

OSU

PURCHASING

PRESENTS



Foreign Purchase Guidelines

For OSU Purchasing

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SCOPE OF THIS PRESENTATION

- **DETERMINING ECONOMY OF FOREIGN A PURCHASE**
- **CUSTOMS AND CUSTOMS BROKERAGE**
- **CLASSIFICATION OF GOODS**
- **OVERVIEW OF DUTY FREE ENTRY**
- **INTERNATIONAL SHIPPING TERMS**
- **BILL OF LADING**
- **CURRENCY CONSIDERATIONS**
- **COUNTRY OF ORIGIN**

Landed Cost

Landed Cost includes:

- Equipment costs (Basically the cost to manufacture and priced “Ex Works.”)
- Value Added Tax
- Transportation cost including insurance
 - Pre-carriage- (Sellers plant to international carrier at port of export)
 - Main-carriage- (International transportation from port of export to port of entry)
 - On-carriage- (Delivery from port of entry to final destination)
- Customs Brokerage

CLEARING CUSTOMS

CUSTOMS BROKERAGE

Customs Broker has power of attorney

- Act as our agent to process goods through Customs
- Pay bills
- Expedite release to the end user.



When authorized they may also make arrangements for **on-carriage** delivery to the final destination.

It is important to have a good business relationship with the Customs Broker and know the names and phone numbers of the individuals who service the account.

They are a good resource!



Broker's fees include:

- Basic Brokerage (OSU's rates are good for clearance at any U.S. port)
- FDA clearance (if required)
- Additional classifications, per classification (in excess of 3)
- Dock/Airline inspection service
- Local delivery charge: Varies, based on weight
- Duties and taxes: Varies, based on commodity
- Any other fees that are paid on our behalf

CLASSIFICATION OF GOODS

It is important to determine the classification of the goods

before ordering

so that the duty and landed cost can be approximated.

The **importer** has the legal responsibility for declaring the value, classification, and rate of duty applicable to entered merchandise.

Paraphrased from U.S. Customs Service web site in an article regarding changes brought about by NAFTA.

Purchase order should provide classification and instruct the vendor to indicate the classification on the commercial, or proforma, invoice.

**Seller may be able to assist with classification
if they have exported the same goods to the US
in the past.**

Access to the Harmonized Tariff Schedule is available on the US Customs Service website at

<http://www.customs.ustreas.gov/>

Click on Import > Importing > Harmonized Tariff Schedule.

**Also at this site is a guide to
U.S. Import Requirements**

Another site to reference the Harmonized Tariff Schedule

<http://www.itds.treas.gov/HTSindex.html>

International vendors are familiar with the

World Customs Organization's Harmonized System

to which the U.S. subscribes.



DUTY FREE ENTRY



- Not all imported goods are taxed.
- Assume that a duty will be imposed until it is determined conclusively otherwise.

**Scientific Instruments or Apparatus
for Nonprofit Educational and Scientific Institutions**

Duty free entry may be available for scientific instruments or apparatus for **nonprofit** institutions under 15 CFR 301.

Criteria for duty free entry have to do with the non-availability of an instrument with an equivalent scientific value being manufactured in the United States.

Details are available at the following URL

<http://ia.ita.doc.gov/sips/15cfr301.html>

To make application you must:

- Fully describe the instrument and its intended use
- The measures taken to determine that no domestic equivalent is available
- Show that it will be used exclusively by the nonprofit entity

This information with supporting documents must be submitted

on

Form ITA-338P (International Trade Administration)

This form with complete instructions is available at URL

<http://ia.ita.doc.gov/sipsform/ita-338p.pdf>

From the instructions:

- Five sets must be prepared
- **One signed in the original** by the person in the applicant institution under whose direction and control the foreign instrument will be used and who is familiar with the intended use of the instrument.
- Remaining four copies of the form may be copies of the originals.
- Attachments should be fully identified and referenced to the question(s) on the form to which they relate.

According to the government's currently published estimate it should take approximately **two hours** to complete the application.

It **will** take longer

in order to explain the need and get the cooperation
and written responses from the using the department
and the end user.

- It is important to first research the Harmonized Tariff Classification to determine whether there will be a duty and, if so, how much?
- A call to the Customs Broker will be helpful to confirm the amount for the chosen classification. Not all imports carry a tariff and tariffs vary.
- The savings from the application may or may not be worth the administrative costs to apply for duty free entry.

- The application must be mailed to the U.S. Customs Service.
- Once approved by Customs a letter will be issued indicating their approval and stating that the application has been forwarded to the U.S. Department of Commerce.
- Upon reaching a decision the Department of Commerce will issue a letter with a copy of their decision that will be published in the Federal Register.
- Total process normally requires no less than **sixty** days.

SHIPPING TERMS



INCOTERMS

Currently **Incoterms 2000** is applicable

and should be referenced as such when the terms are used.

- “Incoterms” is an acronym for **International Commercial Terms**.
- These terms of international trade apply to all foreign purchases.
- Terms are coordinated and kept current through the efforts of the **International Chamber of Commerce**.

The citation “FOB Destination” is referred to as a **preamble** to the term used.

The preamble is followed with the **geographic** location:

FOB Destination, OSU, Stillwater, OK U.S.A

In international terms **FOB** means only one thing:

Free on Board (an oceangoing ship) at the named port of shipment

Another term: **CIF**

Seller pays

cost, insurance and freight

to the named destination

However, the risk is the **buyer's**
once the goods pass the ship's rail.

CIF



These particular terms are used solely for **seagoing** shipments:

FAS (Free Along Side)

CFR (Cost & Freight)

CIF (Cost, Insurance & Freight)

DES (Delivered ExShip)

DEQ (Delivered ExQuay)

FOB (Free on Board)

When requesting competitive quotations or bids from foreign suppliers specify:

DDP (Delivered Duty Paid).



DDP (Delivered Duty Paid)

Using this term places the responsibility on the seller for delivering the product to our dock.

Rev. 03/13/04

In other than competitive bid situations and the classification has been determined specify:

DDU (Delivered Duty Unpaid)

to either the Port of Entry or to destination.



DDU (Incoterm 2000)
POE Will Rogers World Airport
Oklahoma City, OK USA

This allows us to be sure that the goods are processed under the proper classification and billed to us by our broker.

Or

... DDU gives us the choice of specifying
delivery by the seller to our doorstep.

DDU (Incoterms 2000) OSU Central Receiving
Stillwater, OK USA

CIP (Carriage and Insurance Paid)

- May be used for any mode of transport
- May be appropriate for most air shipments.

HOWEVER

- Seller is required only to insure at the **minimum** amount.
- Meaning he will only cover his own loss.

CIF (Cost, Insurance and Freight)

- The cost of shipping and insurance to the named destination are to be paid by the seller.
- However, the risk passes to the buyer when the goods pass the ship's rail

REMEMBER

➤ We must either **only** accept terms that transfer title and risk at our destination

or

➤ Buy sufficient insurance to cover the risk

ExWorks

Equivalent to our “FOB Shipping Point”

The goods are made available for transport

At the named place, usually the seller’s plant,
with

No arrangements having been made for export
clearance or transport.

We must always:

- Carefully study the **seller's terms**
- To make sure that we understand the **literal** meaning
- Take the necessary corrective measures to **negotiate**
- Reach **agreement** on acceptable terms for the order.



CAVEAT

By accepting goods in the foreign country we also accept the responsibility for **export clearance**, which could bring any amount of unexpected grief.



Stuck in the mud.

Source: www.duluthshippingnews.com

INSURANCE

A word about insurance. All insurance to cover loss in transit may be called “marine cargo insurance.” In international law if a ship is severely damaged the ship line can collect reimbursement for their loss from the owners of the cargo.

Or, if some of the cargo must be jettisoned the owners of the remaining cargo must reimburse the owner of the lost cargo.



BILL OF LADING

Contract of the transportation industry

STRAIGHT BILL OF LADING ORIGINAL - NOT NEGOTIABLE

EXPORT
DATA MANAGEMENT SERVICES INC.

BILL OF LADING NO.
 SHIPPERS NO. **SAMPLE**
 CARRIERS NO.
 DATE **01/04/1999**
 Page 1 of 1 Pages

TO: CONSIGNEE NAME AND ADDRESS	FROM: SHIPPER NAME AND ADDRESS
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CARRIER	SCAC
ROUTING	VEHICLE NO.

QUANTITY	UM	O HM	DESCRIPTION OF GOODS	WEIGHT UM <small>(Subject To Correction)</small>	RATE	CHARGES <small>(For Carrier Use Only)</small>
TOTAL SHIPPED			TOTAL WEIGHT	Page: _____		

Remit C.O.D. To:	Freight Charges: Prepaid <input checked="" type="checkbox"/> Collect <input type="checkbox"/>
	C.O.D. Fee: Prepaid <input checked="" type="checkbox"/> Collect <input type="checkbox"/>
	Total Due:

REMARKS

NOTE - Where the rate is dependent on value shippers are required to state specifically in writing the agreed or declared value of the property. The agreed or declared value of the property is hereby specifically stated by the shipper to be not exceeding _____ Per _____ Subject to Section 7 of the conditions, if this shipment is to be delivered to the consignee without recourse on the consignee, the consignee shall sign the following statement: The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges. (Signature of Consignee) _____

RECEIVED, subject to the classifications and lawfully filed tariffs in effect on the date of issue of this Bill of Lading, the property described above in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned, and destined as indicated above which said carrier (the word carrier being understood throughout this contract as meaning any person or corporation in possession of the property) agrees to carry to its usual place of delivery at said destination, if on its route, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed as to each carrier of all or any of, said property over all or any portion of said route to destination and as to each party at any time interested in all or any said property, that every service to be performed hereunder shall be subject to all the bill of lading terms and conditions in the governing classification on the date of shipment. Shipper hereby certifies that he is familiar with all the bill of lading terms and conditions in the governing classification and the said terms and conditions are hereby agreed to by the

BILL OF LADING

- Document which is issued by the transportation carrier to the shipper
- Acknowledges that they have received the shipment of goods
- That the goods have been placed on board a particular vessel which is bound for a particular destination and
- States the terms under which the goods are to be carried

Types

Straight

Negotiable – Normally issued when a letter of credit is involved. The destination of the goods can be changed by the seller.

Separate Bills of Lading may be issued for inland or domestic portions and for the ocean going or air transportation

or

“Through” Bill of Lading can be issued for entire route

It's enough to know that this contract is between the owner of the goods and the transportation company. Only if the goods are accepted ExWorks must we deal directly with the transportation issues at the other end.

CURRENCY

- When bidding competitively USD currency must be specified so that comparisons may be made with the other bids.
- **However**, when a seller must convert to USD and commit for a period of time it may need to pad its quote to allow for fluctuating exchange rates.

- Each case needs to be evaluated on its own merits.
- In some cases it may be in our best interest to allow the seller to quote in its own currency when a competitive situation does not exist.
- Reference www.x-rates.com
Based upon Federal Reserve of NY and/or the IMF

COUNTRY OF ORIGIN

COUNTRY OF ORIGIN

Many items to be imported must be physically marked with the “Country of Origin.”

Why?

“To inform the ‘ultimate purchaser’ in the United States of the country in which the buyer imported article was made.”

Source Dept of Treasury



Requirements:

- Unless the shipping container can be easily opened to view the marking on the product inside, the **outside of the container must also be marked.**
- The marking must be of a kind that is **permanent** until removed
- Certain items must be marked in a **specified manner**
- Hazardous materials must be accompanied with a **Material Safety Data Sheet**

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Thank you for your attention!

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