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For more information or permission to use any part of this material, please contact Cliff Paredes, Director of the International Trade Center at cliff.paredes@utsa.edu.

Export Trade Finance

Options available to U.S. Exporters

Export Trade Finance

- **Most export transaction for SME's are relatively small**
 - Do not require trade financing
 - Orders often small shipments that can be financed out of normal cash flow
- **Most commercial banks are generally reluctant to finance exports**
 - Afraid of foreign receivables
 - Not available to start-ups or most new exporters

Export Trade Finance

Why is export finance important?

- **Timing of payments and expenditures can create problems once export projects get larger**
- **Longer payment cycles are common internationally**
- **When a lot of money goes out before any payments come in, cash flow problems can occur**

Export Trade Finance

Common export financing needs:

- **Buying larger amounts of raw materials or components**
- **A new or dedicated production line is required**
- **New machinery**
- **Payments to intermediaries: Freight forwarders, Shipping companies, etc.**
- **Impact on financial requirements for domestic operations**

Export Trade Finance

U.S. Government Finance Programs

- Export-Import Bank (www.exim.gov)
- Small Business Administration (www.sba.gov)
- U.S. Department of Agriculture (www.usda.gov)
- Overseas Private Investment Corporation (www.opic.gov)
- Note: No government assistance for importers

Export Trade Finance

- **Most lending is structured as loan guarantees to commercial banks**
- **Removes most risk for private lenders**
- **EX-IM has limited direct loans**

EX-IM Bank



Export-Import Bank-Major Products:

- Export credit insurance
- Loan Programs
 - Export Working Capital
 - Global Credit Express
 - Loan Guarantees for International Buyers
 - Fixed Rate Term Financing for International Buyers



Export-Import Bank of the United States

ABOUT EX-IM | NEWS & EVENTS | PRODUCTS & POLICIES | APPLY

-- shortcuts --



Infrastructure Growth for the Dominican Republic

Means Jobs Growth for the U.S.

Ex-Im Bank Backs Sale to Dominican Republic

The Dominican Republic (DR) will use U.S. equipment and services to build a 44-mile road linking Santo... [Learn More >](#)



Global Access for Small Business

Ex-Im's Key Industries

Quick Start

Search

[advanced search](#)

ARE YOU A

[SMALL BUSINESS PERSON](#)

[U.S. EXPORTER](#)

[INTERNATIONAL BUYER](#)

[LENDER](#)

[GREEN BUSINESS PERSON](#)

- Learn About Export Credit Insurance
- Check Status of an Application
- Find Forms
- Financing for International Buyers

Export Import Bank

Export Credit Insurance

- **Export credit insurance is an important tool supporting foreign trade**
 - Insures foreign receivables from qualified buyers against non-payment
 - Also insures against non-payment due to political risk
- **Increases exporter competitiveness by allowing exporters to offer open account and extended payment terms**
- **Purchased directly from brokers or from bank directly**

Export Import Bank

Export Credit Insurance

- **Export Credit Insurance Requirements**
 - U.S. exporters in business > 1 year
 - Products: 50% U.S. content
 - Services: 100% personnel based in USA
- **Limitations**
 - Only to Ex-Im approved countries
 - No military or dual use items
- **Collection**
 - U.S. exporter must attempt to obtain collection
- **Term:**
 - Single or multi-client + short term or medium term (up to 5 years)

Effective Date of this Endorsement: 12:01 A.M. E.T., January 20, 2011, No. CLS-01/11

[Memorandum of Changes, January 20, 2011](#)

Country Limitation Schedule

Quick Select

[A](#), [B](#), [C](#), [D](#), [E](#), [F](#), [G](#), [H](#), [I](#), [J](#), [K](#), [L](#), [M](#), [N](#), [O](#), [P](#), [Q](#), [R](#), [S](#), [T](#), [U](#), [V](#), [W](#), [X](#), [Y](#), [Z](#)

Click on a letter above to quickly navigate to that section.
Please wait until the page is fully loaded before using Quick Select.

Total Term* is from the date of authorization until final payment - Effective January 20, 2011.

"X" Indicates Support is NOT Available

Back to Quick Select	PUBLIC SECTOR			PRIVATE SECTOR			
COUNTRY	Up to 1 Year	1 to 7 Years	Over 7 Years	Up to 1 Year	1 to 7 Years	Over 7 Years	NOTE(S)
Afghanistan	X	X	X	X	X	X	10 , 13
Albania							1 , 3 , 4 , 5 , 10
Algeria							1 , 4
Andorra							
Angola						X	1 , 4 , 5 , 10 , 13
Anguilla							1
Antigua and Barbuda	X	X	X				1 , 4 , 13
Argentina	X	X	X			X	1 , 13
Armenia							1 , 3 , 4 , 10

Export-Import Bank

Working Capital Programs

- **Loans made by designated commercial lenders and backed by Ex-Im Bank guarantee**
- **Coverage: Ex-Im Bank generally guarantees 90% of the bank loan, including principal and interest.**
- **Uses:**
 - Purchase of raw materials or equipment
 - Covering manufacturing costs/ related overhead
 - Stand-by letters of credit or performance bonds
 - Financing foreign receivables

Export-Import Bank Working Capital Programs

- **Loan terms normally for one year, but can be extended up to three years**
- **Single transaction or revolving basis**
- **No minimum or maximum transaction amount**

Export-Import Bank Working Capital Programs

Requirements:

- **Company must be located in the United States.**
- **One-year operating history and a positive net worth.**
- **Must have services performed by U.S.-based employees.**
- **Must have products shipped from the U.S. to a foreign buyer.**
- **Each product must have more than 50% U.S content based on all direct and indirect costs.**
- **No military or defense products**

Export-Import Bank Working Capital Programs

Global Credit Express (Pilot program)

- **Program to delivery short-term working capital loans to small business (SBA definition)**
- **6-12 month revolving credit line up to \$500,000**
 - Focuses is on business of exporting and liquidity instead of export transactions
- **Loan directly from Ex-Im instead of commercial bank**
- **Quick turnaround**
- **Low interest, fixed rate financing**

Export Import Bank

Loan Guarantees for International Buyers

- **Helps exporter secure competitive financing for international buyers**
 - Term financing for up to 10 years for creditworthy international buyers
 - Also covers up to 30% of exporter's local costs
 - No limit on transaction size
- **Normally used to support exports of capital equipment and services**
- **Finances only U.S. goods shipped from the U.S.A.**
- **85% guarantee to lending bank + required 15% down payment**

Fixed Rate Term Financing for International Buyers

- **A direct loan program**
- **Fixed rate financing for up to 12 years**
 - 18 years for renewable energy projects
 - Qualified foreign government and private sector firms
- **Finances sale of U.S. goods**
- **No limits on transaction size**
- **Normally for capital goods and equipment**
- **No military goods**



Se

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Managing a Business

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▼ Exporting

[US Export Assistance Centers](#)[▶ Export Loans](#)[Export Business Planner](#)[STEP Grants Pilot](#)[Explore Exporting](#)[Export Success Story Videos](#)[Contact SBA Exporting Staff](#)[▶ Running a Business](#)[▶ Financing & Insurance](#)

Exporting

Small businesses looking to increase sales and profit are taking their business global. SBA provides counseling, training and financing to support small business export opportunities.



ARTICLE

US Export Assistance Centers

USEACs provide export



TOPIC

Export Loans

SBA provides a number of loan programs specifically designed to help develop or



ARTICLE

Export Busi

A free, custom small business

SBA Export Loan Programs

- **Export Express Program**
- **Export Working Capital Program**
- **International Trade Loan Program**

SBA Export Express

- **Issued through commercial banks after approved application with SBA**
 - Allows participating lenders to use their own forms and procedures.
 - The SBA determines eligibility and provides a loan approval in 36 hours or less
- **Guarantees re-payment guarantee of 85% on maximum loan of \$500,000**
- **Small businesses meeting normal requirements for SBA loan guarantee + one year of continuous operation**

SBA Export Express

Use of proceeds:

- **Financing export development activities such as foreign trade shows or translation of materials**
- **Transaction-specific financing for export orders**
- **Revolving lines of credit for export purposes**
- **Acquiring, renovating, constructing, or expanding facilities to produce goods or services for export**
- **Financing stand-by letters of credit or performance bonds on foreign contracts**

SBA Export Working Capital Loan

The Export Working Capital (EWCP) Loan program

- **Made through commercial banks**
 - 90% loan guarantee
- **Provides advances up to \$5 million to fund export transactions**
 - Many lenders reluctant to finance foreign sales
 - May provide credit needed to close sale
 - Good for companies reaching existing loan limits
 - Made against firm purchase order from foreign buyer/ Support accounts receivable
 - Aids companies having reached existing loan limits
- **Disbursements made against firm purchase orders from a foreign buyer or to support foreign accounts receivable**

SBA Export Working Capital Loan

The Export Working Capital (EWCP) Loan program:

- **Use of proceeds:**
 - Financing for suppliers, Work-in-process, or production of goods/services
 - Working capital to support accounts receivable in long payment cycles
 - Financing stand-by L/C's for bid/performance bonds/ performance guarantees
- **Collateral requirements + 20% personal guarantee**
- **Normally 12 month term**

SBA International Trade Loan Program

The International Trade Loan Program:

- **Offers loans up to \$5 million for fixed assets and working capital for businesses that plan to start or continue exporting.**
 - Loans are also available if a small business has been adversely affected by import competition
- **Loans made through commercial banks**
- **Use of proceeds:**
 - Fixed assets : Purchasing land and buildings, building new facilities, expanding facilities, purchasing or buying equipment to enable production for export
 - Working capital: Permanent working capital loan or transaction-specific financing.

SBA International Trade Loan

- **Loan for facilities and equipment have a maximum maturity of 25 years**
- **Loan guarantees for working capital is normally 12 months or less if the financing is for a revolving line of credit**
- **Lender must take first lien on assets**
- **Collateral must be located in USA**



Programs

You are here: [Home](#) | [Programs](#) | [Export Credit Guarantee Program \(GSM-102\)](#)

Export Credit Guarantee Program (GSM- 102)

[About the Export Credit
Guarantee Program
\(GSM-102\)](#)

[FY 2015 GSM -102
Allocations](#)

[Yearly Activity Reports](#)

[Eligible Commodities](#)

[Country Risk Ratings](#)

[GSM Fee Schedule -
Effective Nov. 22, 2013](#)

[GSM-102 Program
Contacts](#)

Export Credit Guarantee Program (GSM-102)

The GSM-102 program provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products, while providing competitive credit terms to buyers. By reducing financial risk to lenders, credit guarantees encourage exports to buyers in countries — mainly developing countries — that have sufficient financial strength to have foreign exchange available for scheduled payments.

The program is available to exporters of:

- high-value, consumer-oriented, processed products such as frozen foods, fresh produce, meats, condiments, wine and beer;
- intermediate products such as hides, flour and paper products; and
- bulk products such as grains, oilseeds and rice.

[More about the GSM-102 Export Credit Guarantee Program](#)

GSM-102 Program Regulations

U.S. Department of Agriculture Export Credit Guarantee Program

USDA's Commodity Credit Corporation (CCC) provides credit guarantees to encourage financing of U.S. agricultural exports by foreign buyers:

- **Program guarantees credit extended by U.S. banks to approved foreign banks using dollar-denominated letters of credit**
 - Administered by the Foreign Agricultural Service for CCC
 - Typically, 98 percent of principal and a portion of interest are covered by a guarantee.
 - Term of loans normally up to three years
 - U.S. exporters must qualify for the program

U.S. Department of Agriculture Export Credit Guarantee Program

The program is available to exporters of:

- high-value, consumer-oriented, processed products such as frozen foods, fresh produce, meats, condiments, wine and beer;
 - intermediate products such as hides, flour and paper products; and
 - bulk products such as grains, oilseeds and rice.
- **Negotiations with importer and bank must be in place before exporter applies for the guarantee.**
 - Exporter is normally paid by U.S. bank at time of shipment.

Overseas Private Investment Corporation



CONTACT US

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OPIC BLOG

HOME

WHO WE ARE

WHAT WE OFFER

OPIC IN ACTION

DOING BUSINESS WITH US

MEDIA & CONNECTIONS



Small opport

OPIC continues
with six events p
small businesse
and the ways O

» LEARN MO

The U.S. Government's Development Finance Institution

Overseas Private Investment Corporation

- **OPIC Financing provides:**
 - Medium- to long-term funding through direct loans and loan guaranties to eligible investment projects in developing countries and emerging markets
- **OPIC requires significant U.S. participation in the projects it supports.**
 - Via equity or long term loan
- **Significant participation can be achieved with an equity or a long-term debt investment.**
 - U.S. company must have an ownership interest of at least 25 percent.

OPIC Political Risk Insurance Coverage

- **Political risk insurance is available to U.S. investors, lenders, contractors, exporters, and NGOs for investments in 150 developing countries**
- **OPIC offers political risk insurance to qualified small businesses having annual revenues less than \$250 million.**
- **Types of Coverage:**
 - Currency cannot be converted
 - Expropriation and Other Forms of Unlawful Government Interference
 - Political Violence

Understanding Foreign Exchange

Understanding Foreign Exchange

What you need to know:

- **Understanding Foreign Exchange Risk**
- **Foreign exchange marketing implications**
- **Foreign Exchange Risk Management**

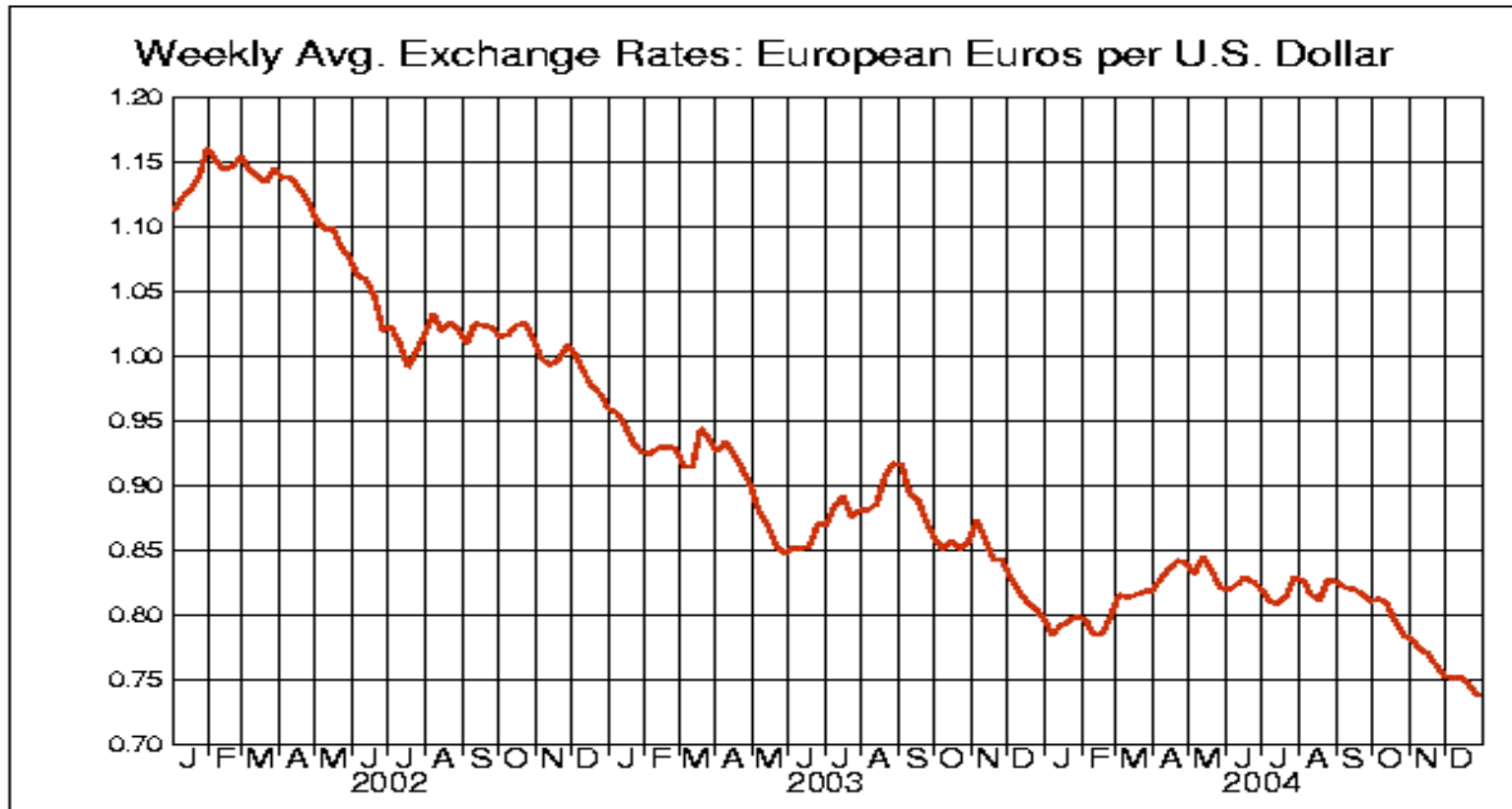


Realities of Foreign Exchange

- **Exchange rates represent the supply & demand relationship between two currencies**
- **The relative value between two currencies can be:**
 - Relatively stable
 - Frequent movement within range
 - Highly volatile
 - BUT NEVER PREDICTABLE
- **Governmental policies can be deceptive indicators of a currency's behavior**
 - Basket of currencies
 - Managed Peg
 - Central Bank Intervention

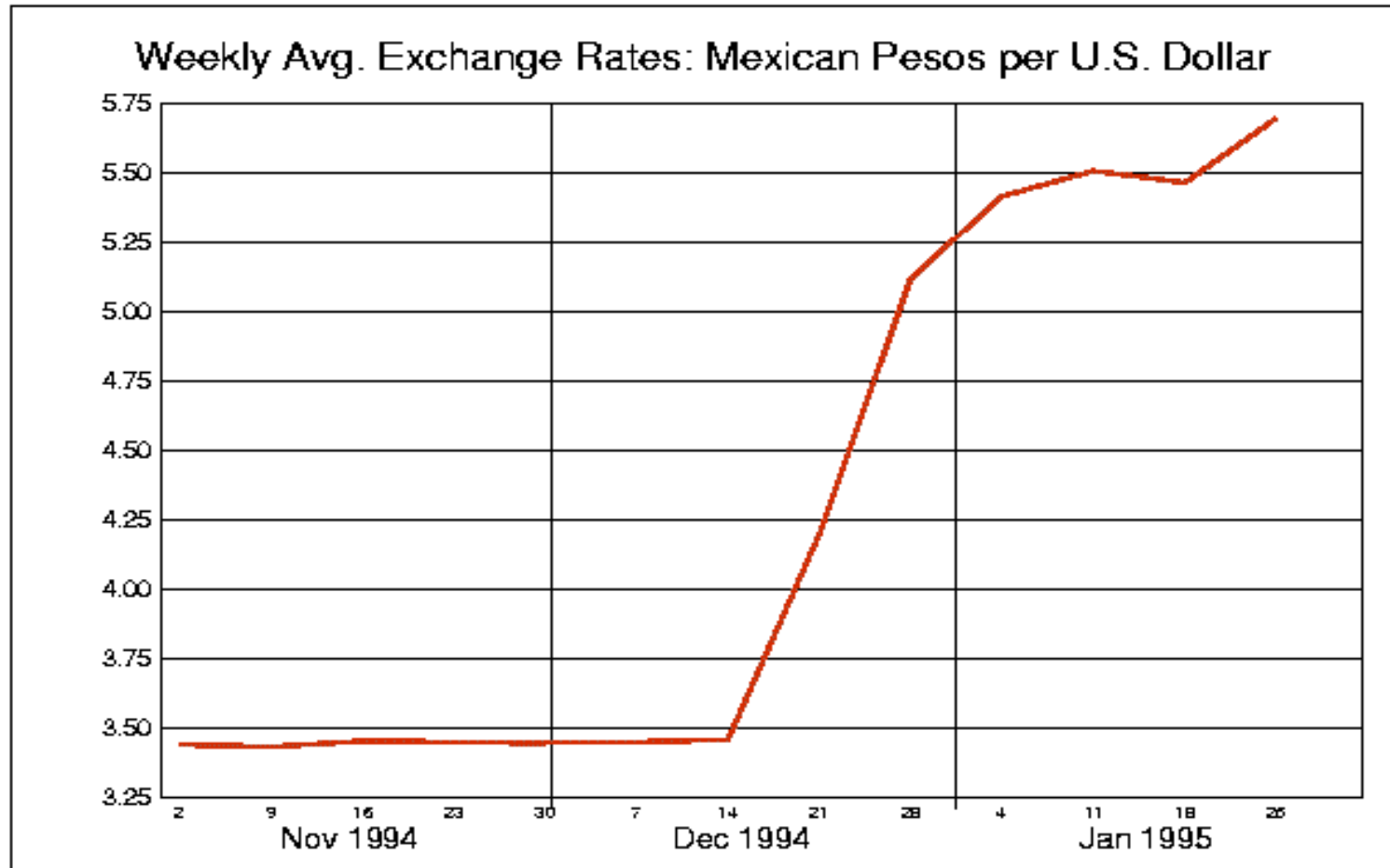
Foreign Exchange Risk

- **PACIFIC Exchange Rate Service**

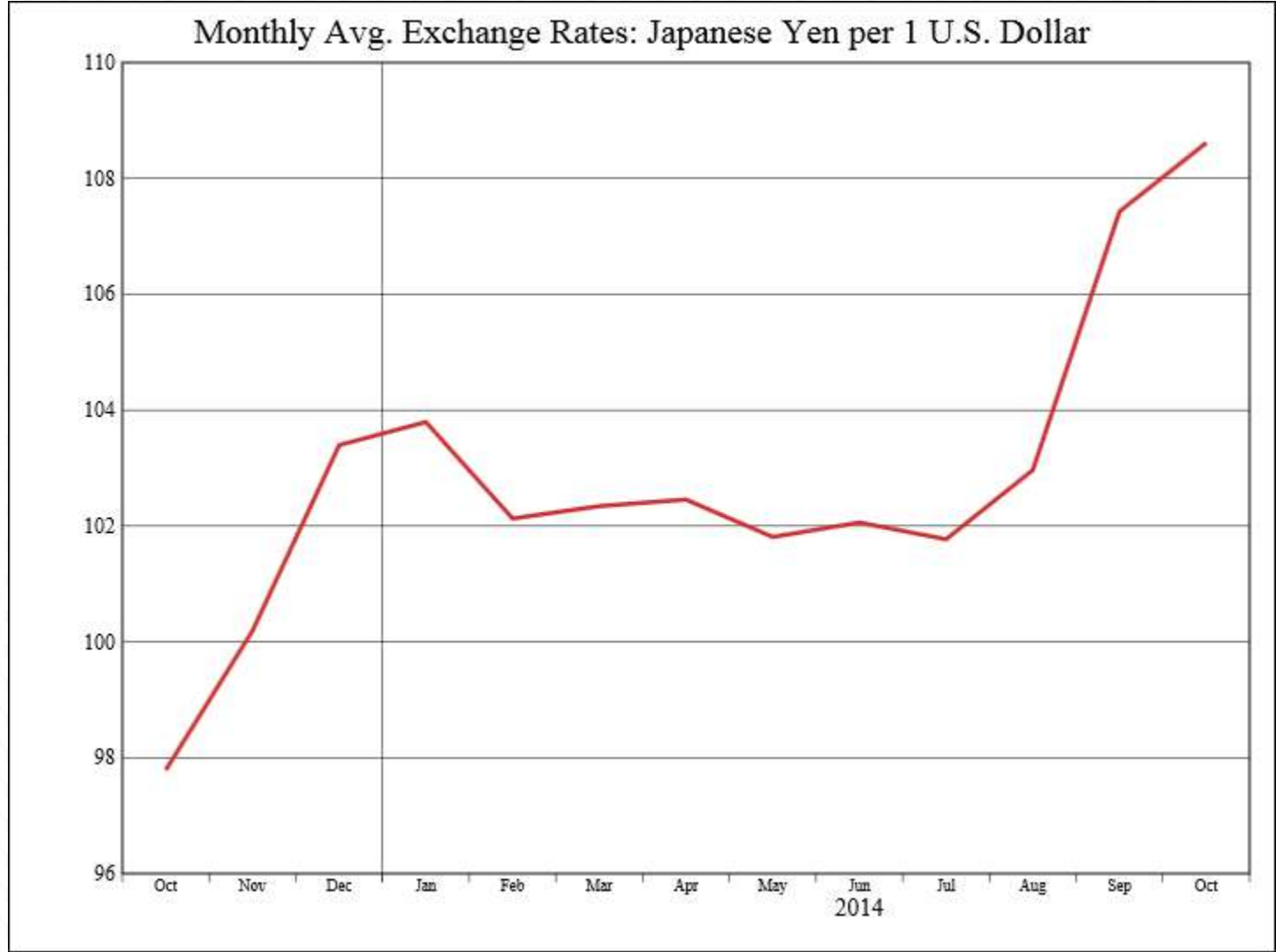


Devaluation of 34 percent over 3 years

Foreign Exchange Risk



The dollar became more expensive for Mexican companies



Foreign Exchange Risk (FX Risk)

Question: Which payment method poses foreign exchange risk to either party?

International Payment Methods

1. Cash in advance
2. Letters of Credit
3. Collections
4. Open Account

Realities of Foreign Exchange

- **There is no import-export transaction without risk**
 - If you price in your currency, your importer has the risk
 - If you accept foreign currency as payment, you have the risk
- **E.G.-A Guam exporter may receive fewer dollars:**
 - If the exporter is being paid in another currency (e.g. Yen); and:
 - The Yen appreciates against the dollar during the transaction, the result is fewer dollars received by the exporter
- **E.G.-A Guam importer may pay more for a transaction:**
 - If the importer is paying in another currency (e.g. Yen), and:
 - If the importer's currency (E.G. \$US dollar) depreciates against the other currency (Yen) during the course of the transaction, more dollars are required to obtain a target amount of dollars

Foreign Exchange Risk

How does a company handle foreign exchange risk?

- **Normal reaction is to want to stay in dollars or home currency**
 - “Don’ t want to bother with it”
 - “Don’ t want to take the risk”
 - Too many small/ medium exporters ignore the impact of foreign exchange on customers
- **A home currency-only approach works against long-term maximization of export sales**
 - Considerable potential for lost sales
 - What are other suppliers offering?
 - Competitiveness may require pricing in local currency
- **Exporters/ importers need to establish a balance between risk and marketing competitiveness**
 - If currency risk too high, need to stay in dollars (or home currency)

Foreign Exchange & Currency Choice

Another factor: Your bargaining power:

- **Flexibility/ Freedom in FX pricing depends on:**
 - Nature of the product
 - Commodity vs. unique product
 - Pricing practices of foreign competition
 - Size and market power of customer
 - Standard practice in the country

Foreign Exchange Risk

Three specific forms of foreign exchange risk

1. **Transaction risk**
2. **Translation risk**
3. **Economic risk**

Transaction Risk--Example

A Japanese importer agrees to pay \$100,000 for a U.S.-made machine:

- **At the time of contract, U.S. \$ 1 = ¥100**
 - Initial cost to importer = ¥ 1,000,000
- **Yen depreciates by 10 percent**
 - Costing importer ¥ 110 to buy \$1
- **Cost to importer now ¥ 1,100,000**
 - 10% increase in real terms for importer

Transaction Risk--Example

U.S. firm sells \$10,000 machine to Mexico for 130,000 pesos;

- **At time of contract, peso = 13/\$US1**
 - Initial anticipated revenues = \$10,000
- **U.S. \$ appreciates 10% (\$1= 14.3 Pesos)**
 - Each dollar can buy more Pesos
- **On receipt of 130,000 Pesos, U.S. company receives only \$9,091 in payment**
 - Loss of 9.1% on transaction



Foreign Exchange Quandary

Which Way to Go? Home currency or foreign currency?

- **Specific foreign currency management tools can be used to reduce/ eliminate risk**
- **General term = Hedging**
 - Process of protecting against the potential of foreign exchange loss due to currency exchange fluctuations
 - Hedging can take most risk out of export transaction
 - Foreign exchange management helps both buyer and seller

FX Basic Definitions

Spot Rate:

- **FX rate quoted between two currencies for transactions that require immediate delivery or delivery within two days.**
 - Cash transaction
 - Shortest transaction

Forward rate:

- **FX rate quoted between two currencies for delivery in the future. Typically for 30,60,90 days delivery.**
 - Usually at a slight premium from the spot rate

Foreign Exchange: Products & Tools

- **How do you hedge? Buy or sell a forward contract**
- **Forward Contract is an agreement with another party (normally a bank) to deliver a fixed amount of one currency for a fixed amount in another currency at some point in the future**
 - A binding agreement
- **Advantages:**
 - No upfront costs
 - Lock in foreign exchange rate today for the future
 - Know how much home currency is needed or will obtain today, for the future
- **Disadvantages:**
 - Customer enters into a contractual obligation
 - If market rate is more favorable vs. contract rate at expiration, customer has an obligation to still buy the foreign currency at the contractual rate

Foreign Exchange: Products & Tools

- **AG Industrial sold industrial equipment to a Japanese customer today for ¥ 1,000,000 with payments due 90 days from delivery (1/24/2015)**
- **AG enters a foreign contract with their bank to sell ¥ 1,000,000 for dollars on the target date**
 - Spot rate today is USD/JPN = \$1/ ¥ 100
 - Forward contract strike price for 90 day delivery = USD/JPN= \$1/ ¥ 102.0
- **Questions:**
 - If ¥ 1,000,000 were converted today, what would be the number of dollars received?
 - If ¥ 1,000,000 is converted in 90 days, what would be the number of dollars received?

Forward Contract:

- **Conversion of ¥1,000,000 at today's rate would yield \$100,000**
 - $¥1,000,000 / \$1.00 = \$100,000$
- **On January 24, 2015 , company will get**
 - $¥1,000,000 / \$1.02 = \$980,000$
- **Company will be \$20,000 worse off**
 - But what if the dollar appreciated to \$1/¥1.05 on 1/24/2015?
 - Only \$952,381 would have been realized

Forward Option Contracts

- **Foreign option contract allows holder to walk away from a forward contract**
 - Advantages
 - Option not to exercise contract
 - Provides the customer with unlimited protection
 - Risk is amount paid for the premium
 - Customer is able to participate in favorable market movements in the spot rate
 - Disadvantages
 - Customer pays a premium up front
 - Most expensive financial tool

Foreign Exchange: Products & Tools

- **AC Industrial sold industrial equipment to a Japanese company for ¥1,000,000 with payments due 90 days from delivery (1/24/ 2015)**
- **AG enters a foreign option contract with their bank to sell ¥1,000,000 for dollars on the target date**
 - Spot rate today is USD/JPN = \$1/ ¥100.0
 - Forward option contract strike price for 90 day delivery = USD 1/JPN = ¥ 102.0
 - Question:
 - If the spot rate on January 24, 2015 is USD/JPN = ¥101.5, what should AC Industrial do?

FX Options Contract

- **AC Industrial should use option not to execute contract**
- **Executing contract would yield:**
 - Exchanging ¥1,000,000 at spot rate on January 24, 2015 = \$980,000
 - Exchanging ¥1,000,000 at contracted forward rate on January 24, 2015 = \$985,221

Understanding U.S. and Foreign Regulation and Taxes

- 1. U.S. Export regulations**
- 2. Export reporting/record keeping requirements**
- 3. Tariffs and taxes**
- 4. Foreign regulatory requirements**

U.S. Export Regulations

- **All products exported from the U.S. and its territories must comply with U.S. export regulations**
 - Export Administration Regulations (EAR)
- **The U.S. Government is interested in knowing:**
 - Who is importing the product?
 - What item is being exported?
 - Where is the export going?
- **Products restricted by the government are listed on the Commerce Control List**
 - Assigned a Export Control Classification Number (ECCN)
- **All other products not listed are free to be exported without a license**
 - EAR99 is a default ECCN for these products

U.S. Export Regulations

Agency	Bureau	Responsibilities
U.S. Department of Commerce	Bureau of Industry & Security	<ul style="list-style-type: none">Controls exports of products & technologyDenied persons/ company list
U.S. Department of the Treasury	Office of Foreign Asset Control	<ul style="list-style-type: none">Enforces U.S. trade sanctions
U.S. Department of State	Director of Defense Trade Controls	<ul style="list-style-type: none">Military/defense exportsInternational Traffic in Arms Regulations (ITAR)
U.S. Customs and Border Protection	Enforcing U.S. regulations at port of exit	<ul style="list-style-type: none">AES Direct



Bureau of Industry and Security

U.S. Department of Commerce
Where Industry and Security Intersect

Search...

BIS

Regulations

Licensing

Enforcement

Compliance & Training

Policy Guidance

Add'l Programs

Reform



Temporary Denial Order Issued for Illegal Export of Crime Control items to Russia and China



Request for Public Comment on the Requirements of the Export Administration Regulations



Temporary Denial Order Issued for Illegal Export of Crime Control items to Russia and China



OEE Special Agents Recognized by the Secretary of Commerce

You like to...

See list below:

Export Counselor



ENTER

In The News



BIS Newsroom

Consolidated Screening List



The following list may be relevant to your export or reexport transaction

Export Portal

Export Control Reform

Report Violations

A key in determining whether an export license is needed from the Department of Commerce is knowing whether the item you intend to export has a specific Export Control Classification Number (ECCN). The ECCN is an alpha-numeric code, e.g., 3A001, that describes the item and indicates licensing requirements. All ECCNs are listed in the [Commerce Control List \(CCL\)](#) (Supplement No. 1 to Part 774 of the EAR) which is available on the Government Printing Office website. The CCL is divided into ten broad categories, and each category is further subdivided into five product groups.

Commerce Control List Categories

0	Nuclear & Miscellaneous
1	Materials, Chemicals, Microorganisms and Toxins
2	Materials Processing
3	Electronics
4	Computers
5 Part 1	Telecommunications
5 Part 2	Information Security
6	Sensors and Lasers
7	Navigation and Avionics
8	Marine
9	Aerospace and Propulsion

Five Product Groups

A	Systems, Equipment and Components
B	Test, Inspection and Production Equipment
C	Material
D	Software
E	Technology

If your item falls under U.S. Department of Commerce jurisdiction and is not listed on the CCL, it is designated as EAR99. EAR99 items generally consist of low-technology consumer goods and do not require a license in many situations. However, if you plan to export an EAR99 item to an embargoed country, to an end-user of concern, or in support of a prohibited end-use, you may be required to obtain a license.



Bureau of Industry & Security

BIS: Responsible for controlling exports related to U.S. security

- Technology
 - Encryption
 - Dual use items
 - “Deemed Exports
-
- **ECCN Numbers control any product fitting these categories.**
 - **Product with an ECCN number may need an export license**
 - **Products with ECCN number: Check Country control chart**
 - **Export licenses can be applied for on-line via SNAP System**

Commerce Country Chart

Reason for Control

Countries	Chemical & Biological Weapons			Nuclear Nonproliferation		National Security		Missile Tech	Regional Stability		Firearms Convention	Crime Control			Anti-Terrorism	
	CB 1	CB 2	CB 3	NP 1	NP 2	NS 1	NS 2	MT 1	RS 1	RS 2	FC 1	CC 1	CC 2	CC 3	AT 1	AT 2
Afghanistan	X	X	X	X		X	X	X	X	X		X		X		
Albania ^{2,3}	X	X		X		X	X	X	X							
Algeria	X	X		X		X	X	X	X	X		X		X		
Andorra	X	X		X		X	X	X	X	X		X		X		
Angola	X	X		X		X	X	X	X	X		X		X		
Antigua & Barbuda	X	X		X		X	X	X	X	X	X	X		X		
Argentina	X					X	X	X	X	X	X	X		X		
Armenia	X	X	X	X		X	X	X	X	X		X	X			
Aruba	X	X		X		X	X	X	X	X		X		X		
Australia ³	X					X		X	X							
Austria ^{3,4}	X					X		X	X			X		X		
Azerbaijan	X	X	X	X		X	X	X	X	X		X	X			
Bahamas, The	X	X		X		X	X	X	X	X	X	X		X		

Bureau of Industry & Security

- **All exporters need to check the Denied Parties List**
 - Regardless of product
- **DPL = A consolidated list which includes several other controlled parties lists**
- **DPL includes individuals or companies in the U.S. or overseas with whom U.S. companies are prohibited from doing business.**
- **Many freight forwarders offer screening services**



Bureau of Industry and Security

U.S. Department of Commerce

Where Industry and Security Intersect

BIS ▾ Regulations ▾ Licensing ▾ Enforcement ▾ Compliance & Training ▾ Policy Guidance ▾ Add'l Programs ▾ Reform

Parties of

es of Concern

ons List

st

Screening List

The Denied Persons List

Note: Where the Expiration Date is blank the denial order has no expiration.

[Recent Changes Page](#) | [Return to Previous Page](#)

Last Modified: October 7, 2014

Name and Address	Effective Date	Expiration Date	Type of Denial
	11/30/-0001		Non Standard
Appropriate <i>Federal Register</i> Citations:			
3K AVIATION CONSULTING & LOGISTICS BINICILER APT. SAVAS CAD. NO. 18/5 SIRINYALI MAH., ANTALYA, TR, 07160	07/01/2014	12/27/2014	Standard
Appropriate <i>Federal Register</i> Citations: 79 F.R. 1823 1/10/14, 79 F.R. 38489 7/8/14			
3K AVIATION CONSULTING & LOGISTICS SONMEZ APT. NO. 4/5 1523 SOKAK SIRINYALI MAH., ANATLYA, TR, 07160	07/01/2014	12/27/2014	Standard
Appropriate <i>Federal Register</i> Citations: 79 F.R. 1823 1/10/14, 79 F.R. 38489 7/8/14			
3K HAVACILIK VE DANISMANLIK SAN. TIC. LTD. ST. BINICILER APT. SAVAS CAD. NO. 18/5 SIRINYALI MAH., ANTALYA, TR, 07160	07/01/2014	12/27/2014	Standard

Bureau of Industry & Security

All U.S. exporters are expected to do diligence when exporting

Red flags:

- **Name of customer similar to a name on Denied Persons List**
- **Product purchased does not fit line of the business**
- **Customer does not have experience to use a product**
- **Customer offers to pay cash for expensive transaction**
- **Customer uses a freight forwarder's address as final delivery point**
- **Customer vague about use of product**

Exporter Reporting & Record Keeping Requirements

U.S. exporters are expected to:

- **Keep good records of their exports**
- **Establish systems and procedures to assure export compliance**
- **Export audits are rare, but can be very expensive**
- **Best defense is a good offense**

The First Question Asked:

- **May we see a copy of your export/import record keeping/ compliance manual?**
- **Absence of documented standards and procedures will insure a much longer and costlier visit.**

10 Requirements for Compliance

- 1. Formal statement of management commitment to export compliance**
- 2. Demonstrating specific knowledge of import or export regulations.**
- 3. Having a manual covering procedures and required documents for export compliance.**
- 4. Having a product directory of HS codes, ECCN numbers, and SNAP submissions to document relevant classifications**
- 5. Develop a standard set of record keeping procedures**
- 6. On-going staff compliance training**

10 Requirements for Compliance

- 7. Understand restricted party screening requirements and establish procedures for referencing lists**
- 8. Conduct periodic audits/ tests of system**
- 9. Voluntarily report any violations**
- 10. Conduct an annual review of procedures**

Penalties

- **Criminal Penalties**

- Companies: Maximum fine is 5 times the value of the export of \$1 million, whichever is higher
- Individual: Fines of up to \$250,00 and 10 years in prison
- Penalties higher if infraction is intentional vs. inadvertent

- **Civil Penalties**

- Violations of EAR Regulations = \$250,000

Tariffs, Taxes, and Regulations

Other countries control what can be imported into their countries

- **Control is exercised through:**
 - Import tariffs
 - Additional taxes
 - Import Quotas
 - Regulatory barriers

Tariffs, Taxes, and Regulations

What do I need to know about tariffs?

- **Most nations have standard tariffs for all nations**
 - Determined by the Harmonized Code
- **Tariffs are collected at the time of customs clearance**
- **Tariffs increase the cost of your products**
- **Trade treaties can help or hurt U.S. exporters**
 - Tariff advantage for countries with U.S. trade treaties
 - Tariff disadvantage for countries with trade treaties with other nations
- **Important to calculate tariff when pricing your product to your foreign customer**
 - I.e. what is their actual cost?

Tariffs, Taxes, and Regulations

Where do I find out about tariffs and taxes?

- **Country Commercial Guide (DOC) lists most additional national taxes** www.export.gov
- **Information about tariffs and links to specific country tariffs found at**
 - http://export.gov/logistics/eg_main_018130.asp
 - FTA Tariff tool
 - Other country-specific tariff sources
 - How VAT taxes work
- **Foreign customs agencies “Tariff Schedules”**
 - Some, such as South Korea, have English version

Tariffs, Taxes, and Regulations

- **Extra planning is required if regulatory approval is a condition for entry**
 - May be time consuming and/ or expensive
 - Importers may have knowledge/ be willing to provide assistance
- **Foreign Standards and Certification Information**
 - http://www.export.gov/regulation/eg_main_018220.asp
- **U.S. trade treaties often simplify, reduce, or eliminate regulatory barriers**
- **Food products face regulatory control globally**
 - Supply chain integrity
 - Food safety
 - Initial shipments may be complicated, but rarely for subsequent shipments, once established

Export Documentation

- **Harmonized Code Classification System**
- **INCOTERMS**
- **Basic export documentation**
 - The documents
 - Who prepares what?

What is a Harmonized Code?

Harmonized System (HS) Number:

- Numerical classification system that identifies all traded products
- U.S. joined 60 nations in adopting the Harmonized Commodity Description and Coding System (HS) in 1989
- Nearly universal today

Harmonized Code System



Harmonized Code System Structure

- Over 8,000 different HS numbers
- All products are described by a unique 10-digit number that is broken down by chapter, heading, subheading and commodity code
- Coding in other countries may have only 8 or 6 digits maximum
- Each nation free to set codes beyond six digits

Harmonized System Structure



- **HS Sections & Chapters**
- **Chapter: incorporates 1st two digits of HS Number**
- **97 chapters divided into 22 Sections**
- **Begins with Chapter 1 – Live Animals**
- **Ends with Chapter 97 – Works of Art**
- **Chapter 98 & 99 are reserved for special use**



Harmonized System Number Structure

Code	Definition
90	Commodity <u>Chapter</u> : “Optical, Scientific, Medical Equip”
9032	Commodity <u>Heading</u> “Automatic regulation/ control instruments.”
903210	Commodity <u>Sub-heading</u> “Thermostats”
9032100000	Commodity <u>Code</u> “Wall Mounted Thermostats ”

HS Classification Example

How do we classify soup?

- **Look at Food Sections**
 - Meat? Fish? Vegetables and fruit?
 - Prepared foods (Section 4)
- **Section IV - PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES**
 - Chapter 16: EDIBLE PREPARATIONS OF MEAT, FISH, CRUSTACEANS ETC
 - Chapter 17: SUGARS AND SUGAR CONFECTIONARY
 - Chapter 18: COCOA AND COCOA PREPARATIONS
 - Chapter 19: PREP CEREAL, FLOUR, STARCH OR MILK; BAKERS WARES
 - Chapter 20: PREP VEGETABLES, FRUIT, NUTS OR OTHER PLANT PARTS
 - Chapter 21: MISCELLANEOUS EDIBLE PREPARATIONS
 - Chapter 22: BEVERAGES, SPIRITS AND VINEGAR
 - Chapter 23: FOOD INDUSTRY RESIDUES & WASTE; PREP ANIMAL FEED
 - Chapter 24: TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES

Chapter 21: Miscellaneous Food Preparations

- 2101 Extract Of Coffee ,Etc.
- 2102 Yeasts; Baking Powder
- 2103 Other sauces and preparations, condiments
- 2104 Soup, broth, and other preparations
- 2105 Ice cream
- 2106 Other food preparations

HS Classification Example

21.04 - Soups and broths and preparations therefor;

homogenized composite food preparations:

- 2104.10 - - Soups and broths and preparations therefor:
- 2104.10.0020 - - - Dried kg
- Other Soups:
- 2104.10.0040 - -Based on fish or other seafood-k
- 2104.10.0060 - - - - Other soups-kg

- **Remember to look at notes in front of each chapter**

What are the uses of a Harmonized Code?

Harmonized Codes are:

- Required for international documentation
- Used to determine foreign tariffs, taxes & duties
- Used in determining foreign regulations & quotas
- Used to determine product trade flows & international market research

Harmonized System Structure



What are the commodity codes for the U.S.?

- **Schedule B for Exports**
 - Classify exports & administered by the U.S. Census Bureau
 - <http://www.census.gov/foreign-trade/schedules/b/>
- **Harmonized Tariff Schedule for Imports**
 - Classify imports & administered by the U.S. International Trade Commission (USITC)
 - <http://www.usitc.gov/tata/hts/bychapter/>

U.S. Census Bureau

FOREIGN TRADE STATISTICS

[FTD Links] Select a topic and click GO. Go

MAIN: [A.E.S.](#) | [Reference](#) | [Regulations](#) | [Statistics](#) | [Feedback](#) | [Search](#)

USA Trade Online
On time. On demand. Online.

Schedule B Export Codes

Contents:

- [About Schedule B codes...](#)
- [Browse](#)
- [Search](#)
- [Download](#)
- [Obsolete](#)
- [Schedule B FAQs](#)

FTD Web News

EXPORT COMPLIANCE SEMINAR

- The export environment has dramatically changed. Come and understand what it takes to remain compliant, aware and out of trouble.
- [Feb. 20, 2008: Portland, OR](#)

2003 AES Option 4 Moratorium

[Option 4 Filing Review Process Suspended](#)

2008 RELEASE DATES

- [FT900: U.S. International Trade in Goods and Services](#)
- [FT900A: U.S. Imports for Consumption of Steel Products](#)

About Schedule B Codes...

There are millions of trade transactions occurring each year. These transactions are classified under approximately 8,000 different products leaving the United States. Every item that is exported is assigned a unique 10-digit identification code. Every 10-digit item is part of a series of progressively broader product categories. For example, concentrated frozen apple juice is assigned a 10-digit identifier that is aggregated into a broader

INCOTERMS

Another Essential Term

What is an INCOTERM?

- **CIF Singapore-What does this term mean?**
 - Cost + Insurance + Freight from U.S. port to Singapore
 - Seller pays for shipment from loading dock to Singapore and transportation insurance
- **CIF is an INCOTERM**
- **INCOTERMS = Commercial term defining the respective obligations/responsibilities between a seller and a buyer in the context of international trade.**
- **Setting INCOTERMS is an integral part of the sales process**
- **INCOTERMS 2010, International Chamber of Commerce**

INCOTERMS

After Buyer/Seller Agree on product price, INCOTERMS determine who is responsible for **arranging**:

- Transportation? (Up to what point)?
 - Insurance for the shipment?
 - Selecting the freight forwarder, carrier, and customs broker?
 - Preparing which documents?
-
- Who is responsible for **paying for transportation**/up to what point?
 - Who **assumes risk** for the shipment? At what point does risk transfer?

The Eleven Incoterms

- **By Mode of Transportation**
- **Applicable to all forms of transportation**
- **EXW - EX Works**
- **FCA - Free Carrier**
- **CPT - Carriage Paid To**
- **CIP - Carriage & Insurance Paid To**
- **DAT-Delivered at Terminal**
- **DAP-Delivered at Place**
- **DDP - Delivery Duty Paid**
- **Applicable only to sea freight**
- **FAS - Free Alongside Ship**
- **FOB - Free on Board**
- **CFR- Cost and Freight**
- **CIF - Cost, Insurance & Freight**
- **By Point of Transportation**
- **Group E Departure**
- **EXW - EX Works**
- **Group F Main Carriage Unpaid**
- **FCA - Free Carrier**
- **FAS - Free Alongside Ship**
- **FOB - Free on Board**
- **Group C Main Carriage Paid**
- **CFR- Cost and Freight**
- **CIF - Cost, Insurance & Freight**
- **CPT - Carriage Paid To**
- **CIP - Carriage & Insurance Paid To**
- **Group D Arrivals**
- **DAT-Delivered at Terminal**
- **DAP-Delivered at Place**
- **DDP - Delivery Duty Paid**

INCOTERMS & Guam

- **E- Group: Ex-Works**
 - Often difficult for importer to arrange
 - No control over export documentation/ destination
- **F Group:**
 - FCA for air cargo and containerized sea cargo
 - FAS + FOB for break bulk cargo
 - Exporter does not have control of U.S. Customs EEI filing
- **C Group**
 - CPT + CIP for air cargo + containerized cargo
 - CFR + CPT for break bulk cargo-
 - C Group:
 - Good for exporters since they hire and control freight forwarder
 - Facilitates responsibility for due diligence and filing CCI
 - Receipt of bill of lading good for documentary collections

INCOTERMS & Guam

- **D- Group:**
 - Exporter has responsibilities beyond port of entry
 - DDP can be a problem
 - Exporter may need to be “Importer of record”

Incoterms Conclusion

- Banker & forwarder can help identify the correct Incoterm for payments requiring certain documents
- Consult the *ICC Guide to Incoterms 2010*
- Use an Incoterm 2010 for every transaction
- <http://www.iccwbo.org/incoterms/>

International Documentation

International Documentation

- **Paperwork Required for Export Sales Transaction**
- **Provides Key Information**
 - Description of the goods
 - Mode of transport
 - Terms of sale
 - Origin of the goods
 - Identity of seller, buyer & shipper
 - Shipping instructions, etc.

International Documentation

- **Each Country Requirements are Different**
 - Laboratory tests
 - Safety tests
 - EU Declaration of Conformity
 - Certificate of Free Sale
 - Phyto-sanitary Certificates
- **Also Different Quantities of Documents**



International Documentation

- **International Documentation is Exact**
- **Mistakes Can be Costly**
 - Delayed delivery
 - Non-compliance with letters of credit
 - Warehousing charges



International Documentation

We will look at export documentation in terms of flow:

- Pre-sale documentation
 - By Export + Importer
- During the sale documentation
 - Exporter
 - Freight Forwarder

Documentation Flow Before Sale

- Formal quotation (Exporter)
- Pro forma invoice (Exporter)
- Purchase order (Importer)

Documentation During Sale

By Exporter:

- **Commercial Invoice (seller)**
- **Consular Invoice (seller generally)**
- **Packing List (seller)**



Documentation During Sale

By Forwarder:

- **Electronic Export Information**
 - Formally known as a Shipper's Export Declaration (SED)
- **Certificate of Origin (or exporter)**
- **Shipper's Letter of Instruction (Shipper to Forwarder)**



Documentation During Sale

By Forwarder (continued):

- **Bill of Lading**
- **Ocean & airway bill of lading**
- **Dock Receipt**
- **Insurance Certificate**



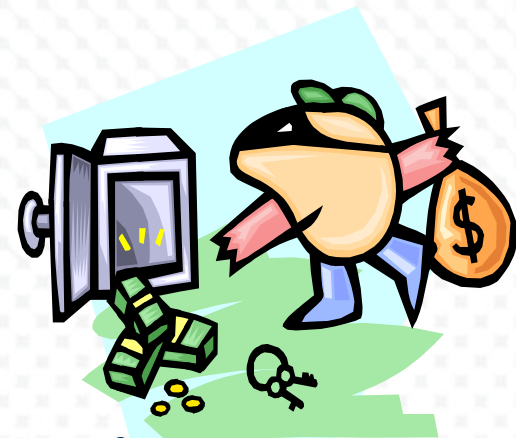
Formal Quotation

- **Usually 1st Step of Export Transaction**
 - Document used to follow up buyer RFQ
 - Formal Quotes are NOT Required
 - Quotation Serves Two Purposes
 - Confirms selling price
 - Clarifies various other costs buyer will pay



Formal Quotation

- **Any Format – letter, fax, & email**
- **Detailed Information for Potential Buyer**
- **Unknown Requests for Quotation**
 - Get background information
 - Clarify intentions (BIS)
 - Beware of the competition!!!



Pro Forma Invoice

- **Prepared by Seller for Buyer**
- **Serves as a Formal Quotation**
- **Model that Buyer May Use When:**
 - Applying for an import license, L/C
 - Contracting pre-shipment inspection
 - Arranging for funds



Pro Forma Invoice

Information Included in the Pro Forma:

- Buyer's & seller's name and address
- Ship-to-party
- Description of goods and quantity
- Prices of goods
 - Per unit and extended totals

Pro Forma Invoice

- **Pro Forma Information (cont.):**
 - **Weights and dimensions of products**
 - piece count when in cartons
 - net weight w/o cartons
 - gross weight in cartons
 - dimensions of each carton
 - **Commercial terms of sale (Incoterms)**



Pro Forma Invoice

- **Pro Forma Information (cont.):**

- Payment Terms
- Validity date
- Other related charges
 - Insurance
 - Transportation
 - bank charges
- 1st Date available for shipping



Purchase Order

Prepared by Importer(Buyer) for Exporter (Seller)

- **Confirmation of Terms**
- **Information Mirrors Pro Forma**

Documentation by Exporter During Sale

- **Commercial Invoice (seller)**
- **Consular Invoice (exporter generally)**
- **Packing List (seller)**



Commercial Invoice

Bill of Sale Between Buyer & Seller

- **Basis of the International Transaction**
- **Key document if using L/C**
 - Defines Trade and Payment Terms
 - Contains all Pertinent Transaction Information
- **Includes country Specific Requirements**



Commercial Invoice

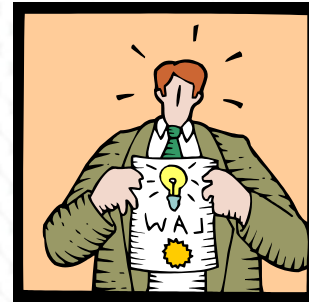
Commercial Invoice should Include:

- Description of merchandise, weight & measure
- Purchase price & currency use
- Terms of delivery & payment
- Buyer's & sellers information
- Port of entry
- Country of origin



Destination Control Statement

- Alerts carrier and foreign parties that item may be only exported to designated destination
- Statement Should Appear on:
 - Commercial Invoice, BOL, EEI
- Prevents Diversions Contrary to U.S. Law
- Evidence of Due Diligence



Sample: Destination Control Statement

- **Text of destination control statement:**
 - “These commodities, technology or software were exported from the United States in accordance with the Bureau of Industry and Security Regulations. Diversion contrary to U.S. law prohibited.”
- **Additional destination information:**
 - In addition to the destination control statement, an exporter or exporter's agent may supply additional information on the shipping documents, including the country(ies) to which export or re-export is authorized.

Commercial Invoice

Who Reviews the Commercial Invoice?

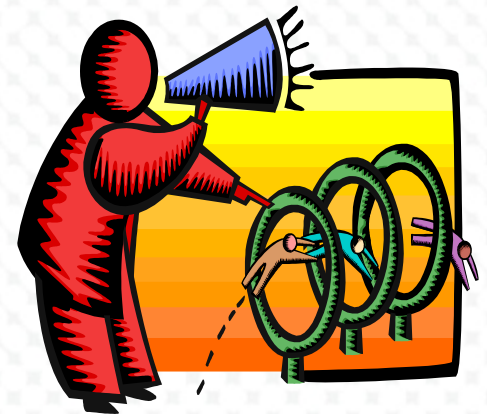
- Seller's forwarder
- Seller's & buyer's bank (L/C's)
- Buyer's customs broker
- Customs officer in country of import
 - Assess duties & regulations
- Buyer
 - Prove ownership & make payment



Consular Invoice

Items Included in Consular Invoice depends on importing country

- Import license and number
- Currency & rate of exchange
- Inspection information
- Bill of lading number



Export Packing List

Itemizes Materials in Each Package

- **Shows the Weights:**
 - Individual, net, tare, and weights
 - U.S. and metric standards
- **Package Markings**
- **Shippers & Buyers Reference**



Export Packing List



- **How export packing list is used:**
 - Determine total shipment weight
 - Determine correct cargo is being shipped
 - Inspect the cargo by custom officials
- **Standard format exists through commercial stationers, but exporter's own form is acceptable**

Shipper's Letter of Instruction

- **Letter from Shipper (exporter) to Forwarder**
 - How and where to send the product
 - Provides Forwarder with essential information for filing the EEI



Documentation- Forwarder

- **Documentation by Forwarder During Sale**
 1. Electronic Export Information (EEI)
 2. Certificate of Origin
 - General
 - U.S. Free Trade Agreement Partners

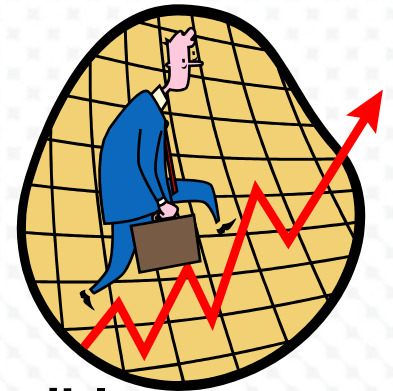
Documentation- Forwarder

- **Documentation by Forwarder (cont.)**
 3. Ocean bill of Lading
 4. Airway bill of lading
 5. Dock Receipt
 4. Insurance Certificate
 5. Inspection Certificate

Electronic Export Information (EEI)

EEI authorizes the Export of Freight:

- **Used by the U.S. Government to:**
 - Control exports
 - Compile trade statistics
- **Forwarder Submits to U.S. Customs if**
 - Commodity value is greater than \$2500
- **Forwarder completes EEI, but exporter is responsible**
- **EEI is filed electronically with the U.S. Census Automated Export System (AES)**



Bill of Lading

Bills of Lading – Three Types

- Inland bill (To the port of exit)
- Ocean bill of lading
- Airway bill of lading

Inland Bill of Lading

- **First transportation document of shipment**
 - Provides information on product shipped
 - Marks and numbers
 - Name/address of international carrier

Ocean Bill of Lading

- **Issued by Carrier and Serve Three Purposes:**
 - Receipt for cargo
 - Contract of transportation of goods
 - May serve as document of title
 - Negotiable
 - Non-negotiable or straight bills



Airway Bill of Lading

- **Airway Bill of Lading**
 - Prepared by forwarder on airline form
 - Contract between exporter & airline
 - Receipt for cargo in transit \neq title
 - Airway bill is never negotiable



Certificates of Origin

Customs authorities need to know the origin of an imported good

- Determines tariff's, quotas, and applicable regulations
- For products imported under a free trade agreement, confirms eligibility of product for:
 - Reduced or zero tariffs
 - Preferential regulatory compliance

Certificate of Origin

Generic Certificate of Origin (COO)

- **Signed Statement of Export Product's Origin**
 - Should be provided by manufacturer
 - Certified by a chamber of commerce
 - Monitors import tariffs and quotas
- **No Specific Form for Generic COO**
 - Beware of country specific regulations!

Certificate of Origin

Source to determine of COO is required:

- www.export.gov
 - Country Commercial Guide – Marketing US Product and Services section
 - Country Commercial Guide – Trade Regulations and Standards section

Certificates of Origin U.S. Trade Treaty Partners

Preferential tariff access for U.S. goods:

- **Each Treaty has an annex governing preferential treatment**
- **Some treaties require a Certificate of Origin Form or simply to prove content if audited**
- **Auditing requirements vary by partner country**
 - E.G.-Australia = 5 years

KOREA-US FTA Agreement

ARTICLE 6.1: ORIGINATING GOODS

Except as otherwise provided in this Chapter, each Party shall provide that a good is originating where it is:

- (a) A good wholly obtained or produced entirely in the territory of one or both of the Parties;
- (b) Produced entirely in the territory of one or both of the Parties and
 - (i) Each of the non-originating materials used in the production of the good undergoes an applicable change in tariff classification specified in Annex 4-A (Specific Rules of Origin for Textile or Apparel Goods) or Annex 6-A, or
 - (ii) The good otherwise satisfies any applicable regional value content or other requirements specified in Annex 4-A or Annex 6-A, and the good satisfies all other applicable requirements of this Chapter; or
- (c) Produced entirely in the territory of one or both of the Parties exclusively from originating materials.

Certificates of Origin

U.S. Trade Treaty Partners

- **All U.S. Trade Treaties have content requirements**
 - Listed in each treaty annex

1. Substantial Transformation

- Example:
 - Breads, pastries and cakes - HS # 1905.90
 - Non-Originating Input: Wheat flour - Europe - HS # 1101.00
 - From Annex Rules of Origin
 - “A Change to heading 1905 from any other chapter”

2. Regional Value Content

- U.S. content must reach a certain percentage
 - Net Cost Method-based on value of originating vs. non-originating materials
 - Transaction value method-Includes other costs + originating materials

ARTICLE 6.2: REGIONAL VALUE CONTENT

1. Where Annex 6-A specifies a regional value content test to determine whether a good is originating, each Party shall provide that the importer, exporter, or producer may calculate regional value content based on one or the other of the following methods:

(a) Method Based on Value of Non-Originating Materials (Build-down Method)

$$RVC = \left[(AV - VNM) / AV \right] \times 100$$

(b) Method Based on Value of Originating Materials (Build-up Method)

$$RVC = (VOM / AV) \times 100$$

where, RVC is the regional value content, expressed as a percentage; AV is the adjusted value of the good;

VNM is the value of non-originating materials, other than indirect materials, acquired and used by the producer in the production of the good; VNM does not include the value of a material that is self-produced; and

Criterion B

Substantial Transformation Criterion

- **Substantial Transformation Example:**
 - Products:
 - Breads, pastries and cakes - HS # 1905.90
 - Non-Originating Input:
 - Wheat flour - Europe - HS # 1101.00
 - Ruling: Annex 401 Rules of Origin: “A Change to heading 1905 from any other chapter.”

Company Letterhead
Australia-United States Free Trade Agreement (AUSFTA)
STATEMENT OF UNITED STATES ORIGIN

I _____ of (name of company) in the United States of America hereby state that the goods supplied to (Australian importer's name) and described below are US originating goods as defined in Section 153YE of the *Customs Act 1901* (and in paragraph 5.1 (b) of AUSFTA) as they are produced entirely in the US, or entirely in the US and Australia, and contain non-originating materials.

The non-originating materials:

- meet the requirements of the product specific rules of origin in the Schedule 1 Tariff table in the *Customs (Australia-US Free Trade Agreement) Regulations 2004* (and in Annex 5A of AUSFTA), **AND / OR**
- satisfy the de minimis requirements in Section 153YE of the *Customs Act 1901* (and in Article 5.2 of AUSFTA)

The applicable product specific rule of origin is:

Example only, replace with the actual rule for the product imported

8419.81	Either: (a) a change to subheading 8419.81 from any other heading; or (b) a change to subheading 8419.81 from subheading 8419.90, whether or not there is also a change from any other heading, provided that there is a regional value content of not less than 35 percent based on the build-up method or 45 percent based on the build-down method. <u>Where there is more than one option, identify which rule has been satisfied</u>
---------	--

Description of Goods

Model/Product No. (if applicable)

Harmonized Tariff
Classification (6 digits)

This statement applies to the goods above that are supplied on and from (specify date in DD/MM/YYYY format). I agree to maintain and present on request, documentation necessary to support this statement. I further agree to inform, in writing, all persons to whom this statement was given of any changes that could affect the accuracy or validity of this statement.

Signed by:

Position in Company:

Contact Details:

Other Provisions

- ***De Minimis* Provision**
 - Beneficial to exporters.
- **Advance Rulings on content available from respective governments to treaty**
- **Check import duty for country ahead of time**
 - Some may be zero

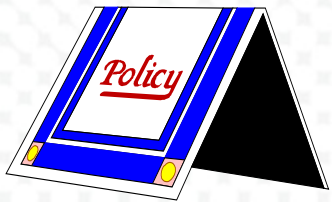
Dock Receipt

- **Inventory Control for Ocean Carrier**
 - Non-negotiable receipt verifies delivery
 - Prepared by forwarder, given to inland carrier, then to ocean carrier, finally back to forwarder.
 - Will not receive copy unless you ask



Insurance Certificate

- **Usually Secured by Forwarder**
- **Coverage for Shipping Losses Only**
 - Does not cover payment risk
 - Usually for 110% CIF
- **Important Because Things Go Wrong!**



Inspection Certificate

- **Required by Some Buyers or Import Country**
 - Ensures goods conform with import country laws
 - Use pro forma to secure inspection
- **Completed by Pre-Shipment Organization**
 - Physically inspects the goods
 - Check prices to see if reasonable
 - Verify final invoice



International Logistics

International Logistics

- **International transportation has evolved substantially over the last several decades**
 - Containerization (1950's)
 - Inter-modalism
 - Communications technology
- **Easier to move a product internationally than any time in the past**
- **Lower cost of shipping a major factor in growth of international trade**

International Logistics

- **International logistics still remains a problem area for many exporters**
 - Insufficient attention-More than just moving boxes
 - Lack of knowledge about shipping options
 - Shipping risk remains
 - Can result in non-payment (L/C's)
- **More business is lost due to poor logistics planning**
 - International customers demand service/ predictability
 - Delivery is key to keeping customers
 - Lowest cost shipping is a competitive advantage

International Logistics Process

Goal is to move product from the seller's location to a buyer abroad:

- **International trade consists of more than a seller and a buyer**
- **Involves a number of external organizations strategically important due to implications on cost and delivery**

Logistics Players

- **The Seller & Buyer**
- **Freight Forwarder/Consolidator**
- **Transportation Carriers**
- **Customs Broker**
- **Government Agencies**

Seller and Buyer

- **Critical need: Agreement needed between buyer & seller over the operational details of their transaction – beyond the actual cost of the product**
- **Agreement is also a definition of responsibilities**
 - Shipping costs
 - Transportation Risk
 - Transfer of title
 - Legal jurisdiction

Seller and Buyer

Total Agreement is needed to determine:

- Sellers responsibility for service providers
- Buyer's responsibility for service providers
- **Transportation costs normally the responsibility of the seller**
 - Depends on the INCOTERM used
 - Transport costs normally included in commercial invoice
 - Any overlooked costs normally fall to the exporter

Seller and Buyer

- **My product's delivered at (options):**
 - My loading dock
 - Some U.S. port (on the quay or on the ship)
 - Some foreign port
 - My customer's loading dock
 - INCOTERMS: costs, risk & responsibility
- **Timing of title transfer (Commercial invoice)**
- **Who pays for transportation insurance?**
 - Remember only two INCOTERMS address insurance
- **Agreement on delivery schedule**

The Freight Forwarder

- **Freight forwarder**
 - Party that makes arrangements to transport of goods to foreign locations
 - Expertise in global logistics
 - Will know advantages vs. disadvantages of different routes & shipping options
 - Essentially your product's travel agent

Freight Forwarder Services

Basic Responsibilities:

- **Identifies and negotiates freight rates**
- **Books space with carrier**
- **Arranges pre-carriage, main and onward-carriage**
- **Provides warehouse and storage needs**
- **Provides insurance under a master policy**

Freight Forwarder Services

Basic responsibilities:

- **International communications**
 - Alerting buyer of shipment status
- **Prepares/reviews documents for accuracy and completeness**
- **Distributes documents involved (shipper, bank, buyer)**
- **Acts as exporter's agent**
 - Authorized through power of attorney, to arrange and transport international shipments from your facility to the foreign port of entry or beyond

Freight Forwarder Services

- **May arrange clearance:**
 - Import shipments through customs at the US port of import (if also a licensed Customs Broker)
 - Export shipments at the foreign port of import
- **Verifies compliance with U.S. and foreign legal requirements**
 - Packaging, labeling, NOM, CE, etc.
- **Consular regulations**
- **Break-bulk, consolidation**

Freight Forwarder Selection

Selection Criteria:

- Location
- Sufficient operating hours
- Experience with your product
- Financial stability and reputation
- Favorable credit terms
- National Customs Brokers & Forwarders Association of America:

www.ncbfaa.org

Ocean Transportation

Two sets of Ocean Transport Companies

- **Vessel-Operating Common Carriers (VOCC)**
 - Operate their own fleet of ships
 - Required to keep tariffs (its rates, charges, classifications, rules, and practices between all points or ports) open for public inspection
- **Non-Vessel-Operating Common Carriers (NVOCC)**
 - Consolidating independent shipments (LCL) to full container loads
 - Moves multiple shipments under one bill of lading

Consolidators

Freight Consolidation

- **Consolidators get special rates from carrier]**
 - Cheaper for smaller shipments
- **Risk: Missing shipping date because container is not full**

Air Freight Transportation

Primary five types of firms:

- **Combination carriers**
- **All-cargo airlines**
- **Air freight consolidators**
- **Integrators**



Customs Brokers

- **Normally hired by importer**
 - Exception “D” Group INCOTERMS
- **Licensed in importing country**
- **Will review for completion all documentation and cross check with product**
- **Should be fully aware of all importing requirements for your product in that country**
- **Should inform your customer of all importing requirements.**

Government Agencies

U.S. Agencies:

- U.S Customs and Border Protection,
 - Bureau of Industry and Security,
 - Census Bureau
 - FDA, Fish & Wildlife, FTC
-
- **Customs Officials in country of import**
 - National customs agency + other regulatory agencies, as required

Packaging & Containerization

- **Intermodalism is the Key**
 - Standardized shipping containers lowered costs
- **Containerization Benefits**
 - Reduced costs because of increased capacity
 - Goods are handled only twice
 - Reduced pilferage



Ocean Containers

- **Standard Container Data - 40 foot container**
 - Cargo: even weight to cubic displacement ratio
 - Slightly more than 8' x 8.6' ~ 2,376 cubic feet
 - Weight limit is 60,350 pounds
 - Depends of mode of transport
- **Variety of specialized containers available**



Air Cargo Containers

Air Cargo Containerization



- **Lower deck containers**
 - Made of metal and to fit wide-body planes (wood, fiberglass, plywood)
- **Air cargo pallet**
 - Smaller aircrafts
 - Cargo secured to pallets by plastic, net or straps
- **Forwarder can consolidate air shipments for LCL**

International Packaging

- **Packaging is the Seller's Responsibility**
- **International Shipping is More Difficult**
 - Physical security of goods, marking of goods, country destination requirements
- **Method of Shipment & Destination**
 - Determines the selection of packing materials
 - Conform to the specifications required



International Packaging

- **Pack for the toughest leg of the journey!!**
 - Ships can move in 6 directions at once
 - 70 feet per roll & 7 – 10 times per minute
 - Heat, humidity, & moisture
 - Aircraft turbulence, altitude & temperatures



International Packaging

International Packaging Tips

- **Containers filled to capacity and sealed**
- **Distribute weight evenly in the container**
- **Packing goods on pallets ensures handling**
- **Moisture resistant packing material**
- **Don't put brand names on boxes**
- **Consider all costs before quoting**
 - Creating, insulation, dry ice, etc.



International Trade Centre
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Other Export Considerations

- **Co-mingling of goods**
- **Requirement: Treated pallets**

Freight Quote Essentials

What Costs Are Included in a Freight Quote?

- **Transportation costs**
- **Shipping insurance**
- **Handling or documentation fees**
- **Consular legalization (if needed)**
- **Fees for meeting terms of L/C**
- **Courier and other charges**



Freight Quote Essentials

Info the Forwarder Needs from the Shipper:

- **Description of goods to be shipped**
- **What are the goods?**
- **What are the quantities?**
- **Any special requirements?**
- **Value of the shipment**
- **Physical nature of freight**
 - Weight and dimensions of pieces and total



Freight Quote Essentials

Info the Forwarder Needs from the Shipper:

- **Preferred method of transportation**
- **Destination of shipment**
- **Terms of Sale (Incoterms)**
- **What is the exporter responsible for?**

Freight Quote Essentials

Ocean Freight:

- **Usually priced on cubic measure**
 - Especially when LCL
- **Extremely dense loads, weight can be used**
 - 1 cubic meter vs. 1000 kilo
- **May be cheaper to use whole container**



Freight Quote Essentials

Air Freight:

- **Airfreight's goal is to fill the plane to capacity**
- **International air freight is calculated differently**
- **Use a dimensional factor of 166 for dimensional wt.**
 - Sum of all dimensions in inches divided by 166
 - Use the largest between dimensional vs. actual

Freight Quote Essentials

Air vs. Ocean Freight:

- **Some forwarders specialize in only one mode**
- **Air is deregulated and rates can differ drastically**
- **Ocean rates are regulated and more constant**
- **Depends on shipper's needs and feasibility**
 - Speed vs. cost



Freight Quote Essentials

Destination is Also Important:

- **Freight Rates Depend on:**
 - Amount of traffic to that area
 - Frequency of carriers
- **Forwarders with Expertise in a Region**
 - Usually have found the most efficient routes



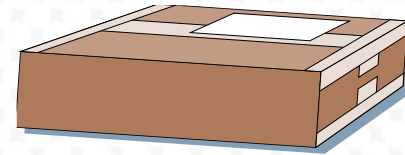
Freight Quotation Tips

- **Obtain Quotes from Multiple Forwarders**
- **Provide all the Necessary Information**
- **Request Quotes at Different Stages**
 - For example FOB, CIF, & DDP
 - Provides flexibility & assists customers



Freight Quotation Tips

- **Get Detailed Information from the Quote**
 - What shipping method will be used?
 - Did they assume a full container or LCL
- **Identify All Shipping Options**
- **Don't Wait Until the Last Minute**



Understanding the Export Scenario

Initial Contact With Foreign Buyer:

- **1. Request for a quote from potential buyer**
 - Can be a simple e-mail or more detailed request
- **2. Response should be Pro Forma Invoice which serves:**
 - As a quote
 - Provides essential information for the transaction

Next Steps

- 3. Importer should respond with a purchase order which should mirror the pro forma invoice:**
- 4. Once the deal has been sealed, both the exporter and importer have specific obligations**

Next Steps: Exporter's Responsibilities

Exporter responsibility under “INCOTERM CIF Singapore”

- A. Producing product as specified**
- B. Preparing export documentation**
 - Commercial invoice
 - Packing list + any special documentation
- C. Contacting freight forwarder to arrange shipping to Singapore and insurance, reflecting date stated in pro forma**
- D. Export License (if required)**
- E. Export Customs Clearance**

Next Steps:

Importer Responsibilities

Importer is responsible for:

1. Transportation beyond what is included in “CIF Singapore”

- Any Singapore land costs to importer
- Singapore importer must arrange this segment

2. Importer must also open a letter of credit based on Pro Forma

- May require depositing funds equal to the L/C with bank
- Bank transmits L/C/ information through banking system to exporter (beneficiary)
- Beneficiary must review L/C against pro forma and against production and shipping schedules to assure compliance

Next Steps; Importer Responsibilities

3. Importer must arrange for Singapore Customs clearance

- Normally, this involves hiring a licensed Customs Broker to formally clear import shipment
- Involves giving power of attorney to customs broker Important to select customs broker with experience clearing the type of product imported

Next Steps: Product Shipment

4. **Product is shipped through the port of exit in country of origin to Singapore.**
 - Shipping company will notify customs broker of pending arrival of shipment
5. **Customs Broker will file appropriate documents with Singapore Customs to clear product**
6. **Goods are formally cleared through Singapore Customs**
7. **Goods are released to importer for final shipment to importer location**

Next Steps: Product Shipment

Sequence may be complicated by the type of payment method used.

- Letters of credit and bank drafts require movement of documents through banking system before reaching customs broker
- Payment may need to be made before documents are provided by paying bank to customs broker

Questions?



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Thank you!

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