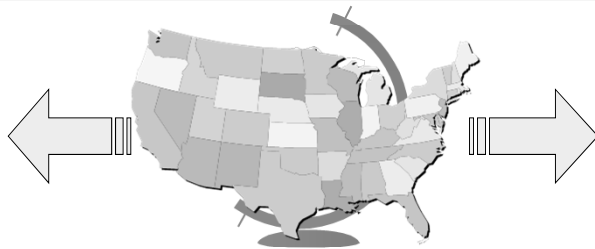


Import & Export Issues and Intermediaries

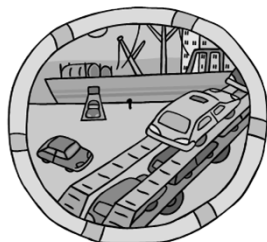
Chapter 4

Learning Objectives

- Exporting
 - Channels and the Role of Logistics
 - Export Highlights
 - ◆ see handout (PDF) for complete description
- Importing
 - Rational & Process
 - Customs and Choices
- Roles of Various Intermediaries



Export Issues Chapter 13



USA Exports

(Millions of Dollars)

Country	2001	2002	2003	Change
Canada	163,424	160,923	169,770	5.5%
Mexico	101,296	97,470	97,457	0.0%
Japan	57,452	51,449	52,064	1.2%
UK	40,714	33,204	33,895	2.1%
Germany	29,995	26,630	28,848	8.3%
China	19,182	22,128	28,419	28.4%
South Korea	22,181	22,576	24,099	6.7%
Netherlands	19,485	18,311	20,703	13.1%
Taiwan	18,122	18,382	17,488	-4.9%
France	19,864	19,016	17,068	-10.2%

Source: Dept. of Commerce



State Exports				
State	1999	2000	2001	2002
1	83,177	103,866	94,995	95,396
2	97,920	119,640	106,777	92,214
3	37,067	42,846	42,172	36,977
4 Washington	36,731	32,215	34,929	34,627
5 Michigan	31,086	33,845	32,366	33,775
6 Ohio	24,883	26,322	27,095	27,723
7 Illinois	29,432	31,438	30,434	25,686
8 Florida	24,155	26,543	27,185	24,544
9 Louisiana	15,842	16,814	16,589	17,567
10 New Jersey	15,354	18,638	18,946	17,002
11 Massachusetts	16,805	20,514	17,490	16,708
12 Pennsylvania	16,170	18,792	17,433	15,768
13 Indiana	12,910	15,386	14,365	14,923
14 North Carolina	15,007	17,946	16,799	14,719
15	13,749	14,925	14,644	14,413




(Millions of Dollars)

Source: Dept. of Commerce




Channels

- Interdependent groups involved in the process of making the product or service available for use.
 - Transaction Channel (marketing & logistics)
 - Distribution Channel (logistics)
 - Documentation Channel (see Ch. 12)

Transaction Channel

- Involves choosing the terms of sale and handling of payment.
- Must take into consideration:
 - the physical goods
 - the payment for the goods
 - legal title to goods
 - responsibility for insuring the goods, paying for transport, and controlling goods



Distribution Channel

- **Involves the Physical Transfer of Goods**

- Order Processing
- Protective Packaging
- Labeling
- Preshipment Inspections
- Storage of Goods
- Traffic Management
 - ◆ mode, carrier, port, inland transport



Logistics Costs

- **Transportation Costs**
 - domestic and international
- **Service Provider Costs**
 - forwarders, consultants, etc.
- **Inventory and Financing Costs**
- **Loss and Damage Costs**
 - insurance
 - claims



Export Highlights

- **After shipper and consignee negotiate contract, shipper processes order**
 - prepares domestic bill of lading
 - marks cargo properly
 - turns cargo over to inland carrier
- **Inland carrier accepts freight for transfer to port of export**
 - moves freight and advises forwarder or shipper's local rep of cargo arrival



Export Highlights

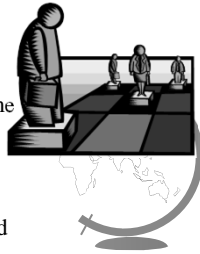
- **Forwarder gives dock receipt to inland carrier**
 - checks documentation for accuracy
 - notifies international carrier of arrival
- **Terminal operator controls freight flow**
 - assigns location for inland carrier drop
 - forwards dock receipt to intl. carrier
- **International carrier receives freight**
 - issues ocean or air b/l to shipper
 - loads freight and leaves for destination



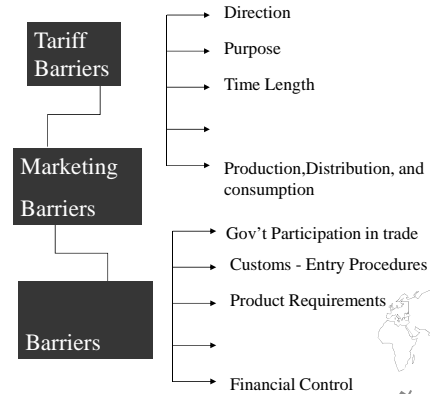
Implications for Logistics

• Basic Strategies

- , inexperienced, or small qty.
 - ◆ let other party control shipments
 - ◆ enlist the expertise of others
 - e.g., freight forwarders
- experienced, large qty. of freight
 - ◆ control shipments to leverage volume
 - inland and ocean rates
 - insurance
 - ◆ bring some tasks in-house
 - ◆ use expertise where needed



Trade Barriers



Trade Barrier Example

- Chinese Gov't introduced "safety licensing system" called the Chinese Compulsory Certification (CCC)
- All shippers must obtain "CCC" mark before exporting to or selling in the China market
- Affects 132 product categories
- Products not meeting CCC requirements will be held by Chinese customs
- China has multiple certification schemes



Export Packing

- Keep four potential problems in mind when selecting product packaging
 - Breakage
 - Moisture
 - Pilferage
 - Excess weight
- Always prepare for the roughest part of the trip



Labeling

- Purpose of labeling
 - Meet shipping regulations;
 - Ensure proper handling;
 - Conceal the identity of the contents;
 - Help receivers identify shipments; and
 - Insure compliance with environmental and safety standards
- Key markings include
 - Shipper's mark
 - Country of origin
 - Weight marking
 - Number of packages and size of cases
 - Handling marks (international pictorial symbols);
 - Cautionary markings, such as "This Side Up" or "Use No Hooks"
 - Port of entry;
 - Labels for hazardous materials Ingredients



Hazardous Placards

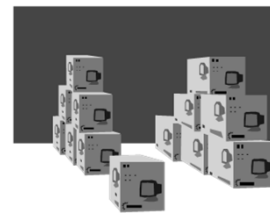
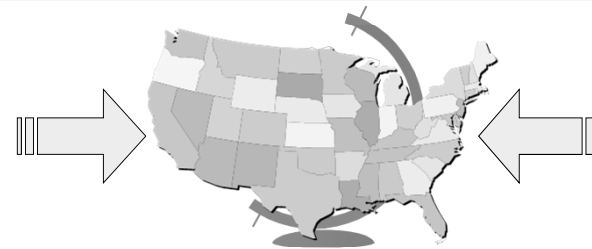


Segregation Table

TABLE 176.83(b)—GENERAL SEGREGATION REQUIREMENTS FOR HAZARDOUS MATERIALS
[Segregation must also take account of a single secondary hazard label, as required by paragraph (a)(6) of this section.]

Class	1.1 1.2 1.5	1.3	1.4 1.6	2.1	2.2	2.3	3	4.1	4.2	4.3	5.1	5.2	6.1	6.2	7	8	9
Explosives, 1.1, 1.2, 1.5	(*)	(*)	(*)	4	2	2	4	4	4	4	4	4	2	4	2	4	X
Explosives, 1.3	(*)	(*)	(*)	4	2	2	4	4	4	4	4	2	4	2	4	2	X
Explosives, 1.4, 1.6	(*)	(*)	(*)	2	1	1	2	2	2	2	2	2	X	4	2	2	X
Flammable gases 2.1	4	4	2	X	X	X	2	1	2	2	2	2	X	4	2	1	X
Non-toxic, non-flammable gases 2.2	2	2	1	X	X	X	1	X	1	X	X	1	X	2	1	X	X
Poisonous gases 2.3	2	2	1	X	X	X	2	X	2	X	X	2	X	2	1	X	X
Flammable liquids 3	4	4	2	2	1	2	X	X	2	1	2	2	X	3	2	X	X
Flammable solids 4.1	4	3	2	1	X	X	X	X	1	X	1	2	X	3	2	1	X
Spontaneously combustible substances 4.2	4	3	2	2	1	2	2	1	X	1	2	2	1	3	2	1	X
Substances which are dangerous when wet 4.3	4	4	2	X	X	X	1	X	1	X	2	2	X	2	2	1	X
Oxidizing substances 5.1	4	4	2	2	X	X	2	1	2	2	X	2	1	3	1	2	X
Organic peroxides 5.2	4	4	2	2	1	2	2	2	2	2	2	2	1	3	2	2	X
Poisons 6.1	2	2	X	X	X	X	X	X	1	X	1	1	1	1	X	X	X
Infectious substances 6.2	4	4	4	4	2	2	3	3	3	3	3	3	1	X	3	3	X
Radioactive materials 7	2	2	2	1	1	2	2	2	2	2	2	2	X	3	3	2	X
Corrosives 8	4	2	2	1	X	X	X	1	1	1	2	2	X	3	2	X	X
Miscellaneous dangerous substances 9	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

Numbers and symbols relate to the following terms as defined in this section:
 1—“Away from.”
 2—“Separated from.”
 3—“Separated by a complete compartment or hold from.”
 4—“Separated longitudinally by an intervening complete compartment or hold from.”
 X—The segregation, if any, is shown in the § 172.101 table.
 —See 6.176.144 of this part for segregation within Class 1.



Global Sourcing:
 Importing the Goods
 Chapter 14

USA Imports

(Millions of Dollars)

Country	2000	2001	2002	2003
Canada	230,838	216,268	209,088	224,166
China	100,018	102,278	125,193	152,379
Mexico	135,926	131,338	134,616	138,073
Japan	146,479	126,473	121,429	118,029
Germany	58,513	59,077	62,506	68,047
UK	43,345	41,369	40,745	42,667
South Korea	40,308	35,181	35,572	36,963
Taiwan	40,503	33,375	32,199	31,600
France	29,800	30,408	28,240	29,221
Ireland	16,464	18,499	22,388	25,841

Source: Dept. of Commerce

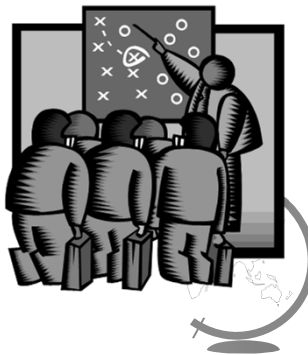
Why Source Globally?

- More economical
 - outsource to take advantage of lower labor costs, lower raw material costs, etc.
 - gain economies of scale & scope
- Gain expertise
- Improve product quality
- Offer unique products
- Maintain export access



Importing Process

- Planning
 - identify potential import sources
 - develop policies and procedures
- Specification
 - what is needed from suppliers
- Evaluation
 - cost, quality, timing

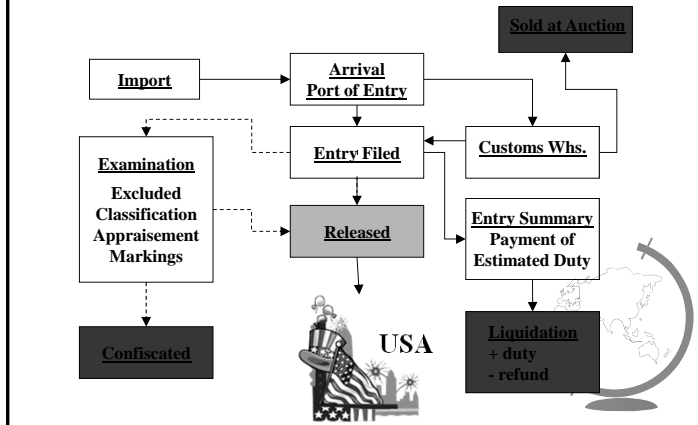


Importing Process

- Negotiation
 - terms of the trade
 - ◆ Incoterms
 - ◆ currency
 - ◆ payment methods
 - ◆ timeframe
- Implementation
 - product movement



The U.S. Entry Process



Importing to the U.S.

- Entry - shipment arrives at port of import
 - must post surety bond with Customs
 - ◆ ensures payment of duties, taxes, etc.
 - must decide what to do with shipment within five days of arrival
 - ◆ bring goods in
 - ◆ put them in FTZ
 - ◆ put them in bonded warehouse



Importing to the U.S.

- Entry
 - key documents must be ready to be filed
 - ◆ entry manifest
 - ◆ right to make entry
 - ◆ commercial invoice
 - ◆ entry summary
 - ◆ packing list
 - ◆ evidence of bond



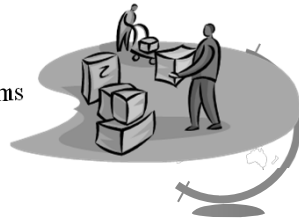
Importing to the U.S.

- Valuation
 - determine value of goods
 - for purposes of applying tariffs or duties
 - ◆ transaction value or price paid
 - ◆ packing costs
 - ◆ commissions
 - ◆ royalties, licenses, etc.



Importing to the U.S.

- Classification
 - choose the appropriate product categories
 - determine ad valorem (percentage) tariff rates
 - ◆ use Harmonized System Tariff Schedule
- Payment
 - pay duties to U.S. Customs



Importing to the U.S.

- U.S. Customs
 - key responsibilities
 - ◆ administers Tariff Act of 1930
 - ◆ assessment & collection of duties & taxes
 - ◆ enforcement of laws
 - ◆ administer navigation laws & treaties
 - ◆ combat smuggling & fraud
 - Part of Department of Homeland Security
 - ◆ Customs and Border Control



Importing to the U.S.

- U.S. Customs
 - check entry documents & verify bond
 - examine value & suitability of goods
 - ◆ evaluate goods & their dutiable status
 - ◆ check for country of origin markings
 - ◆ look for prohibited items
 - ◆ determine if goods are correctly invoiced
 - ◆ check inventory for over/short



Importing to the U.S.

- U.S. Customs
 - validation
 - ◆ classify and appraise goods
 - authorize entry
 - ◆ authorize for actual import
 - liquidation
 - ◆ notification that goods are ready to be moved to final inland destination



Importing Goods - Emerging Issues

- New security regulations for inbound freight
 - 24-hour advanced manifest rules
 - Tighter scrutiny of freight
- Net effects
 - Delivery scheduling challenges
 - Faster document preparation
 - More information sharing
 - Higher administrative costs
 - Greater visibility

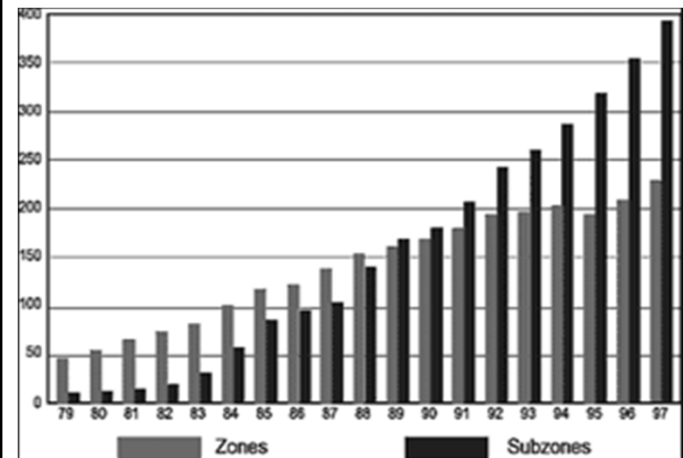


What Are Foreign Trade Zones?

- Foreign-Trade Zone (FTZ) is an area within a country that the Government considers outside that country. Certain types of merchandise can be imported into a Zone without going through formal Customs entry procedures or paying import duties.
- A Subzone is a single firm site designated for a special purpose, typically manufacturing, under Zone Procedures.



Zones vs. Subzones



Foreign Trade Zones

- The purpose is to stimulate the economic growth and development
- Many are at seaports and airports.
- In the United States, Free Trade Zones were created by the Foreign Trade Zones Act of 1934.
- In 1970 there were only 8 Foreign Trade Zones with a total of 3 Subzones. Today there are over 230 Foreign Trade Zones with nearly 400 Subzones.



FTZ Advantages

- Can modify, change or add-value
-
- Duty exemption on re-export
-
- Reduction in total tariffs
- Improve Cash Flow



Companies using FTZs

- ATOFINA Petrochemicals, Inc.
- BMW Manufacturing Corp.
- Caterpillar Inc.
- Conair Corporation
- Conoco Phillips
- Eastman Kodak
- JVC America, Inc.
- Kawasaki Motors Manufacturing Corp.
- Motiva Enterprises LLC
- Northrop Grumman
- The Premcor Refining Group
- Wyeth Nutritionals, Inc.

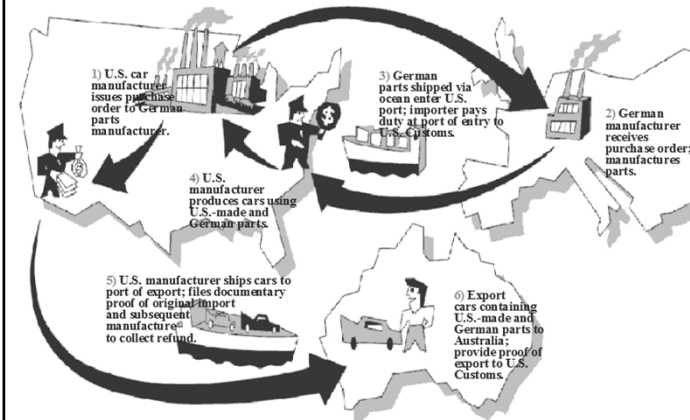


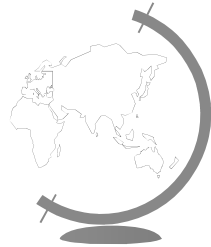
Importing Storage Choices

- FTZ
 - restricted area
 - outside customs territory & control
 - customs entry not required until goods moved into country
 - goods can be altered or manufactured
 - unlimited storage time
- Bonded Warehouses
 - secure area
 - within Customs territory and control
 - entry required to put goods in warehouse
 - no manufacturing
 - 5 yr storage
 - only foreign merchandise allowed



How Duty Drawbacks Work





Intermediaries Chapter 10

Who can help?



International Logistics Issues

COORDINATION

P
L
A
N
N
I
N
G

Marketing

Production

Customer
Value

Purchasing

Finance

MANAGEMENT



International Logistics Issues

- Outbound (exports)
 - demand forecasting
 - order processing
 - packaging
 - labeling
 - documentation
 - customer service
 - parts and service support
- Inbound (imports)
 - production scheduling
 - purchasing
 - ◆ supplier selection
 - ◆ landed cost
 - return products
 - Customs clearance



International Logistics Issues

- Inbound and Outbound Activities
 - inventory management
 - traffic management
 - warehousing
 - materials handling
 - facility location and layout
 - interplant movements
 - reverse logistics



Intl. Logistics Intermediaries

- Third Party Providers
 - used due to a lack of internal expertise
 - ◆ most shippers do not have an intl. logistics staff
 - offer a wide variety of services
 - ◆ small firms focus on specific services
 - ◆ large firms provide comprehensive services
 - may provide more than traditional logistics svcs
 - ◆ financial services
 - ◆ marketing



Intl. Logistics Intermediaries

- Intl. Freight Forwarders
 - provides a variety of logistics services
 - ◆ books international cargo space
 - ◆ coordinates inland freight movement
 - ◆ prepares bill of lading and export declarations
 - ◆ ensures proper handling of cargo
 - ◆ distributes appropriate documents to key players
 - can provide ocean service, air service, or both
 - ◆ ocean forwarders must be licensed by the FMC
 - ◆ air cargo agents are accredited by IATA



Intl. Logistics Intermediaries

- Customs House Brokers
 - specializes in moving imports thru Customs
 - ◆ seeks to legally minimize duties paid
 - ◆ seeks to streamline the Customs process
 - ◆ helps customers choose carriers, routes, pymt terms
 - must have expertise
 - ◆ Customs regulations and tariff schedules
 - ◆ determining classifications and dutiable values
 - ◆ knowledge of quotas
 - ◆ licensed by the US Dept. of Treasury



Intl. Logistics Intermediaries

- NVOCC
 - provide scheduled ocean services
 - ◆ don't own ships
 - ◆ lease containers at FAK rates and resell the space
 - ◆ act as shipper, carrier, consignee or combination
 - evolved in response to needs of small shippers
 - ◆ compete for 20% of the container business
 - some NVOs can provide one stop service
 - ◆ pickup and delivery
 - ◆ documentation



Intl. Logistics Intermediaries

- NVOCC
 - competition is fierce and largely unregulated outside the U.S. and South Korea
 - more than 2,000 firms have met US regulations
 - ◆ must file tariffs and be bonded
 - seven primary categories
 - ◆ Independent NVOs
 - ◆ Mega-carriers
 - ◆ Large trucking companies
 - ◆ Air freight consolidators

Forwarders
Niche market operators
Shipper affiliated NVOs



Intl. Logistics Intermediaries

- Top Export NVOs
 - Marubeni Transport
 - Sumitomo
 - Itochu Express
 - Amber Marine
 - John S. Conner
 - Panalpina
 - Intership
 - Nippon Express
 - Sumitrans
- Top Import NVOs
 - Fritz Co.
 - Marubeni Transport
 - Itochu Express
 - Trans Overseas
 - Kuehne & Nagle
 - Fleet Trade & Transp.
 - Schenker Intl.
 - Circle International
 - Turbana



Intl. Logistics Intermediaries

- Export Management Companies
 - market your products in other countries
 - provides logistical expertise
 - does not take product ownership
- Export Trading Companies
 - purchase your goods for sale in other countries
 - take on additional risk
 - total responsibility for marketing & logistics



Intl. Logistics Intermediaries

- Other services and service providers
 - export packing
 - goods surveying
 - parts banking
 - duty drawback
 - warehousing
 - marine insurance
 - banking



Learning Objectives

- Exporting
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