

# **EXPORTING TO THE UNITED STATES**

---

**A GUIDE FOR SMALL FOREIGN EXPORTERS**

Prepared for the World Resources Institute by  
Belisa de las Casas and Luke Zahner  
George Washington University  
The Business School  
July 2004

**COPYRIGHT**

# EXPORTING TO THE UNITED STATES

---

## A GUIDE FOR SMALL FOREIGN EXPORTERS

### DIRECTORY\*

#### INTRODUCTION

#### SOURCES

#### OVERVIEW OF THE GUIDE

#### STEP 1: PREPARING TO EXPORT TO THE U.S.

##### ESTABLISHING YOUR EXPORT POTENTIAL

##### IDENTIFYING MARKETS

- Trade Fairs
- Trade and Buying Missions

##### ESSENTIAL REQUIREMENTS FOR EXPORTERS TO THE U.S.

- Statement of Terms
- Pricing
- Brochures and Samples

##### ASSESSMENT: ARE YOU READY TO EXPORT?

#### STEP 2: MAKING THE DEAL

##### STEPS IN THE SALES PROCESS

- Letter of Inquiry
- Quotation
- Pro Forma Invoice
- Purchase and Sales Orders
- Contract or Supply Agreement

#### STEP 3: ARRANGING THE SHIPMENT

##### PRODUCING THE ORDER

- Proper Planning
- Quality Control
- Packaging
- Labeling

##### PREPARING THE ORDER FOR SHIPMENT

- Packing
- Co-mingling of Goods
- Export Packing List
- Marking

---

\* This will be the index for the future web pages, thus to simplify future formatting we have not inserted page numbers into the printed document.

## **STEP 4: IMPORTING INTO THE U.S.**

### **SHIPPING TO THE U.S.**

- Commercial Invoice
- Pro Forma Invoice
- Frequent Errors in Invoicing
- Freight Forwarders
- Airbill or Bill of Lading

### **MARKINGS**

- Country of Origin Marking
- Marking Not Required
- Special Marking Requirements
- False Impression Marking

### **CUSTOMS FEES**

### **PROHIBITIONS, RESTRICTIONS AND OTHER REQUIREMENTS**

- Agricultural Commodities
- Food, Drugs, Cosmetics and Medical Devices
- Textile, Wool and Fur Products

### **QUOTAS**

### **ASSESSMENT OF DUTIES**

- Duties Rates
- Types of Duties
- Temporary Free Importations
- Drawback and Refunds of Duties

### **ENTRY OF GOODS TO THE UNITED STATES**

- Process
- Evidence of the Right to Make Entry
- Types of Entries
- Transportation of Merchandise in Bond

### **COMPLYING WITH THE 2003 BIOTERRORISM ACT**

### **CUSTOMS BROKERS**

### **FINAL EXPORT CHECKLIST**

## **STEP 5: GETTING PAID**

### **PAYMENT TERMS**

### **FORMS OF PAYMENT**

- Letters of Credit
- Documentary Bank Drafts
- Checks and Bank Drafts

## **APPENDIX I: GLOSSARY OF TERMS**

## **APPENDIX II: COUNTRY PROFILES**

## **INTRODUCTION**

The United States is the largest economic power in the world, with a widely diverse consumer base that offers excellent opportunities to foreign exporters. Niche products such as handicrafts and goods that are produced according to environmentally friendly practices are increasingly popular to U.S. consumers. It is a market that is waiting to be tapped.

However, exporting to the United States is not without its challenges. The paperwork and bureaucracy involved in getting goods into the U.S. can be formidable, and the customs regime complicated. Furthermore, the U.S. heavily promotes its own exports, in part to improve its large trade deficit and as part of a long-standing policy to protect U.S. jobs. The terrorist attacks on New York and Washington on September 11, 2001 and the increased security precautions since have led to a variety of new policies and safeguards on imports. And there are industries that the U.S. government has actively worked to protect, especially textiles.

That being said, a foreign exporter with a solid product or service, a sound business and export plan, and ideally a U.S. partner or buyer, should succeed in introducing its goods into the United States.

## SOURCES

---

The information in this guide is based on U.S. and foreign government resources, as well as non-governmental organizations. Sources include:

- U.S. Commerce Department
- U.S. Census Bureau
- U.S. Department of Treasury
- U.S. Department of Homeland Security
- U.S. Department of Health and Human Services
- U.S. Food and Drug Administration
- U.S. Environmental Protection Agency
- U.S. Customs Service
- U.S. Agency for International Development (USAID)
- U.S. Department of State
- U.S. International Trade Commission
- World Bank
- Inter-American Development Bank
- the commercial offices of the governments and Washington, D.C embassies of Ecuador, Colombia, Mexico, Peru, and Costa Rica; and
- the U.S. non-governmental organizations CHF, Mercy Corps, Aid to Artisans, ACDI-VOCA, and the Corporate Council for Growth in Africa.

Particularly useful resources used extensively in the preparation of this document include: Aid to Artisans' "ATA Export Manual" (1996); the U.S Customs Service publication "Importing into the United States: A Guide for Commercial Importers" (2003); the USAID-funded "Comprehensive Business Guide to Trading Under AGOA" by the Corporate Council for Growth in Africa (2002); and the websites of the U.S. Department of Treasury and International Trade Commission.

References to these and other websites and publications can be found in the appropriate sections throughout this guide. Special appreciation goes to the commercial attache of the Washington, D.C. embassy of Ecuador and the Washington, D.C. representative of Proexport Colombia for reviewing the guide and providing input from the perspective of Latin American end-users.

## OVERVIEW OF THE GUIDE

---

This guide seeks to offer some advice for the small foreign exporter. The target audience is a small producer of environmentally friendly products that is seeking to export its goods to the U.S., preferably via a pre-identified U.S. buyer.

Section I, **Preparing to Export to the U.S.**, offers suggestions on identifying U.S. buyers and outlines some of the essentials that a foreign firm should consider before embarking on the path to exporting to the U.S. A special self-test, “Are you ready to export?” is included in this section.

Section II, **Making the Deal**, lists the key steps in the sales process, including the steps in setting up and finalizing the deal.

Section III, **Arranging the Shipment**, deals with the marking, packaging, and labeling of goods to ensure they are not delayed in U.S. Customs.

Section IV, **Importing into the U.S.**, details the U.S. Customs procedures, various other regulatory issues related to getting goods into the U.S., and addresses such issues as customs brokers.

Section V, **Getting Paid**, explains the different methods for exporters to the U.S. to collect their payments.

## **STEP 1: PREPARING TO EXPORT TO THE U.S.**

---

- **Preparation and research are essential prerequisites to a successful exporting strategy. If your company is not adequately prepared to embark on an export program, the likelihood of failure is high.**
- **Small exporters often have difficulty locating foreign buyers for their products.**
- **Programs sponsored by governments exist that can help exporters use trade fairs and trade missions to identify potential partners in the U.S.**
- **Before contemplating exporting to the U.S., firms should be prepared for the documentation and other requirements that will be necessary.**

### **ESTABLISHING YOUR EXPORT POTENTIAL**

Is your company ready to export to the United States? The first step in deciding on an export strategy is establishing whether or not it is even appropriate for your company to try exporting its products or services. Exporting is certainly not for every company. It depends on a variety of factors, including the potential market for the product or service in the U.S., the capacity of the exporting company to develop a consistent and quality product and provide whatever support or customer service will be required for the product, and the size of the company and its sales capacity. A company's success in selling to its domestic market is no guarantee that it can succeed in exporting.

In markets that differ significantly from the domestic market, some products may have limited export potential. Differences may relate to environmental, social, or cultural factors, local availability of raw materials or product alternatives, different wage costs, or tariff and non-tariff barriers, to name a few. Understanding why a product is successful in its domestic market is essential to identifying the right export market for the product.

Questions to consider when making a decision to export include:

- Who are your current customers and what are the similarities to potential U.S. customers?
- How well do you understand the U.S. market?
- Are there currently other foreign exporters that are selling similar goods into the U.S.?
- How much will you have to modify your product to sell it in the U.S.?
- What other difficulties might you encounter to adapt your product to the U.S. market?
- Is your good easy to transport?
- Does your product require professional assembly or after-sales support?
- If you export a service, will you have to modify it to meet the U.S. customer needs?

- Can you expand to the U.S. market without overstretching your resources with regard to domestic customer service and support?

A key – indeed, essential – part of your export plan will be the target clientele. U.S. market research is necessary in order to identify the market for your product and existing competitors, both from the U.S. and from abroad. If it does not appear that there is a market in the U.S. for your product or service, you may want to consider other markets. If, on the other hand, your business plan is weak and needs to be developed further, you may want to postpone your entry into the U.S. market until you are adequately prepared.

Low cost market research tools exist on the web to assess overall market potential. Particular importance should be paid to competing or similar sources already being exported to the U.S. An excellent source of information on the existing export market to the U.S. is the U.S. government's International Trade Commission (ITC). (See [www.ustic.gov](http://www.ustic.gov).) For specific trade data, see <http://dataweb.usitc.gov>, and use the harmonized code for your product. (For more on harmonized codes, see Section IV.)

An "Export Assessment Readiness" guide is located at the end of this section. This guide will identify weaknesses in a company's export strategy and gauge how prepared a company is to export its wares to the U.S.

## **IDENTIFYING MARKETS**

For the small exporter to the U.S., identifying new markets can be a challenge. Resources, including the possibility of travelling to the U.S., can be limited, and connections may be more difficult to establish than they would be for a larger company. However, governments are increasingly recognizing the importance of small producers to their economic well-being, and programs exist in many countries that are designed to promote the wares of smaller producers. For example, many countries' commercial representation in the U.S. sponsor country booths at key trade fairs, and offer space to smaller companies to show their wares, offering them the chance to participate where they might not have otherwise been able to afford to.

These programs, many of which are run by ministries of trade, chambers of commerce, or the countries' embassies abroad, can help smaller companies gain access to trade fairs, trade missions, and other opportunities to meet partners.

### **- Trade Fairs**

Trade shows are excellent places to attract buyers, investors and other sellers. Generally, trade shows consist of merchants staffing booths that exhibit merchandise or services. Trade shows also serve as a tremendous industry networking opportunity.

The most important consideration when determining whether to attend a trade show is who else will be in attendance. This includes not only potential buyers but also other exhibitors. Trade shows generally have directories with contact information of previous participants which can be a useful resource in developing a strategy for participating or attending shows.

From the buyer's standpoint, a trade show is an excellent tool to evaluate and compare several merchants at one time. Merchants will be present to discuss potential deals and will have samples of their products.

Trade shows can be expensive, so adequate preparation is necessary. Foreign embassies will sometimes sponsor “country booths”. For more information, contact the Economic Counselor at your country’s embassy in the United States or your Ministry of Trade.

To identify relevant U.S and international trade fairs, see the following websites:

- **Tradeshow Week**, an on-line tradeshow publication  
Website: <http://directory.tradeshowweek.com/directory/index.asp>
- **Expocentral**, an on-line directory of trade shows throughout the world  
Website: <http://www.expocentral.com>
- Your country’s Ministry of Trade or other government office dealing with international trade and export promotion
- The commercial or economic counselor at your country’s embassy in the United States.

#### **- Trade and Buying Missions**

Trade missions, often funded by corporations or local governments, are another excellent way of developing business relationships and identifying potential partners. However, they tend to be expensive if they are not sponsored.

Typically, a trade mission entails the visit of merchants to a foreign country where they meet with business and potential trading partners. The opportunity to make individuals contacts on a trade mission can be more appealing than the venue of a trade show because of its more manageable size and personalized design. A mission allows for focus on developing interpersonal contacts as well as visiting plants and distribution outlets.

On buying missions investors accompany buyers on factory visits in order to learn purchasing priorities first-hand. When participating in a buying mission, it is advisable to allow sufficient time to prepare thoroughly. Investors should know exactly what they are looking to gain from the mission in advance.

For further information on trade missions, contact:

- Your country’s Ministry of Trade or other government office dealing with international trade and export promotion
- The economic counselor at your country’s embassy in the United States.
- Private organizations in your country focused on international trade, mainly competitiveness, productivity and market access issues.
- Local chambers of commerce.

#### **ESSENTIAL REQUIREMENTS FOR EXPORTERS TO THE U.S.**

There are many steps involved in exporting to the United States. For the small exporter, it may be a particular challenge to ensure that the proper documentation, registration and other formalities have been completed correctly in order for transactions to occur. For new exporters in particular, identifying and using the services of an experienced agent could be particularly useful.

Certain prerequisites need to be followed regardless of the size of business or type of sale. These include:

- Proper registration. Factors to remember include the following:
  - Creation of a bank account in the name of the firm
  - Permission from the appropriate ministry or government office of the exporter's country ensuring that the product being exported is not an historical treasure or other item banned for export
  - Other Central Bank or government economic permission to export (required in some countries to control the flow of foreign remittances)
  - Proper local Customs documentation from the exporter's country (including application of customs declaration and actual customs declaration)
  - Inspection of shipment by local Customs officials on the day of shipment
  - Payment to local Customs of the percentage amount of the purchase order (as required by originating country)
  - Where applicable, a certification of folk art or other documentation (which sometimes helps to waive U.S. Customs duties)
- Statement of terms. This is a statement that can accompany the quotation of prices, stating the terms under which the transaction will take place (including advance payments necessary, method of paying, insurance, etc.)
- Export price list. Sometimes included in the statement of terms, this document outlines the prices of goods. It needs to be in English with prices in USD (dollars), and should be dated and valid for at least a six month period. The export price list should also include the "pack size" of the merchandise.

#### **- Statement of Terms**

Buyers will have a number of questions about any transaction. The questions typically relate to payment and delivery terms, discounts, sample pricing, packing instructions, etc. It is therefore important to have a clear starting point from which to negotiate. The statement of terms, outlining all information pertaining to the exporting company and the financing for the deal, alleviates ambiguity and is an essential first step in the deal. The statement can come in the form of the sheet and can accompany the quotation.

#### **- Price List**

An accurate price list is very important to establishing the deal. Wholesale price lists should be in English and quoted in U.S. dollars. They should be dated, provide the date until which the prices will be valid, and should be based on research to ensure that the pricing is competitive.

The price list should include the company name and address, phone, fax and e-mail, product code numbers, descriptions of products (including size, color, materials, and weight), prices, dates, disclaimers,

and terms. The price list and statement of terms generally come together, and are sometimes included in the same document.

### **- Brochures and Samples**

Other important elements in preparing to export to the U.S. are the production of professional brochures and samples of merchandise. Brochures can be glossy, professional printings, or simple sketches or photos. It is useful to include pricing information, minimum quantities, available colors, and the ability to customize products.

Hand-in-hand with brochures are samples. Samples can help facilitate a deal by ensuring that potential buyers have specific examples of the products they are interested in buying. Samples can be provided to visitors with examples of products, or they can be sent with price lists or brought to trade fairs for distribution there.

Ideally, an exporter will have a selection of well-marked samples on tap that the exporter can use to sell to buyers. Samples should have tags also sport the company name and logo. U.S. Customs requires all textile products to have a sewn-in tag with fiber content percentages, country of origin, and (where applicable) cleaning instructions.

It is particularly important to keep duplicate copies of samples since buyers will expect samples and the actual purchased products to match identically. When there are natural slight variations between samples and products potential buyers should be informed of this in writing when they receive the samples.

## **ASSESSMENT: ARE YOU READY TO EXPORT?**

---

The following “Export Readiness Assessment” is a set of questions designed to assess how prepared your company is to begin exporting to the U.S. The test is designed to identify weak areas in your company’s planning so they can be redressed before commencing with the implementation of an export strategy.

NOTE: The “Export Readiness Assessment” has been adapted from “Are you ready to export?” on the website of the Czech Center – New York: ([http://www.czechcenter.com/business\\_guide.htm](http://www.czechcenter.com/business_guide.htm)).

### **QUESTIONS**

Answer the following 25 questions to the best of your ability. When you are finished, score your answers using the “Answer Key” table. Then find your total score under “How did you score?”

#### **1) What product(s)/service(s) does/do your company offer?**

- a) Fast-selling consumer goods (e.g. food, drink, confectionery products)
- b) Consumer durables (e.g. furniture, hi-fi, appliances)
- c) Industrial consumables or durables (e.g. raw materials, components, machinery, etc.)
- d) Services (e.g. financial, creative, training)

#### **2) How long are you in the business?**

- a) More than 15 years
- b) Less than one year
- c) Between one and three years
- d) More than three years

#### **3) Is the trend of sales and inquiries up or down?**

- a) Up
- b) Down
- c) About the same
- d) Don’t know

#### **4) How many sales offices, sales locations, or distribution points does your company have?**

- a) One or more domestic offices and at least one foreign office
- b) One
- c) Two
- d) More than two

#### **5) For what timeframe is your company’s business plan**

- a) Six months
- b) One year
- c) Three years

- d) No business plan

**6) Have you exported before?**

- a) Yes
- b) No

**7) How much time is your company going to dedicate to export planning?**

- a) Considerable planning efforts (three to six months)
- b) Some (one to two months)
- c) Minimal (less than a month)
- d) Don't know

**8) How quickly does management expect export operations to become self-sustaining?**

- a) Three years
- b) Immediately
- c) Six months
- d) Don't know

**9) Has your company's management allocated (or re-allocated) resources for the export effort?**

- a) Assigned extra personnel only
- b) Allocated extra financial resources
- c) Allocated both personnel and financial resources
- d) No extra resources will be allocated

**10) Which of the following U.S. market entry barriers have you researched?**

- a) Tariffs and non-tariff barriers
- b) International standards
- c) Product modification
- d) All of the above

**11) When you were setting the US price for your product/service, what did you take into account?**

- a) Costs only
- b) Market demand and Costs only
- c) Competition and Costs only
- d) All of the above

**12) Have you decided on your preferred methods of payment for your export quotations?**

- a) Yes
- b) No

**13) What does your U. S. market analyses include of the following?**

- a) Structure
- b) Market share and size
- c) None of the above
- d) All of the above

**14) Have you decided on what distribution channels will you use in the US?**

- a) Yes
- b) No

**15) Do you have a clear idea of the mix of promotional methods that will be used in the US?**

- a) Yes
- b) No

**16) Do you have promotional materials in English language?**

- a) Yes
- b) No

**17) Do you have a website in English language?**

- a) Yes
- b) No

**18) With how many countries has business been conducted?**

- a) None
- b) One
- c) Between two and three
- d) More then three

**19) Have you already discussed exporting to the U.S. with other companies that are already experienced on the U.S. market?**

- a) Yes
- b) No

**20) Have you participated in international trade shows in the U.S.?**

- a) Never
- b) Once as an attendee
- c) Two times and more as an attendee
- d) More then once as an attendee & at least once as an exhibitor

**21) How much international business experience does your staff have, either/both in theory and/or practice?**

- a) None
- b) Moderate amount
- c) Considerable amount
- d) Don't know

**22) Which of your company's employees speak English?**

- a) Top management only
- b) Middle management and A
- c) Administrative staff and A and B
- d) None of the above

**23) Did your company succeeded in obtaining a bank loan in the last 10 years?**

- a) Yes
- b) No
- c) Don't know

**24) What method of payment do you consider the least secure?**

- a) Open account
- b) Cash in advance
- c) Letter of credit
- d) Documentary collection

**25) How is your company using e-mail communication method?**

- a) External communication only.
- b) Internal communication only.
- c) Both as internal & external communication method
- d) Not used at all

**ANSWER KEY**

<b>QUESTION #</b>	<b>POINT VALUES OF ANSWERS</b>			
	<b>Answer <u>A</u> (or "YES")</b>	<b>Answer <u>B</u> (or "NO")</b>	<b>Answer <u>C</u></b>	<b>Answer <u>D</u></b>
<b>1</b>	3	3	3	3
<b>2</b>	5	0	1	3
<b>3</b>	5	0	1	0
<b>4</b>	5	0	1	3
<b>5</b>	(-30)	1	4	(-50)
<b>6</b>	5	0	-	-
<b>7</b>	5	1	(-15)	(-15)
<b>8</b>	(-2)	1	2	0
<b>9</b>	2	3	5	0
<b>10</b>	0	0	0	5
<b>11</b>	0	0	0	5
<b>12</b>	2	0	-	-
<b>13</b>	1	1	0	5
<b>14</b>	3	0	-	-
<b>15</b>	3	0	-	-
<b>16</b>	5	0	-	-
<b>17</b>	5	0	-	-
<b>18</b>	0	1	2	3
<b>19</b>	5	0	-	-
<b>20</b>	0	1	2	5
<b>21</b>	1	2	3	0
<b>22</b>	2	3	4	0
<b>23</b>	5	0	0	-
<b>24</b>	5	0	0	0
<b>25</b>	2	2	5	0

## **HOW DID YOU SCORE?**

In addition to the general assessments provided below, please pay attention to low-scoring answers and consider addressing these issues before beginning to implement your exporting strategy.

<b>Score</b>	<b>Assessment of Exporting Potential</b>
80 – 108 points	Your company would seem to understand the commitment, strategies and resources needed to be a successful exporter. At the very least, you have a basis for beginning to export to the U.S.
47 – 79 points	Your company has a serious interest in exporting, but there are some areas of weakness in your export strategy that you should address if you want your export strategy to succeed. Careful consideration should be given, particularly to those questions that you scored low on, before embarking on an ambitious export strategy.
Less than 47 points	Your company is very weak in terms of preparing to export, and needs to do much more to ready itself for the U.S. market. There are considerable weaknesses, and if they are not addressed, it is highly unlikely that your export strategy will be successful.

## **STEP 2: MAKING THE DEAL**

---

- **There are several key communications elements leading up to an export sale.**
- **The chain of communication includes a letters of inquiry and response, the quotation, the pro forma invoice, the purchase and sales orders, and the contract.**

### **STEPS IN THE SALES PROCESS**

After the initial decisions of a company to export have been made, a company can begin to make international sales. This is generally more complicated than making domestic sales, and involves many processes. The various steps in a typical transaction are outlined below. It is particularly important to document communications, in case of questions or problems related to the delivery of the goods or payment later in the process.

#### **- Letter of Inquiry**

The first step in the exporting process is usually an inquiry, generally in the form of a fax, phone, e-mail, or from a factory visit. It is customary to respond promptly to such inquiries with a response/acknowledgment letter.

One additional step in the inquiry and response is the possibility of a request for samples. Once the buyer is interested in a given product and has begun engaging the exporter, the buyer will generally request samples of certain merchandise. Many exporters charge a premium on less than minimum orders. Other buyers expect the exporter to pay for the samples as a gesture of good will in the development of the sales relationship, while they will agree to pay for any U.S. Customs charges. It is important to have prior agreement as to which side pays for the samples.

#### **- Quotation**

Once samples have been sent and the buyer has indicated continued interest in the deal, the buyer will generally request a quotation. It is important to maintain a record of this correspondence since there should be no doubt as to the prices and terms quoted.

The response to the request for quotation should include a cover letter as well as the actual quotation of prices. The quotation can actually be included in the body of the letter or appear as a separate form or pro forma invoice.

#### **- Pro Forma Invoice**

The pro forma invoice includes all information that will ultimately appear on the exporter's international commercial invoice except the shipping details. The pro forma invoice is important when the goods clear U.S. Customs as well.

For smaller exporters, it is best for all price quotes to be "free on board" (FOB – indicating that the quoted price includes the cost of loading the goods into transport vessels at the specified place) for air freight and "ex-works" (meaning that the price quoted applies at the point of origin) for ocean freight.

The essential elements of a quotation are:

- Buyer's name and address
- Exporter's name and address
- Reference number and date (as applicable)
- Invoice date and number
- Terms of payment
- Country of origin
- Period of validity
- Quantity
- Style number
- Description of items (including size and, in case of textiles, material composition)
- Price
- Delivery time

#### **- Purchase and Sales Orders**

This is the most common form for a buyer to place an order from an exporter. The pro forma invoice can also serve as the format for the buyer's purchase order.

The essential elements of a purchase order are:

- Buyer's name and address
- Exporter's name and address
- Quantity
- Description
- Color
- Size
- Producer style number

- Buyer style number
- Price per unit
- Purchase order number
- Date of purchase order
- Payment terms and method of payment
- Shipping information
- Customhouse broker's name and contact information
- Labeling, packaging and packing requests
- Marking instructions
- Expected date of delivery
- Special documents required
- Cancellation date
- Special instructions regarding insurance
- Buyer's signature

The sales order is used if a buyer is visiting a factory or meets a representative at a trade show and decides to place an immediate order. A sales order includes the same information as a purchase order. However, it is important to note that an international purchase order is preferable to a sales order.

A confirmation of order should be issued as soon as possible after receipt of a purchase order. Any questions, problems or issues related to the purchase order should be discussed immediately and can be done via the confirmation of order.

### **- Contract or Supply Agreement**

Once the purchase order has been accepted by the exporter, a legal obligation to fill the order exists. A contract should be defined for a finite period of time, and both parties must agree to and sign it. If the exporter and buyer are interested in establishing a longer-term relationship, then an international purchase or sales agreement can be negotiated. This generally specifies the product, condition and methods of payment, labeling, packing, and shipping, the use of an agent, product exclusivity, issues related to return of damaged or defective merchandise, and other information.

## **STEP 3: ARRANGING THE SHIPMENT**

---

- **When producing the order for shipment, quality control is essential. A high-quality product will result in future; poor quality products will negatively impact future orders.**
- **Proper packaging and labeling is necessary for both U.S. Customs and the buyer.**
- **Exporters should pay careful attention to packing goods for shipping. Including an export packing list and properly marking the boxes will help expedite the goods' transit through U.S. Customs.**

### **PRODUCING THE ORDER**

#### **- Proper Planning**

Exporters to the U.S. must understand that maintaining a good reputation is essential. One key to a good reputation is being able to fill orders once they are placed. Providing realistic delivery dates based on accurate production timelines will provide the buyer with a reliable timeframe that can be used in determining when the goods can get to the end-user. Likewise, if the exporter is overly optimistic with delivery dates or production timelines, the chances are greater that there will be delays in delivery, which will detrimentally impact the reputation of the exporter and result in loss of future sales.

#### **- Quality Control**

Quality control is essential when exporting to the U.S. Generally accepted components in quality control include consistency, style, materials, color, size, texture, design, weight, craftsmanship, and packaging. It is important to ensure that the final product accurately matches any samples that may have been provided, and that the proper attention has been paid to details. Quick replications of a quality sample or the use of less skilled artisans in the production process will be easily recognized by an experienced buyer and impact on the reputation of the exporter and future sales. Likewise, consistency in quality of a product will almost always result in re-orders and further sales.

#### **- Packaging**

Packaging of goods refers to the design and method of putting the product inside protective and generally decorative outer wrapping such as plastic wrapping or boxes. Packaging is normally specified in the purchase order, and is sometimes supplied by the buyer. Exporters should ask the buyer how they would like the merchandise packed if it is not specified in the purchase order, and particularly the quantity they would like bundled (i.e., individual packaging or multiple goods per package).

#### **- Labeling**

Clearly marking and identifying finished products is essential for the buyer, end customer, and particularly U.S. Customs. How the goods are labeled will depend on a variety of factors, including the terms of the purchase order or supply agreement and the requirements of both the exporter's government and U.S. Customs. There are several reasons for labeling products:

- To insure that U.S. Customs can properly identify material content for textiles and the country of origin
- To help the buyer identify the products they ordered
- To educate the end customer about the origin, maker, materials, etc. of the product
- To inform the buyer about such issues as the proper care of the product, including, in the case of textiles, use of internationally accepted symbols for cleaning.

For these internationally accepted care symbols, see:

<http://www.infomat.com/information/reference/caresymbols/CareSymbolsApparel.html>.

U.S. Customs requires “country of origin” markings, stating either “Made in” or “Product of”. This must be clearly visible, printed in permanent ink, and attached in an easily visible place on the product. (For more information on “country of origin” and other U.S. Customs-required markings, see Section IV.)

U.S. Customs also requires identification of the material content of textile products using a sewn-in label with the country of origin and fiber content by weight starting with the highest percentage over 5 percent. All apparel must include cleaning instructions using international symbols. Pottery that is not made with lead-free glaze requires a label stating “for decorative purposes only – not food safe.”

Buyers may include specific labeling instructions in the purchase order. These should be confirmed in the response to purchase order. Regardless of whether the buyer specifies labeling instructions, each product should be tagged in English with the buyer’s style number (from the purchase order if different from the exporter’s), product name, color, size if applicable, and price if required by the buyer. This label should be secured to the merchandise by an adhesive label or hanging tag. In some cases, the buyer will actually provide a label which it will request be applied in the final stages of production.

It is also useful, though optional, to include on handicrafts or special food products a hanging tag with information about the origin of the product and its history. This should be in English and should be carefully proofread.

Failure to properly label a product can result in problems for the buyer, delays at U.S. Customs, and a lack of follow-on sales.

## **PREPARING THE ORDER FOR SHIPMENT**

### **- Packing**

Orderly packing and proper invoicing are essential in exporting to the U.S. If the goods are invoiced in a systematic manner, the clearance of goods will be expedited through Customs. Information on how to pack goods for the purpose of transporting them may be obtained from a variety of courses, including shipping manuals, carriers, and forwarding agents.

In order to accelerate clearance through Customs, the following should be taken into consideration:

- Invoice the goods in a systematic and thorough manner.

- Show the exact quantity of each item of goods in each box, bale, case or other package.
- Show these marks or numbers on the invoice opposite the itemization of goods contained in the package that bears those marks and numbers.
- Palletize or load into consolidated units to expedite inspections. Palletizing (essentially, loading onto pallets or other consolidated units) is an effective way of speeding up customs examinations because it allows quick cargo removal in minutes using a forklift as compared to hours of manual lifting.

It may not be possible to determine the contents of the packages without full examination unless the invoice clearly shows the marks and numbers on each package.

When packages contain goods of one kind only, or when the goods are imported in packages the contents and values of which are uniform, the customs process is greatly facilitated. Likewise, if the contents and values differ from package to package, the possibility of delay and confusion increases.

It is important to note that if the contents and packaging size vary, it could create confusion and delay the Customs clearance process. Indiscriminate packing causes confusion and delays. The cooperation of the importer will help accelerate clearance through Customs if these factors are taken into consideration when packing.

### **- Co-mingling of Goods**

Whenever articles subject to different rates of duty are packed together (co-mingled) in such a way that U.S. Customs officers cannot ascertain the quantity or value of each class of articles without physically sorting the goods themselves, the commingled goods are subject to the highest rate of duty applicable to any part of the commingled lot, unless a consignee or agent segregates the merchandise under Customs supervision.

It is permitted to list different types of goods together on the same commercial invoice and on the packing list, but attention must be paid during the packing process to separating the goods by tariff code into separate boxes.

### **- Export Packing List**

A packing list is required for all export shipments, and U.S. Customs officials will use the packing list to determine the contents of the boxes. The packing list must contain the following:

- The name of the seller as it appears on the commercial invoice.
- The consignee's or recipient's address, as well as that of the customs broker if requested by the buyer to ship via a broker.
- Information about the type of package (i.e., box, crate, carton, etc.).
- The gross weight and measurements of each box (using imperial as well as metric measures).
- The box number and total quantity of the boxes.

- The contents of each box listed separately, including a brief product description, style or inventory number, and quantity.
- Reference to other commercial and freight documents including buyer's purchase order number, seller's commercial invoice number, the air waybill or bill of lading number, and the letter of credit or bank draft number, as applicable.
- The name of the carrier.
- Shipper's and buyer's markings.

In addition, all information on the packing list must be in English, and most importantly, the packing list and commercial invoice must be entirely compatible. It is best to list the items on the packing list in the same order as they appear on the commercial invoice, quantities, sizes and other information must match.

To prevent theft, the boxes themselves should not have their contents marked on the outside of the box, but rather listed on a paper that is folded with only the address showing and inserted into a transparent envelope. Details of the contents of each box should be included in the packing list, and a separate copy of the packing list will accompany the shipping documents. The value of the goods will be included in the commercial invoice and should not be included on the packing list. (See also Marking below.)

### **- Marking**

Several markings are required on the boxes being shipped. These are:

- The consignee's name and address as it appears on the commercial invoice. If a broker is being used, then the name of the buyer care of the broker, with the broker's name and address, should be listed.
- The sender's company name and address.
- The number of the box out of the total being shipped (i.e., 1 of 4, 2 of 4, etc.).
- The weight (in imperial and metric measures) of the box.
- The country of origin.
- Any necessary safe handling markings.
- Port of entry.
- Marks specified by the buyer, such as the buyer code, quantity, special warehouse instructions, etc.

It is important to note that, to prevent theft, the list of the contents of the box should be folded and put in a clear envelope with only the address showing.

For a guide to internationally recognized safe handling markings, see:

[http://www.tis-gdv.de/tis\\_e/verpack/markier/markier.htm](http://www.tis-gdv.de/tis_e/verpack/markier/markier.htm).

## **STEP 4: IMPORTING INTO THE U.S.**

---

- **Exporters to the U.S. must ensure that documents are in order. Particular care must be taken in preparing the pro forma invoice since it is used by U.S. Customs when the goods enter the United States.**
- **The U.S. duties regime is complicated and exporters need to know what duties their goods are liable to pay.**
- **Depending on the exporter's arrangement with the U.S. importer of their goods, it may be advisable to use the services of a customs broker.**

## **SHIPPING TO THE U.S.**

### **- Commercial Invoice**

A commercial invoice should be done in the manner customary for a commercial transaction involving goods covered by the invoice. It should be signed by the seller or shipper or his agent. The document needs to indicate the following information:

- Port of entry where the merchandise is destined
- If merchandise is sold or sale has been agreed on, the time, place and names of buyer and seller need to be indicated. If the merchandise is consigned, the time and origin of shipment, and names of shipper and receiver, must be provided.
- A detailed description of the merchandise must be provided. This must include:
  - name of each item as it is known
  - grade or quality
  - marks, numbers and symbols under which it is sold
  - marks, numbers of the packages in which the merchandise is packaged
- Quantities, both in weights and measures
- Purchase price of each item and currency of the sale
- Kind of currency
- All additional charges upon the merchandise, such as freight, insurance, commission, cases, containers, and cost of packing (in general, all charges and expenses incurred in bringing the merchandise to the carrier at the port of exportation up to placing it in the first U.S. port of entry)

- Rebates, drawbacks and bounties, itemized accordingly
- Country of origin
- All goods and services furnished for the production of the merchandise which are not included in the invoice price

The invoice and all accompanying documents must be in English or accompanied by an accurate English translation. If the invoice does not indicate weights or measures of the merchandise, the importer must incur in the expense of obtaining this information prior to the release of the shipment.

If more than one invoice is included in the same entry, each document with its attachments can be numbered consecutively by the importer. No more than one distinct shipment from one consignor to one consignee by one commercial carrier can be included on the same invoice.

### **- Pro Forma Invoice**

This type of document is required whenever the invoice is not filed at the time of entry. If this is the case, a bond is given for production of the required invoice no later than 120 days from the date of the entry summary (or entry). If the invoice is required for statistical reasons, it should be produced within 50 days of the date of entry.

A pro forma invoice indicates information that the importer may consider necessary to furnish Customs Officers at the time of the formal entry. It must contain enough information for examination, classification and appraisal of the merchandise.

### **- Frequent Errors in Invoicing**

Exporters must exercise extreme care when preparing the documentation to enter goods into the United States. Any mistakes or omission in the document, inaccurate information or misleading statement presented to Customs in connection to an entry, may result in delays in the entry process or even detention of the goods. Even if the inaccuracy or omission was unintentional, the exporter is responsible for this and must prove it was not negligence on his part.

It is important that absolutely all the information pertaining to the import transaction is true and accurate. This information is essential for Customs to establish the tariff status of the goods.

Some of the most common inaccuracies to be avoided are:

- Commissions, royalties or other charges are not included in the invoice because it is believed these are non-dutiable.
- An exporter who purchases goods to export to the U.S., shows the cost of the goods in the invoice instead of the delivered price.
- A foreign manufacturer produces goods with materials supplied by the U.S. importer, and invoices at the actual cost to the manufacturer instead of including the value of the materials supplied by the importer.

- A foreign manufacturer ships replacement goods to the importer in the U.S. and invoices the goods at the net price instead of showing the full price less the allowance for defective goods previously shipped and returned.
- An exporter who sells the goods at a list price, less a discount, but invoices them at the net price omitting to indicate the discount.
- An exporter sells goods at a delivered price but invoices them at an FOB price omitting the subsequent charges.
- A foreign shipper indicates in the invoice that the importer is the purchaser, whereas he is an agent or third party receiving a commission for the transaction.
- Providing vague descriptions, no descriptions (only part numbers), coded descriptions or grouping several items together as one when they are different.

### **- Freight Forwarders**

Freight forwarders can be very useful, especially to small exporters with limited international experience or infrastructure for shipping. A freight forwarder generally acts as the exporter's agent for shipping goods. The freight forwarder is familiar with the paperwork and other requirements of both the country of export and import, and can help negotiate the rates for shipping and insurance companies. Your ministry of trade or chamber of commerce should be able to provide you with a list of registered freight forwarders in your country.

### **- Airbill or Bill of Lading**

The air waybill or ocean bill of lading serves as the receipt for the goods and as temporary title to the goods being exported. The form is both required by and supplied by the shipping company. In the case of a bill of lading, there are both long and short forms, the use of which depends on the method and terms of the payment.

## **MARKINGS**

### **- Country of Origin Marking**

The origin of merchandise that is imported into the United States can affect the rate of duty, entitlements for special programs, quota, anti-dumping or countervailing duties and marking requirements. Customs law requires that the origin of the merchandise be indicated in a conspicuous place, in English, in a legible form, indelibly and permanently.

If the article (or the container if not possible to mark individual articles) is not properly marked, there will be an assessment of duty equal to 10 percent of the customs value of the article, unless the article is exported, destroyed or properly marked (under Customs supervision) before the liquidation of the entry.

If an article is imported empty to be filled in the U.S., this article (usually a container) must bear the markings indicating the country of origin. If marked articles are to be repacked in the United States, the importer needs to certify Customs that the marking on the articles will not be obscured or they will re-

mark the repacked containers. Failure to comply with these requirements may result in penalties and or duties applied to importers.

### **- Marking Not Required**

There are some articles that do not require marking. However, the ultimate container in which these articles reach the ultimate purchaser in the United States must be marked in English to indicate the country of origin

For a full explanation of this rule, see:

<http://www.itds.treas.gov/marking.html>

There are some exceptions to this rule. For example, excluded articles include those imported for use by the importer and not intended for sale, as well as articles incapable of being marked. Nevertheless, the outermost containers in which the articles will reach the ultimate purchaser in the U.S. must be marked with the country of origin.

For a full description of exceptions, see:

<http://www4.law.cornell.edu/uscode/19/1304.html>

For regulations regarding carton markings for NAFTA countries see:

<http://www.natlaw.com/pubs/spmxcu2.htm#i5>

### **- Special Marking Requirements**

The country of origin marking is applicable to almost all imports and is separate from any special marking or labeling requirements for specific products.

There are certain articles that are subject to special country of origin marking requirements such as steel pipe and pipe fittings, knives, clippers, shears, watch movements, clock movements, and watch cases. For a complete list, see:

[http://hotdocs.usitc.gov/tariff\\_chapters\\_current/0400C91.pdf](http://hotdocs.usitc.gov/tariff_chapters_current/0400C91.pdf)

The marking must be conspicuously and indelibly marked by cutting, dye-sinking, engraving, stamping or mold-marking. Merchandise not complying with this measure will be denied entry.

### **- False Impression Marking**

No article bearing a name or mark that may mislead the public to believe that the article was produced in a country other than the original country of manufacture will be allowed to enter the U.S. An imported article bearing a name or mark prohibited by Section 42 of the U.S. Trademark Law is subject to seizure and forfeiture. In addition, deliberate removal or altering of required country of origin marking after release of Customs custody is a crime punishable by law. To review the U.S. Trademark Law, see:

<http://www.uspto.gov/web/offices/tac/tmlaw2.html>

## **CUSTOMS FEES**

The U.S. Customs Service charges a merchandise processing fee (MPF) of 0.21 percent ad valorem on formally entered imported merchandise (i.e., merchandise valued at \$2,000 or more). There is a minimum fee of \$25 and a maximum fee of \$485 per entry.

For informal entries (i.e., merchandise valued at less than \$2,000) the MPFs are \$2 for automated entries, \$6 for manual entries not prepared by Customs, and \$9 for manual entries prepared by Customs.

It is important to note, however, that these charges differ for NAFTA participating countries.

For updated information about these fees and others that may apply see:

<http://www.lawdog.com/transport/export/custom27.htm>

For a complete list of U.S. Customs forms required, see:

[http://www.itds.treas.gov/entry\\_process.html](http://www.itds.treas.gov/entry_process.html)

## **PROHIBITIONS, RESTRICTIONS AND OTHER REQUIREMENTS**

The importation of certain classes of merchandise into the U.S. may be restricted or prohibited, subject to import quotas or a restraint under trade agreements. These regulations derive from the Federal Food, Drug and Cosmetic Act. Many of these prohibitions are subject to restrictions administered by other government agencies with which Customs cooperates for enforcement purposes.

### **- Agricultural Commodities**

The U.S. departments of Health and Human Services (HHS), Agriculture (USDA), and Interior have share various responsibilities for agricultural imports. The principal agencies involved in this process are

- Animal Health and Plant Health Inspection Service (APHIS) of USDA
- Food and Safety Inspection Service (FSIS) of HHS
- Food and Drug Administration (FDA) of HHS
- Environmental Protection Agency (EPA)
- Fish and Wildlife Service (FWS) of Interior

Responsibility for different agricultural products is outlined below. However, since this is subject to change, it is important to be aware of updated policies and legislation, including the provisions of the U.S. Bioterrorism Act. (This is outlined in more detail later in this section under “Complying with the 2003 Bioterrorism Act”.)

Specific agency responsibilities for various products is as follows (refer also tables I and II later in this section):

- Cheese, milk and dairy products
  - The regulatory agency for these products is the Food and Drug Administration (FDA).
  - Most cheese products require an import license and are subject to a quota.
  - For further information please see the website of the Food and Drug Administration, [www.fda.gov/ora/import](http://www.fda.gov/ora/import)
- Fruits, vegetables and nuts
  - The responsible regulatory agency is the Food Safety and Inspection Service (FSIS) of the U.S. Department of Agriculture.
  - These products require an inspection certificate.
  - For further information see: [www.ams.usda.gov](http://www.ams.usda.gov).
  - Other restrictions may be posed by the Animal and Plant Health Inspection Service (APHIS). For detailed information see: [www.aphis.usda.gov](http://www.aphis.usda.gov).
- Livestock and animals
  - The regulatory agencies are APHIS and the FDA.
  - A permit for importation must be obtained from APHIS before shipping from the country of origin.
  - All animal imports must be accompanied by a veterinary health certificate.
  - All imports are subject to inspection and to quarantine in certain ports.
- Meat, poultry, and meat or poultry products
  - The regulatory agencies are the U.S. Department of Agriculture (USDA) and APHIS. Other products are subject to APHIS regulations and to the provisions of the Federal Food, Drug and Cosmetic Act (which is enforced by the FDA).
- Plant and plant products
  - The regulatory agency is the USDA as well as the FDA.
  - Import permits are required for plant products, fruits, vegetables, roots, seeds, and others.

- The FDA also regulates the importation of these products, specially fruits and vegetables.
- Seeds
  - The regulatory agency is the Agricultural Marketing Service (AMS) of the USDA.
  - Shipments of seeds are detained for the drawing and testing of samples.

In addition to these sectors, it is important to be aware that there may be special rules and regulations on agricultural imports prohibiting entry, limiting entry to certain ports, requiring treatment or special labeling, and restricting routing, storage or use. This applies to all imports, including mail and merchandise placed in foreign trade zones.

**TABLE I: Appropriate Channels for Product Clearance**

	APHIS	FSIS	FDA	EPA	FWS
Fresh Fruit	{		{	{	
Beef	{	{			
Game Meat	{		{		{*
Wood Products	{				{*
Packing/Packaging Materials	{	{	{		
Fish	Live only		{		Live only
Honey	End purpose only		{		

\*Yes, through the Convention for International Trade in Endangered Species (CITES)

**TABLE II: Regulatory Authority of U.S. Agencies by Agriculture Product Type**

Animal and Plant Health Inspection Services (APHIS)	Fish and Wildlife Services (FWS)	Food Safety and Inspection Services (FSIS)	Food and Drug Administration (FDA)
<p>Determines enterability of a commodity based on disease and pest status of the exporting country</p> <p>Generally determines the disease freedom before meat/poultry imports</p> <p>All live animals and animal products</p> <p>All plants and plant products</p>	<p>All animals, plants and their products if listed in the Convention for International Trade in Endangered Species (CITES)</p>	<p>All meat and poultry</p> <p>Processed products containing more than three percent raw meat</p> <p>Processed products containing two percent or more cooked poultry or meat</p>	<p>Jurisdiction over imported foods, fish and meats/poultry not covered by FSIS (such as game meat)</p> <p>Processed products containing less than three percent raw meat</p> <p>Processed products containing less than two percent cooked poultry and meat</p> <p>Inspection takes place at port of entry</p>

Two charts courtesy of "A Comprehensive Business Guide to Trading Under AGOA" by the Corporate Country on Africa.

## **- Food, Drugs, Cosmetics and Medical Devices**

The importation of food, drugs, cosmetics and medical devices is governed by provisions of the Federal Food, Drug and Cosmetic Act, which is administered by the FDA. All imported products are subject to inspection at the time of entry.

It is the exporter's duty to make sure that the American importer has provided proper information regarding labeling, packing, etc. and that all the necessary arrangements have been made by the importer for entry of the merchandise in U.S. territory.

The following are some of the classes of articles with special requirements. The U.S. importer and foreign exporter must make sure to consult the appropriate agency for detailed information and guidance.

## **- Textile, Wool and Fur Products**

All textile fabric products imported to the U.S. must be labeled, tagged and stamped with the following information:

- Generic names and percentages by weight of the constituent fibers in amounts of more than 5 percent.
- The name of the manufacturer or registered identification number issued by the Federal Trade Commission of one or more persons marketing or handling the textile fiber product.
- The name of manufacturing or processing country.

In addition to the labeling requirements, all textile imports are subject to quotas, visa or export license requirements and additional entry requirements (including declarations identifying the country of origin of the components).

For further information, as well as a detailed list of the relevant U.S. government agencies responsible for various types of imports see:

<http://www.itds.treas.gov/specimpreq.html>

### Textile Visas

A textile visa is an endorsement in the form of a stamp on an invoice or export control license that is executed by a foreign government. It is used to control the exporting of textiles and textile products to the U.S. and to prohibit unauthorized entry of merchandise. A visa does not guarantee entry of the merchandise.

The Electronic Visa Information System, (ELVIS) is the electronic transmission of visa information from a specific country to the U.S. Customs Service. ELVIS also assists Customs efforts to monitor textile quotas, thereby ensuring that proper restraint levels are charged.

For more information see:

[http://www.cbp.gov/xp/cgov/import/textiles\\_and\\_quotas/elvis/elvis.xml](http://www.cbp.gov/xp/cgov/import/textiles_and_quotas/elvis/elvis.xml)

There are specific labeling requirements for each type of fiber, as governed by the Textile Fiber Products Identification Act. For specific questions, contact:

Federal Trade Commission  
Washington D.C. 20580  
Website: [www.ftc.gov](http://www.ftc.gov)

For specific information referred to different industries, see:

<http://www.itds.treas.gov/commodityprof.html>

For information regarding overall agency requirements for the different types of import see:

<http://www.itds.treas.gov/BICClassifications.html>

## **QUOTAS**

An import quota is a quantity control for merchandise for a certain period of time. There are two different types of quotas, absolute and tariff rates.

Absolute quotas stipulate that no more than the amount specified may enter during a quota period. Some quotas are global, while others are allocated to a specific country. Whenever a shipment exceeds the quota, the merchandise may be held for the opening of the next quota period by placing it in a foreign trade zone or entering it for warehouse. Otherwise the merchandise will be re-exported or destroyed.

Tariff rate quotas refer to a specified quantity of the quota-ed product which can be admitted into the U.S. at a reduced rate of duty for a given period. There is no limitation on the amount of the product that can enter the country, but quantities entered in excess of the quota for the period are subject to a higher rate of duty.

Different quotas apply to different products according to specific trade agreements. For more information on import quotas for specific commodities please see:

Quota Branch  
U.S. Customs Service  
1300 Pennsylvania Ave, NW  
Washington, DC 20229  
Tel: (202) 927 5850  
or see the *Infoquota Information Reports* accessible at the website at:  
[www.itds.treas.gov/quotas.htm](http://www.itds.treas.gov/quotas.htm)

## **ASSESSMENT OF DUTIES**

### **- Duty Rates**

All goods imported to the U.S. are either subject to duties or are eligible for duty-free entry. The person or firm who files the entry of the merchandise is responsible for paying the duty. The duty must be paid at the time an entry for consumption or for warehouse is filed with Customs.

The determination of the amount of duty to be paid is assessed according to classification of the merchandise in the Harmonized Tariff Schedule (HTS).

For a complete listing of the HTS, see:

<http://www.itds.treas.gov/HTSindex.html>

### - Types of Duties

Duty rates fall into three broad categories: ad valorem, specific and compound.

- Ad Valorem. This is the most common rate. It is a percentage of the value of the merchandise.
- Specific rate. This refers to a specified amount per unit of weight or other quantity.
- Compound rate. This is a combination of the ad valorem and specific rates.

### - Temporary Free Importations

#### Temporary Importation Under Bond (TIB)

Certain types of goods can enter the U.S. under bond, when they are not intended for sale or for sale on approval of Customs. These goods may enter the U.S. without the payment of duty and must be exported within one year from the date of importation. Generally, the amount of bond is double the duties estimated. All goods entering the country under this condition are subject to quota compliance.

Classes of goods that fall under this category include:

- merchandise to be repaired or altered or processed
- articles to be used as models for illustrators and photographers
- samples solely for use in taking orders for merchandise (require quota)
- articles intended for testing
- vehicles imported by non residents to take part in races or specific events

For a complete listing of these goods see:

<http://internet.ggu.edu/~emilian/ops113/ch11.html>

#### “ATA Carnet”

The “ATA Carnet” – which stands for *admission temporaire* or temporary admission – is an international customs document that allows for the temporary duty-free importation of certain goods into a country in lieu of required customs documents.

The U.S. permits the use of ATA carnets on advertising material, commercial samples or professional equipment. These documents are valid for one year and serve as a guarantee against payment of customs duties that may become due on the goods temporarily imported but not re-exported. Quota compliance is still required as applicable.

For more information and a list of participating countries see:

<http://www.atacarnet.com/ata-carnet-info.htm>

### **- Drawback and Refunds of Duties**

The term drawback refers to a refund of 99 percent of the duties or taxes collected on the imported merchandise due to the fact that certain legal requirements have been met. To be eligible to qualify for a drawback, an importation and subsequent exportation or destruction of merchandise must occur. The main purpose of this mechanism is to assist U.S. Importers, manufacturers and exporters to compete in the international markets.

## **ENTRY OF GOODS TO THE UNITED STATES**

### **- Process**

Once a shipment reaches the United States, the importer (be it the owner, purchaser or licensed customs broker designated by the owner, purchaser or consignee) is required to file documents for the goods with the port director at the port of entry.

The shipment is considered legally entered after the shipment has arrived within the port, the delivery of the merchandise has been authorized by U.S. Customs, and the estimated duties have been paid. It is the importer's responsibility to coordinate all this process.

Certain commodities are regulated by other agencies and thus need to be contacted in addition to the U.S. Customs Service. Such agencies include the Food and Drug Administration (enforces U.S. laws that assure consumers that foods are pure and wholesome, drugs and devices are safe and effective, and cosmetics are safe), Animal and Plant Health Inspection Service (APHIS) (for animals and livestock), U.S. Fish and Wildlife Service (govern the export of endangered fish and wildlife), and others.

### **- Evidence of the Right to Make Entry**

Goods may only be entered by their owner, purchaser or licensed customs broker. When goods are consigned "to order" the bill of lading (or airway bill if coming by air), properly endorsed, will serve as evidence of this right.

The entity making the entry is considered the "owner" of the goods for customs processes. The carrier issues a document known as a "carrier's certificate" which in some instances may be a duplicate bill of lading or a shipping receipt.

### **- Types of Entry**

There are various types of entry of goods into the U.S. Goods may be entered for consumption, entered for warehouse storage at the port of arrival, transported in-bond to another port, or placed in a foreign trade zone (in which case they do not get processed through customs).

### Entry for Consumption

This is a two-step process. First, the necessary documents must be filed to determine whether the merchandise can be released. After this, the appropriate documents for duty assessment and statistical processes must be filed.

Within 15 calendar days of the date that a shipment arrives to the U.S. port of entry, the entry documents must be filed at a specified location. These documents include:

- The “Entry Manifest” (Customs Form 7533) or “Application and Special Permit for Immediate Delivery” (Customs Form 3461);
- Evidence of the right to make entry;
- Commercial invoice or, when not available, a pro forma invoice;
- Packing lists (if applicable); and
- Other documentation as requested.

If the goods are to be released upon entry, an entry summary for consumption must be filed and estimated charges for duties deposited at the port of entry within 10 working days.

After the presentation of the entry, the merchandise may or may not be examined. If there has not been any violation, the merchandise may be released. The documentation consists of:

- Return of the entry package to the importer, broker or his authorized agent after merchandise is permitted release
- Entry summary (Customs Form 7501)
- Invoices or other documents necessary to assess duties, collect statistics or determine that all import requirements have been satisfied.

### Entry for Warehouse

If the importer wishes to postpone the release of the merchandise, it can be placed in a Customs bonded warehouse under a warehouse entry. It means that an importer can obtain authorization from the U.S. Customs Service to place imported goods in a warehouse to be withdrawn for use or consumption at a later date. Importers can apply for authorization from the U.S. Customs Service to have a bonded warehouse on their own premises, or they can use the services of a public warehouse that has received such authorization. The goods may remain there for up to five years. The merchandise can be re-exported without the importer being liable for any duties. If the merchandise is withdrawn for consumption, there are duties payable at the current duty rate. If the merchandise is destroyed by Customs, no duty is payable.

Merchandise can be manipulated by cleaning, sorting, or repacking it or changing its condition by processes short of re-manufacturing, always under Customs supervision, while in the warehouse.

## “Un-entered” Goods

If no entry has been filed within 15 days after the arrival of the merchandise the goods may be placed in a general-order warehouse at the importer’s risk and expense. If, after six months, the goods are not entered, they can be sold at public auction. Perishable goods and goods subject to depreciation may be sold sooner.

## Mail Entries

In some case, importers have found that using the national postal service to import merchandise into the U.S. is advantageous. There is no formal entry required for duty-free merchandise not exceeding \$2,000 in value. However, all packages must have a Customs declaration securely attached to the outer wrapping describing the contents and their value. In addition an invoice statement should be included along with the declaration.

If the value of a mail importation exceeds \$2,000 the addressee is notified to prepare and file a formal Customs entry for it at the nearest Customs port. A commercial invoice is required for this process.

The following general exceptions apply to the \$2,000 limit:

- Articles classified in Subchapters III and IV, Chapter 99 of the Harmonized Tariff Schedule
- Billfolds and other flat goods
- Feathers and feather products
- Flowers and foliage, artificial or preserved
- Footwear
- Fur articles
- Gloves
- Handbags
- Headwear and hat braids
- Leather articles
- Luggage
- Millinery ornaments
- Pillows and cushions
- Plastics articles

- Rawhides and skins
- Rubber articles
- Textile fibers and products
- Toys, games and sports equipment
- Trimmings

The limit for these articles is \$250. Except for the textiles listed above, virtually all commercial shipments require formal entry regardless of value.

### **- Transportation of Merchandise in Bond**

Imported merchandise intended for domestic commerce may be entered at another location in the U.S. and not at the port where it arrives. In this case, the merchandise is transported to the intended port of entry from the port of arrival under bonded status. This procedure is executed through the use of Customs Form 7512. The merchandise is placed with a carrier who transports it under bond to the intended destination where the entry process will occur.

For additional information see:

<http://www.itds.treas.gov/bonds.htm>

### **COMPLYING WITH THE 2003 BIOTERRORISM ACT**

In December 2003 new regulations and procedures stemming from the Public Health Security and Bioterrorism Preparedness Act of 2002 (“The Bioterrorism Act”) took effect. Firms that manufacture, process, pack or hold food intended for export to the U.S. have to comply with additional regulations. The main requirements are as follows:

- Most manufacturing and handling facilities must be registered. This can be done over the Internet through the website of the Food and Drug Administration (FDA) at <http://www.cfsan.fda.gov/~furls/ovffreg.html> or by mail using Form 3537, which can be found online at <http://www.cfsan.fda.gov/~furls/papercd.html#forms>. Upon completion of the form, it needs to be submitted to the following address:

Food and Drug Administration  
HFS-681  
5600 Fishers Lane  
Rockville, MD 20857  
Fax: (301) 210-0247

- Traders must give the FDA prior notice of all food consignments intended for import into the U.S. This must be submitted online at <http://www.access.fda.gov> at least eight hours before arrival of the goods.

- Traders must establish and maintain records regarding both the receipt and distribution of foods. The following records must be accessible in any form (paper or electronic):
  - Complete contract details (name, firm, address, phone, fax, e-mail) of all suppliers for the specific product, including which ingredients each supplier contributed.
  - Specific type of food
  - Date received.
  - Lot number of other identifier (if available).
  - Quantity and type of packaging.
  - Name and full contact details of the transporter.

Note that transporters must record the full contact details including the responsible individual for the previous transporter and the following transporter. Transporters must also record the brand and type of food in transit, all the forms of transportation employed, and the names of all responsible individuals from receipt through delivery.

For more information on records, see the Bioterrorism Records section of the FDA website:

[http://www.fda.gov/oc/bioterrorism/records\\_fs.html](http://www.fda.gov/oc/bioterrorism/records_fs.html).

Goods that do not enter the U.S. according to the procedures outlined above or are deemed suspicious can be subject to administrative detention. All food except that regulated exclusively by USDA under the Federal Meat Inspection Act, the Poultry Products Inspection Act, or the Egg Products Inspection Act is eligible for FDA Administrative Detention. See:

[http://www.fda.gov/oc/bioterrorism/detention\\_fs.html](http://www.fda.gov/oc/bioterrorism/detention_fs.html) for further information.

The FDA is available to assist traders in working through the new regulations and requirements, including Internet registration. For further information, contact the FDA at:

Phone: (301) 575-0156

Fax: (301) 210-0247

E-mail: [furls@fda.gov](mailto:furls@fda.gov)

Website: <http://www.fda.gov>

## **CUSTOMS BROKERS**

In order to access the right to enter in the U.S. importers or exporters may wish to use the services of a custom broker. Customs brokers are authorized agents for importers in the transaction of the customs business. Customs brokers are individuals or firms licensed by the U.S. Customs Service to prepare and file all necessary documentation, arrange for payment of duties, take steps to release the goods being held in U.S. Customs' custody, and otherwise represent their principals in customs matters. The fees charged for these services vary according to the customs broker and to the services performed.

When a customs broker makes an entry, a power of attorney (or Customs Form 5291) needs to be submitted. It is given by the person or firm for whom the customs broker is acting as agent.

Working with a customs broker is advantageous for the importer as well as the exporter. The importing process is complex; for every item entering the U.S. there are approximately 500 pages of Customs regulations and thousands of tariff items to consider. The broker should have an excellent understanding of trade requirements and procedures as well as other regulations. Furthermore, the customs broker assists the client with advice on transportation options, types of carriers and shipping routes.

In addition, the broker assists the client with exchange rates, appraisals and proper classifications of duties. To facilitate the entry, the broker will also prevent and be aware of any potential problem involving the entry. Their inter-relation with other government agencies (such as the EPA, FDA, USDA, etc.) makes them knowledgeable of specific requirements regarding specific items and ensures that the process will run smoothly.

When choosing a customs broker, it is important to get a number of quotes from different companies. The user needs to decide which services are required and needs to find out exactly which charges apply to each specific service. The importer will be liable for all duties owing until they are paid. Therefore, it is crucial to make sure the broker selected is reliable and financially reputable. Ask for references ahead of time to prevent any problems.

To locate a licensed Customs Broker, go to the National Customs Brokers and Forwarders Association of America (NCBFAA) website:

<http://www.ncbfaa.org>

## **FINAL EXPORT CHECKLIST**

The following is a list of suggestions of ways importers and their suppliers can work together to speed up the clearance of shipments.

- Include all information required on customs invoices.
- Prepare your invoices carefully, allowing adequate space for data. They must be clear and accurate in all respects.
- Invoices should contain the information normally shown on an accurate packing list. Mark and number each package to correspond with marks and numbers appearing on your invoice.
- Give a detailed description on the invoice of each item in each individual package. Clearly mark the goods with the name of the country of origin, unless they are specifically exempted, and with other markings as required by U.S. law.
- Comply with special provisions in U.S. law that apply to your merchandise, food, drugs, animal life.
- Ask U.S. Customs for help in developing packing standards for your merchandise.
- Assure the security of your goods at all times. (Do not allow your goods to become a hiding place for drugs or other illegal contraband.)

- Consider using a carrier who uses the Automated Manifest System and a customs broker who participates in Automated Broker Interface (ABI).

For further information on exporting to the U.S., see the Import Resources section of the U.S. Department of Treasury's International Trade Data System (ITDS) website:

<http://www.itds.treas.gov/Import2.html>

## STEP 5: GETTING PAID

---

- **Arranging payment can be complicated when dealing with overseas transactions.**
- **Terms need to be specified in the communications leading up to the signing of a contract.**
- **There are various methods for small exporters to use, including simple wire transfers or more complicated letters of credit arranged through banks.**

### **PAYMENT TERMS**

Getting paid can be complicated when it comes to dealing with international transactions. For small businesses, it is often important to get paid promptly and not have long collection delays. However, often payment for goods is contingent on delivery, and with international shipments this can be time consuming. It can be delayed even further if documentation is incomplete or not in order and the goods are held up with U.S. Customs.

Payment terms are generally specified in the purchase order. Payment may be upon receipt of the goods, or within a specified timeframe, generally 30 to 90 days from receipt of the goods.

### **FORMS OF PAYMENT**

#### **- Letters of Credit**

Letters of credit are considered to be the safest way of guaranteeing payment, and are generally the preferred payment option for sales in excess of \$5,000. Letters of credit, which include documentary letters of credit or commercial letters of credit, are essentially an arrangement whereby the U.S. importer arranges for an issuing bank (generally in the U.S.) to issue payment through the foreign exporter's bank (known as the advising bank).

Normally with a letter of credit the exporter can receive payment immediately upon presentation of shipping documents, which makes it one of the fastest methods of payment. However, setting up a letter of credit can be time-consuming and often requires patience; the buyer and seller generally need to communicate back and forth to negotiate the details, and every change to the letter requires a new form and fee.

While letters of credit may be better for the seller, the buyer may face some disadvantages. Normally the buyer must back a letter of credit with collateral or have a revolving line of credit with the issuing bank. Buyers do not always want to see their assets tied up for the amount of time it takes for the seller to produce and ship the order.

#### How a Letter of Credit Works

A letter of credit works as follows: the U.S. buyer applies to his bank (the "issuing" bank) for letter of credit in favor of the seller as beneficiary. Then, the issuing bank requests another bank (known as the "advising" bank) in the seller's country, to advise and confirm the credit. This advising bank then forwards a letter of credit to the seller informing it of the terms and conditions of the credit. If the credit terms and conditions conform to those specified in the sales contract, the seller then prepares the goods and the requisite documentation, and arranges delivery of the goods.

The seller presents documents evidencing the shipment and the bill of exchange (also known as the draft) to the advising bank. The bill of exchange is an unconditional order in writing from the seller to the buyer requiring the buyer to pay a specified amount of to the seller at a certain time. The advising bank examines the documents and draft for compliance with the credit terms, and if the terms have been complied with, the bank pays the company. The advising bank then sends the documents to the issuing bank in the U.S., which also examines them for compliance with the credit terms. If complied with, the seller's draft is honored.

The documents are released to the buyer after payment. The buyer would then surrender the bill of lading to the carrier (in the case of ocean freight) in exchange for the goods or the delivery order.

### Irrevocable and Revocable Letters of Credit

There are two general types of letters of credit, irrevocable and revocable. An irrevocable letter of credit cannot be amended or cancelled without the consent of all parties, including the issuing and advising banks. A revocable letter of credit can be amended or cancelled by the issuing bank at any time without the consent of the beneficiary, often at the request of the applicant. However, since there is no security of payment in a revocable letter of credit, such letters of credit are rare.

### Confirmed and Unconfirmed Letters of Credit

An exporter whose method of payment is a confirmed irrevocable letter of credit is assured of payment even if the importer or the issuing bank defaults. The confirmed irrevocable letter of credit is particularly important if the buyer is in a country marked by political or economic stability. In a confirmed irrevocable letter of credit, the exporter or the importer pays an extra charge called a confirmation fee, which is usually added to the exporter's account. The exporter may indicate in the sales contract that the confirmation fee and other charges outside the seller's country are to be added to the buyer's account.

An irrevocable letter of credit opened by an issuing bank in which the advising bank does not add its confirmation to the credit is known as an unconfirmed irrevocable letter of credit. The promise to pay comes from the issuing bank only, unlike in a confirmed irrevocable letter of credit where both the issuing bank and the advising bank promise to pay the beneficiary.

### **- Documentary Bank Drafts**

Less complicated than a letter of credit is a documentary bank draft. A documentary bank draft essentially stipulates that once specific documentation (such as shipping documents) have been submitted to the seller's bank, the seller can collect the sum due for the sale. The seller provides instructions to the collecting bank on what to do with the draft and shipping documents in documentary collection instructions, also known as a collection letter or letter of instructions. The seller's bank then collects from the buyer's bank. One benefit of this type of transaction are that you have insurance that until the importer's bank assures the shipping company that it will pay you, the shipping company will not release the goods to the importer. However, this process takes time, and is ideally suited for shipments by sea.

### Documents Against Payment and Documents Against Acceptance

In documents against payment (also known as documents on payment or D/P) the documents attached to the bill of exchange (which are needed for the importer to obtain the goods) can be given to the importer

only after the importer has paid the draft. Documents against payment are only applicable when using a sight draft, which is a draft that is payable upon presentation to the importer.

In documents against acceptance (also known as documents on acceptance or D/A), on the other hand, the documents attached to the bill of exchange can be given to the importer only after the importer has accepted the draft for payment later. Documents against acceptance are only applicable when using a term or time draft, which is a draft that matures either a certain number of days after acceptance or a certain number of days after the date of the draft.

### **- Checks and Bank Drafts**

One of the easiest ways of handling smaller payments is by simple wire transfer, check, or bank draft. For the small exporter, this may be the ideal payment option as it is the least complicated. However, since there is a possibility of default, it is important to receive the payment before releasing the shipment. Unless the credit worthiness of the buyer can be guaranteed, it is generally wise to wait until the check or bank draft has cleared. Since international clearing of regular checks and bank drafts can take between three and four weeks, this can lengthen the process of the transaction. Likewise, an importer may not feel comfortable paying for goods in advance without a guarantee of delivery, in which case a documentary bank draft would be more appropriate.

Increasingly, checks and bank drafts are being phased out in favor of wire transfers which are the easiest way of arranging payment of smaller amounts (less than \$5,000). It may be possible to request an initial payment of a percentage of the sale in advance, with the remainder being transferred upon receipt of the goods. One benefit of such a transaction for small exporters is that such a deposit can assist in financing the production of the goods, which some small producers find helpful. Many importers are hesitant, however, to provide such money up front, so this type of arrangement is contingent upon the relationship between buyer and seller. Likewise buyers are often reluctant to provide money up front without a guarantee that they will eventually receive the goods.

### Open Account

In an open account trade arrangement, the goods are shipped to a buyer without guarantee of payment. Quite often, the buyer does not pay at the agreed time. Unless the buyer's integrity is unquestionable, this trade arrangement is risky for the seller.

### Cash in Advance (CID)

The cash in advance method of payment is safer than either the open account or consignment method. This is when payment of goods is made before shipment is made. This is generally used for small purchases or when goods are built to order. Here the risk lies with the buyer, since there is no guarantee that the seller will provide the goods once payment is made.

### Consignment

In a consignment trade arrangement, the seller ships the goods to the buyer when there is no purchase made. The buyer is obliged to pay the seller for the goods when sold. The seller retains title to the goods until the buyer has sold them. The risk here is the seller's, since there is no guarantee that the buyer will pay for the merchandise.

**APPENDIX I: GLOSSARY OF TERMS**

TERM	DEFINITION
<b>Advising Bank</b>	a correspondent of a bank which issues a letter of credit; on behalf of the issuing bank, the advising bank notifies the beneficiary of the terms of the credit, without engagement on its part to pay or guarantee the credit
<b>Ad valorem duty</b>	duty calculated on the basis of value (usually a percentage of the value)
<b>Airway bill</b>	shipping document used for the transportation of air freight: includes conditions, limitations of liability, shipping instructions, description of commodity, and applicable transportation charges. It is generally similar to a straight non-negotiable bill of lading and is used for similar purposes
<b>Beneficiary</b>	<ul style="list-style-type: none"> <li>- in the case of a letter of credit, the individual or company who is entitled to draw or demand payment under its terms</li> <li>- in the case of insurance, the person entitled to take the proceeds</li> <li>-the person for whose benefit a contract, or trust, or will is executed or enforced</li> </ul>
<b>Bill of exchange</b>	draft or bill
<b>Broker</b>	a person or company that acts as an agent for others, as in negotiating contracts, purchases, or sales in return for a fee or commission
<b>Cash against documents (CAD)</b>	a term used in collections supported by shipping documents which are released to the buyer only against payment; same as "documents against payment" (D/P)
<b>CIF (cost, insurance and freight...named port of destination)</b>	the seller has the same obligations as under CFR but with the addition that he has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage; the seller pays the insurance premium and is only required to obtain minimum coverage
<b>Co-mingling</b>	<ul style="list-style-type: none"> <li>-packing or mingling of various goods subject to different rates of duty so that the value and quantity of each class of goods cannot be readily determined</li> <li>-to combine funds or properties into a common mass</li> </ul>
<b>Confirming bank</b>	bank which engages to honor a letter of credit issued by another, or engages that such letter of credit will be honored by the issuer or by a third bank
<b>Consignee</b>	person or firm named in a freight contract to whom goods have been shipped or turned over for care
<b>Consignment</b>	<ul style="list-style-type: none"> <li>- goods or property sent by the aid of a carrier from one person (the consignor) to another (the consignee)</li> <li>- entrusting of goods to another to sell as agent for the sender</li> </ul>
<b>Consignor</b>	entity that ships goods to another. (on a bill of lading, the shipper)
<b>Container</b>	reusable, rigid, exterior "box" in which merchandise is shipped by air, vessel, truck, or rail

<b>Container freight charge</b>	charge made for the packing or unpacking of cargo from ocean freight containers
<b>Container load</b>	shipment of cargo that, according to weight or volume, will fit a standard container
<b>Country of departure</b>	country from which a shipment of goods, a carrier, or a passenger has or is scheduled to depart
<b>Country of destination</b>	country that is the ultimate destination for a shipment of goods; for a carrier, it is the country in which it intends to complete its current voyage or flight
<b>Country of dispatch</b>	country from which a cargo is shipped
<b>Country of export destination</b>	country to which goods are going in order to be consumed, further processed, or manufactured, as presumed by the shipper at the time of exportation
<b>Country of exportation</b>	country from which goods are shipped with intention to separate them from the mass of goods in that country
<b>Country of origin</b>	country in which goods were produced, mined, grown or manufactured
<b>Customs</b>	government service which is responsible for the administration of Customs law and the collection of duties and taxes relating thereto, and which has responsibility for the application of other laws and regulations relative to the importation , transit, and exportation of goods
<b>Date of issue</b>	arbitrary date on a contract or on a financial instrument fixed as the date from which the term runs; neither the actual date on the instrument, nor the date the instrument was actually signed, nor the date the instrument was executed, nor the date the instrument was delivered, are considered to be the "Date of issue" or the "issuance date"
<b>Declared value for customs</b>	value of a shipment according to the customs laws of the destination country required to be declared by the shipper on the shipping documents or by the importer when he presents the goods for customs clearance
<b>Documents against acceptance (D/A)</b>	as a procedure to collect payment on an exported shipment. instructions are given that documents necessary to obtain the merchandise from customs and the carrier are to be released to a buyer only against the buyer's acceptance of a time draft drawn upon him
<b>Documents upon payment (D/P)</b>	as a procedure to collect payment for an export shipment, instructions are given that the documents necessary for the buyer to obtain the shipment from customs and the carrier are to be released to him only upon payment of the draft (same as CAD)
<b>Drawback</b>	a refund of duty and taxes which may be obtained upon the exportation or destruction of certain articles under certain conditions
<b>Drawback system</b>	an automated customs system module that provides the means for processing and controlling all types of drawback entries
<b>Electronic visa information system (ELVIS)</b>	an electronic data system via which participating foreign governments transmit electronically to the U. S. government details of shipments of quota controlled textile goods they have made to the U.S.

<b>Entry</b>	<ul style="list-style-type: none"> <li>- that documentation required to be filed with the appropriate customs officer to secure the release of imported merchandise from customs custody</li> <li>- the act of filing that documentation</li> </ul>
<b>Entry documents</b>	documents required to complete customs entry to secure the release of imported merchandise.
<b>Export</b>	to send or transport goods abroad out of a customs territory; to sever them from the mass of things belonging to one country with the intention of uniting them to the mass of things belonging to a foreign country.
<b>Export broker</b>	firm that specializes in bringing foreign buyers and domestic sellers together for a fee but usually does not participate in the actual business transaction.
<b>Export declaration</b>	(also shipper's export declaration) a required customs document for exportation of goods from the United States which provides statistics and facilitates control where applicable.
<b>Export duty</b>	tax imposed by some nations on their exports.
<b>Export license</b>	license issued to exporters by governments to permit them to export certain goods to certain countries. Such goods may be of strategic importance, or simply in short supply, or are controlled to comply with foreign agreements.
<b>Export quotas</b>	specified maximums which a nation places on the value or volume of certain of its exports
<b>Exporter</b>	individual or company that ships goods from one country to another in the course of trade.
<b>EXW (Ex-works...named place)</b>	seller fulfils his obligation to deliver when he has made the goods available at his premises (i.e. works, factory, warehouse, etc.) to the buyer; in particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed; buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination
<b>FDA</b>	Food and Drug Administration
<b>FOB (Free on board ... named port of shipment)</b>	seller fulfils his obligation to deliver when the goods have passed over the ship's rail at the named port of shipment; buyer has to bear all costs and risks of loss or damage to the goods from that point
<b>Free zone</b>	area within a country (a seaport, airport, warehouse or any designated area) regarded as being outside its customs territory where importers may bring goods of foreign origin without paying customs duties and taxes, pending their eventual processing, transshipment or re-exportation
<b>Freight</b>	<ul style="list-style-type: none"> <li>- all merchandise, goods, products, or commodities shipped by rail, air, road, or water, other than baggage, express mail, or regular mail</li> <li>- compensation paid for the transport of goods</li> </ul>
<b>Freight charge</b>	charge assessed for transporting cargo
<b>Harmonized Tariff Schedule of the United States (HTS-US)</b>	(also Harmonized Tariff Code – HTC) organized listing of goods and their duty rates which is used as the basis for classifying imported products and identifying the rates of duty to be charged on them; based on the international Harmonized System Convention

<b>Import</b>	act of bringing or causing any goods to be brought into a customs territory
<b>Import duty</b>	customs duty which is collected on in connection with the importation of goods.
<b>Import license</b>	import license (or import permit) is an authorization by a competent authority for the importation of goods that are subject to restriction.
<b>Import Quota</b>	protective device establishing limits on the quantity of a particular product that may be imported into a country
<b>Importer</b>	individual, firm or legal entity that brings goods, or causes goods to be brought from a foreign country into a customs territory
<b>In bond</b>	procedure under which goods are transported, stored, or handled, prior to clearance and release by customs, and the government's interest is secured by indemnity bonds
<b>In-bond shipment</b>	import or export shipment which has not been cleared by Customs and is transported, stored, or handled with security to the government provided by indemnity bonds
<b>Invoice</b>	written account or itemized statement, usually on a printed form with the name and address of the seller, listing merchandise sold or shipped to a purchaser, consignee, factor etc., showing their name and address, and containing a description of the merchandise, the quantity, values or prices and charges, and other significant details of the transaction such as the terms of sale and the currency of the purchase
<b>Irrevocable letter of credit</b>	letter of credit which cannot be amended or canceled without prior mutual consent of all parties to the credit
<b>Letter of credit</b>	commitment, usually by a bank on behalf of a client, to pay a beneficiary a stated amount of money under specified conditions
<b>Marking - country of origin</b>	physical markings on a product that indicate the country of origin where the article was produced (with very few exceptions, the U.S. requires every imported article to be so marked)
<b>National Customs Brokers and Freight Forwarders Association</b>	non-profit organization which serves as the trade organization of customs brokers and international freight forwarders in the U.S.
<b>Ocean bill of lading</b>	receipt for the cargo and a contract for transportation issued by an ocean carrier. When issued in negotiable form, it is also an instrument of title
<b>Open account</b>	credit extended that is not supported by a note, mortgage, or other formal written evidence of indebtedness
<b>Packing list</b>	document listing the merchandise in a particular shipment indicating the kind and quantity in each package
<b>Payee</b>	person or organization to whose order a check or draft or note is made payable
<b>Payer</b>	(or payor) one who pays or is to pay, particularly the person who is to make payment of a check, bill, note, or account

<b>Phytosanitary inspections</b>	certificate issued by the agency of a national government indicating that an export shipment has been inspected and is free from harmful pests and plant diseases
<b>Point of origin</b>	location in which a good is manufactured or produced
<b>Port of entry</b>	place designated by law at which Customs is stationed and carriers from foreign ports, foreign goods and persons are permitted to arrive
<b>Port of export</b>	place where Customs is stationed to control departures of carriers, passengers, and goods to foreign countries
<b>Prepaid charges</b>	in transportation, this term may mean that all charges, including freight, are to be paid by the shipper; or, it may mean that only those charges designated as "prepaid" are to be paid by the shipper with other charges to be collected from the receiver; which charges are which are generally decided by prior agreement
<b>Purchase order</b>	purchaser's written offer to a supplier formally stating all terms and conditions of a proposed transaction
<b>Shipping order</b>	instructions from a shipper to a carrier for the transportation of goods
<b>Specific rate of duty</b>	specified amount of duty per unit of weight or other quantity
<b>Tariff</b>	<p>- comprehensive list or "schedule" of merchandise with applicable duty rates to be paid or charged for each listed article; together with governing rules and regulations (a "customs" tariff)</p> <p>- schedule of rates and charges applied by a business, especially a common carrier, together with a description of the services offered and the rules and regulations applicable</p>
<b>Unconfirmed letter of credit</b>	type of letter of credit bearing the obligation of the issuing bank only, not of any other bank
<b>Visa</b>	stamp, seal or endorsement on a document validating it for a particular use such as on a passport admitting the holder to a country, or on a license issued by the government of an exporting country for the export to a specific importing country of a certain quantity of a quota controlled commodity subject to a voluntary export restriction or a voluntary restraint agreement
<b>Warehouse receipt</b>	document issued by a warehouse listing the goods or commodities deposited in the warehouse. It is a receipt for the commodities listed, and for which the warehouse is the bailee; warehouse receipts may be either non-negotiable or negotiable
<b>Warehouse, U.S. customs-bonded</b>	privately owned and operated warehouse that has posted bond and has been approved by U. S. Customs where goods remain until duty has been collected from the importer.

## **APPENDIX II: COUNTRY PROFILES**

---

The following country trade profiles provide information for businesses in specific countries about exporting to the United States. The information includes trade statistics, agreements, further sources of information, and embassy contacts.

The following three countries are profiled:

- **Colombia**
- **Costa Rica**
- **Mexico**

## Country Profile

# COLOMBIA

### Top Ten Exports from Colombia to the United States

(in millions of dollars)

Rank (ordered by 2003)	Harmonized Tariff Code (HTC) with definition	2002	2003
1	HTC 27. - Mineral oils, mineral fuels and products thereof	\$2,721.2	\$3,150.9
2	HTC 71. - Natural or cultured pearls, precious or semiprecious stones, precious metals, precious metal clad metals, articles thereof; imitation jewelry	\$240.3	\$560.5
3	HTC 09. - Coffee, tea, mate and spices	\$323.2	\$368.3
4	HTC 06. - Live trees and other plants; bulb roots and the like; cut flowers and ornamental foliage	\$293.5	\$347.5
5	HTC 62. - Articles of apparel and clothing accessories (not knitted or crocheted)	\$247.6	\$327.8
6	HTC .99 - Special import reporting provisions (see HTC definition)	\$246.3	\$284.6
7	HTC 61. - Articles of apparel and clothing accessories, knitted or crocheted	\$88.8	\$171.0
8	HTC 08. - Edible fruit and nuts; peel of citrus fruit or melons	\$188.5	\$168.1
9	HTC 98. - Special classification provisions (see HTC definition)	\$81.8	\$98.7
10	HTC 39. - Plastics and articles thereof	\$58.5	\$83.0
	<b>Total Exports from Colombia to the U.S.</b> (ranked 31 of 234 in terms of exports to the U.S.)	<b>\$5,382.4</b>	<b>\$6,346.2</b>

Source: International Trade Commission website, [http://dataweb.usitc.gov/scripts/cy\\_m3\\_run.asp](http://dataweb.usitc.gov/scripts/cy_m3_run.asp)

#### TRADE WITH THE U.S.

Historically, the United States has been Colombia's largest trading partner. U.S.-Colombian bilateral trade was over \$10 billion in 2003, with Colombia's exports to the U.S.— which include oil, coffee, apparel and cut flowers — reaching nearly \$6.3 billion.

#### TRADE AGREEMENTS

The decision by the United States to extend trade benefits to an additional 700 Colombian export products under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) holds tremendous potential for Colombia's economic future. This treaty provides greater access to the U.S. market for Colombian exports particularly in the important apparel and textile sector.

Colombia is part of the Andean Trade Preference Act (ATPA) and Generalized System of Preferences (GSP). In addition, the government of Colombia is seeking to

negotiate a free trade agreement with the United States. Among the basic issues to be negotiated are: access to markets for products such as textiles, agricultural, books, and financial services; competition policy; and the strengthening of commercial capacity and cooperation. Telecommunications services will also be included, as will e-commerce issues, foreign investment, intellectual property, customs management, conflict resolution, technological barriers to commerce, various other institutional labor and environmental issues, sanitary regulations, distribution contracts, and government procurement

This new FTA with the United States will benefit mostly the following sectors:

- meat imports, specifically lamb
- dairy products, including cheese, butter and non-concentrated milk.

- fats and vegetable and animal oils, including coconut oil, palm oil, glycerol, sesame oil
- sugars and confectionary products, including non-cocoa items and crude and refined cane sugar (though these latter products will still be subject to quotas)
- cacao in several forms, including cacao beads, cacao butter, chocolates, and cacao powder
- fruits and plants, specifically pineapples, mushrooms and mangoes
- tobacco, especially non-processed bulk tobacco

## **EXPORT RESOURCES FOR COLOMBIAN BUSINESSES**

The Colombian Agency for the Promotion of Exports (Proexport) has developed a comprehensive website with valuable information for Colombian exporters. Proexport publishes several documents and guides specifically to help small exporters. In general, the procedures for Colombian products to enter the U.S. are the same as for other countries. For the procedures and contacts in Colombia to aid in the exporting process see:

[www.proexport.com.co/VBeContent/newsdetail.asp?id=323&idcompany=1](http://www.proexport.com.co/VBeContent/newsdetail.asp?id=323&idcompany=1)

Colombia's Ministry of Foreign Trade has published a guide in Spanish with basic information on how to export from Colombia. For more information see:

[http://www.coltrade.org/trade\\_info.htm](http://www.coltrade.org/trade_info.htm)

For detailed information in Spanish on Colombian export promotion offices in the United States see:

<http://www.coltrade.org/sources.htm>

For information on logistics for exporters see:

<http://www.proexport.com.co/vbecontent/NewsDetail.asp?ID=363&IDCompany=1>

For information on procedures for exporting to the U.S., see:

<http://www.proexport.com.co/vbecontent/NewsDetail.asp?ID=364&IDCompany=1>

The website of Colombia's Ministry of Commerce is also useful. For more information see:

<http://www.mincomercio.gov.co/VBeContent/categorydetail.asp?IDCategory=233&Idcompany=15>

For information on Colombian trade regulations in Spanish see:

<http://www.mincomercio.gov.co/VBeContent/CategoryDetail.asp?IDCategory=221&IDCompany=2>

For updated information on issues regarding bioterrorism laws in Spanish see:

<http://www.mincomercio.gov.co/VBeContent/NewsDetail.asp?ID=1439&IDCompany=1>

## **EMBASSY CONTACTS**

Embassy of Colombia in the United States  
2118 Leroy Place, NW  
Washington, DC 20008  
Tel: (202) 387-8338  
Fax: (202) 232-8643  
E-mail: [embwash@colombiaemb.org](mailto:embwash@colombiaemb.org)

Embassy of the United States in Colombia  
Carrera 45 #22D-45  
Bogota, D.C.  
Tel: [57] (1) 315-0811  
Fax: [57] (1) 315-2197

## Country Profile

# COSTA RICA

### Top Ten Exports from Costa Rica to the United States

(in millions of dollars)

Rank (ordered by 2003)	Harmonized Tariff Code (HTC) with definition	2002	2003
1	HTC 85. - Electrical machinery and equipment and parts, sound recorders and reproducers, television recorders and reproducers, parts and accessories	\$619.5	\$814.2
2	HTC 08. - Edible fruit and nuts, peel of citrus fruit or melons	\$483.7	\$518.7
3	HTC 90. - Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus, parts and accessories	\$365.5	\$480.0
4	HTC 61. - Articles of apparel and clothing accessories (knitted or crocheted)	\$364.6	\$309.1
5	HTC 62. - Articles of apparel and clothing accessories (not knitted or crocheted)	\$362.4	\$281.4
6	HTC 09. - Coffee, tea, mate and spices	\$121.8	\$126.2
7	HTC 84. - Nuclear reactors, boilers, machinery and mechanical appliances and parts thereof	\$128.6	\$117.1
8	HTC 98. - Special classification provisions (see HTC definition)	\$113.5	\$115.4
9	HTC 03. - Fish and crustaceans, mollusks and other aquatic invertebrates	\$80.9	\$69.0
10	HTC 40. - Rubber and articles thereof	\$53.8	\$62.3
	<b>Total Exports from Costa Rica to the U.S.</b> (ranked 36 of 234 in terms of exports to the U.S.)	<b>\$3,146.2</b>	<b>\$3,353.9</b>

Source: International Trade Commission website, [http://dataweb.usitc.gov/scripts/cy\\_m3\\_run.asp](http://dataweb.usitc.gov/scripts/cy_m3_run.asp)

### TRADE WITH THE U.S.

The dynamics of modern communications and international trade facilitation has made Costa Rica one of the major exporting Central American country to the United States. Presently, more than 53 percent of its exportable goods are being sent to the United States. Most of these exports are done by small and medium enterprises; approximately 60 percent of Costa Rica's small and medium enterprises already export to the United States.

### TRADE AGREEMENTS

Costa Rica participates in several free trade agreements that include the United States, including the Caribbean Basin Initiative (CBI), the U.S. - Caribbean Basin Trade Partnership Act (CBTPA) and the Generalized System of Preferences (GSP).

In January 2004 negotiations were completed on a free trade agreement between Central America and the United States, of which Costa Rica will be taking part. This treaty consolidates and improves the access to U.S. market for countries in the CBI. The benefits provided in the CBI will now be permanent international obligations, which will benefit trade and investment in the area. With this new treaty, 99 percent of Costa Rica's exportable products will be entitled to enter the U.S. market duty-free.

This new FTA with the United States will benefit mostly the following goods:

- fruits, vegetables, and related products, including cantaloupe, oranges and orange juice, cassava and tropical fruit pulp
- cacao in several forms, including cacao beads, cacao butter, chocolates, and cacao powder

- tobacco products, in particular cigars
- sugar, including organic sugar
- leather products
- ceramics
- glassware
- wooden furniture
- electric and dry batteries

Additionally, the present conditions for existing imports of such goods as tuna, meat, sugar, ethanol and clothing and clothing accessories are slated for improvement and streamlining under this agreement. Regarding agricultural products, quotas for the importation of meats and sugar will be raised. Nearly all agricultural-industrial products will enter the U.S. duty-free within 12 and 15 years.

Some quarantine measures have changed for Costa Rica due to this treaty. This refers specifically to ornamental plants of certain sizes (generally more than 18 inches in length). The treaty guarantees entry of these products into the U.S. market and has introduced flexibility into certain quarantine measures on these goods.

Several other specific issues benefit the Costa Rican trade with the United States. For a complete and comprehensive copy of the treaty see the website of the Costa Rica Commerce Department:

[www.comex.go.cr](http://www.comex.go.cr)

### **EXPORT RESOURCES FOR COSTA RICAN BUSINESSES**

To provide information to Costa Rican exporters on the evolving trade environment the government's Trade Promotion Office has assembled a comprehensive website. On this site Costa Rican exporters may find a step-by-step guide to procedures and processes they must follow when intending to export. For more information, see:

<http://www.procomer.com>

or go directly to:

[http://www.procomer.com/tramites/index.cfm?queHacer=loadPage&page=inf\\_sivuce](http://www.procomer.com/tramites/index.cfm?queHacer=loadPage&page=inf_sivuce)

There is also a one-stop information site by the Costa Rican Office of Foreign Trade. Here, the exporter will find all what he needs to know, necessary documents, and even training in export related procedures, documents and processes. This is an electronic service, though exporters may also visit the Office of Foreign Trade in person in Costa Rica.

For more information, interested parties can contact the one-stop Office of Foreign Trade System (*Sivuce* in Spanish) at: [sivuce@procomer.go.cr](mailto:sivuce@procomer.go.cr)

The Export Promotion Department of Costa Rica has developed comprehensive and specific documents related to access the United States market, according to the product being exported. These documents are available online at:

[www.procomer.com/civ](http://www.procomer.com/civ)

### **EMBASSY CONTACTS**

For further information, contact the Embassy of Costa Rica in the United States:

Embassy of Costa Rica in the United States  
2114 S Street, NW  
Washington, DC 20008  
Tel: (202) 234-2945 or (202) 234-2946  
Fax: (202) 265-4795  
E-mail: [embassy@costarica-embassy.org](mailto:embassy@costarica-embassy.org)

Embassy of the United States in Costa Rica  
Calle 120 Avenida 0, Pavas, San José, Costa Rica  
Tel: (506) 519-2000  
Fax: (506) 519-2305

## Country Profile

# MEXICO

### Top Ten Exports from Mexico to the United States

(in millions of dollars)

Rank (ordered by 2003)	Harmonized Tariff Code (HTC) with definition	2002	2003
1	HTC 85. - Electrical machinery and equipment and parts, sound recorders and reproducers, television recorders and reproducers, parts and accessories	\$32,605.8	\$32,844.0
2	HTC 87. – Vehicles (other than railway or tramway rolling stock) and parts and accessories thereof	\$26,193.7	\$25,229.2
3	HTC 84. - Nuclear reactors, boilers, machinery and mechanical appliances and parts thereof	\$17,789.7	\$17,389.5
4	HTC 27. -Mineral fuels, mineral oils and products of their distillation	\$11,565.5	\$14,772.5
5	HTC 90. - Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus, parts and accessories	\$5,337.1	\$5,966.5
6	HTC 94. - Furniture, bedding, cushions, etc; lamps and lighting fittings, illuminated signs, nameplates and the like; prefabricated buildings	\$4,543.2	\$5,058.0
7	HTC 98. - Special classification provisions	\$4,225.4	\$4,296.9
8	HTC 62. - Articles of apparel and clothing accessories (not knitted or crocheted)	\$4,503.6	\$4,170.2
9	HTC 61. - Articles of apparel and clothing accessories (knitted or crocheted)	\$3,134.7	\$2,927.8
10	HTC 07. - Edible vegetables, certain roots and tubers	\$1,798.8	\$2,119.0
	<b>Total Exports from Mexico to the U.S.</b> (ranked 2 of 234 in terms of exports to the U.S.)	<b>\$134,121.2</b>	<b>\$137,199.3</b>

Source: International Trade Commission website, [http://dataweb.usitc.gov/scripts/cy\\_m3\\_run.asp](http://dataweb.usitc.gov/scripts/cy_m3_run.asp)

#### TRADE WITH THE U.S.

Mexico is the United States' second most important trading partner, coming only after fellow NAFTA-member Canada. Since NAFTA came into force, Mexico has increased its exports to the U.S. significantly, now accounting for approximately 10 percent of all U.S. trade. Much of this trade is complementary intra-industry trade, with goods crossing the border for various states of production, a pattern of trade that demonstrates that specialization in manufactured goods is progressing.

Mexico's most dynamic sectors have been in non-oil-related manufactured goods. In fact, manufactured goods account for more than 85 percent of Mexico's total exports (even more significant when noting that exports now account for 30

percent of Mexico's GDP). Mexico is one of the top apparel producers in the world, and also ranks 11<sup>th</sup> in terms of agricultural exports, 9<sup>th</sup> in terms of mining products, and 6<sup>th</sup> in terms of natural gas.

#### NAFTA AND EXPORTING TO THE U.S.

With the entering into force of the North American Free Trade Agreement (NAFTA) in 1994 the United States, Canada and Mexico created the world's largest free trade area. NAFTA provided for significant streamlining in the trading relationship between Mexico and the U.S.

For a complete guide to NAFTA-related issues, see the U.S. Customs Service's guide to NAFTA:

<http://www.customs.gov/nafta/docs/us/guidproc.html#7%20ENTRY>

The following websites provide information and details on exporting from Mexico to the U.S. Among them are services offered by the U.S. government regarding customs procedures, permits, marking, classification under the Harmonized Tariff Schedule, etc. For more information see:

[www.ustr.gov/regions/whemisphere/doingbiz.shtml](http://www.ustr.gov/regions/whemisphere/doingbiz.shtml)

[www.business.gov](http://www.business.gov)

[www.ncitd.org](http://www.ncitd.org)

For comprehensive information on how to export from Mexico and import to the U.S. products from Mexico, also see:

<http://www.naftaworks.org/lis23al.php?s=103&p=2&l=2&a=0>

For complete advisory information on procedures, documents and requirements to import or export from NAFTA countries see:

[http://www.cbp.gov/nafta/nafta\\_new.htm](http://www.cbp.gov/nafta/nafta_new.htm)

The US-Mexico Chamber of Commerce, a bilateral organization that promotes trade, investment and joint ventures on both sides of the border. The Chamber operates through offices both in Mexico and the United States and their objective is to help businesses bridge differences in legal, regulatory and economic systems, as well as language and culture. See:

<http://www.usmccoc.org>

The American Chamber of Commerce (AMCHAM) Mexico is an organization that represents, promotes and develops U.S. business interests in Mexico, serving the business community at-large in trade and investment between the U.S. and Mexico. The chamber maintains an information resource center to provide reliable information about business concerns in Mexico. Its main office is in Mexico City, with divisions in Guadalajara and Monterrey.

For further information see:

[www.amcham.com.mx](http://www.amcham.com.mx)

For information on business opportunities, general information, and training courses on exporting in Spanish, see:

<http://www.bancomext.com/Bancomext/index.jsp>

For an overview of certificate of origin and rules of origin see:

<http://web.ita.doc.gov/ticwebsite/naftaweb.nsf/7748f8ff887a590d852566b4004e2288/2cb667fc745400398525684d00571de?OpenDocument>

The U.S. Department of Treasury maintains a useful website providing extensive country information from various government agencies and other sources. For further information on its Mexico information, see:

<http://www.itds.treas.gov/MEXICO.htm>

For a complete guide to agencies related to Mexican trade (including chambers of commerce, industry associations, and other services), see:

<http://www.secofi.gob.mx/>

## EMBASSY CONTACTS

Embassy of Mexico in the United States  
1911 Pennsylvania Avenue, NW  
Washington, DC 20006  
Tel: (202) 728 – 1600  
Fax: (202) 728-1698  
E-mail: [mexembusa@sre.gob.mx](mailto:mexembusa@sre.gob.mx)

Embassy of the United States in Mexico  
Paseo de la Reforma 305  
Col. Cuauhtemoc  
06500 Mexico, D.F.  
Tel: (01-55) 5080-2000  
Fax: (01-55) 5511-9980

