

International 101

“Saving on Shipping Costs”

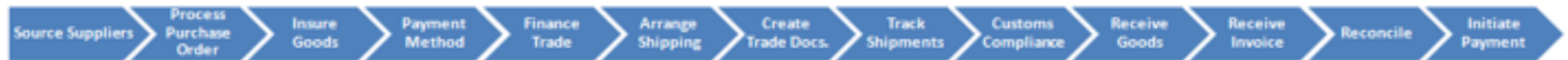
March 9, 2011



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LOGISTICS

Import/Export Process - Global Procurement to Payment

Import Process



Export Process



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Today's Focus

- ❑ INCOTERM Rules
- ❑ HARMONIZED TARIFF CODE
- ❑ SYSTEM LINKAGE/IMPORTANCE



Ignorance is not bliss.....



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INCOTERMS – What are these and why do I care?

- ✓ Incoterms are a set of rules – and in order to win, you need to understand the rules
- ✓ Incoterms 2010 – effective January 1, 2011. However parties to a contract for the sale of goods can agree to choose ANY version of the Incoterm rules. Introduced in 1936 – Incoterms 2010 is the 7th version.
- ✓ If you want the Incoterms 2010 rules to apply to your contract, you should make this clear in the contract, through such words as “[the chosen Incoterm rule including the named place, followed by] Incoterms 2010

Be precise – a good example “FCA 38 Cours Alber 1er, Paris, France Incoterms 2010”

INCOTERMS = **IN**ternational **CO**mmercial **TERMS**

✓ Rules **DO**:

Identify:

- Which party **to the sale contract** has the obligation to make carriage (transportation or insurance arrangements)
- When the seller delivers the goods to the buyer
- Which costs each party is responsible for

✓ Rules **DO NOT**:

Govern:

- Price to be paid or method of payment
- Transfer of ownership of goods
- Consequences of the breach of contract

(Disclaimer: mandatory local law may override any aspect of the sale contract, including the chosen Incoterm rule)

INCOTERMS 2010 vs. Previous Versions

- ✓ Only 11 rules (down from 13) - New rules DAT & DAP replace 2000 rules DAF, DES, DEQ & DDU
- ✓ 2010 rules formerly recognizes the rules are available for application to both international and NOW DOMESTIC sale contracts.
- ✓ Gives ELECTRONIC means of COMMUNICATION the same power as PAPER.
- ✓ Identifies obligations between the buyer-seller to obtain or render assistance in obtaining SECURITY related clearances (such as chain-of-custody information).
- ✓ Clearly allocates cost for charges.

Format of Rules

SELLER

- A1 General Obligations of the seller
- A2 License, Authorizations, Security Clearances
- A3 Contracts of carriage and insurance
- A4 Delivery
- A5 Transfer of risks
- A6 Allocation of costs
- A7 Notices to the 'buyer'
- A8 Delivery document
- A9 Checking – packaging – marking
- A10 Assistance with information and related costs

BUYER

- B1 General Obligations of the **buyer**
- B2 License, Authorizations, Security Clearances
- B3 Contracts of carriage and insurance
- B4 **Taking** Delivery
- B5 Transfer of risks
- B6 Allocation of costs
- B7 Notices to the '**seller**'
- B8 **Proof of** Delivery
- B9 **Inspection of goods**
- B10 Assistance with information and related costs

Compare FAS to FOB

- ✓ **Free Alongside Ship** – the main carriage is paid by the buyer. The seller must deliver the goods by placing them **alongside** the ship nominated by the buyer at the loading point.
- ✓ **Free on Board** – main carriage is paid by the buyer. The seller undertakes to place the goods **on board** the ship nominated by the buyer.

Compare CFR to CIF

- ✓ **Cost and FReight** – main carriage paid by seller. Seller arranges and pays for contract of carriage to the named **port of destination**
- ✓ **Cost Insurance and Freight** – in addition to the obligations of CFR (above), the seller also contracts for **insurance up to the named port of destination**.



Pop Quiz

Here's your export to Germany . The port operator of Norfolk VA just phoned to inform you of an unfortunate event - do you want your terms to be FAS Norfolk VA or FOB Norfolk VA?



Pop Quiz

Your risk management officer just informed you he did not secure insurance for the \$1,000,000.00 container that moved CIF Port of Rotterdam. Do you care?



The Chose is Yours...

Train your organization on Incoterms – the rules of the game are changing and also negotiable!



Today's Focus

✓ INCOTERMS Rules

☐ **HARMONIZED TARIFF CODE**

☐ **SYSTEM LINKAGE/IMPORTANCE**



HARMONIZED TARIFF CODES (HTS) – What are they and Why do I care?

- ✓ The Harmonized number system allows customs officials worldwide to speak the same language.
- ✓ The HTS identifies your product and therefore any obligations associated with your product. These include government regulations and licensing – FDA ATF Safety and – rate of Duty/Tax
- ✓ The HTS is also utilized in translating rules for country of origin for trade agreements (NAFTA, CAFTA, MFN, etc).
- ✓ The HTS may have quotas by product type.

Structure of the HTS

✓ The first 6 digits and its description are worldwide; the last 2 to 4 digits differ from country to country. So a product, Candy – confections, for example

- In Canada 1704.90.9050
- In Mexico 1704.90.99
- In USA 1704.90.3000

✓ First 2 digits = Chapter of the HTS

✓ First 4 digits = Heading of the HTS

✓ First 6 digits = Subheading of the HTS

Find your Harmonized Tariff Number

- ✓ www.census.gov/foreign-trade/
- ✓ Begin with a simple or general description and move to a more detailed or technical description
- ✓ Use the General Rules of Interpretation....



General Rules of Interpretation

- ✓ Classification based on wording of 4 digit heading
- ✓ Incomplete / unfinished articles treat as if finished
- ✓ Heading which is most specific. Heading of the material component giving the essential character. Heading which occurs last in numerical order
- ✓ Packaging & Containers: specifically shaped or fitted for repetitive use and represented with the good, classified with the good. Otherwise – on their own merit
- ✓ Rules 1-4 are used to determine the heading, repeat the process to determine the subheading

Rule 1: Classification Based on Wording of 4 Digit Heading

Your commodity: Bicycle Seats

- ✓ 9401 (4 digits = heading!) – seats other than those in the heading 9402 (medical type), whether or not convertible into beds and parts there of: (Duty 0%)
- ✓ 8714 – parts and accessories of vehicles of heading 8711 to 8713 (motorcycles, bicycles, carriages for disable) other: (duty 3.9%)
- ✓ SO – under the guidance of rule 1 – base your classification on the 4-digit heading in this sample 8714.

Rule 2: Incomplete/Unfinished Articles Treat as if Finished

Your commodity: Printed Foil Lids

- ✓ 7607 - Aluminum foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials) of a thickness (excluding any backing) not exceeding 0.2 mm (0.0079 inch):
 - ✓ 7607.11 – not backed; rolled but not further worked (duty 5.8%):
 - ✓ 7607.20 – backed (3.7%)
- ✓ 8309 - Stoppers, caps and lids (including crown corks, screw caps and pouring stoppers), capsules for bottles, threaded bungs, bung covers, seals and other packing accessories, and parts thereof, of base metal:

Rule 2: Incomplete/Unfinished Articles Treat as if Finished

Your commodity: Printed Foil Lids

- ✓ 8309.10 - Crown corks (including crown seals and caps), and parts
- ✓ Thereof (duty 0%)
- ✓ 8309.90 – other (2.6%)
- ✓ So while 7607 provides a description of the articles – 8309 BEST describes it's FINAL application - so the correct code 8309.90

Rule 3: Heading which is most specific.

Your commodity: Goober Jelly (50% Peanut Butter 50% Jelly)

- ✓ 2008.11 – Peanut Butter (duty 0%)
- ✓ 2007.99 – Jelly (duty 2.2%)
- ✓ Rule 3 tells us to utilize the heading which occurs LAST in numeric order – so our number is 2008.11



Rule 4: Packaging & Containers: specifically shaped

Your commodity: Best samples of this rule would be printer ribbons vs. gas cylinders.

- ✓ The typewriter ribbon is enclosed in a cartridge, but the cartridge is thrown away after use. Therefore – PRINTER RIBBON is the product to classify – not the cartridge
- ✓ Alternatively, gas cylinders are refilled, therefore they must be classified independent of the gas contained within.

Do You Care?

- ✓ Bicycle seats 0% or 3.9%
- ✓ Foil 5.8% or 3.7% or 0% or 2.6%
- ✓ Goober Jelly 0% or 2.2%
- ✓ Are there penalties for mis-classifications?



Available Resources

Could your marketing department use this kind of intel?

The screenshot displays the USTR's website, specifically the '2011 Tariff and Most Recent Annual U.S. Import Information' page for HTS 87149130. The page is viewed through a Windows Internet Explorer browser. The left sidebar contains navigation links under 'Quicklinks' and 'Links'. The main content area includes a photograph of a modern building and a table with import data.

2011 Tariff and Most Recent Annual U.S. Import Information

HTS Number	87149130
Best Description	For & accessories for bicycle & of bicycle, frame, valued over \$600 each
Customs value of recent U.S. imports for consumption	
Click for more detail on imports by source country or imports by tariff program or imports by U.S. Customs district of entry or imports by statistical tariff (HTS)	2010 imports (thousand dollars) \$11,884.0
Tariff Treatment	
Beginning Effective Date (date on which date and part of this HTS item's tariff treatment changed)	03/01/2009
Ending Effective Date (date on which part of this HTS item is next scheduled for tariff treatment change)	12/31/2020
1st Unit of Quantity (Q1)	Number
2nd Unit of Quantity (Q2)	
	MFN Test Rate 3.9%
	Duty calculation (Ad Valorem Rate) times (Value)
2011 Normal Trade Relations (NTR) duty rate (formerly known as the Most Favored Nation (MFN) duty rate)	Ad Valorem (percent of value) component 3.9%
	Specific (per unit) component \$0
	Other duty component \$0
	Exemption Status Exempt as World Trade Organization
	COLT Test Rate 30%
	Duty calculation (Ad Valorem Rate) times (Value)
Column 2 (non-NTR) duty rate (Applies to imports from a small number of countries that do not enjoy NTR duty status)	Ad Valorem (percent of value) component 30%
	Specific (per unit) component \$0
	Other duty component \$0

Preferential (duty-free or reduced rate) tariff treatment available to this HTS item

Today's Focus


- ✓ INCOTERMS Rules
- ✓ HARMONIZED TARIFF CODE
- ☐ SYSTEM LINKAGE/IMPORTANCE**



Why You Need Visibility

- ✓ Track shipments from the time they leave a suppliers warehouse until the time they reach the end customer
- ✓ Better understand factors that impact cost, cycle times and service and identify minor issues before they become major problems.
 - Proactively identify delays – production planning
 - Identify coding misclassifications – major duty impacts
 - Security compliance errors – major delays/fines

Best Practices - Centrally manage information



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INFUSION:SC

ForwardingCustomsAccountsUser

Welcome, Margaret

Shipment # S00005826

Copy ShipmentReverse Shipment

Bill: S00005826
Shipper's Ref#:
Order Ref#:
Shipper:
Consignee: SHANGHAI IDS DISTRIBUTION CO. LTD

Size: 0.00M3
Weight: 0.00KG
Quantity: 0PLT
Service Level: Standard (STD)
Goods Description:

Origin:
ETD: 18-Mar-11 18:00

Pickup From:

Estimated Pickup: 14-Mar-11 08:00
Pickup Required By: 18-Mar-11 08:00

Goods Picked Up:

Destination: Shenzhen (CNSZ)
ETA: 17-Apr-11

Deliver To: SHANGHAI IDS DISTRIBUTION CO. LTD YANTIAN PORT FREE TRADE ZONE SOUTH AREA YANTIAN DISTRICT SHENZHEN 518081 China

Available At:

Availability:
Storage Commences:
Estimated Delivery: 20-Apr-11 17:00
Delivery Required By:
Cartage Advised:
Goods Delivered:

Milestones

Description	Date	Status
Booking Confirmation	03-Mar-11 16:00	Completed
Shipping Paperwork Received & Reviewed	12-Mar-11 00:00	Pending
Picked Up / Loaded	12-Mar-11 00:00	Pending
Customs (AES) Cleared	12-Mar-11 00:00	Pending
Trail Tracking	17-Mar-11 00:00	Pending
Confirmed On Board / Actual Departure	29-Mar-11 00:00	Pending
Arrival at Final Destination	17-Apr-11 00:00	Pending
Delivered	20-Apr-11 17:00	Pending

Transport

Leg	Mode	Type	Parent	Bill	Vessel	Voyage/Flight	Load	Discharge	Departure	Arrival	Status
1	RAI	Main Vessel	C00004797	HYUNDAI COMMODORE	ES3W	Memphis	Los Angeles	28-Mar-11	17-Apr-11	In Transit	
2	SEA	Other	C00004797	HYUNDAI COMMODORE	ES3W	Los Angeles	Yantian	29-Mar-11	17-Apr-11	In Transit	



Best Practices - Centrally manage information



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INFUSION:SC

ForwardingCustomsAccountsUser

Welcome, Margaret

Goods / Packs

Pieces	Pack Type	Length	Width	Height	UD	Weight UD	Volume UD	Description	Marks and Numbers	Line Price	Currency	Tariff Num	Container
0	Pallet	0.00	0.00	0.00	IN	0.00	0.00	M3		0.00	USD		

Containers

Container#	Shipment#	Seal#	Type	Mode	Actual	De-hire	Tare Weight	Weight	Delivery Mode	Est. Delivery	Est. Return	Act. Return
	S00005826		40HC	FCL			0.000	0.000	CY/CY			

Documents

Date	Description	Type	
03-Mar-11	Langham Logistics Inc - IND - Booking Confirmation - S00005826	Booking Confirmation	View
03-Mar-11	Langham Logistics Inc - IND - Shipment Cartage Advice - S00005826	Cartage Advice	View
	Commercial Invoice	Commercial Invoice	No image
	Packing List	Packing List	No image
	House WayBill/Bill of Lading	House WayBill/Bill of Lading	No image

Related Invoices

Invoice #	Issuer	Type	Terms	Inv. Date	Due Date	Currency	Amount	Outstanding Amt.	Paid Date
No records found									

Customs entries

Reference#	Entry#	Message	Status	Entry Advice
No records found				

Notes

07-Jan-09 15:23 - Special Instructions
Indpls HQ



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In Summary

International shipping requires far more thought than simply dropping your packages at the feet of your shipping manager.

The costs of International shipping will continue to rise.

Compliance, regulations and security will continue to change.

Don't feel you need to know every aspect of the process, **rely on the experts and trusted partners.**

Thank You!