Documentation

World Trade Practices
Chapter 15

Export Documents

- Key Information
  - Description of the goods
  - Mode of transportation
  - Terms of sale (which party pays for what)
  - Origin of goods
  - Identity of the seller/shipper
  - Terms of payment
  - Shipping instructions
  - Evidence of shipment

ACCURACY

The most important aspect of documentation
NINE BASIC DOCUMENTS

1. Quotation
2. Pro forma invoice
3. Commercial invoice
4. Packing list
5. Shipper's export declaration
6. Bill of lading or air waybill
7. Certificate of origin
8. Insurance certificate
9. Draft

Quotation

- Requested by potential buyer
- Issued by the seller before sale confirmation
- Twofold purpose
  - Confirmation of selling price
  - Clarifies costs above product selling price buyer will incur
- May not be needed from repeat customers
- Validate customer
  - To avoid utilizing resources that might give information to competitors

International Quotation Format

- Necessary information
  - Cost of the goods
  - Cost of export packaging
  - Cost of special label, if required
  - Inland freight
  - Handling charges
    - Inspection
    - Certifications
    - Other charges
- Other considerations
  - Taxes
  - Warranty
  - Expiration
  - Other limitations
    - Non-binding offers
    - Clarification of legal limitations
    - Liability issues
**Pro Forma Invoice**
- Serves same function as quotation
- *Pro Forma* has to be on the top of the document
- May be used by buyer to obtain letter of credit
- ACCURACY extremely important

**Pro Forma**
- Means "in the form of" in Latin
- Importance cannot be overstated
- Describes how company will perform
- Summarizes all correspondence
- Does constitute an offer to sell
- More information provided, fewer problems with international transaction

**Always use Pro Forma**
- when destination country requires an import license
- Documentary credit requested by seller
Elements of a pro forma invoice

- Accurate description of the goods
- Terms of sale
- Terms of payment
- Validity date
- Shipping date
- Documentation
- Weight/dimensions
- Charges included in quotation
  - Use of incoterms requires the listing of charges as well
- Mode of transportation
- Banking charges
- Country of origin
- Other terms
- Seller’s correct name and address
- Seller’s pro forma reference number
- Specific inclusions
- Shipment from point
- Shipment to point
- Industry standard statements
- Type of packaging
- Partial shipment requests

After buyer receives pro forma

The buyer will assess the quotation by:

- Compare quotation to other options
- Evaluate affordability
- Investigate and determine financial considerations
- Proceed with any required certification
- Arrange for financing
- Use pro forma for negotiation

Commercial Invoice

- After order is placed
- Attention to detail imperative
- Important considerations
  - Terms of Letter of Credit
  - If documentation does not match shipment may be rejected
  - Specific requirements of destination country
    - BNA’s Export Reference Guide www.exportguide@bna.com
- Export control statement
- Specific Marks requirements
- May act as a certificate of origin
Export Control Statement

“These commodities licensed by U.S. for ultimate destination _________.
(fill in country of destination)
Diversion contrary to U.S. law prohibited.

MARKS Labeling

MARKS: AS Addressed
P.O. 2068AFI
NO. 1/6

Packing List

- Needed with international shipments
- Especially when letters of credit are involved
- Helpful for Customs inspections since Homeland Security began
- MUST match other documentation
Shipper’s Export Declaration

- Required for any shipment items valued over $2500
- Make sure to understand instructions completely
- Common mistakes are incorrect Harmonized code
- Often completed by freight forwarder
- Exporter has legal responsibility
- Agent preparing does not
- Filed with U.S. government
- Accuracy is a key factor
- DON’T underestimate importance of document
  - Could impact accuracy of trade figures for country

Bills of Lading

- Three purposes
  - Receipt for cargo
  - Contract for transport of goods
  - Document of title
- Two types
  - Negotiable
  - Non-negotiable

Draft

- Unconditional order or set of instructions
- Generally used for payment terms
- With letters of credit
  - Specific instructions for writing draft
Certificate of Origin
- Determines import tariff treatment
  - Helps determine percentage of product
  - Appropriate import duty
  - Appropriate taxes
- In some cases rather complicated
- Some situations only require the statement of country of origin on the invoice.

Generic Certificate of Origin

Specific Certificates of Origin
**NAFTA**

- Signed in 1994
- North American Free Trade Agreement
- Actually a preferential agreement among Canada, the US and Mexico
- Reduces duties on product moving between the three countries

**IMPORTANT NOTATION**

Just because a product is made or assembled in the U.S. doesn’t mean that it qualifies for NAFTA tariff reductions.

**What if product doesn’t qualify?**

- Do not use NAFTA Certificate of Origin
- Customer cannot claim reduces NAFTA tariffs
How to qualify

- Determine appropriate harmonized number for trade
- Determine if MFN (most favored nation) or NAFTA duty is most advantageous
- Look up appropriate rule of origin for the product
- Perform necessary qualifying steps

Classifying goods

First and foremost, classify a good on WHAT IT IS NOT on the end use or where it goes. (subject to legal notes)

- A bolt may be a part in a machine, but it is first a bolt and should thus be classified as such
- Grass seed and fertilizer.... The mixture is still primarily grass seed
- Resister for use in a VCR:
  - A part of a VCR or a resistor??? A resistor!

Containers and Cases

SEE GRIs

General Rules of Interpretation

- If container is suitable for repetitive use: classify on its own
  - Exporting propane in a tank to Canada
  - Classify propane and tank separately in own classifications
    - Tank is reusable in Canada
Egg Cartons
- Full egg cartons are classified under eggs, 0407
- Without eggs, made of paperboard, 4823.70

Violin Case
- Without a violin- HS 4202
- With violin as “set” it is HS 9202 as a musical instrument

Chile, Singapore, Australia
- In each agreement must be made in one or the other country.
  - Chile or U.S.
  - Singapore or U.S.
  - Australia or U.S.
- Otherwise, similar to NAFTA situation
Insurance Certificate
- Must protect against product loss or damage
- Often negotiated as to whether buyer or seller will pay
- Issuance by:
  - Seller
  - Freight forwarder
  - Insurance company
- Value established
  - Product cost + insurance + additional 10%

U.S. Export Licenses
- All exporters should ensure compliance with regulations
- Great reduction in necessary licensing in recent years
- Great deal of time and resources may be spent by seller if licenses required
- Can delay shipments if government requests slow

Three Concerns (for U.S. Exporters)
- Embargoes (partial or full)
- Licenses required for:
  - High-end technology
  - Items with possible military applications
  - Items undermining national security
  - Limited supplies
- Denied Persons List & Entities List
  - BXA Bureau of Export Administration
Recommended Resources

- Export Control Classification Number (ECCN)
- Export Administration Regulations
  U.S. Department of Commerce
- Export/Import Procedures and Documentation (Thomas Johnson)
- Inspectorate America Corporations
  - www.inspectorate.com/index01.shtml