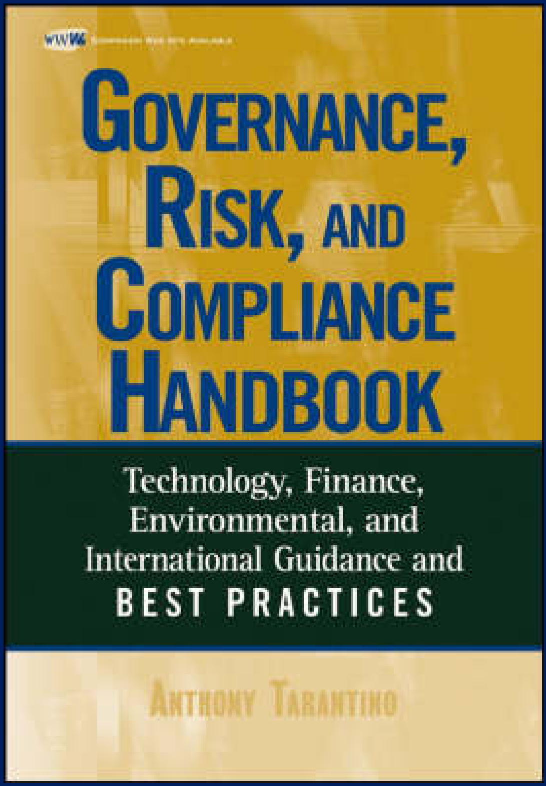

Shippers Compliance in Freight Transportation and Logistics

Chapter 34

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1 Introduction

Rules and regulations in the transportation and logistics field may be grouped into two categories: 1) regulation that affects carriers (transportation and logistics companies providing freight movement services), and 2) regulation that affects shippers (companies that hire others to move freight). The government imposes many regulations on carriers that shippers may be unaware of. Conversely many shippers are unaware of the regulations imposed on the carriers that they hire.

This chapter highlights significant regulations faced by shippers – companies hiring other companies to move freight – and a separate one focuses on regulations affecting carriers. Both provide an overview of the bodies of law affecting each group so both shippers and carriers may have an appreciation for the regulatory environment affecting each other, as well as a familiarity with the most common laws that could affect their business.

Shippers must comply with government-imposed import and export regulations. They must also be sure to properly declare and classify any hazardous materials to conform to the law. But shipper compliance extends beyond these legal obligations, since trading partners expect shippers to comply with a number of generally accepted financial and commercial protocols such as Incoterms and Letter of Credit formats, and customers will expect them to comply with their proprietary delivery, packaging, and information submittal standards.

This chapter uses the United States (US) as a reference point for defining compliance issues. Because of the legislative nature of compliance issues, the institutional and regulatory framework is different outside of the US.

2 Key Regulatory Bodies

In the United States, three agencies define the compliance requirements for shippers:[1]

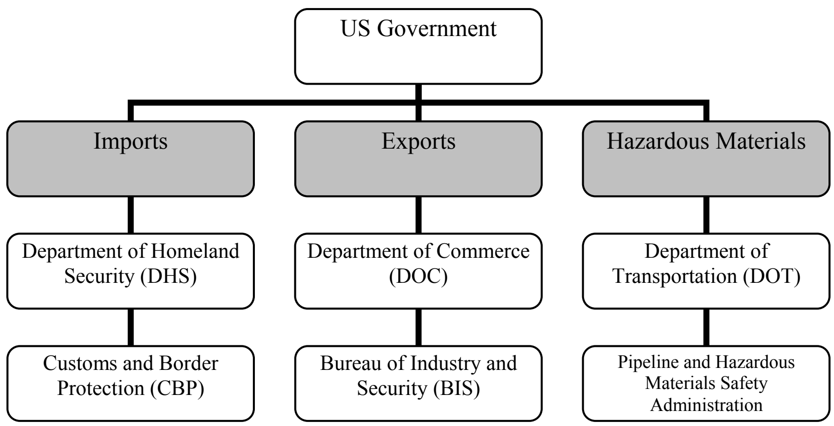
- The Department of Homeland Security's Customs and Border Protection (CBP) division enforces customs rules at the borders, has the final say on classification of imports, and administers programs such as the Customs Trade Partnership Against Terrorism (CT/PAT).
- The Department of Commerce – Bureau of Industry and Security (BIS) publishes a set of lists of prohibitions and requirements.

[1] Three other government agencies indirectly affect shipper compliance. The Department of Commerce – International Trade Administration (ITA), which investigates unfair trade and dumping. The International Trade Commission, an independent federal agency, publishes the Harmonized Tariff schedule and provides trade policy analysis. And the Patent and Trademark Office (PTO) investigates disputes involving the illegal import or export of intellectual property.

- The Department of Transportation (DOT)'s Pipeline and Hazardous Materials Administration regulates what can and cannot be traded, and specifies rules for safe signage, storage and handling, etc.

These agencies, which have jurisdiction over imports, exports, and hazardous materials, respectively, are shown below in Figure 1.

Figure 1: US Government Agencies Directly Affecting Shipper Compliance



Source: Boston Logistics Group

In addition to specific import, export, and hazardous materials laws, two important laws that apply to international commerce with the US:

- The Foreign Corrupt Practices Act, enacted in 1977 and enforced by the Department of Justice, forbids bribes or gifts of any kind to foreign businesses or governments. The law requires companies to implement responsible internal accounting controls, keep records, and refrain from bribing foreign officials.
- Anti-Boycott laws, enacted in the 1970s and enforced by the Bureau of Industry and Security, prohibit Americans from participating in another nation's boycotts or embargoes. These laws were specifically designed to limit pressure from non-American interests against their American customers or suppliers to boycott commerce with strategic allies (e.g., Israel) as a protest against US foreign policy.

3 Import Requirements

3.1 Prohibited Items

Customs and Border Protection (CBP) prohibits selected categories of items in whole or in part from importation. These include:

- Absinthe
- Automobiles (they must meet US emission standards)
- Biologicals (they need a permit from the US Department of Agriculture)

- Cultural Artifacts and Cultural Property (they require documentation to ensure that their export does not violate country of origin rules)
- Dog and Cat Fur
- Drug Paraphernalia
- Firearms (these must go through a licensed importer, dealer, or manufacturer)
- Fish and Wildlife (to protect endangered species)
- Fruits and Vegetables (are subject to review by the US Food and Drug Administration)
- Game and Hunting Trophies (these must pass through a designated port of entry and may be subject to inspection)
- Gold (if being imported from Cuba, Iran, Iraq, Libya, Serbia, or Sudan)
- Meats, Livestock, and Poultry, and prepared food products that include meat (to avoid contamination and disease)
- Medication (primarily to control narcotics and similar abusive substances)
- Pets (subject to approval based on age and physical condition, in order to prevent the spread of disease)
- Soil, Plants and Seeds (subject to conditions that vary over time, to prevent the spread of disease)
- Trademarked and Copyrighted Articles

3.2 Import Duties

The level of import duty is specified in tariffs. US tariffs are relatively low – the average ad-valorem rate is 4.5%[2] – but filing proper customs documentation can be complex. Over 27,000 categories of items are taxed on import, and there are over 13,000 categories of taxes,[3] meaning that about half of the duty categories are specific to narrow categories or even individual items. Failure to account for duties completely and properly can result in significant penalties and fines. Shippers must keep all customs documents for a minimum of five years after the transaction closes, per the Customs Modernization Act of 1993, and shippers are liable for errors in documentation.

3.3 Valuation

While importers may wish to reduce their tax liability, under-invoicing to reduce import duties is subject to fines.

The GATT Valuation Code, which the US adopted in 1980 and which most of its trading partners use, stipulates transaction value as the predominant basis for valuing imported materials. Where transaction is not between third parties, for example between two subsidiaries inside a company, the shipper can approximate market value by using comparable bases such as the transaction value of similar merchandise, computed value (a cost build-up), or deductive value (based on additions and subtractions from a reference price).

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[2] Based on an analysis of the latest available US Census data regarding imports (1993).
[3] Based on an analysis of the US International Trade Commission tariff report (2006).

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In determining value, the cost of materials, packaging, and selling commissions, royalties, or license fees incurred by the buyer may be included. However, the cost of transportation, insurance, shipping and logistics services, including assembly after importation, as well as Customs duties and other federal taxes, are excluded from the valuation basis.

3.4 Import Documentation

Common Import Documents include the following[4]:

- Bill of lading, airway bill, or carrier's certificate (naming the consignee for customs purposes) as evidence of the consignee's right to make entry.
- Commercial invoice obtained from the seller, which shows the value and description of the merchandise.
- Entry manifest (Customs Form 7533) or Entry/Immediate Delivery (Customs Form 3461).
- Packing lists, if appropriate, and other documents necessary to determine whether the merchandise may be admitted.

Standards for the accuracy and completeness have increased in recent years due to security concerns. The clear identification of consignees is required[5] and CBP no longer permits generic descriptions such as “FAK” for “freight all kinds.”

Shippers must provide all data to carriers long enough in advance to allow the carriers to meet advance manifest declaration requirements. Carriers shipping air or sea freight to the US must file all papers 24 hours prior to scheduled departure, per the “24-hour rule.” Truck shippers must have Customs data processed a minimum of one hour before the shipment arrives at the border, as stipulated by CBP in their Final Rule on the Trade Act of 2002.[6]

3.5 Voluntary Programs: CT/PAT and Others

The US government and shipper community developed a voluntary set of guidelines after 9/11 (the Customs Trade Partnership Against Terrorism, or CT/PAT) that help identify and speed cargo through Customs for low-risk shippers whose supply chain processes have been validated as safe and secure. Customer screening, recognized by CT/PAT as a best practice, encourages shippers to know their customer and the end use of their

[4] These are adapted from lists made available by the US Customs and Border Protection.
[5] 19 U.S.C. 1431 (c) (1) states that each importer or consignee’s name and address must be made available for public disclosure except with express authorization of the CBP. Carriers and Non-Vessel Operating Common Carriers (NVOCCs) cannot list their own name in lieu of the name of the consignee in order to conceal the identity of their customer.
[6] The Final Rule was issued on April 22, 2005.

products in order to be able to identify a suspicious use of equipment or technology for a potential terrorist attack. For example, a bakery ordering a supercomputer or a customer in a country that uses 220 volts ordering a system based on a 120-volt standard would trigger an inquiry. In such cases, the exporter has duty to inquire about end-use and destination, and if it is not satisfied with the response, it must report the situation to the Bureau of Industry and Security (BIS).

4 EXPORT REQUIREMENTS

4.1 Prohibitions

The US Bureau of Industry and Security requires an export license for shipments to certain embargoed countries. At the time of writing (2006), this list includes Iran, Iraq, Cuba, Rwanda, and Syria.[7] Other prohibitions are detailed in Figure 2.

[7] Export Administration Regulations Part 746, August 31, 2006.

Figure 2: Lists of Prohibitions

- Denied Persons List: A list of individuals and entities that have been denied export privileges. Any dealings with a party on this list that would violate the terms of its denial order is prohibited.
- Unverified List: A list of parties where BIS has been unable to verify the end use in prior transactions. The presence of a party on this list in a transaction is a "red flag" that should be resolved before proceeding with the transaction.
- Entity List: A list of parties whose presence in a transaction can trigger a license requirement under the Export Administration Regulations. The list specifies the license requirements that apply to each listed party. These license requirements are in addition to any license requirements imposed on the transaction by other provisions of the Export Administration Regulations.
- Specially Designated Nationals List: A list compiled by the Treasury Department, Office of Foreign Assets Control (OFAC). OFAC's regulations may prohibit a transaction if a party on this list is involved. In addition, the Export Administration Regulations require a license for exports or reexports to any party in any entry on this list that contains any of the suffixes "SDGT", "SDT", or "FTO".
- Debarred List: A list compiled by the State Department of parties who are barred by §127.7 of the International Traffic in Arms Regulations (ITAR) (22 CFR §127.7) from participating directly or indirectly in the export of defense articles, including technical data or in the furnishing of defense services for which a license or approval is required by the ITAR.
- Nonproliferation Sanctions: Several lists compiled by the State Department of parties that have been sanctioned under various statutes. The Federal Register notice imposing sanctions on a party states the sanctions that apply to that party. Some of these sanctioned parties are subject to BIS's license application denial policy described in §744.19 of the EAR (15 CFR §744.19).
- General Order 3 to Part 736 (page 9): This general order imposes a license requirement for exports and reexports of all items subject to the EAR where the transaction involves Mayrow General Trading or entities related located in Dubai, United Arab Emirates. This order also prohibits the use of License Exceptions for exports or reexports of any items subject to the EAR involving these entities.

Source: Department of Commerce, Bureau of Industry and Security

For further reference, the reader is directed to 71 FR and updates on the Federal Register, which provide more current and more detailed information.

4.2 Import Duties to Foreign Countries

Duties at most other countries are higher than in the US (average 13.8% of the value of the products), heightening the importance of awareness and compliance. Figure 3 lists duties or where to get information on them for more than 100 countries.

Figure 3: Duties for 107 Countries

Country	Tariff and/or Tariff Resource	Tax
Algeria	July 2003 Tariff Schedule from International Customs Tariffs Bureau	value-added tax for some products is 7 percent. There is also a Customs user fee of 4%.
Andean (Bolivia, Ecuador, Colombia, Peru, Venezuela)	September 2004 Tariff Schedule from International Customs Tariffs Bureau	
Angola	Online Tariff Schedule	There is a value added tax of 2 - 30 percent depending on the good, applied on CIF + duty; additional fees include clearing costs (2% applied on CIF), revenue stamp (0.5% applied on FOB), port charges ($500/20 foot container or $850/40 foot container), and port storage fees (free for first 15 days but rarely do goods clear port within the grace
Argentina	TARIFF INFO IN ARGENTINA CHANGES DAILY. FOR MOST ACCURATE INFO CONTACT TIC AT 1-800-USA-TRADE.	There is a 0.5% customs administration fee charged on CIF, and a 21 percent value-added tax applied on CIF + duty + customs fee. Some products may be subject to additional taxes; Specific duties are applied on many items in Chapters 61, 62, 63, 64,
Aruba	The basic customs duty in Aruba is 7.5%. In general, basic foodstuffs and raw materials for manufacturing are duty-free and luxury items are assessed at higher duties.	There is a 5% customs surchage and a 15% consumption tax applied on CIF + duty.
Australia	The duty is applied on the FOB value. APEC Tariff Database	There is a 10% goods and services tax applied on FOB + duty.
Austria	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 20 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 10-14 percent. The tax is applied on CIF + duty.
Bahamas	The basic ad valorem tariff rate is 35 percent tariff. Several products have separate rates. Duty is applied on CIF.	There is a 2 - 7 percent tax applied on CIF + duty.
Bahrain	Customs duties are imposed on the CIF value. 5 percent on foodstuffs and non-luxuries, 7% on consumer goods, 20% on cars and boats, 70% on tobacco products, and 125% on	Bahrain is essentially tax free, but a few products are subject to tax.
Bangladesh	Bangladesh Customs Schedule	15 percent value added tax assessed on CIF + duty. Additional taxes are applied on luxury items.
Barbados	Duty rates range from 5-15% on all products except for primary agricultural products.	15 percent value added tax assessed on CIF + duty.
Belgium	April 2006 Tariff Schedule	There is a value added tax of 21 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 1-12 percent. The tax is applied on CIF + duty.
Benin	August 2003 Tariff Schedule from International Customs Tariffs Bureau. The tariff rate is in the column marked CD.	There is a 15-20 percent VAT, a 1 percent statistical tax, and a 1percent community solidarity levy. Agricultural, industrial, agro-industrial, livestock breeding, and the fishing industry products may be subjected to additional taxes.
Bermuda	Bermuda Customs Tariff Schedule	No tax collected on products entering Bermuda.
Bolivia	April 2003 Tariff Schedule from Inter American Development Bank	There is a 13 percent value added tax. There is a 1.94 customs users fee.
Brazil	TARIFF INFO IN BRAZIL CHANGES DAILY. FOR MOST ACCURATE INFO, CONTACT TIC AT 1-800-USA-TRADE.	There is a Industrial Product Tax (IPI) (Federal sales tax) that ranges between 5 and 15 percent and a Merchandise Circulation Tax (ICMS) (State sales tax) that is generally around 18 percent. There is also a 1 percent miscellaneous tax. In addition, there is a Social Security tax that varies by product but is approximately 10 percent.
Brunei	ASEAN Tariff Database	No known taxes.
Burkina Faso	August 2003 Tariff Schedule from International Customs Tariffs Bureau. The tariff rate is in the column marked CD.	There is a 15-20 percent VAT, a 1 percent statistical tax, and a 1percent community solidarity levy. Agricultural, industrial, agro-industrial, livestock breeding, and the fishing industry products may be subjected to additional taxes.
Cambodia	ASEAN Tariff Database	There is a 10 percent value added tax for most products.
Cameroon	There is a 5 percent duty on basic necessities, 10 percent on raw materials and capital goods, 20 percent on intermediate and miscellaneous goods, and 30 percent on consumer goods.	There is an 18.7 value added tax on CIF + duty.
Canada	TARIFF RESOUCES: Canadian Customs Schedule	As of July 1, 2006, there is a 6 percent goods and services tax assessed on the duty-paid value (FOB + import duty). Commercial shipments to the provinces of New Brunswick, Newfoundland, and Nova Scotia are also subject to an additional 8 percent
Central African Republic	There is a 5 percent duty on basic necessities, 10 percent on raw materials and capital goods, 20 percent on intermediate and miscellaneous goods, and 30 percent on consumer goods.	Tax information is not available.
Chad	There is a 5 percent duty on basic necessities, 10 percent on raw materials and capital goods, 20 percent on intermediate and miscellaneous goods, and 30 percent on consumer goods.	There is an 18.7 value added tax on CIF + duty.
Chile	On January 1, 2004 the U.S.-Chile Free Trade Agreement went into effect. Items qualifying as U.S. originating would have a tariff between 0 and 6 percent. Almost all non-qualifying products have a 6 percent duty applied on CIF. TARIFF RESOURCE: January 2005 Tariff Schedule	There is a value added tax of 19 percent applied on CIF + duty.
China	Market Access and Compliance Tariff Schedule	There is a value added tax of 17 percent for most items; necessities such as agricultural products and utilities. Necessities, such as agricultural products and utilities, are taxed at 13%. Small Businesses (annual production sales of less than RMB 1 million or annual wholesale or retail sales of less than RMB 1.8 million) are subject to VAT at the rate of 6%. Also, CONSUMPTION TAX (2-3%, Provincial Tax,
Colombia	May 2006 Tariff Schedule from International Customs Tariff Bureau	applied on CIF; and Excise taxes on alcoholic beverages, spirits, cigarettes, etc. range 20 - 40%.
Congo, Democratic Republic of	There is a 5 percent duty on basic necessities, 10 percent on raw materials and capital goods, 20 percent on intermediate and miscellaneous goods, and 30 percent on consumer goods. August 2004 Tariff Schedule from International Customs Tariff Bureau	There is an 18.7 percent value added tax applied on CIF + duty.
Congo, Republic of	There is a 5 percent duty on basic necessities, 10 percent on raw materials and capital goods, 20 percent on intermediate and miscellaneous goods, and 30 percent on consumer goods.	There is an 18.7 percent value added tax applied on CIF + duty.
Costa Rica	October 2003 Tariff Schedule from International Customs Tariff Bureau	Most products are subject to a 14 percent sales tax applied on CIF + duty.

Source: US Department of Commerce, Trade Information Center

Country	Tariff and/or Tariff Resource	Tax
Cote D'Ivore	August 2003 Tariff Schedule from International Customs Tariffs Bureau. The tariff rate is in the column marked CD.	There is a 15-20 percent VAT, a 1 percent statistical tax, and a 1percent community solidarity levy. Agricultural, industrial, agro-industrial, livestock breeding, and the fishing industry products may be subjected to additional taxes.
Cyprus	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	In most cases, VAT is 15%. There is a reduced rate of VAT of 5% that refers mainly to food and agricultural products. VAT is charged on assets and services in Cyprus as well as on imports into Cyprus.
Czech Republic	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	The standard VAT rate is 19% and applies to most goods and services; a reduced rate of 5% applies to certain services and essential goods.
Denmark	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 25 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 0 percent. The tax is applied on CIF + duty.
Dominican Republic	April 2003 Tariff Schedule from Inter American Development Bank	There is a value-added tax (ITBIS tax) of 16 percent applied on CIF + duty. There is also a 13 percent exchange commission applied on all imports (FOB value). There is an additional excise tax on alcohol, soft drinks, matches, cigarettes, cigars, perfumes, jewelry, and carpets, applied on CIF + duty.
Ecuador	Cotecna's Ecuador Tariff Book	Most products are subject to a 12 percent tax applied on CIF + duty.
El Salvador	El Salvador's Tariff Schedule Type the first four or six digits of the HS Number in the box labeled "codigo". The tariff rate is in the column labeled DAI.	There is a value-added tax of 13 percent applied on CIF + duty.
Equatorial Guinea	There is a 5 percent duty on basic necessities, 10 percent on raw materials and capital goods, 20 percent on intermediate and miscellaneous goods, and 30 percent on consumer goods.	Tax information is not available.
Estonia	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	The standard rate of VAT in Estonia is 18%. There are reduced rates of 0% and 5%.
Finland	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 22 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 8-17 percent. The tax is applied on CIF + duty.
France	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 19.6 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 2.1-5.5 percent. The tax is applied on CIF + duty.
Germany	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	There is an import "Turnover" Tax (in lieu of domestic value added tax) of 17 percent for most products. Some products, such as basic necessities and agricultural foodstuffs, qualify for a reduced rate of 7 percent. The tax is applied on CIF + duty.
Ghana	Cotecna's Ghana Tariff Book	There is a 12.5 percent value added tax on most products applied on CIF + duty. There are additional taxes on some products.
Greece	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 18 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 4-8 percent. The tax is applied on CIF + duty.
Guatemala	September 2003 Tariff Schedule from International Customs Tariffs Bureau. The tariff rate is in the column marked SAC.	There is a value-added tax of 12 percent applied on CIF + duty.
Guinea Bissau	August 2003 Tariff Schedule from International Customs Tariffs Bureau. The tariff rate is in the column marked CD.	There is a 15-20 percent VAT, a 1 percent statistical tax, and a 1percent community solidarity levy. Agricultural, industrial, agro-industrial, livestock breeding, and the fishing industry products may be subjected to additional taxes.
Honduras	April 2003 Tariff Schedule from Inter American Development Bank	There is a value-added tax of 12 percent applied on CIF + duty. There is also a 0.5% service charge applied on all items except for raw material and some capital goods. There is also a 20-50 percent excise tax applied to alcohol and cigarettes.
Hong Kong	There is no duty for products shipped to Hong Kong.	Taxes are assessed only on automobiles, gasoline, tobacco, and alcohol.
Hungary	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	In most cases, Value Added Tax is payable at a rate of 25%. There is a reduced rate of 12% that relates mainly to some products and services.
Iceland	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 24.5 percent on most products applied on CIF + duty. There are additional taxes on some products.
India	2005 Tariff Schedule	There is a 1% Landing Charge applied on CIF, as well as taxes by the city, state, and central authorities respectively that total roughly 22 percent applied on CIF + duty + landing charge, but could be as much as 26 percent.
Indonesia	ASEAN Tariff Database	There is a value added tax of 10 percent applied on the CIF + duty. There is an additional sales tax on some luxury items.
Iraq	There is no tariff for products going to Iraq.	Effective March 1, 2004, a reconstruction levy of 5 percent of the total taxable customs value of all goods imported into Iraq from all countries will be applied. Exceptions are food, medicine, clothing, books, humanitarian goods; goods imported by the CPA, Coalition forces, reconstruction contractors, NGOs, international organizations, diplomats, and Coalition governments; and goods imported under Oil for
Ireland	April 2006 Tariff Schedule from International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 21 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 4.2-12.5 percent. The tax is applied on CIF + duty.
Israel	Israel's Customs Tariff Schedule	There is a value added tax of 18 percent applied on CIF + duty. Additional taxes may apply on some products.
Italy	April 2006 Tariff Schedule from the International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 20 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 4-10 percent. The tax is applied on CIF + duty.
Japan	APEC's Japan Tariff Schedule	There is a 5 percent consumption tax applied on CIF + duty.
Jordan	Jordan's Customs Tariff Table	There is a value added tax of 13 percent applied on CIF + duty.
Kenya	Cotecna's Kenya Tariff Book	There is an 16 percent value added tax applied on FOB + duty.
Kuwait	There is a 5 percent duty applied on most products. Cigarette and tobacco products have a 70 percent duty.	There are no taxes on products shipped to Kuwait.
Laos	ASEAN Tariff Database	There is a 10 percent tax applied on CIF + duty. Some products are subject to additional taxes.
Latvia	April 2006 Tariff Schedule from the International Customs Tariff Bureau or European Union Customs Web Site	The standard rate of VAT in Latvia is 18%. There are reduced rates of 0% - 9%.
Lebanon	January 2004 Tariff Schedule from the International Customs Tariffs Bureau or Government of Lebanon Customs Tariff	There is a 10 percent value added tax on CIF + duty.
Lithuania	April 2006 Tariff Schedule from the International Customs Tariff Bureau or European Union Customs Web Site	In most cases, value added tax (VAT) in Lithuania is 18%; there is a reduced rate of 9% that applies to heating services. VAT on transport services in Lithuania is 5%.
Luxembourg	April 2006 Tariff Schedule from the International Customs Tariff Bureau or European Union Customs Web Site	There is a value added tax of 15 percent for most products. Some products, such as basic necessities and foodstuffs, qualify for a reduced rate of 3-12 percent. The tax is applied on CIF + duty.
Madagascar	October 2003 Tariff Schedule from the International Customs Tariffs Bureau	There is a value added tax of 20 percent applied on CIF + duty. There may be additional import taxes applied as well.
Malaysia	ASEAN Tariff Database	Sales tax varies by product: 5, 10 or 15 percent with 10 percent being the most common. It is applied on CIF + duty.
Mali	August 2003 Tariff Schedule of the International Customs Tariffs Bureau. The tariff rate is in the column marked CD.	There is a 15-20 percent value added tax, a 1 percent statistical tax, and a 1percent community solidarity levy. Agricultural, industrial, agro-industrial, livestock breeding, and the fishing industry products may be subjected to additional taxes.
Malta	April 2006 Tariff Schedule from the International Customs Tariff Bureau or European Union Customs Web Site	18 percent value added tax (VAT) unless item is listed as exempt or at reduced rate: 5% VAT for confectionery and similar items; food and pharmaceutical products are exempt from import tax.
Mauritius	Mauritius Integrated Customs Tariff Schedule	15 percent value added tax (VAT) assessed on most items with some exceptions; see above schedule for VAT in addition to customs duty.

Source: US Department of Commerce, Trade Information Center

Source: US Department of Commerce, Trade Information Center

4.3 Export Documents

The ITA identifies a list of commonly required export documents that appear in Figure 4. The most common are the commercial invoice, the bill of lading, the insurance certificate, and the export packing list.

Dual use export licenses are required if the commodity falls into one of the following 10 types of dual-use materials:

- Nuclear Materials, Facilities, and Equipment
- Materials, Chemicals, Micro-organisms, and Toxins
- Materials Processing
- Electronics
- Computers
- Telecommunications and information security
- Sensors and Lasers
- Navigation and Avionics
- Marine
- Propulsion Systems, Space Vehicles, and Related Equipment

Figure 4: Common Export Documents

- Shipper's Export Declaration (SED). The SED is available through the Government Printing Office and a number of other commercial outlets. It can be electronically filed using AESDirect.
- Dual Use Export Controls and Licenses. Licensing is required for "dual use" exports (commercial items which could have military applications), or exports to embargoed countries. In Europe, this is codified in EU Council Regulation 3381/94/EEC on the control of export of dual-use goods. Export Control Classification Numbers (ECCNs) are used in many documents to determine whether or not an export license is needed.
- Defense Trade Export Controls and Licenses. In the case of defense export transactions (defense articles such as munitions), any person or company who intends to export such an article must first obtain approval from the U.S. Department of State Directorate of Defense Trade Controls (DDTC) prior to the export. The appropriate license form must be submitted to the DDTC for the purpose of seeking approval. In most cases, in order for a license to be considered, you first must be registered with the DDTC.
- Commercial invoice. A bill for the goods from the seller to the buyer. These invoices are often used by governments to determine the true value of goods when assessing customs duties. Governments that use the commercial invoice to control imports will often specify its form, content, number of copies, language to be used, and other characteristics (see Sample).
- Certificate of Origin. The Certificate of Origin is only required by some countries. In many cases, a statement of origin printed on company letterhead will suffice. Special certificates are needed for countries with which the United States has special trade agreements, such as Mexico, Canada and Israel.
- Bill of Lading. A contract between the owner of the goods and the carrier (as with domestic shipments). For vessels, there are two types: a straight bill of lading which is non-negotiable and a negotiable or shipper's order bill of lading. The latter can be bought, sold, or traded while the goods are in transit. The customer usually needs an original as proof of ownership to take possession of the goods.
- Insurance certificate. Used to assure the consignee that insurance will cover the loss of or damage to the cargo during transit (see Sample). These can be obtained from your freight forwarder.
- Export Packing List. Considerably more detailed and informative than a standard domestic packing list, it itemizes the material in each individual package and indicates the type of package, such as a box, crate, drum, or carton. Both commercial stationers and freight forwarders carry packing list forms.
- Import License. Import licenses are the responsibility of the importer. Including a copy with the rest of your documentation, however, can sometimes help avoid problems with customs in the destination country.
- Consular Invoice. Required in some countries, it describes the shipment of goods and shows information such as the consignor, consignee, and value of the shipment. If required, copies are available from the destination country's Embassy or Consulate in the U.S.
- Air Way Bills. Air freight shipments are handled by air waybills, which can never be made in negotiable form.
- Inspection Certification. Required by some purchasers and countries in order to attest to the specifications of the goods shipped. This is usually performed by a third party and often obtained from independent testing organizations.
- Dock Receipt and Warehouse Receipt. Used to transfer accountability when the export item is moved by the domestic carrier to the port of embarkation and left with the ship line for export.
- Destination Control Statement. Appears on the commercial invoice, and ocean or air waybill of lading to notify the carrier and all foreign parties that the item can be exported only to certain destinations.

Source: US Department of Commerce, International Trade Administration

5 Hazardous Materials

The shipment of hazardous and regulated goods across international borders is subject to regulation by international treaties. For transport of hazardous materials inside the US, the Federal Hazardous Materials Law defines and classifies hazardous materials and articulates rules in these areas:Hazard communication (Part 172, Subparts C-G); Packaging requirements (Parts 173, 178, 179, and 180); Operational rules (Parts 171, 173, 174, 175, 176 and 177); and Training (Part 172, Subpart H). Also, Title 49 CFR Parts 100-185 address hazardous material classification, packaging, emergency response, and training.

Munitions are governed by the International Traffic in Arms Regulations (ITAR 120.3 & 120.4), which determines what articles are considered munitions.

Pharmaceuticals are subject to strict control internationally and in the US. The US Drug Pedigree Rule in the Prescription Drugs Marketing Act (PDMA), which will take effect in 2007, requires drugs to have a complete transfer and history record. There are also specific laws addressing guidelines for transporting anthrax and anthrax-contaminated objects and materials.[8]

Blood and biomedical products are restricted by the Biological and Toxin Weapons Convention in 1972, which instituted strict controls on biological agents so they could not be used to make weapons. The World Federation for Culture Collections Guidelines set conditions on shipments, including:

- Only accepting written orders
- Notification to the Federation of shipments and purpose
- Record-keeping of mandated safety measures and compliance
- Information to requestors of regulated organisms that they are prohibited from distributing materials to third parties
- Refusal of delivery if the end-user certificate is incomplete
- In all cases of doubt, the relevant national authority must be contacted

Applicable US regulations on the transport and trade of biohazards include the items below. Note that any observation that causes a shipper to question container integrity requires an incident report, DOT Form F 5800.1.

- CFR Title 33, Navigation and Navigable Waters, Parts 1–109;
- CFR Title 46, Shipping, Parts 1–195;
- CFR Title 49, Transportation, Parts 100–199 and 300–399
- International Civil Aviation Organization (ICAO) Technical Instructions for the Safe Transportation of Dangerous Goods by Air.

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[8] Pipeline and Hazardous Materials Safety Administration (PHMSA) Guidelines for Transporting Anthrax and Anthrax-contaminated Objects and Materials

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6 Other Generally Accepted Protocols and Standards

The financial community has developed standards that codify and simplify transactions, particularly through Incoterms and Letters of Credit. Incoterms are a uniform language classification system for international trade that codify various combinations of buyer and seller responsibilities.

6.1 Incoterms

Figure 5 classifies the various combinations of responsibilities codified in standard Incoterms. In the simplest configuration, the buyer is responsible for all expenses – under Ex Works (EXW) terms – or the seller is responsible for all expenses – under Delivery Duty Paid (DDP) terms. Common terms are Free On Board (FOB), in which the seller pays up to the port of embarkation, and Cost Insurance & Freight (CIF), in which the seller pays up to the port of debarkation. The title and risk pass from the seller to the buyer at different points for each Incoterm. The International Chamber of Commerce in Paris, France periodically updates the Incoterms to reflect the shifts of traffic across modes of transport, the influence of freight intermediaries and technology on standard terms, and similar factors.

Figure 5: Buyer and Seller Responsibilities Under Incoterms

Acronym	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAF	DES	DEQ	DDU	DDP
Prefix	**Ex Works**	**Free Carrier**	**Free Alongside Ship**	**Free Onboard Vessel**	**Cost & Freight**	**Cost Insurance & Freight**	**Carriage Paid To**	**Carriage Insurance Paid To**	**Delivered At Frontier**	**Delivered Ex Ship**	**Delivered Ex Quay Duty Unpaid**	**Delivered Duty Unpaid**	**Delivered Duty Paid**
Suffix	Named place	Named place	Port of destination	Port of destination	Place of destination	Place of destination	Place of destination	Port of destination	Named place	Port of destination	Port of destination	Place of destination	Port of destination
Warehouse Storage	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Warehouse Labor	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal and Port Receiving Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Forwarder's Fees	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Ocean/Air Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Charges On Arrival At Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Buyer	Buyer	Seller	Seller	Seller
Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery To Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

Source: Various public sources

6.2 Letters of Credit

Letters of credit essentially guarantee sellers that they will receive their money when the goods reach the buyer. And because the letter of credit is executed before shipment begins, the buyer is assured of receiving the product. The most common type of letter of credit is a Commercial letter of credit, which is for a standard one-time payment. Commercial letters of credit are supported by shipping documents and bills of lading. Another type of letter of credit is a Standby letter of credit, whereby the buyer deposits money and the seller withdraws money as the material or service is delivered.

7 The Increasing Importance of Conformance to Customer Standards

In addition to legal, structural, and procedural norms, shippers must often abide by customers' standards of compliance. In the retail trade, retailers write extensive documents outlining exactly what procedures suppliers should follow when shipping/routing deliveries to the companies. These routing guides stipulate detailed procedures for:

- Labeling (location and level of specificity)
- Specific carriers for different regions
- Paperwork specifications
- Delivery configuration (pallet specs, height, weight)
- Timeliness of deliveries
- EDI protocols
- Notification rules
- Invoicing
- Scheduling

Customer standards often come with penalties or deductions from invoiced amounts for non-compliance to any of the above logistical specifications. These can be small for minor incic such as labeling errors, or large for other mistakes such as incorrect items or missed deliver time windows.

8 Conclusion

Increasing security regulation has defined the environment for shipper compliance since 9/11/2001. Today, shippers must now respect the impact that new trade rules, documentation requirements, and inspection authority may have on the speediness and administrative burden of shipping product, especially internationally. In the future, however, these factors are likely to fade into standard operating procedure, and other issues will supersede them, such as the standardization of information and financial transmission protocols and more stringent customer delivery requirements that facilitate on-demand global logistical flows.

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