



# IMPORTING BASICS

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5 THINGS IMPORTERS SHOULD KNOW



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# BASICS



The choice of transportation mode is probably the most straight forward an importer will face. The decision is made based on timing, value of the cargo, and even weight. The smaller details are a bit trickier. Here are five important considerations that all importers must understand. Each one can significantly impact the successful movement of your freight.

### COMMON INCOTERMS<sup>®</sup>

#### EXW EX WORKS

The loading and carriage of the goods from the “named place of delivery” are arranged by the BUYER. Risk and cost transfers from the SELLER to the BUYER when the goods are made available to the BUYER at the SELLER’s “named place of delivery,” but not unloaded.

#### CIF COST, INSURANCE & FREIGHT

*\*applies to shipment by sea & inland waterway only*  
Carriage of the goods and insurance to the “named port of destination” is arranged by the SELLER. Risk transfers from the SELLER to the BUYER when the goods are loaded. Cost transfers from the SELLER to the BUYER upon delivery of the goods.

#### FOB FREE ON BOARD

*\*applies to shipment by sea & inland waterway only*  
Seller clears the goods for export and delivers them when they are onboard the vessel at the named port of shipment. Buyer assumes all risks/cost for goods from this moment forward.

#### DDP DELIVERED DUTY PAID

Carriage of the goods to the “named place of destination,” ready for unloading, is arranged by the SELLER. Risk transfers from the SELLER to the BUYER when the goods are made available ready for unloading at the “named place of destination.” Costs transfer from the SELLER to the BUYER when the goods are made available ready for unloading, cleared for import, at the “named place of destination.”

Information on Incoterms comes from the International Chamber of Commerce’s website. For more information, visit: <http://www.iccwbo.org>



### 1. INCOTERMS<sup>®</sup>

Short for International Commercial Terms, are recognized as an industry standard and are used worldwide in international and domestic contracts for the sale of goods.



### 2. DOCUMENTATION

A number of key documents are required to meet government regulations, convey shipment instructions and terms of sale, determine duties and meet a range of other requirements. The data they contain is also invaluable when optimizing your supply chain. Also, data from document to document needs to be consistent and accurate.

#### KEY DOCUMENTS

- Shipper’s Letter of Instruction
- Certificate of Origin
- Electronic Export Information
- Bills of Lading
- Commercial Invoice
- Letters of Credit
- Packing List



### 3. CARGO SECURITY

Multiple government agencies are responsible for maintaining the security of our borders, and all importers are expected to help keep the global supply chain safe. One of the main requirements is the Importer Security Filing for Customs and Border Protection (“CBP”). This consists of a set number of data elements from both importers and carriers. The data is used by CBP to assign a risk score. Higher risk shipments are inspected, and may be delayed or held at origin. Many importers choose to join a voluntary trusted trader program called the Customs-Trade Partnership Against Terrorism (“C-TPAT”) in order to reduce their risk scores. CBP created C-TPAT to increase security after the tragic events of 9/11. C-TPAT importers enjoy far fewer inspections because they follow security best practices that reduce their risk scores. Today, C-TPAT has more than 10,500 members, representing over 55% of all US imports.

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## 4. CUSTOMS ENTRY

Importers are responsible for all elements in the Customs entry, and must complete the entry using reasonable care. The information the importer must provide and retain includes valuation, marking, classification and origin.

### *What is the role of a customs broker?*

They transact customs business on your behalf. They work with all government agencies for release of the goods, assist with payment of proper duties and taxes, and support your overall compliance program. With specialized knowledge a good customs broker can also help you take advantage of free trade agreements and trade preference programs, all to save you money and enhance compliance.

CBP has deployed their new Simplified Entry Program. Expeditors was one of nine filers to participate in the initial pilot and helped to bridge communication between CBP and the Trade. This program is intended to streamline the release of goods and enhance cargo security. The Simplified Entry Process adds another layer to the entry process, and provides visibility to potential exams or delays prior to departure.



## 5. LIABILITY & INSURANCE

There are inherent risks involved with global trade. Freight falls off of vessels and goods can be damaged or lost in transit. When something like that does happen, it is important to know who is responsible and for what amount. All carriers have legal liability per the contracts of carriage or bills of lading. Most of these terms and conditions are governed by a set of global conventions and treaties that apply to most carriers and countries. Carrier liability is limited in two ways: amount and scope. In many cases, carrier liability does not cover the full value of the goods or full cost of transportation and is merely a calculation based on the value, weight or volume of the goods. In addition, there are many events that can occur during transportation for which carriers will not be responsible, as the events are outside of their control - natural disasters, force majeure and acts of war to name a few. It is important to protect your organization, which is why cargo insurance exists. Cargo insurance helps prevent out-of-pocket losses. It is intended to protect your company from physical loss or damage from an external source, during the due course of transit. This is important in helping businesses minimize disruptions and recover after a loss.

## SOLID WOOD PACKAGING RULES

Pallets made of non-processed wood need to have proof that the wood has been treated in some way. Intended to keep invasive bugs out of the US, these rules require your freight to be shipped back to its destination if requirements are not met.



These five basic components of importing will help you get your freight to the right place at the right time in compliance with the law. Although you may be new to importing today, partnering with a logistics provider that can help you grow is important. Expeditors is here to help.