

## 4 Financial Considerations For Conducting Business Internationally

Texas is the No.1 exporter of goods in the United States for good reason; both domestic and international firms base their operations here to take advantage of easy access to global markets, facilitated by the state's strategic location, expansive transportation infrastructure, and proliferation of U.S. ports of entry.

*Horacio Thomas, SVP,  
International  
Department Manager*

Yet, conducting business internationally involves greater risk than domestic operations, primarily due to differences in laws, culture, and currency. The following are four financial considerations for conducting business internationally you should consider when doing business abroad.

### 1. Legal and Regulatory Commitments

When considering the financial considerations for conducting business internationally, you must observe all legal and regulatory requirements of your target country, including tax codes, business regulations, packaging standards, and customs policies. International trade law outlines the rules and customs for handling trade between countries. The laws are an ever-evolving and highly complex system with many international organizations that act as governing institutions, including the International Trade Commission (USITC) and the World Trade Organization (WTO).

On a higher level, trade law concentrates on four levels of relationships regarding international trade: unilateral measures (national), bilateral relationships (between two countries), plurilateral agreements (rules specific to certain WTO members), and multilateral arrangements (rules all WTO members must follow).

Confused? Who wouldn't be? To make sure you comply with all legal and regulatory commitments, it's best to seek the counsel of international trade lawyers.

### 2. Currency Exchange Rates

A key component of international business is pricing your products or services in the currency of your target country. Not doing so could rob you of many important customer relationships. But where to start? The basic thing to know is that currency exchange rates are essentially the price at which one currency is purchased for another currency. There are two main categories of exchange rates: flexible rates, which are subject to rapid change, and fixed rates, which are regulated by the government.

In your dealings, you'll find most countries use flexible exchange rates. Because flexible rates often change rapidly, it's important to consider the supply and demand of your target country's currency as well as interest rates, political stability, and economic performance.

When paying for products or accepting payments, foreign exchange wires are essential. Wires are usually sent through a bank or other

financial institution, which can also help you access better exchange rates.

### 3. Economic & Governmental Conditions

If you're new to international business, be sure to consider the economics of your country of choice. Make sure the business environment in the city or region of your target country is similar to yours. The fewer differences between your country and the one you export to, the smoother business discussions will be.

Also, consider the government stability of your target country. Countries in political turmoil, such as those in conflict or those with unstable governments, are much more risky than stable countries. When a government is in turmoil, it may freeze international money transfers and you may be unable to convert local currency into that of your own country.

A stable government provides additional resources to foreign businesses including protection policies, government assistance programs, contract integrity, and more.

### 4. Financing Your Growth

Calculating the price of doing business internationally is more complicated than simply doubling the costs of your domestic operations. You'll have increased overhead with the varying costs associated with importing/exporting, distribution, and packaging standards, among others.

Depending on your product, you may be able to take advantage of financing programs that help with your start-up costs. The [U.S. Export-Import Bank](#) (EXIM) works with companies who have private lenders. EXIM "guarantees" repayment for a percentage of the loan in the event that you default. EXIM also offers export credit insurance for foreign accounts receivable, protecting you against buyer nonpayment risk and making you more attractive as a business partner to potential private lenders.

Another alternative is taking out a commercial loan from a U.S. bank or lending institution. Many banks offer cross-border lending programs as well as a variety of short- and long-term financing options, including [lines of credit and term loans](#).

### Not Just for Corporations

In Texas, international business is big business, and it's not just relegated to large corporations. According to the Texas Economic Development Corporation, 90 percent of Texas exporters happen to be the state's nimble and innovative small businesses. Thankfully, the Lone Star State provides you with the resources and assistance you need to take your business global.

Agencies like the Texas Department of Business Assistance and the

International Trade Administration help businesses remain competitive by promoting and assisting in business expansion to foreign markets.

Additionally, PlainsCapital Bank's International Department can help you with your foreign exchange wires and currency exchange needs.

Interested? Email one of our international business representatives at [pcb-international@plainscapital.com](mailto:pcb-international@plainscapital.com) for more information.