Export and Import Compliance

Contents:

1. Roles of Customs
2. Break Bulk and Project Cargo Considerations
3. Detailed Processes
4. Case Studies
5. Conclusions
Around the world, the policies of Customs vary, influencing international trade

Imagine the differences between:

- Hong Kong
- The European Union
The objectives of Customs may include:

- Collecting and safeguarding Customs duties
- Controlling the flow of goods in and out of a country
- Managing the security and integrity of the border
- Facilitating trade
- Protecting the interests of citizens
- Protecting the environment
Customs can give a positive impression of a country’s:

- Protector
- Monitor
- Filter
- Facilitator
- Controller

... All good stuff

In reality, if not dealt with properly, customs may be

- Costly
- Barriers
- Stoppers
Break Bulk and Project Cargo

Characteristics

- Time sensitive
- High value
- Large in size and volume
- Specific
- Unique
- Special requirements
When project cargo meets customs regulations, are you ready?

Considerations

- People resources
- Information flow
- Physical flow
- Cash flow
- Organization
Consider the detailed processes for:

- General Cargo Imports
- Handbook Imports
- Temporary Imports
- Vessel Registration/Ship Building
Detailed Import Process – General Cargo

**Origin Process**
- Customer makes Booking with agent
- Cargo Pickup and Local Transport at Origin
- Export Customs Clearance Complete
- Agent origin Sends document Pouch for shipment
- Agent exports shipment From origin to China

**Import Docs**
- Consignee prepares import documents
- Additional Docs: Fumigation Certificate
- Import License
- Machine Product License
- China Consumption Cert
- Etc...

**Required Docs:**
- House Airway Bill
- Commercial Invoice
- Packing List
- Proxy for insp & clearance

**Customs**
- Receive & Review Import Documents
- Cargo Quarantine
- Consignee Pays Import duties
- Shipment approved For China import

**Role of Customs**

**Break Bulk vs Customs**

**Detailed Processes**

**Case Studies**

**Conclusions**
Types of Temporary Importation:

- Temporary import, testing/commissioning and re-export
- Temporary import, exhibition (ATA) and re-export
- Temporary import and re-export for 3\textsuperscript{rd}-party international trade (e.g. USA-China-Saudi Arabia)

vs. Handbook Importation:

- Internationally traded goods that will be processed, changing their physical condition and/or nature.
- Used for when there is a value-added
Characteristics of Handbook Importation

- Used for importing raw materials or spares into China
- Used when value is added to the raw materials or when the spares are assembled
- Goods need to be exported using Handbook
- Customs checks balance of raw materials by checking imported materials and exported finished goods
- No duty issues, saves manufacturer from cash flow pressures
Documents Required for Handbook Import Application

1. Foreign investment approval certificate (from Foreign Trade Committee)
2. Manufacturing capability certificate (from Foreign Trade Committee)
3. Financial report and financial audit report
4. Business License
5. Manufacturing Flow Chart
6. Equipment List
7. Land Use Certificate

The application lead-time is normally one month!
Detailed Import Process – Handbook Importation

- Customs verification for Import/Export handbook
- Chinese Re-manufacturer - Adds Value
  - No Duties as in Bond
  - Customs Import Declaration
  - Movement
  - Customs Export Declaration (Export Price)
  - Ship from Origin
- Match goods to Imported goods
  - Export at no import duty
  - Declare goods for Movement
  - Customs Import Declaration (Import Price)
  - Ship to Destination

Role of Customs  Break Bulk vs Customs  Detailed Processes  Case Studies  Conclusions
Detailed Import Process – Handbook Importation

Customs EDI Handbook application → Materials key in e-handbook including domestics purchase → Ensure H.S code of item listed in Handbook, Cargo to import China → Cargo clear customs under handbook → Cargo release by customs without duty pay

Cargo inspection or not → Assembly in facility → Transfer all material items back to e-book → Declare customs at port → Declare customs from BLP to Shipyard

Declare customs from port to Shipyard Cont. → Declare customs into China domestic → Customs e-book Import/export Item verification → Material import

YES → no duty payment

NO → Local purchase item needs to pay duty to customs

Role of Customs Break Bulk vs Customs Detailed Processes Case Studies Conclusions
Temporary Imports

1. Approval of application takes 7-10 days
2. Requires justification to customs
3. Requires guarantee letter and deposit
4. Allowed to stay in China for 6 months and 3 additional months with extension
5. All import documents must be handed over to Customs while applying for re-export
6. Net weight of raw materials imported must match 100% net weight of the materials exported
Detailed Import Process – Temporary Importation

Materials ship from overseas

Declare to China customs as Temp Import

Deposit tendered to customs

T.I. items are allowed in after inspection.

Re-export China within 6+3 months

Temp re-export declare to customs

Export materials 100% same as import one

Get deposit back and cargo export

YES

NO

Customs confiscate deposit

YES

NO
Export Customs Process Overview

1. **Shipper**
   - Submit Required Documentation

2. **CWW**
   - Review of Documents submitted by shipper, submit to authorities
   - Issue Bill of Lading

3. **Customs Authority**
   - Perform Custom Clearance Activities
   - Confirm Custom Clearance

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**Role of Customs**

**Break Bulk vs Customs**

**Detailed Processes**

**Case Studies**

**Conclusions**
Vessel Registration

- Used for ship building projects carried out in the shipyards
- Allows for import of material free of duty & tax
- High risk for shipyard

Export and Import Compliance
### Documents Required for Vessel Registration:

1. Foreign investment approval certificate (from Foreign Trade Committee)
2. Manufacturing capability certificate (from Foreign Trade Committee)
3. Customs House registration certificate
4. Financial report
5. Financial audit report
6. Business License
7. Manufacturing flow chart
8. Sales contract
9. Equipment list
10. Land use certificate

### Import Documents Required:

11. Vessel registration certificate
12. Automatic electronic machinery permission (for machinery import)
13. 3C certificate (if required)
14. Commercial Invoice
15. Packing List
16. POA
17. Bill of Lading

### Export Documents Required:

- Commercial Invoice
- Packing List
- POA
18. Vessel re-export import customs release certificate

~18 different documents required!
Receive Booking from Shipper

Notify Destination of Shipment Details

Find suitable ship (Capacity, EDT, ETA)

Get Ship/Voy no., MBL, ETA/ETD, cut-off time, etc.

Customs Clearance by Vessel Agent

Exported after Customs Release. Notify POD Agent

Confirm all POD Clearance Information with Shipper, Consignee and Agent

Issue BOL and provide POD docs for Clearance

-No need to go through CIQ declaration & inspection
Scenario 1:

Consider a consignee who:

- Buys Material A from Supplier 1
- Buys Material B from Supplier 2
- Uses A and B to build Machine XYZ
- Exports Machine XYZ

Is this approach practical?
Scenario 2:

Consider when one set of materials need to be exported to Algeria, but it needs to be split into 4 sets.

What problems will be encountered?
Scenario 3:

Can a foreign company be the consignee for a shipment import to Venezuela?

What should they do if they can’t?
Scenario 4:

Consider

- Courier service to Russia
- Small item of low value
- Russian Customs rules

How much detailed information do you need to provide?
Scenario 5:

Consider the USA’s AMS and ISF systems.

What happens if you fail to file the information in time?
Scenario 6:

Consider the different HS Code definitions:

- Import Fans + Motors
- Export Fans and then export Motors

Is this acceptable?
Scenario 7:

Consider a Certificate of Origin (COO) for a product manufactured in multiple countries, e.g., a generator house.

Will this cause a problem?
Scenario 8:

Consider when different materials for the same project are imported under one HS Code.

Is this OK?

Can they be exported under different HS Codes?
Scenario 9:

What if the Customs officials do not accept the HS Code for Import or Export?
Scenario 10:

What if the supplier does not have the certificate to export to a long-term customer, e.g. for some processed wood products used as spare parts?
What businesses expect from Customs?

“[Businesses] want simplification of procedures, efficient processing of shipments and predictable sets of rules and regulations. They expect Customs to help them achieve ‘just-in-time’ deliveries so that there will no longer be stock accumulation, prolonged warehousing, and outdated models. They also want to minimize any unexpected loss of time so that they can beat their competitors in launching their products in the consumer market.”

- Mr. John Tsang Chun-Wah, Commissioner of Customs and Excise for the APEC SCCP Seminar on the WCO Immediate Release Guidelines
In short:

- Efficiency
- Effectiveness
- Predictability
- Low-cost
- Simplicity
How can you prepare?

- Gather all information
- Create a well scheduled and buffered timeline
- Communicate
- Compare costs, ideas and realities
- Track and control the materials and resources
- Learn from mistakes and losses
Questions?
Thank you for your attention!

Special thanks to our clients and my colleagues.

Resources of pictures and contents taken from:

- www.wikipedia.com
- www.ali.afcent.af.mil
- www.srtcargo.com
- www.time.com
- www.aduana.cl
- www.google.com
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