

THE BASICS OF IMPORTING

Ro Leaphart

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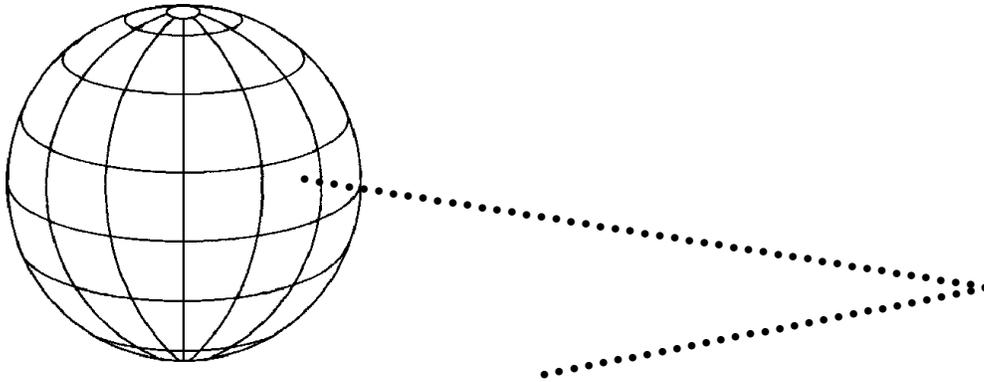
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Final Exam/Instructions and Fax

Answers To Quizzes + Exam

Importing Into The United States



THE BASICS OF IMPORTING

INDEPENDENT STUDY SYLLABUS

The Basics of Importing presents the full foundation of importing, with an emphasis on U.S. Customs requirements and practical procedural applications. Each lesson provides you with fresh insights into bottom-line risks and opportunities.

At the beginning of each lesson you will find a “Lesson Study Guide” page. The “Primary Assignment” includes reading within the course textbook and the enclosed government publication “Importing into the U.S.”. Complete the reading assignment. Then take the quizzes found at the end of each lesson for the textbook and for “Importing into the U.S.”. You will find the answers to these quizzes at the end of the textbook. This process will take from 5 - 10 hours for each lesson.

Access to a Harmonized Tariff Schedule is necessary for Lesson 4. Reading can be completed without the tariff; however, you will not be able to complete all exercises without a tariff. An On-Line Version is available at the Leaphart Learning Center.

For those individuals, who wish to gain a deeper understanding of the U.S. Customs perspective, you will find an “Additional Assignment” at the beginning of each lesson. You will need access to the Customs Regulations to complete the additional reading. Once you complete the additional reading, you will find quizzes at the end of the lesson to test your reading retention and to reinforce information learned. Answers are found under the “Answer to Quizzes & Exam” tab.

YOUR INTEREST AND INITIATIVE SET THE PACE....

As a highly motivated individual, you are now beginning a self-paced course based on seminars held in San Francisco. To keep yourself driven to completion, plan a schedule of study over the next six to seven weeks. You will need to set aside 5-10 hours each week to complete the assignments. Reading and quizzes can be completed in half-hour increments. Classification exercises in Lesson 4 are best completed in a one-hour sitting.

If you miss a study period, reschedule. Your personal stamina and dedication are the two basic ingredients for achieving your goal.

GUIDING STEPS HELP YOU ACHIEVE YOUR GOAL....

1. Review course materials and instructions that guide your study, including reading assignments, commentary, exercises, quizzes and study aids.
2. Obtain required additional professional reference books (i.e. Harmonized Tariff for The Basics of Importing). If you plan to complete the Additional Assignments you should purchase a subscription to the Customs Regulations. You may order these books by calling the GPO at 202/512-1800. Allow a minimum of 4-6 weeks for delivery or request FEDEX two day shipping.
3. Set a schedule for studying on a weekly basis until completion (i.e. 5-10 hours for each lesson).
4. Complete lesson reading assignments, exercises and quizzes. Go On-Line: www.leaphart.com, click the big red "Learning Center" bottom at the top of the page. Enter your access info: ID and Password provided in the cover letter. Use the On-Line tools associated with each Lesson.
5. If you have questions about our materials, you can telefax (510•521•7832) or E-mail (info@leaphart.com) your questions to us. Or call 510-521-2112 and ask for Ro Leaphart. You have 6 tutorial sessions with Ro. Use them. She loves the dialogue with students.
6. Once you complete the basic course, try the Additional Assignments. If you find reading the Customs Regulations interesting and wish to study for the Customs Broker Licensing Exam contact Leaphart + Associates for informa-

tion regarding our CHB Exam Prep course. We can be reached by telephone (510•521•2112) between 9 and 5 Pacific time.

7. Visit our internet website (<http://www.leaphart.com>) for more information, including links to other valuable websites and job postings.

OBTAINING SUPPLEMENTAL PUBLICATIONS

The Basics of Importing covers all the fundamental facets of importing. For a variety of Customs publications and forms, use the Leaphart Learning Center. We have direct links to On-Line versions of all Government Publications you will need, including the tariff, CFR Title 19, 19 USC, Informed Compliance Publications, and Customs Forms.

For those who wish to delve further into the nuances of Customs administration, we recommend obtaining government publications directly from the Government Printing Office (GPO) at 202/512-1800 (See their website at <http://www.access.gpo.gov/>).

If you are a Customs broker or seeking the tools of a professional, you should obtain the CUSTOMS REGULATIONS and the HARMONIZED TARIFF SCHEDULES. To keep abreast of the latest Treasury and Customs decisions, you will want a subscription to CUSTOMS BULLETIN AND DECISIONS

Again on-line versions of these reference materials are easily accessed through links at the Leaphart Learning Center.

If at any time you need assistance with ordering materials from the government or finding the right web link, just email info@leaphart.com.

LESSON 1 STUDY GUIDE

Assignment Objective:

- To gain introductory knowledge regarding Invoicing, Terms of Sales, Compliance, Responsibilities of Importer, Exporter Customs, Banks, Brokers and Customs, and Trade Finance related to International Trade.

Primary Assignment:

1. Read in **Importing into the United States**
 - a. Chapter 1, Customs Mission and Organization
 - b. Chapters 6 through 9, Informed Compliance
 - c. Chapters 10 through 12, and Appendix, Invoices
2. Read Lesson 1 in **The Basics of Importing**
3. Take Lesson Quizzes which follow Lesson 1 text material: Terms of Sale Quiz, Methods of Payment Quiz, Importer's and Broker's Responsibilities Quiz and Importing into the U.S. Quiz. Answers can be found under the textbook tab: "Answers to Quizzes & Exam"
4. Go to the Leaphart Learning Center. www.leaphart.com, click on the red button at the top of the web page. Use your ID and Password provided in the Basics Cover Letter. Explore the tools and on-line reference materials and links

Additional Assignment:

- For individuals who require a greater depth of knowledge
 - For individuals continuing on to our CHB Exam Prep course and the Customs Exam
1. Read Parts 101 and 111 of the Customs Regulations. CR 101 covers the organization of the U.S Customs (Bureau of Customs & Border Protection - CBP) and US Territory. CR 111 regulates the performance and record-keeping requirements of a broker. Record-keeping information for importers is found in Part 163. Invoice information is found in CR 141.86 through 141.89 and CR 142.6.
 2. Take Customs Regulations Quiz found at the end of Lesson 1.

LESSON 1

- *Exporter's Objective And Responsibilities*
- *Importer's Objective And Responsibilities*
- *The Customs Broker's Responsibilities*
- *Criteria For Choosing A Customs Broker*
- *Terms Of Sale*
- *Methods Of International Payment*
- *Finance Terms*
- *International Trade Documents*

INTRODUCTION

The first chapter of this manual covers the responsibilities of the foreign exporter, importer and Customs broker, as well as terms of sale and basic invoice requirements.

WHERE IT ALL BEGINS

The international shipment begins long before the cargo arrives in the United States for Customs clearance. A foreign party wishing to sell his product finds a buyer in the U.S. or an importer sources a product he needs from a foreign country. They meet through trade associations, chambers of commerce, consulates, embassies, trade fairs, trade publications, buying agents and selling agents.

Negotiations ensue, each party looking for the best deal. The method of payment, the terms of sale and the specifications for the product are contractually agreed upon, usually in the form of a purchase order.

Depending on the method of payment, the buyer or seller takes on a certain amount of risk or expense for the method of payment. The terms of sale determine, which party controls the transportation and insurance, as well as, which

party is responsible for the cargo at any particular point in its journey from the foreign warehouse to the domestic warehouse.

EXPORTER'S OBJECTIVE AND RESPONSIBILITIES

Once the negotiation is complete and the merchandise has been manufactured, the exporter wants to ship the goods and to collect payment as soon as possible.

In addition to making the goods available within the time frame required by the buyer, the exporter is the source of all documentation. For a good working relationship to be maintained between the exporter and the importer, correct documentation must be provided in a timely manner. If the importer is paying with a letter of credit, the correct documentation can be stipulated. If the importer is using another method of payment, written communication clearly outlining required import documents must be given. Even with a letter of credit, written instructions regarding telefaxing, emailing, EDI'ing or sending copies by courier need to be given to the exporter.

Prior to export, the exporter must assure correct country of origin marking and other governmental labeling. Although these actions can not be stipulated in a letter of credit, a certificate of inspection can be stipulated and its issuance dependent upon correct marking and labeling.

The importer must also depend upon the exporter to maintain accurate accounting and manufacturing records to substantiate invoicing, certificates of origin, and declarations. If merchandise qualifies for a special duty preferential program or is subject to non-tariff barrier restraints (i.e. textile quotas), U.S. Customs can demand manufacturing records to substantiate claims made by the importer.

When U.S. Customs requires additional information or when the importer has not given the exporter clear instructions, the importer must have a strong relationship and be able to effectively communicate with the exporter. An exporter who will listen and respond rapidly to requests made by the importer will assure compliance with U.S. Customs and expeditious movement of cargo at point of entry.

If the importer is responsible for the selection of carriers, consolidators and air freight forwarders, the importer should facilitate the introduction and the establishment of procedures for the exporter to follow. Without facilitating the relationship between the exporter and the third party transportation vendors, cargo and documents may not move as desired.

IMPORTER'S OBJECTIVE AND RESPONSIBILITIES

From the importer's perspective, quick receipt of the goods at the best landed cost is the primary objective. This desire can be achieved if the original negotiations with the foreign seller included a clear determination of government regulations and documentation required for entry.

For efficient U.S. clearance, the international documents, or at least copies of the documents, must arrive prior to the cargo's arrival. We recommend that all documents accompanying air shipments be telefaxed, emailed or EDI'ed to assist the broker with expediting the U.S. clearance. Ocean documents should be sent via courier and/or negotiated with the international bank promptly. When original documents must be negotiated through a bank, the letter of credit should stipulate that a set of non-negotiable documents (i.e. invoice, packing list and bill of lading) are to be sent via courier to the importer and/or to their designated Customs broker. This allows the Customs broker to prepare entry documentation and to file with Customs immediately upon receipt of originals.

The vast majority of commodities can be cleared through U.S. Customs with photo or facsimile copies. Any commodities (i.e. most garments, fabrics, sugar, etc...), which require export licenses or visas can not be cleared, unless accompanied by original documentation. If the imported commodity requires a special invoice, permit, license, visa, etc... and is being shipped via air, the exporter should obtain the necessary document prior to export from the foreign country. In the majority of cases when exporting via ocean, these documents should also be available prior to export; however, some countries will not issue until the goods are exported. In these cases, it can take as long as 5 to 7 days for the exporter to obtain under normal conditions. Special documentation requirements should be discussed during the negotiation phase, and included in the letter of credit if this is the method of payment utilized.

Prior to arrival of the cargo, the importer should make arrangements for the movement of the cargo from the pier or airport to the final destination. The Customs broker can assist in arranging truck or rail movement, or warehousing if necessary; however, the importer should make delivery plans prior to arrival of the freight to avoid storage or demurrage charges. In most cases, cargo arriving via air must be moved within 48 hours of arrival to avoid storage charges. Most ocean terminals allow 5 to 7 days free time. If goods are shipped on a "to order" bill of lading, an endorsed original must be expeditiously sent from the bank to the Customs broker. The broker (holding a power of attorney) can counter-endorse on behalf of the importer and surrender to the steamship company for cargo availabil-

ity. Air shipments requiring negotiation will not move until the forwarder receives a bank release.

The importer is responsible to assure proper marking of all imported products, country of origin marking as well as any marking requirements by other governmental agencies (i.e. Food & Drug, Federal Trade Commission, Federal Communication Commission, etc...). Products which are not properly marked may be delayed, denied entry, or recalled. Importers who do not comply with these law can be assess marking duties, liquidated damages, and/or fines.

The importer must provide U.S. Customs with all information necessary to properly appraise and classify the article being imported. This includes all costs and charges associated with the production and importation of the product. This includes raw materials provided, royalty or licensing fees, and commissions.

If the importer wants to be assured of proper and uniform classification (for duty rate purposes and also for knowledge of required documents and markings), a binding ruling should be obtained by the importer prior to importation (CR 177.1). Importers may arrange for Customs to review a line of garments to determine classification prior to entry. This process is called Preclass. Importers of other commodities, who have a sound track record with Customs, can have Customs authorize their method of classifying and use the importers classification to speed clearance and reduce Customs administration.

The importer is responsible to retain all documents associated with the international transaction for at least 5 years from date of entry or last withdrawal from a bonded warehouse. These documents include purchase orders, letters of credit or other payment records, invoices, bills of lading, entries, and correspondence regarding the transaction (CR162.1c). Special Customs programs (such as US components assembled abroad or Drawback) may also have additional record-keeping requirements. If records are kept on magnetic media or were received via EDI (Electronic Data Interchange), programs for extraction of data and data must be retained for at least 5 years as noted above. Under the Mod Act of 1993, importers who fail to retain copies as required are subject to penalties as high as \$100,000 per entry.

The importer is responsible for all duties and taxes, and other liabilities. Duties and taxes paid to a broker do not relieve the importer of the responsibility to pay U.S. Customs. Should an importer pay charges (including monies for a carrier) to a broker and the broker fails to forward the funds to Customs (or the carrier), the importer is still responsible to make payment to U.S. Customs. By law the

importer is allowed to give brokers duty checks payable to U.S. Customs for submission with entry summary documentation (CR 141.1; 141.2). Importers may also select Automated Clearing House (ACH) as a direct payment method with the Customs. ACH involves Electronic Fund Transfer (EFT) of a particular statement from the importer's bank account to the U.S. Customs.

To ensure that proper duties are assessed by U.S. Customs and to timely file any protest to dispute the government's decision, an importer needs to monitor time of liquidation (i.e. final appraisal of duties on an entry).

In all cases, an importer must take reasonable care when dealing with Customs matters to ensure compliance with valuation, classification and origin laws. Under the Mod Act of 1993 and the provisions of informed compliance, an importer must know how to transact business and be able to explain why business was conducted in a particular manner.

THE CUSTOMS BROKER'S RESPONSIBILITIES

It is the broker's responsibility to efficiently and "legally" obtain clearance through U.S. Customs and other governmental agencies, and if the importer so desires, to coordinate the movement of the cargo with the international carrier and the domestic carrier.

By law and regulation, a broker is an individual, partnership or corporation that transacts Customs business on behalf of another party. A broker is required to have a license, with at least one Corporate officer or partner who holds an individual license. The broker must obtain a permit and have a licensed employee in each Customs Port in which Customs business is transacted. (CR111.1)

To sign documents on behalf of the importer, the broker must obtain a valid power of attorney (see CF 5291 Power of Attorney sample in [Importing into the United States](#)). This document is retained by the broker and must be kept for at least 5 years after revocation. Most powers of attorney may be issued for any length of time; however, partnerships may only issue a power of attorney effective up to 2 years. Therefore, a broker must monitor the powers of attorney of his client base to ensure authority to sign on behalf of a client. (CR 141, Subpart C)

A broker must keep all records at least 5 years from date of entry, and is considered a third-party record keeper by U.S. Customs for the importer. (CR 111.23)