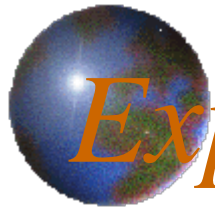




# VACWT 2012



## *Export-Import Documentation* *Building Blocks for International*

### *Shipping*

Presented By

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October 18, 2012



# *Building Block One - Incoterms*

- ✦ International Commercial Terms published by International Chamber of Commerce
- ✦ Have a standard meaning worldwide
- ✦ Term of the contract of sale
- ✦ Instruct all parties with respect to:
  - ▣ Carriage of goods from seller to buyer
  - ▣ Export and Import Clearance
  - ▣ Division of cost and risk



## *Building Block One - Incoterms*

- ✦ Should be used in all phases of the international trade process
  - ✦ Sales and quotations, including price lists
  - ✦ Purchasing departments
  - ✦ Shipping and transportation departments
  - ✦ Finance/accounts receivable and payable
- ✦ **All companies should have policies and procedures in place to ensure this**
- ✦ Available at  
<http://store.iccbooksusa.net/incoterms.asp>  
X



# *Building Block One - Incoterms*

- ✦ Proper use of Incoterms: Price + Incoterm (named place or port) Incoterms 2010
- ✦ Most used Incoterms:
  - ✦ Ex Works (EXW)
  - ✦ Free on Board (FOB)
  - ✦ Free Carrier (FCA)
  - ✦ Cost and Freight (CFR)
  - ✦ Carriage Paid To (CPT)
  - ✦ Cost, Insurance, and Freight (CIF)
  - ✦ Carriage and Insurance Paid To (CIP)



# *Building Block One – Incoterms*

## *Ex Works (EXW)*

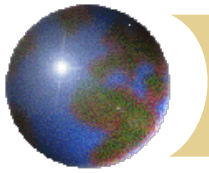
- ✦ Proper use: EXW (named place) Incoterms 2010
- ✦ Minimum obligation for seller, maximum for buyer
- ✦ Buyer picks all transport
- ✦ Risk transfers at point of loading
- ✦ ONLY IN US is seller responsible for export clearance (unless Routed Transaction procedure used)



# *Building Block One – Incoterms*

## *Free on Board (FOB)*

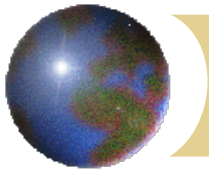
- ✦ Proper use: FOB (named port of shipment)  
Incoterms 2010
- ✦ Only for ocean or waterway transport
- ✦ Risk and cost transfer when goods deliver to carrier
- ✦ Seller pays for export clearance and for any origin port charges



# *Building Block One – Incoterms*

## *Free Carrier (FCA)*

- ✦ Proper use: FCA (named place) Incoterms 2010
- ✦ Used for any form of transport
- ✦ Seller provides evidence of delivery and export clearance
- ✦ Risk and cost transfer when goods are delivered to carrier



# *Building Block One – Incoterms*

## *Cost and Freight (CFR)*

- ✦ Proper use: CFR (named port of destination) Incoterms 2010
- ✦ Only for ocean or waterway transport
- ✦ Seller pays for ocean freight and provides clean transport document and export clearance
- ✦ Risk transfers when goods are delivered to ocean carrier





# *Building Block One – Incoterms*

## *Carriage Paid To (CPT)*

- ✦ Proper use: CPT (named port of destination) Incoterms 2010
- ✦ Used for any mode of transport
- ✦ Seller pays for transport and loading costs and provides clean transport document and export clearance
- ✦ Risk transfers when goods are delivered to first carrier



## *Building Block One – Incoterms*

### *Cost, Insurance and Freight (CIF)*

- ✦ Proper use: CIF (named port of destination) Incoterms 2010
- ✦ Only for ocean or waterway transport
- ✦ Seller pays for ocean freight, insurance, and provides clean transport document and export clearance
- ✦ Risk transfers when goods are delivered to ocean carrier



## *Building Block One – Incoterms*

### *Carriage and Insurance Paid To (CIP)*

- ✦ Proper use: CIP (named place of destination) Incoterms 2010
- ✦ Used for any mode of transport
- ✦ Seller pays for transport, insurance, and provides clean transport document and export clearance
- ✦ Risk transfers when goods are delivered to first carrier



# *Building Block Two*

## *Product Classification*

- ✦ Legal requirement to correctly fill out the U.S. Shipper's Export Declaration/AES Record/EEI
- ✦ Often used on Commercial Invoicing
- ✦ Legal requirement to complete the NAFTA Certificate for exports to Canada and Mexico; qualifies goods as "originating"
- ✦ Legal requirement for all imported product
- ✦ Determines duty rate for imports



## *Building Block Two - Product Classification*

### *The Harmonized System*

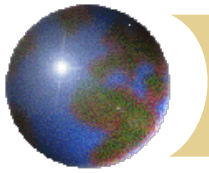
- ✦ In effect internationally 1/1/88, in USA on 1/1/89; published by WCO
- ✦ Has 5000+ article descriptions in 97 chapters
- ✦ “Legal Text” = General Rules of Interpretation, section, chapter, and subheading notes, terms of the headings and subheadings, and in the US, the additional US rules of interpretation



## *Building Block Two - Product Classification*

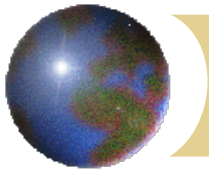
### *How is the HS organized?*

- ✦ Sections of broad general relation (I – XXI)
- ✦ Chapters of closer relation (01 – 97)
- ✦ Headings of specific groups, e.g. 8479
- ✦ Subheadings of 6 digits, e.g. 8479.90 (this ends the official HS classification)
- ✦ 2 more digits are added for individual country classification purposes
- ✦ 2 more digits are added for statistical purposes
- ✦ Each product has a 10 digit number in USA



*Building Block Two - Product Classification*  
*Harmonized Tariff Schedule of the United States*

- ✦ Incorporates HS
- ✦ Consists of General Notes, GRI, Additional US Rules of Interpretation, 99 chapters of 10-digit product categories, and appendices
- ✦ Heading/Subheading = 8 digits
- ✦ Last 2 digits are statistical suffixes
- ✦ Used for import and export classification



## *Building Block Two - Product Classification*

### *Additional U.S. Rules of Interpretation*

- ✦ Tariff classification controlled by use is determined by actual use at time of classification/importation
- ✦ Tariff classification controlled by use must be proven by actual use
- ✦ Provision for parts of an article shall not prevail over specific provisions for such part
- ✦ Principles in section XI apply for textiles





## *Building Block Two - Product Classification*

### *Parts of General Use*

- ⊕ Not considered parts of machines, etc.
- ⊕ 7307: Tube or pipe fittings, of iron or steel
- ⊕ 7312: Stranded wire, rope of iron or steel
- ⊕ 7315: Chain and parts of iron or steel
- ⊕ 7317: Nails, etc. of iron or steel
- ⊕ 7318: Screws, bolts, nuts, etc. of iron or steel
- ⊕ 8301: Padlocks and locks of base metal
- ⊕ 8302: Base metal mountings, hinges, brackets
- ⊕ 8308: Clasps, hooks, etc. of base metal
- ⊕ 8310: Sign plates, etc. of base metal
- ⊕ Springs and leaves for springs (other than for watches)



## *Building Block Two - Product Classification*

### *Things to Watch*

- ❖ HS definitions do not always match dictionary or industry definitions
- ❖ Items can appear in more than one place in the HTUSA – gaskets are in 5 different places
- ❖ Never use “basket” or “other” category if there is a more specific category, but you must follow the hierarchical system per GRI 6
- ❖ When in doubt, check rulings. Many items have been put in categories that seem strange!



## *Building Block Two - Product Classification*

### *Hints*

- ✦ Sometimes there are specific listings for parts of goods, sometimes they are under the same classification as the good itself. Usually this is clarified in the Section or Chapter Notes
- ✦ Always read the Section and Chapter Notes before classifying goods in a particular chapter – look for exceptions, etc.
- ✦ Must follow the indentations in the HTSUS – if not under one level of indentation must proceed to the next classification at the same level, NOT to the “other” category beneath



## *Building Block Two - Product Classification*

### *U.S. Customs Rulings*

- ✦ Can query rulings at:

<http://rulings.cbp.gov/>

- ✦ Use plain language search terms to find items or put in HTSUS numbers to see how Customs has ruled on other items



## *Building Block Three*

### *U.S. Governmental Regulation - Exports*

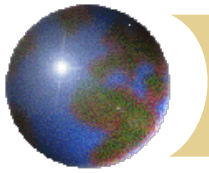
- ✦ Advance Shipment Manifest Requirements apply to all modes of transport
- ✦ Shipment information has to be transmitted to Customs pre-departure
- ✦ Shippers are required to give full product description which matches HTSUS numbers to carriers/forwarders
- ✦ Ocean requirements are very stringent – with stiff fines from the carriers and from the USG



## *Building Block Three*

### *U.S. Governmental Regulation - Imports*

- ❖ U.S. Customs and Border Protection (CBP) is lead agency
  - ❖ Regulates all border functions
  - ❖ Collects duties
  - ❖ Enforces other agencies' regulations
  - ❖ "Protects the revenue of the United States"
  - ❖ Ensures that all imports are properly classified and valued
  - ❖ Has many additional responsibilities for anti-terror functions

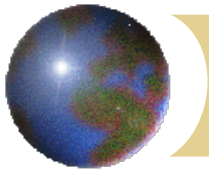


## *Building Block Three*

### *U.S. Governmental Regulation - Imports*

#### ✿ ISF – “10 + 2”

- ✿ Newest Governmental program
- ✿ Requires electronic transmission of shipment data (10 from importer and 2 from carrier) PRE-vessel loading
- ✿ Now in the penalty phase (since 1/26/10)
- ✿ \$5000 statutory penalty per violation



# *Building Block Four*

## *Documentation*

- ⊕ Accurate documentation is critical for efficient International Business
- ⊕ Most functions are tied to documentation
  - ⊞ Export Clearance
  - ⊞ Shipping
  - ⊞ Custom Clearance
  - ⊞ Payment





## *Building Block Four*

### *Export Documentation*

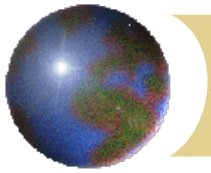
- ✦ Complete information for export documentation must come from the shipper
- ✦ Documentation has many functions:
  - ▣ Export Clearance
  - ▣ Shipping Instructions
  - ▣ Importer needs for customs clearance
- ✦ Shippers usually work with Foreign Freight Forwarders



# *Building Block Four*

## *Export Documentation*

- ✿ Foreign Freight Forwarders have many functions:
  - ❑ Assist in quoting export shipments
  - ❑ Often have overseas offices/partners
  - ❑ Can make all freight arrangements
  - ❑ May be able to offer own transport pricing
  - ❑ Licensed as “Other Transportation Intermediary” by FMC
  - ❑ Produce most export documentation



## *Proforma Invoice*

- ✦ Used as a formal quotation for Export Sale
- ✦ Should “mirror” how shipment will occur
- ✦ Is used by Buyer to open L/C or to obtain financing
- ✦ Is required by many countries to obtain Import License or Foreign Exchange authorization



## *Domestic Bill of Lading*

- ✦ Used to direct cargo to exporting carrier
- ✦ Important to maintain “paper trail” record of shipment in case of loss or damage
- ✦ Gives routing instruction for freight carrier
- ✦ Must specify any special instructions, such as any third party billings or discounts to be applied



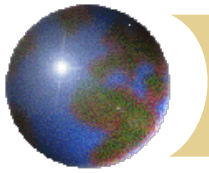
## *Shipper's Letter of Instruction*

- ✦ Your instruction to Freight Forwarder as to how documents are to be prepared and distributed
- ✦ Must be sure that SLI matches purchase order, L/C, or other instructions from consignee
- ✦ Authorizes Forwarder to issue documents on your behalf



# *Commercial Invoice*

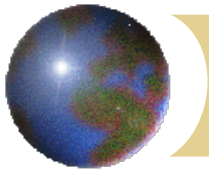
- ⊕ Most important export document
- ⊕ Instrument of payment and/or release of foreign exchange
- ⊕ Negotiable as part of L/C transaction
- ⊕ Has legal standing as demand for payment
- ⊕ Must mirror Proforma, L/C, purchase order, or other formal instruction
- ⊕ May have to be in other language



# *Commercial Invoice Part 2*

## *Important Elements*

- ✚ Incoterm of Sale
- ✚ Payment terms and information
- ✚ Banking information if applicable
- ✚ Accurate L/C information
- ✚ Must be examined to make sure other export docs agree
- ✚ Only document that has to agree 100% with L/C



## *Packing List*

- ✦ Should have 100% accurate information
  - from actual measuring and weighing
- ✦ Legal requirement in many countries
- ✦ No pricing information to be shown
- ✦ Should be in metric measurement (not in English measurement only)





# *Certificate of Origin*

- ✦ Required by many countries for all products, also for individual products in some cases
- ✦ Must watch L/C language – Chambers of Commerce do not “issue” C.O.’s
- ✦ May be needed for duty reductions in some countries
- ✦ Some Countries have own forms (Israel, NAFTA, Caricom)
- ✦ Free Trade Agreements have their own rules of origin and also may require certification



## *NAFTA Certificate of Origin*

- ✦ Used for duty-free treatment between US, Canada, and Mexico
- ✦ Has different rules of origin and other value requirements than other international transactions
- ✦ One of most commonly incorrectly prepared documents



## *Shippers Security Endorsement*

- ✦ Required by FAA for ALL shipments
- ✦ You must be a “known shipper” or your cargo will undergo 100% inspection
- ✦ Requirements on airlines and also on “secondary carriers”, i.e., forwarders, consolidators
- ✦ Freight will not move without it



# *Hazardous Goods Declarations*

- ✚ Must be filled out by shipper
- ✚ Must be 100% accurate, penalties on both company and signatory
- ✚ You must have trained personnel to fill out
- ✚ Cargo WILL be rejected if not accurate
- ✚ If you cannot sign, must hire third party to complete



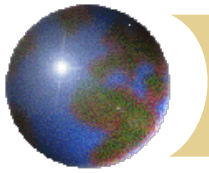
# *Ocean Bill of Lading*

- ✦ Many different functions
- ✦ Title document, negotiable if consigned to order
- ✦ Routing instruction to carrier
- ✦ Major document usually required in L/C's
- ✦ Conditions of carriage/fine print highly favors carrier
- ✦ Can be direct or NVOCC bill



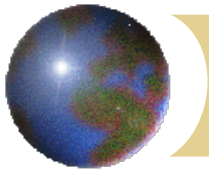
## *Air Waybill*

- ✦ NOT a title document – routing instruction only
- ✦ Therefore, not very useful for L/C's
- ✦ Carrier's limit of liability: \$20.00/kg
- ✦ Can be DAWB from carrier or HAWB from forwarder or consolidator



# *Electronic Export Information (AES Record)*

- ✦ Used for Export Control and statistical purposes
- ✦ Shipper's ultimate responsibility to make sure this document is correct
- ✦ Customs requires filing electronically – ONLY option
- ✦ Shipper can file direct or forwarder can file



## *Building Block Five*

### *Import Documentation*

- ✦ Information for import documentation comes from both the export documents and from the importer of record
- ✦ Importer has complete responsibility for correctness of documentation
- ✦ Most importers use Customhouse brokers to submit import documentation to U.S. Customs





## *Customhouse Brokers*

- ✦ Licensed by U.S. Customs to perform “customs business” on behalf of clients
- ✦ Process Customs entries and payments electronically with U.S. Customs
- ✦ Often have overseas partners/offices
- ✦ Will advise on all documentation needed to “make entry”



## *Building Block Five*

### *Import Documentation*

- ❖ Importer must show “Right to make entry”
  - ❖ Transport Document
  - ❖ Commercial Invoice
  - ❖ Packing list
- ❖ Importer must give Power of Attorney to CHB
- ❖ All importers must be bonded



# *Building Block Five*

## *Import Documentation*

- ✿ Typical documents required
  - ❏ Customs Entry/Entry Summary (CHB)
  - ❏ Immediate Delivery Application (CHB)
  - ❏ Commercial Invoice (Shipper) – must be in English
  - ❏ Transport Document (Shipper)
  - ❏ Packing List (Shipper)



# *Building Block Five*

## *Import Documentation*

- ❖ Other Documents may be needed
  - ❖ Duty Free Entries such as TIB, U.S.-Israel FTA, NAFTA c.o.
  - ❖ Other agency documents such as FCC, EPA, USDA
  - ❖ Customs may ask for additional documentation to prove classification or valuation

*Thank You! Questions?*



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