukraine

In the contemporary conditions the advertisement is very important to introduce goods at market and to create the necessary awareness in consumers in Ukraine. Nowadays, the dominant position according to the paid financial means takes the TV ads (80%). Advertisement in radio and print media remains 15 and 5 %.

In case of realization of propagation and advertisement activities, which creates the part of marketing, directed to the promotion of certain goods at Ukrainian market is possible to use the services in some TV and radio stations and also the print media

printed in Ukraine. The price in print media vary between 2000 - 6000 USD are
A4, the price of

TV ad depends on the day period broadcast and varies between 1000 - 8000 USD for
30 seconds, the price of radio ad varies between 100 and 300 USD for 30 seconds.

While choosing of marketing companies it is recommended to gain in advance the
necessary reference in order not to face the situations when the inquiry of marketing
survey is some years old and obsolete.

4 New market choice

4.1 Primary market choice

Primary market choice is possible to make on the basis of constituent elements:

- General conditions of the market - political circumstances, legal assignment (veto on import), tariff impediments (tax, delivery quota)
- Market trade channels – populations and its structure, gross national product, foreign competition, buyer's customs, market potentials, distribution possibilities, expansion of domestic market
- Special product requirements – standard specification, safety considerations, guarantee period, wrappage, indication and etiquette regulations
- Possibility of making a profit – production costs, production costs, dutiable costs, tax costs.

As a result of primary market choice it could have been the reducing possibilities of export to 2 or 3 target markets.

4.2 Concrete analyse of export market

It is necessary to make a detailed analyse of select market, which could have the following criteria:

- Market criteria - sales volume, growth rate of sales, indexes of difference between selling price and total costs.
- Sale economies - after-tax profit, recovery of investment, period in which export will become profitable
- Position of competitors – competition influence on the base-point pricing and sales rate, marketplace costs, technical pre-ignition in face of competitors.
- Intradepartmental presumptions – organizational structure, staffing, financial means

As a result of analyse will be knowledge of profitability rate about select market and also an opportunity to choose concrete export market.

4.2.1 Calculation of prices

There are two kinds of prices: the offered price, which reflects the manufacturing and commercial expenses, while commercial price reflects price at market of foreign purchaser.

The final sale price is then a result of conformity of commercial and offered prices and mainly then the concrete price negotiations with purchasers

The calculation of prices through the export is particularly difficult because of the move of exchange rates and move of prices on natural resources and because of extent of inflation and etc.

The calculation of offered price

There exist no nationwide binding way of calculation of manufacturing and commercial prices, each exporter can have its own calculation approaches and charts.

It should include the following calculate items.

The manufacturing direct expenses – wages, material and manufacturing charges.

- The manufacturing direct expenses – wages, material, financial and etc.
- Commercial expenses direct and indirect.
- The profit mare determined by perceptual and absolute value.

a) The calculation of commercial expenses

The direct commercial expenses – connected with instant negotiations and realization of commercial transactions -- commission for the mediators, travel expenses, insurance, transportation, the control of quality, administrative expenses and etc.

Cost of commercial expenses – related only to the companies with the high extent of export and with the special export departments – wages, advertisement, the participation in trade fairs.

b) The calculation of sale price according to the competition:

- The different documentation will be find out on the similar goods at market
- The prices will be calculated in Czech crones
- The prognosis on move of prices at exporting market
- To determine the amount of exported goods
- To calculate the presumed sales

- The subtract of the commercial expenses.
- The result is compared to offered price and the presumed affect of the export will be set out.

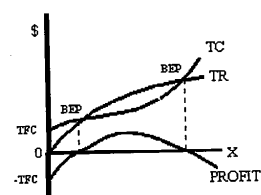
If calculation is carried out in different countries, the country with the presumed highest profits will be chosen.

c) Contribution Margin

Definition: Contribution margin is sales revenue less variable costs. It is the amount available to pay for fixed costs and provide any profit after variable costs have been paid.

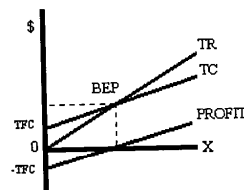
EXHIBIT 9-5
THE SIMPLIFYING ASSUMPTIONS CONVERT THE THEORETICAL
NON-LINEAR MODEL TO A CONVENTIONAL LINEAR MODEL*

THEORETICAL NON-LINEAR MODEL



TR = Total Revenue
TC = Total Cost
TFC = Total Fixed Cost
BEP = Break Even Points
X = units produced and sold

CONVENTIONAL LINEAR MODEL



* These illustrations are developed and explained in Chapter 11.

The contribution margin helps you make better decisions about pricing, adding or subtracting from a product line, how to structure sales commissions, among other things.

4.2.2 Offer

a) The requirement of offer

The offers have to be prepared in some options in order to use them not only in prepared negotiations, but also in accidental meetings with possible partners, at exhibitions, commercial fairs and etc. All offered materials have to be updated and may not differ from each other.

The offer should be formulated so, that in one hand should express the interest of exporter to realize the commercial transactions, inform justly about its goods and terms of sale, service and etc., but on the other hand it should be convincing for the purchaser.

The offer is binding when if determined for one or more specific persons is enough certain, and expresses the willingness of offeror that the offer is binding.

The offer is accepted when, if the offeree unambiguously demonstrates the consent to the offer either verbally or in writing or by conduct – silence or inactivity do not mean acceptance of the offer.

b) The kinds of offers

Not all offers should be concrete, much depends on to whom the offer is demonstrated and what is expected from the receptor.

The offer of manufacturer to the direct purchaser with whom the cooperation already exists – the offer is entirely concrete and material

The offer of manufacturer to new direct purchaser (for example, in fair) – includes mainly the manufacturing and supplies characteristics of manufacturer and offers the opportunity for the further specific negotiations.

The offer of manufacturer to proxies and fiduciaries – with the offer to negotiate the terms of cooperation

c) The content of offer

- the exact specification of offered goods
- resolution of goods flaws,
- the amount of goods in time periods,
- the price of goods or the method of its calculation,
- the currency by which the transactions will be paid and ways of payment
- the supply terms,

- the way of compensation of damages,
- the method of dispute resolution, including the determination of dispute law.

4.3 Finding of distribution ways

In the chosen export market it is necessary to find the appropriate distribution ways to the final consumer.

There is opportunity to use the local proxies, the wholesales, but also the direct sales or post sales.

It is good to consider carefully the transpiration possibilities, the storage, advertisement and mainly the total amount of expenses, which are related to the distribution.

4.4 Ukraine. Ukrainian market

Background: Richly endowed in natural resources, Ukraine has been fought over and subjugated for centuries; its 20th-century struggle for liberty is not yet complete. A short-lived independence from Russia (1917-1920) was followed by brutal Soviet rule that engineered two artificial famines (1921-22 and 1932-33) in which over 8 million died, and World War II, in which German and Soviet armies were responsible for some 7 million more deaths. Although independence was attained in 1991 with the dissolution of the USSR, true freedom remains elusive as many of the former Soviet elite remain entrenched, stalling efforts at economic reform, privatization, and civic liberties.

Geography

Location: Eastern Europe, bordering the Black Sea, between Poland and Russia

Area: 603,700 sq km

Land boundaries: total: 4,558 km

Border countries: Belarus 891 km, Hungary 103 km, Moldova 939 km, Poland 428 km, Romania (south) 169 km, Romania (west) 362 km, Russia 1,576 km, Slovakia 90 km

Coastline: 2,782 km

Climate: temperate continental; Mediterranean only on the southern Crimean coast; precipitation disproportionately distributed, highest in west and north, lesser in east and southeast; winters vary from Cobol along the Black Sea to cold farther inland; summers are warm across the greater part of the country, hot in the south

Terrain

Most of Ukraine consists of fertile plains (steppes) and plateaus, mountains being found only in the west (the Carpathians), and in the Crimean Peninsula in the extreme south

Natural resources

Iron ore, coal, manganese, natural gas, oil, salt, sulfur, graphite, titanium, magnesium, kaolin, nickel, mercury, timber, arable land

Land use

Arable land: 58%, permanent crops: 2%, permanent pastures: 13%, forests and woodland: 18%, other: 9%

Environment

Inadequate supplies of potable water; air and water pollution; deforestation; radiation contamination in the northeast from 1986 accident at Chornobyl' Nuclear Power Plant

People

Population: 48,760,474 (July 2001 est.)

Nationality: Ukrainian(s)

Ethnic groups: Ukrainian 73%, Russian 22%, Jewish 1%, other 4%

Religions: Ukrainian Orthodox - Moscow Patriarchate, Ukrainian Orthodox - Kiev Patriarchate, Ukrainian Autocephalous Orthodox, Ukrainian Catholic (Uniate), Protestant, Jewish

Languages: Ukrainian, Russian, Romanian, Polish, Hungarian

Government

Government type: Republic

Capital: Kiev (Kyiv)

Administrative divisions: 24 oblasti (singular - oblast'), 1 autonomous republic (avtomnaya respublika), and 2 municipalities (mista, singular - misto) with oblast status; Cherkas'ka (Cherkasy), Chernihivs'ka (Chernihiv), Chernivets'ka (Chernivtsi), Dnipropetrovs'ka (Dnipropetrovs'k), Donetsk'ka (Donets'k), Ivano-Frankivs'ka (Ivano-Frankivs'k), Kharkivs'ka (Kharkiv), Khersons'ka (Kherson), Khmel'nyts'ka (Khmel'nyts'kyi), Kirovohrads'ka (Kirovohrad), Kyiv, Kyivs'ka (Kiev), Luhans'ka (Luhans'k), L'vivs'ka (L'viv), Mykolayivs'ka (Mykolayiv), Odes'ka (Odesa), Poltavs'ka (Poltava), Avtonomna Respublika Krym (Simferopol'), Rivnens'ka (Rivne), Sevastopol', Sums'ka (Sumy), Ternopil's'ka (Ternopil'), Vinnyts'ka (Vinnytsya), Volyns'ka (Luts'k), Zakarpats'ka (Uzhhorod), Zaporiz'ka (Zaporizhzhya), Zhytomyrs'ka (Zhytomyr).

Independence: 24 August 1991 (from Soviet Union)

National holiday: Independence Day, 24 August (1991)

Constitution: Adopted 28 June 1996

Executive branch: Chief of state: President Leonid D. KUCHMA (since 19 July 1994)

Head of government: Prime Minister Anatoliy KINAKH (since 29 May 2001), First Deputy Prime Minister Oleh DUBYNA (since 29 May 2001).

Cabinet: Cabinet of Ministers appointed by the president and approved by the Supreme Council.

Note: There is also a National Security and Defense Council or NSDC originally created in 1992 as the National Security Council, but significantly revamped and strengthened under President KUCHMA; the NSDC staff is tasked with developing national security policy on domestic and international matters and advising the president; a Presidential Administration that helps draft presidential edicts and provides policy support to the president; and a Council of Regions that serves as an advisory body created by President KUCHMA in September 1994 that includes chairmen of the Kyiv (Kiev) and Sevastopol' municipalities and chairmen of the oblasti.

Elections: President elected by popular vote for a five-year term; election last held 31 October and 14 November 1999 (next to be held NA 2004); prime minister and deputy prime ministers appointed by the president and approved by the Supreme Council.

Election results: Leonid D. KUCHMA elected president.

Legislative branch: Unicameral Supreme Council or Verkhovna Rada (450 seats; under Ukraine's new election law, half of the Supreme Council's seats are allocated on a proportional basis to those parties that gain 4% or more of the national electoral vote; the other 225 members are elected by popular vote in single-mandate constituencies; all serve four-year terms).

Elections: Last held 31 March 2002 (next to be held NA 2006).

Election results: Percent of vote by party (for parties clearing 4% hurdle on 31 March 2002) - Our Ukraine 23,6%, Communist Party of Ukraine 20,0%, For A United Ukraine 11,8%, Yuliya Tymoshenko bloc 7,3%, Socialist Party of Ukraine 6,9%, Social Democratic Party of Ukraine united 6,3%.

Judicial branch: Supreme Court; Constitutional Court.

Economy

Economy - overview: After Russia, the Ukrainian republic was far and away the most important economic component of the former Soviet Union, producing about four times the output of the next-ranking republic. Its fertile black soil generated more than one-fourth of Soviet agricultural output, and its farms provided substantial quantities of meat, milk, grain, and vegetables to other republics. Likewise, its diversified heavy industry supplied the unique equipment (for example, large diameter pipes) and raw materials to industrial and mining sites (vertical drilling apparatus) in other regions of the former USSR. Ukraine depends on imports of energy, especially natural gas, to meet some 85% of its annual energy requirements. Shortly after independence in late 1991, the Ukrainian Government liberalized most prices and erected a legal framework for privatization, but widespread resistance to reform within the government and the legislature soon stalled reform efforts and led to some backtracking. Output in 1992-99 fell to less than 40% the 1991 level. Loose monetary policies pushed inflation to hyperinflationary levels in late 1993. Ukraine's dependence on Russia for energy supplies and the lack of significant structural reform have made the Ukrainian economy vulnerable to external shocks. Now in his second term, President KUCHMA has pledged to reduce the number of government agencies and streamline the regulation process, create a legal environment to encourage entrepreneurs and protect ownership rights, and enact a comprehensive tax overhaul. Reforms in the more politically sensitive areas of structural reform and

land privatization are still lagging. Outside institutions - particularly the IMF - have encouraged Ukraine to quicken the pace and scope of reforms and have threatened to withdraw financial support. GDP in 2000 showed strong export-based growth of 6% - the first growth since independence - and industrial production grew 12.9%. Strong domestic demand led to 9,1% real GDP growth in 2001. The economic expansion has slowed sharply since then, with year-on-year growth of only 3,6% over the first two months of 2002. The currency has weakened moderately owing to reduced foreign currency inflows, but generally remains stable. Inflation is down sharply following unseasonal deflation in February. Real wages continue to rise, but wage levels remain to be low in absolute terms. Industrial sector growth has fallen sharply owing to reduced steel and mining output. Agricultural output continue to grow strongly, albeit from a low base.

GDP: Purchasing power parity - \$128,5 billion (2001 est.)

GDP - real growth rate: 9% (2001 est.)

GDP - per capita: purchasing power parity - \$2 605 (2001 est.)

GDP - composition by sector: agriculture: 12,5%, industry: 38,2%, 49,3% (2001 est.)

Labor force: 22 million (2001 est.)

Labor force - by occupation: industry 32%, agriculture 24%, services 44% (1996)

Unemployment rate: 4.9% officially registered; large number of unregistered or underemployed workers (2001)

Budget: revenues: \$8.511 billion [2002]

Expenditures: \$9.314 billion [2002]

Industries: coal, electric power, ferrous and nonferrous metals, machinery and transport equipment, chemicals, food processing (especially sugar)

Industrial production growth rate: 14,2% (2001)

Agriculture - products: grain, sugar beets, sunflower seeds, vegetables; beef, milk

Exports: \$17,1 billion (2001)

Exports - commodities: non precious metals 41,3%, machinery and equipment 13,9%, food, beverages and agricultural products 11,2%, chemicals 9,1%

Exports - partners: Russia 22,6%, Turkey 6,2%, Italy 5,1% , Germany 4,4 % (2001)

Imports: \$16,9 billion (2001)

Imports - commodities: fuel and energy incl. ores 42,6%, machinery and equipment 19,8%, chemicals 7,1%, food beverages and agricultural products 7,1%

Imports - partners: Russia 36,9%, Turkmenistan 10,5%, Germany 8,7%, Kazakhstan 4,2% (2001)

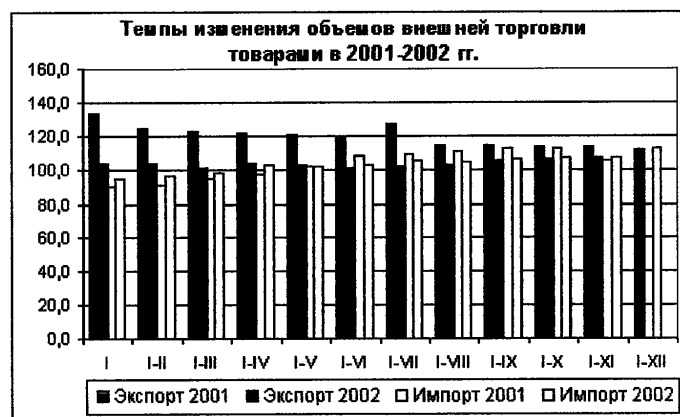
Debt - external: \$11,7 billion (2001 est.)

Economic aid - recipient: \$637.7 million (1995); IMF Extended Funds Facility \$2.2 billion (1998)

Currency: hryvnia (UAH)

Exchange rates: hryvnia per US dollar - 5.37 (2001), 5.4402 (2000), 4.1304 (1999), 2.4495 (1998), 1.8617 (1997), 1.8295 (1996)

Foreign trade of Ukraine for a period 2001 – 2002



■ Export 2001

■ Export 2002

□ Import 2001

□ Import 2002

Customs statistics

**Customs statistics of the foreign-trade activities of Ukraine for a period
1-1-2003 – 31-12-2003
(in terms of thousands of US dollars)**

Kód země	Země	Import a exportu době od 1.1.03 po 31.12.03		Saldo
		Import	Export	
CZE	Czech Republic	245173	161548	-83625
BLR	Belorussia	343442	340372	-3071
AZE	Azerbaijan	8068	142795	47052
KAZ	Kazakhstan	355589	306773	-48816
MDA	Moldova	56830	486827	429197
RUS	Russia	7576244	4308915	- 3267329

Customs statistics

5 Assortment and purchaser

The purchaser may have the various positions and various characteristics.

- distributor - is a independent person, which is a inter-link between the producer and final consumer, he buys the goods of exporter and then sells them
- Mediator – searches for the exporter the appropriate purchaser in exchange for commission, he does not buy goods
- Final purchaser– is a direct purchaser, which buys goods for its own needs

5.1 Criteria for selection of appropriate purchaser

On each of purchaser the different requirements are laid, but there exists certain criteria, which applies for the selection of purchaser generally:

- Bonita of purchasers– material or immaterial property, last results, ability to pay the loans and other obligations and etc.
- Position at market, history and future goals.
- Contacts on local banks, companies and services
- The competence of managers, way of operation and organization of company
- If it represents competitive companies or collaborates with them
- The method of communication, commercial thinking and etc.

5.2 Establishing the contacts with the purchasers

First of all company sends to the selected and possible commercial partner the written offer for co-operation, which generally could characterize the object and ways of co-operation.

In subsequent written relations can be specified the possible co-operation till the stadium, when both parties confirms the serious intrest on the specific co-operation.

In this stadium its necessary to organize the personal negotiations, which could enable the mutual cognition of companies representatives, but also the real conditions, wherein both companies are operating. The possible details of co-operation can be clarified so that the lawyers could begin to work on draft of contract.

5.3 Ukraine: import custom and custom rates

The goods imported to Ukraine are usually burdened with the import custom, excise tax and tax of added value. Mentioned burdens are not applied in case of temporary import, re-export and transit of goods.

Ukraine has signed the agreement with some states, enabling the exceptions from the selected custom tariffs. Some procedures, concerning the regime of re-export is heavy with the goal to eliminate possible misuse of given regime.

Ukraine use several kinds of custom tariffs:

- in percentages from the custom value of goods,
- specific
- fixed rate in EURO for the single goods (liter, kilogram and etc.)
- combined

The custom tariffs on imported goods, locating in storage from 0%, for example for the dairy products from the selected importer countries to 100% for the gold products. The custom on imported goods usually is paid in domestic currency and is mature in the moment after the custom procedures. The imported goods, which are determined for investment in the joint companies, are not subjected to customs.

6 Export connections

6. 1 Custom connections

6.1.1 Custom bylaws and documents

The custom bylaws are understood as laws, bylaws, government ordinances, which are regulating the conditions and regulations of export of goods and services exported from Czech republic. To such bylaws belongs – law n. 13/1993, ordinance of ministry of finance n.92/ 1993, n. 93/1993 and n. 94/1993, ordinance of government n. 312/1997 and etc.

Custom proofs are understood as proofs on their ground the custom office of Czech republic permits the goods to be exported. These proofs are:

- Filled uniform custom declaration (JCD)
- Proof on the value of goods, mainly invoice
- The actual statement from the Register of Company enabling to verify the legitimacy of company

In concrete cases the custom office require other proofs, for example export permission, permission to export the historic and cultural values and etc.

6.1.2 Custom regime

The custom regulations lay down various possible ways of goods export, so called custom regime, which are:

- Regime of export – the goods remain constantly in abroad.
- Regime of passive relations – goods (mainly materials) are elaborated in abroad and then returned back to Czech Republic.
- Regime of "temporary" export – the goods after the certain time (during the exhibition) are returned back to Czech Republic
- Regime of export with placing of goods in the free zones or in free custom storage area

For permission of majority of custom regimes is necessary to plea in advance, because it has the various impact, for example on claim of subtract from the tax of added value

6.1.3 Custom tariffs

Although custom law admits the application of export custom and defines it, according to the effective custom rate books the custom in case of export is not paid, recent custom tariffs apply only to the import custom. The custom rate book is important for the exporter because it includes so called combined goods, so system of classification and numerical marking of goods.

The exporter is obliged to insert the goods according to the classification, if the insertion is not right, he can ask the custom office so called binding information on classification of goods, which actually is effective in whole territory of Czech republic during 6 years.

6.1.4 Carnet TIR and ATA

Carnet is a document, which facilitates the export of goods from Czech Republic.

Carnet TIR (see attachment) facilitates the transportation of goods from the custom country to the custom country of import, the custom debt must not ensure decelerator, it is issued by the National Transportation Association (ČESMAD).

The Commercial Chamber of Czech Republic issues it carnet ATA facilitates the temporal export.

Nowadays in the frame of system three kinds of goods can be exported without paying of custom:

- sample of goods
- goods determined for exhibitions and fairs
- Equipment for the professional needs.

6.2 Tax connections

6.2.1 Ukraine: tax of added value

The export of goods in abroad carried out by the payer of tax of added value is exempted from the obligation to exercise the tax for entry including the import through the persons, which transports the goods.

In this case the tax proof is a decision on admitting the goods to the regime of export or passive relations issued through the custom declaration.

With the tax of added value in 20% is burdened the vast majority of imported goods. It is calculated as $1,2 \times$ (the custom value of goods + custom + excise tax). From the tax of added value are exempted crucial imports (books, medicines, and etc).

The most serious barrier of import in Ukraine is the certification of the significant number of the goods. The main control office, which carries out control on the adherence of regulations of certification of goods, on which the certification is applied, is the State office for the technical regulation a consumer policy of Ukraine. The goal of this office is to limit the import of cheap inequality products. The international organizations are making the pressure on Ukraine to create the same level of technical requirements on the quality of imported goods, as the same in relation with domestic manufacturers. Besides the official decelerated wish to impede the import of inequality goods to Ukraine, it can be presumed that the activity of mentioned offices play the key role in fulfillment the income part of national budget.

State office for the technical regulation a consumer policy of Ukraine defines the list of goods, for their import the certificate is necessary. The product can be certified on the base of verification of imported goods, or through the inspection directly in manufacturing plant (certificate for 3 years). Ukraine recognizes the foreign certificates only in the frame of international treaties, which is signed by Ukraine. The specific certificates are applied only for the specific importer, that means that two various importers can not use the certificate on the same goods.

6.2.2 Excise tax in Ukraine

The products, which are usually taxed in the internal cycle, are in case of export benefited by returning of excise tax and this by the day of confirmation of custom declaration by the custom organs about the move of goods to abroad. The tax proof is then in written confirmed: the excise tax is set in Ukraine on the certain import goods in the extent of from 5 till 35%. In the list of goods subjected to the taxation are alcohol, tobacco products, cars, clenots, golden products, tires and etc.

Similarly as for the custom, the excise tax is defined (besides clenots and golden products) in the form of specific rates. In case of import of the goods, which are subjected

to the excise tax, the importer have to fill the preliminary declaration ("excise customs declaration") and have to pay in advance the corresponding money amount (custom +excise tax +tax of added value). This declaration properly confirmed by the custom office, serves as proof for the entry of goods in Ukraine.

6.2.3 Treaties on limiting the double taxation

These contracts are bilateral, for the single country separately.

In most cases this is limitation of double taxation concerning the taxation of income, property, dividends, rates and license charges.

Ukraine has so called refunding system. This means that, the payer in the amount defined by the state internal regulations subtracts the tax. The real owner of income (the Czech tax resident), which does not carry out the activities in Ukraine through the constant office, can require a refunding of part of taxes, which exceeds the amount, which can be paid in accordance with the appropriate international treaties.

The Ukrainian Tax Administration does not have for this regards nowadays prescribed special form. The applications are submitted in the informal way in English or in Ukrainian. Besides writing the whole name of resident, it is necessary to attach the confirmation sealed with the appropriate Czech tax administration seal indicating that the applicant is really the tax resident in Czech Republic, on whom the given treaty is related.

The application is submitted to the Ukrainian local tax administration, in its competency the payment of income falls. The application on refunding of tax has to be submitted to the tax administration not late of one year after the date, when the subtraction of taxes was carried out.

7 Delivery terms – INCOTERMS 2000

Incoterms are standard trade definitions most commonly used in international sales contracts. Devised and published by the International Chamber of Commerce, they are at the heart of world trade.

Among the best known Incoterms are EXW (Ex works), FOB (Free on Board), CIF (Cost, Insurance and Freight), DDU (Delivered Duty Unpaid), and CPT (Carriage Paid To).

ICC introduced the first version of Incoterms - short for "International Commercial Terms" - in 1936. Since then, ICC expert lawyers and trade practitioners have updated them six times to keep pace with the development of international trade.

Most contracts made after 1 January 2000 will refer to the latest edition of Incoterms, which came into force on that date. The correct reference is to "Incoterms 2000". Unless the parties decide otherwise, earlier versions of Incoterms - like Incoterms 1990 - are still binding if incorporated in contracts that are unfulfilled and date from before 1 January 2000.

Versions of Incoterms preceding the 2000 edition may still be incorporated into future contracts if the parties so agree. However, this is course is not recommended because the latest version is designed to bring Incoterms into line with the latest developments in commercial practice.

7.1 EXW EX WORKS

EXW EX WORKS (... named place) "Ex works" means the seller's only responsibility is to make the goods available at the seller's premises, i.e., the works or factory. The seller is not responsible for loading the goods on the vehicle provided by the buyer unless otherwise agreed. The buyer bears the full costs and risk involved in bringing the goods from there to the desired destination. Ex works represents the minimum obligation of the seller.

7.2 FCA FREE CARRIER

FCA FREE CARRIER (... named place) This term has been designed to meet the requirements of multimodal transport, such as container or roll-on, roll-off traffic by trailers and ferries. It is based on the same name principle as F.O.B. (free on board), except the seller fulfills its obligations when the goods are delivered to the custody of the carrier at the named place. If no precise place can be named at the time of the contract of sale, the parties should refer to the place where the carrier should take the goods into its charge. The risk of loss or damage to the goods is transferred from seller to buyer at that time and not at the ship's rail. The term "carrier" means any person by whom or in whose name a contract of carriage by road, rail, air, sea, or a combination of modes has been made. When a seller has been furnished a bill of lading, way bill or carrier's receipt, the seller duly fulfills its obligation by presenting such a document issued by a carrier.

7.2.1 FAS FREE ALONGSIDE SHIP

FAS FREE ALONGSIDE SHIP (... named port of shipment) "F.A.S." or "free alongside ship" requires the seller to deliver the goods alongside the ship on the quay. From that point on, the buyer bears all costs and risks of loss and damage to the goods. Unlike F.O.B., F.A.S. requires the buyer to clear the goods for export and pay the cost of loading the goods.

7.2.2 FOB FREE ON BOARD

FOB FREE ON BOARD (... named port of shipment) Under "F.O.B." or "free on board," the goods are placed on board the ship by the seller at a port of shipment named in the sales agreement. The risk of loss of or damage to the goods is transferred to the buyer when the goods pass the ship's rail (i.e., off the dock and placed on the ship). The seller pays the cost of loading the goods.

7.3 CFR COST AND FREIGHT

CFR COST AND FREIGHT (... named port of destination) "CFR" requires the seller to pay the costs and freight necessary to bring the goods to the named destination, but the risk of loss or damage to the goods, as well as any cost increases, are transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. Insurance is the buyer's responsibility.

7.3.1 CIF COST, INSURANCE AND FREIGHT

CIF COST, INSURANCE AND FREIGHT (... named port of destination) "CIF" is CFR, with the additional requirement that the seller procure transport insurance against the risk of loss or damage to goods. The seller must contract with the insurer and pay the insurance premium. Insurance is generally more important in international shipping than domestic shipping, because U.S. laws generally hold a common carrier to be liable for lost or damaged goods.

7.3.2 CPT CARRIAGE PAID TO

CPT CARRIAGE PAID TO (... named place of destination) This term means the seller pays the freight for the carriage of the goods to the named destination. The risk of loss or damage to the goods and any cost increases transfers from the seller to the buyer when the goods have been delivered to the custody of the first carrier, and not at the ship's rail. Accordingly, "freight/carriage paid to" can be used for all modes of transportation, including container or roll-on roll-off traffic by trailers and ferries. When the seller is required to furnish a bill of lading, way bill, or carrier receipt, the seller duly fulfills its obligation by presenting such a document issued by the person contracted with for carriage to the main destination.

7.3.3 CIP CARRIAGE AND INSURANCE PAID TO

CIP CARRIAGE AND INSURANCE PAID TO (... named place of destination) This term is the same as "freight/carriage paid to (CPT)" but with the additional

requirement that the seller has to procure transport insurance against the risk of loss or damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium.

7.4 DAF DELIVERED AT FRONTIER

DAF DELIVERED AT FRONTIER (... named place) "Delivered at frontier" means that the seller's obligations are fulfilled when the goods have arrived at the frontier but before the customs border of the country named in the sales contract. The term is primarily used when goods are carried by rail or truck. The seller bears the full cost and risk in delivering the goods up to this point, but the buyer must arrange and pay for the goods to clear customs.

7.4.1 DES DELIVERED EX SHIP

DES DELIVERED EX SHIP (... named port of destination) Means the seller shall make the goods available to the buyer on board the ship at the place named in the sales contract. The seller bears the full cost and risk involved in bringing the goods there. The cost of unloading the goods and any customs duties must be paid by the buyer.

7.4.2 DEQ DELIVERED EX QUAY

DEQ DELIVERED EX QUAY (... named port of destination) Means the seller has agreed to make the goods available to the buyer on the quay or the wharf at the place named in the sales contract. The seller bears the full cost and risks in delivering the goods to that point including unloading.

7.4.3 DDU DELIVERED DUTY UNPAID

DDU DELIVERED DUTY UNPAID (... named place of destination) Under these terms, the seller fulfills his obligation to deliver when the goods have been available to the buyer uncleared for import at the point or place of the named destination. The

seller bears all costs and risks involved in bringing the goods to the point or place of named destination. There is no obligation for import clearance.

7.4.4 DDP DELIVERED DUTY PAID

DDP DELIVERED DUTY PAID (... named place of destination) represents the seller's maximum obligation. The term "DDP." is generally followed by words indicating the buyer's premises. It notes that the seller bears all risks and all costs until the goods are delivered. This term can be used irrespective of the mode of transport. If the parties wish to make clear that the seller is not responsible for certain costs, additional word should be added (for example, "delivered duty paid exclusive of VAT and/or taxes").

8 Payment conditions

8.1 Fixing of payment conditions

Fixing of payment conditions partially is called "payment conditions", which have to include:

- what value should be paid
- in which currency
- in which period
- where (bank, the number of account, SWIFT CODE)
- by which method

The contract have to regulate if the invoice, including all this information will be issued by the seller, or it is enough the agreed data in contract.

The unclear definition on payment conditions in contract can lead to the serious complications, but neither the most exactly defined terms will not guarantee the in time and properly performance of buyers obligation.

8.2 The bank instruments, ensuring the payment

The bank instruments, which ensure the payment, are divided in obligatory:

- Documentary credit– is written obligation of bank issued on the base of the application of the client (mandator), that will provide to the third person the certain financial performance, if till the certain time the conditions of the credit will be fulfilled (defined by the purchaser).
- Standby credit is the guarantee in the form of the documentary credit and serves for the indemnity of other undertakings (frequently not corresponding to the goods commercial transactions, but for example to the securing of claims and emissions of bonds).
- Bank bill aval– bank warrants the bill /"per aval"/ for one of the bill debtor and then guarantees identically as this person.

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- Bank warranty is the securing instrument, by which the bank obliges to satisfy the acceptant of the warranty in the extent of certain sum of money according to content of the warranty list, if certain third person (the debtor) does not fulfill certain obligation or other conditions established in the list.

And nonobligatory:

- The smooth wage is used in foreign relations and does not include an obligation of bank and does not have any connection to submission of documents. In Czech Republic does not exist a general binding regulation or standard way of implementation of smooth wages.
- Documentary cashing is the form of payment relations, where the documents are issued and if necessary release of goods depended on the payment, acceptance of bill or fulfilling of other conditions from the importer-purchaser. This means, that documentary cashing is possible to be used as in in-country also in foreign payment relations. The documentary cashing means always only payment obligation for importer-purchaser, not for the bank, which in case of opening the documentary cashing do not enter to the payment obligation, but only mediate the documents and flow of money.
- Bill cashing is unconditional order of the drawer (creditor) to drawee (debtor) to pay the certain sum of money in the certain day and at the certain place to entitled person (whom is usually is the drawer itself, exceptionally the other person).

It can be used the dividing in payment interments (through them the payment is carried out – for example documentary credit or cashing) and guaranteeing payment, which is used in case when the debtor do not pay in time or properly (for example bank warranty).

The bank instruments can cover almost all-possible risks relating to the unwillingness payment or incapability of purchaser, but are frequently relatively costly.

8.3 Factoring

Factoring definition: factoring is the selling of a company's account receivables to a financial institution normally at a discounted rate. Factoring is usually performed to increase cash flow, instead of waiting for the normal terms associated with selling to customers (ie. net 15, 30 or 45 days)

Factoring can:

Provide funding regardless of your credit rating

Help meet payroll deadlines

Provide cash for marketing

Increase purchasing power

Improve credit rating

Pay back taxes and more

Improve financial statement

Eliminate bankruptcies

Provide cash for expansion

8.4 Usual payment conditions in Ukraine, payment moral

In the branch of payment moral the risks can be faced. The situation is complicated for the Ukrainian purchaser as a result of narrow accessibility to bank loans, which is the result of low payment capability among the local enterprises and deficiently developed possibility of capital protection of import of goods in Ukraine.

In cases when the import is carried for the persons belonging to state, very often the problems concerning the definition of responsibility for the debts takes place. (In the frame of the state bodies often befall the changes of competency and the distribution of responsibility, which significantly decreases trust in relation to the warranty for the obligations created from the commercial transactions).

9 Control of quality

Constantly and frequently is used in international trade certificate control on quality as a condition not only for accepting the goods, but also for example for the documentary credit.

There are states (30 developing countries of Asia, Africa and South America) which have established the inspection of quality for the imported goods from abroad.

The certifications of quality are required in the frame of technical regulations ISO 9000 and other similar documents.

In the inspection of quality before the sending controls the independent inspection organization, mainly:

- The adherence to the quality during its production or after finishing at the plant of the supplier
- If the goods meets the manufacturing specifications and safety regulations
- If the packing and transportation meets the requirements of safe ferry, storage and manipulation.

The carried inspections of quality before the sending goods bring the benefits for the supplier (manufacturer), because it avoids the possible disputes on the quality of the goods.

The result of the control is showed in the control certificate, which is issued by the entitled independent organization and includes the data on the place of control, method, and extent and appropriate conclusions.

9.1 Ukraine, the safeguard of domestic market

In Ukraine exists the some kinds of export licenses, whereas on each kind of goods can be applied maximum only one kind of license:

- General license – permission to import or export of goods during the one year
- exclusive – the owner of the license have the exclusive right for the use of the contracts object
- Patent– document, according to which the owner of the license have the right to utilize the patent invention.

- Full – the owner of the license has the exclusive right to use the patent or know-how during the time of the contract. During the same period the owner of the patent or know-how may not utilize them.
- Simple – the owner of the license have right to use the patent or know-how during the contract effectiveness. The owner leaves the right to sell the same kind of licenses to other users in the same territory.
- One-shot – the permission to import or export of goods according to each contract for the period of their performance, but not longer than one year.
- Export/import– permission of state bodies for import or export from abroad.

The quotas are applied by the form of establishing of regime for issuing the individual licenses, whereas the complex of determined extent of the import (export) can be exceeded the totally determined quotas. In Ukraine there is the following system of quotas, whereas on each kind of goods can be used only one quotas:

- Global – determines the total extent of import of goods to the certain countries during the certain period (year, half year)
- Individual – limits the supply of certain goods from one state to another
- Seasonal – is issued on the import of agricultural productions in the period of top production inside the country.
- Tariff – superelevation of quota results in increasing the custom tariffs

The Ukrainian legislation in the frame of negotiations on fair competition during the realization of foreign commercial operations differs:

- Implementation of dumping export, against which the antidumping measures are taken
- Implementation of state-aided import, against which the compensate measures are taken
- Implementation of other operations, which can be considered as form of unfair competition.

10 Negotiations of terms

10.1 The opportunity of negotiations

For the export it is ruled, that besides continuing supplies to the same purchaser does not exist the same trade cases.

The dissimilarities are given by the kind of traded goods, the peculiarities of market, political, custom, tax and other kinds of regulations and etc.

10.1.1 The specifications and stages of trade negotiations

Each trade case passes four basic stages:

- Pre-contractual negotiations, during their course the offer and the acceptance are approaching and the acceptable compromises are searched.
- Closing of commercial contracts on purchase and sale of goods in accordance with the previous negotiations
- Performance of closed contract, solution of certain problems.
- Final settlement of contract relations

10.1.2 Methods of trade negotiations

The difficulty of terms' negotiation in export trades is reflected in the existence of their two basic methods:

- Direct negotiations – between concrete suppliers (exporters) and concrete purchasers, during it exporter on his behalf and on his account and also bares all risks derived from the contracts
- Indirect negotiations – the supplier and purchaser are negotiation through the third person which then gets the certain commission, which depends on the difficulties, extent of responsibility from 5% to 30% from the value of the goods.

The third persons can act as:

- Mediator – searching for the exporter the purchaser and does the precontractual negotiations, whereas the contract will close the exporter on his behalf and on his account and risk.

- Proxy – searching the purchaser for the exporter, does the negotiations and signs the contract on his behalf, but on the account and risk of exporter.
- Agent – negotiates on behalf of own name and on the own account and risk, for example specialized foreign trade companies, which mainly buys the goods for the supplier and then sells at the foreign markets.

11 Conclusion. The basic conditions for promotion of Czech goods at Ukrainian market

Regardless the gradual improvement of the situation in the given sphere the network of the independent distributors of goods, capable purchase of the supplies with the continual realization in the frame of their trade networks is developed very slowly in Ukraine. The backwardness of sale networks impedes the increase the supply of the goods mainly of the customer character.

The truth is that without utilizing of local representatives in Ukraine. It is very hard to get through. The retailers consist of three stages: importer, distributor and the small retail. Sometimes one stage is excluded (as a rule the distributor), when the importer supplies directly to the small retailers, if it purchases the certain amount of goods. Very often the importer imports directly to the final consumer (for example, the natural resources, expendable supplies and etc.)

By the goods with the swift clear out (for example expendable supplies and building materials) is for the importer necessary to have the certain amount of materials at the storage places. The period, when the Ukrainian purchasers were travelling to Czech Republic to buy the materials is already gone. The contemporary market and competition dictates the necessity of sale of goods already in standard way in clean out (after custom and etc). On the base of the indicated circumstances, the importer have to create the network of dealers in the whole territory and to manage whole system through the Czech manager, which will head the distribution in Ukraine. The most of the companies have put up with such practice (Siemens, Procter&Gamble, Bosch, Johnson&Johnson, Ivax Corporation etc.), which have begun building of appropriate distribution network in Ukraine.

In case of supply of technological units, machinery and equipment is better to be represented by the Ukrainian partner, who will be close to the customers and will better understand their requirements and will be apt to ensure swiftly warranty services. Also he will supervise over the smooth process of payment for the supplied goods or services.

Ukraine from the view of market environment belongs to the difficult area. This situation is gradually changing to the better and we should take into account the fact that almost all segments of Ukrainian market hides the good potential for growth. The developed western and mainly European countries are cooperating with Ukraine in

investment trade and technological spheres and of course Czech Republic have to keep pace to such trend. That's why we are learning the Ukrainian market more closely. We have on mind that the export is potential profitable from the long-period view, that's why we have not be encouraged because of first obstacles and possible failures. The success of each, which decides to establish in this market, will be directly proportional to the preparation, which will be sacrificed for the entry to the Ukrainian market.

Resume

Aims: The purpose of this bachelor work was getting information, that would support the company Hamé, Corp. along with decision of entry into new foreign market.

Methods: Export is the most popular method of companies to participate in international marketing. The export of goods determines the supply of commercial-technical and other services, as well as an endeavor of close connection and capital representation in prospective markets. On chosen export markets it is necessary to carry out their detailed analyze, which may have the following evaluative criteria:

The criteria of market – the extent of sale, the temp of gross of sale, the indicator of difference between sale price and expenses

The economy of sale – the profit after taxation, the length of period, afterward the export will be profitable, the rate of return of profit.

Competitive position – the impact of competition on determined price, the expenses of entry at the market, the technical advance ahead of competitors.

To the most usual forms of the entry and presentation of company at world markets belong: indirect export, direct export, the sale license, franchising, providing of management know-how, the property and control of foreign branches, co-ownership of foreign company. In the chosen export market it is necessary to find the appropriate distribution ways to the final consumer.

There is opportunity to use the local proxies, the wholesales, but also the direct sales or post sales.

It is good to consider carefully the transpiration possibilities, the storage, advertisement and mainly the total amount of expenses, which are related to the distribution.

Results: Regardless the gradual improvement of the situation in the given sphere the network of the independent distributors of goods, capable purchase of the supplies with the continual realization in the frame of their trade networks is developed very slowly in Ukraine, but we should take into account the fact that almost all segments of Ukrainian market hides the good potential for growth. That's why we are learning the Ukrainian market more closely. We have on mind that the export is potential profitable from the long-period view, that's why we have not be encouraged because of first obstacles and possible failures. The success of each, which decides to establish in this market, will be directly proportional to the preparation, which will be sacrificed for the entry to the Ukrainian market.

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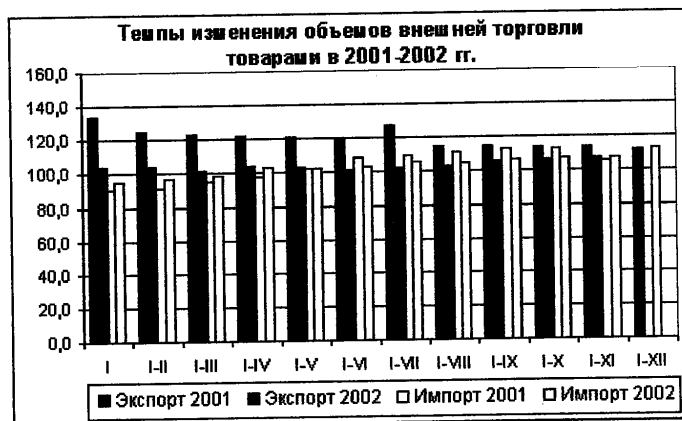
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Supplements

- | | |
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| No. 1 | Foreign trade of Ukraine for a period 2001 – 2002 |
| No. 2 | Customs statistics of the foreign-trade activities of Ukraine for a period 1.1.2003 – 31.12.2003 |
| No. 3 | Carnet TIR |

No. 1

**Foreign trade of Ukraine
for a period 2001 – 2002**



■ Export 2001

■ Export 2002

□ Import 2001

□ Import 2002

Customs statistics

No. 2

**Customs statistics of the foreign-trade activities of Ukraine
for a period 1-1-2003 – 31-12-2003
(in terms of thousands of US dollars)**

Country code	Country	Import and export for a period from 1.1.03 to 31.12.03		Balance
		Import	Export	
CZE	Czech Republic	245173	161548	-83625
BLR	Belorussia	343442	340372	-3071
AZE	Azerbaijan	8068	142795	47052
KAZ	Kazachstan	355589	306773	-48816
MDA	Moldova	56830	486827	429197
RUS	Russia	7576244	4308915	- 3267329

Customs statistics

