



# CGBP Training

NASBITE Annual Training Forum 2026

**Supply Chain Management : Sessions D4 and E4**



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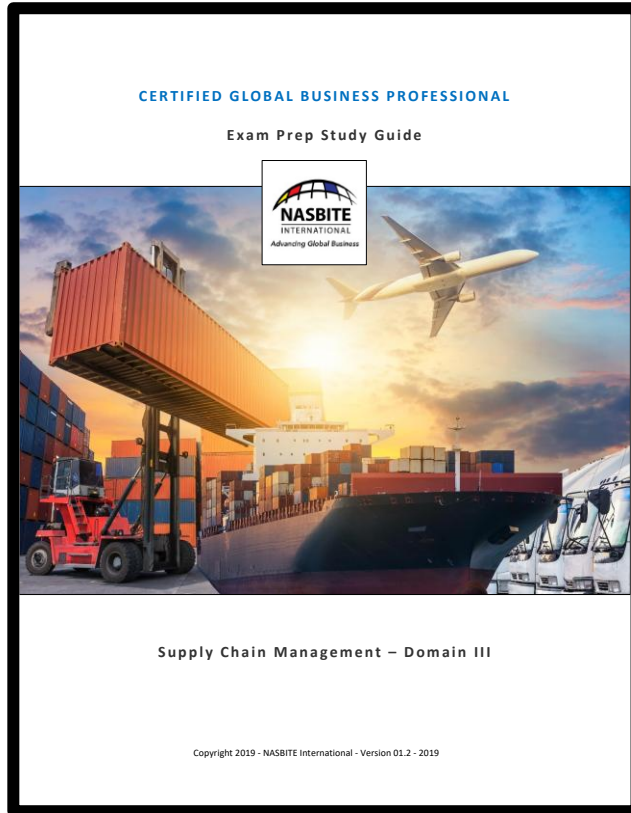
# Supply Chain Management



## Agenda

### Welcome & Introductions

- 5 Tasks and 44 Subtasks
- Guided Discussion
- Engagement Activities
- Wrap-Up



# Supply Chain Management



- **Task 0301:** Optimize supply chain solutions to meet the requirements of the international business plan.
- **Task 0302:** Evaluate and select the potential supply chain intermediaries to support the international business plan.
- **Task 0303:** Complete the documents required for international movement of product and services.
- **Task 0304:** Coordinate with other departments to calculate the true cost, benefits, and risks of proposed transactions to implement risk and crisis management policies.
- **Task 0305:** Facilitate the offshore sourcing process.

### **Task 3.1 - Optimize supply chain solutions to meet the requirements of the international business plan including evaluation of all modes of transportation, inventory, time to market, landed costs, and customer requirements**

- i. **International Transportation modes**
- ii. Trade Agreements
- iii. The Harmonized Tariff Schedule (HTS) Duty Rate Table
- iv. Product Classification Regimes
- v. Security Issues
- vi. **Legal/Regulatory Packing Requirements**
- vii. **Insurance, Transportation Liability Regimes and Demurrage**
- viii. Strategies for Supply Chain Disruption
- ix. Key Resources
- x. **Supply Chain Implications of Incoterms**
- xi. Key Performance Indicators for Environmental Sustainability
- xii. Supply Chain Disruption Contingencies



**Task. 3.2 - Evaluate and select the potential intermediaries (e.g., carriers – all modes, third party logistics providers [3PL's], forwarders, brokers, contract carriers) necessary to support the international business plan (including evaluation of outsourcing alternatives and/or partners)**

- i. **Major Transportation Modes**
- ii. Third Party Logistics Providers (3PL's)
- iii. Freight Forwarders
- iv. Customs Brokers
- v. Power of Attorney
- vi. Databases
- vii. Other Resources



## Task 3.3 - Complete the documents required for international movement of products and services



- i. Standard Export and Import Documents for Goods and Services
- ii. U.S. Export Regulations for Involved Countries and Seller Buyer Document Requirements
- iii. U.S. Import Regulations and Sources for Involved Countries
- iv. Incoterms
- v. U.S. Documentation Requirements
- vi. Foreign Language Documentation Requirements
- vii. Document Completion Technology
- viii. Offshore Documentation Requirements
- ix. Country of Origin Determination
- x. Reasonable Care and Due Diligence

## Task 3.4 - Coordinate with other departments to calculate the true cost, benefits, and risks of proposed transactions in order to implement risk management policies

- i. Marine Insurance
- ii. Transportation Options and Documents
- iii. International Conventions
- iv. Product Packaging and Shipment Packaging
- v. Insurance Companies and Brokers
- vi. Impact of Geopolitical challenges
- vii. Options for Mitigating costs, unclaimed cargo
- viii. Crisis Management strategies





## **Task 3.5 – Facilitate the Offshore Procurement Process**

- i. Advantages of Global Sourcing
- ii. Importance of building In-Country relationships
- iii. Cultural Considerations affecting Supplier/Buyer Relationships
- iv. Impact of Trade Policies Affecting Procurement
- v. Terms and Conditions of Purchase or Sale
- vi. Quality Considerations
- vii. Calculation of Landed Costs
- viii. U.S. Customs Regulatory Compliance
- ix. Import Documents
- x. Customs Brokers and Customs Management tools
- xi. Geopolitical and Supply Chain Factors in Offshore Sourcing

# International Transportation

The four primary modes of transportation in international business are:

- Truck
- Ship
- Rail
- Air

**Multimodal** – goods moved using two or more modes of transport (under a single contract)

**Intermodal** – goods moved using two or more modes of transport (under separate contracts)

**The intermodal container was invented in 1956**

**The first vessel was the Ideal X with a load of 58 containers**

**The largest container vessel (2023) is the MSC Irina – 24346 TEU**



# Key Factors: Choosing a Method of Transportation

1. The product & size being shipped
2. Transaction time lines
3. Buyer requirements
4. Warehousing and storage
5. Country of origin
6. Duties, tariffs, taxes, and quotas
7. Requirements imposed by government agencies
8. Requirements from the bank and/or insuring institutions involved in the transaction
9. Payment terms
10. INCO Terms

# Trade Agreements

A Free Trade Agreements ([FTA](#)) is an agreement between two or more countries that usually aims to reduce or eliminate duties on goods that are being bought and sold by exporters and importers located in the countries that are party to the agreement.

- Regional Value Content – Exporters often need to disclose the percentage of the goods that have been produced in the exporter’s country.
- Foreign Trade Zone or Free Trade Zone ([FTZ](#)) – A designated area within a country where goods can be landed, used in manufacturing or reconfigured, and then re-exported without any intervention by the local customs authorities. Duties are only levied if the goods are sold within the country. If goods are exported directly from the FTZ, no importing duties are payable.



CODE	DEFINITION	ARTICLE DESCRIPTION
09	Chapter	Coffee, Tea, Mate and Spices
0902	Heading	Tea, whether or not flavored
0902.10	Subheading	Green tea (not fermented) in immediate packings of a content not exceeding 3 kg.

Globally Recognized Numbering:  
The Harmonized Tariff Schedule  
(HTS) and Duty Rate Table



United States  
International Trade  
Commission

# The Harmonized Tariff Schedule (HTS) Duty Rate Table

Harmonized Tariff System ([HTS](#))

**Tariff** is specifically related to the Harmonized Tariff Schedule. It is the percentage rate that is used to calculate the duty payable.

**Duty** is a tax to be paid to the customs authority for the goods being imported.

**What are:**

- Duty Drawback
- MPF, HMF and Other Taxes
- Quotas
- Non-Tariff Barriers

Harmonized Tariff Schedule of the United States (2020) Revision 21

Annotated for Statistical Reporting Purposes

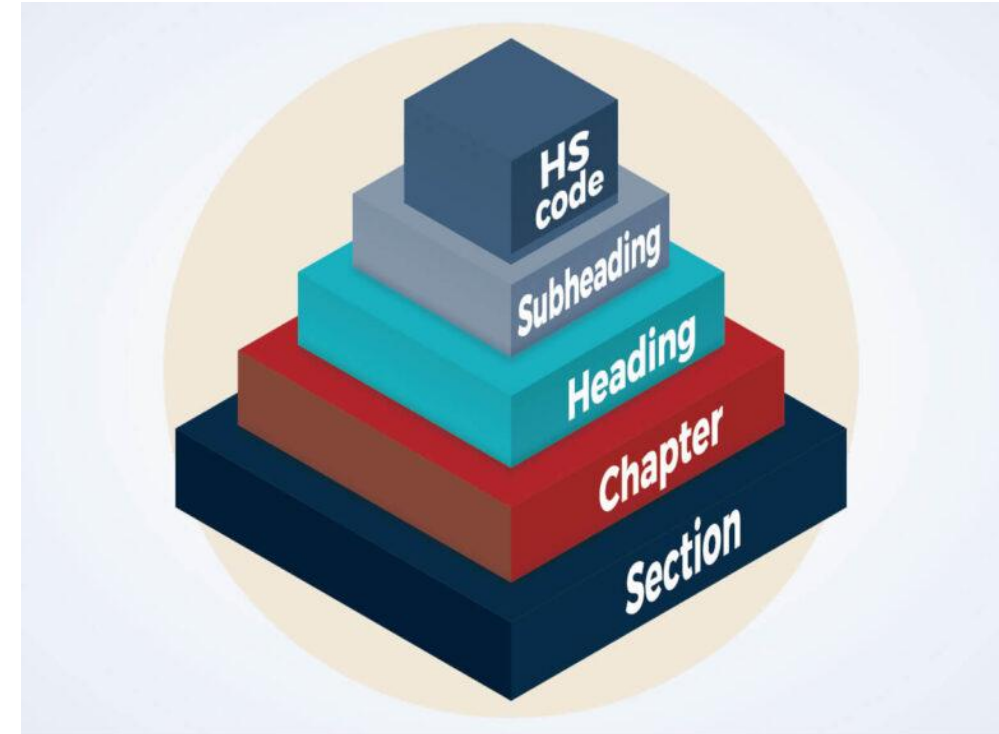
II  
9-3

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
0902		Tea, whether or not flavored:				
0902.10		Green tea (not fermented) in immediate packings of a content not exceeding 3 kg:				
0902.10.10		Flavored.....		6.4% <sup>1/</sup>	Free (A, AU, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, S, SG)5.34% (JP)	20%
	15	Certified Organic.....	kg			
	50	Other.....	kg			
0902.10.90		Other.....		Free <sup>1/</sup>		Free
	15	Certified Organic.....	kg			
	50	Other.....	kg			
0902.20		Other green tea (not fermented):				
0902.20.10	00	Flavored.....	kg	6.4% <sup>1/</sup>	Free (A*, AU, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, S, SG)5.34% (JP)	20%

# Product Classification Regimes

The most widely used trade classification systems are:

- Harmonized System (HS) Code, a universal standard
- Schedule B and Harmonized Tariff Schedule of the United States (HTSUSA)
- Standard International Trade Classification (SITC), used by the United Nations
- North American Industry Classification System (NAICS)
- Standard Industrial Classification (SIC).



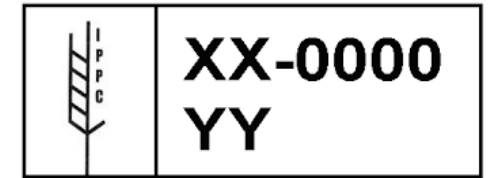
# Security Issues



Security issues have always been important globally but after September 11, 2001 a dramatic increase in awareness in the United States of America occurred.

- **ISF and AMS:** Import pre-alert manifest filings
- **Container Security Initiative (CSI)** – CBP has refined the inspection process and is working in ports all over the world.
- **Customs Trade Partnership Against Terrorism (C-TPAT)** – Agree to work with CBP to protect the supply chain, identify security gaps, and implement specific security measures and best practices. Warehouse Security – Minimum Security Criteria and Guidelines that are required to become a C-TPAT partner.
- **Customs and Border Protection (CBP)** - Became the nation's first totally comprehensive border security agency focusing on maintaining the integrity of boundaries and ports of entry.
- **TSA - Air Carrier & Indirect Air Carrier Security Programs**

# Legal/Regulatory Packing Requirements



The **Fair Packaging and Labeling Act** was enacted in 1967 that requires specific information on the commodity being sold, the name and place of the supplier, and the net quantity of the contents.

- **Packaging Materials** – Regulations apply mostly to packaging materials subject to pest infestation (e.g., wood crates, pallets), adversely impact the environment (e.g., non-recyclable plastics), or used to ship dangerous goods (e.g., toxic chemicals).
- **Wood Packaging** - Solid wood packaging material (WPM) is regulated under the UN Food and Agriculture Organization (FAO) International Plant Protection Convention (IPPC). The IPPC issues the International Standards for **Phytosanitary** Measures (ISPMs), including ISPM 15.
- **Environment-Related Packaging** – ISO has six global standards to minimize the environmental impact of packaging and harmonize localized approaches.
- **Dangerous Goods Packaging** – Goods dangerous to any person or animal, or that could damage the environment must have leak-or break-proof packaging and must be properly marked, labeled, documented, and classified.

# Packing and Labeling For International Shipments

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## IMO and IATA Standards

- SOLAS – Safety and Security
- Dangerous Good Handling
- Seals
- Weight and Size Limitations
- IMO and SOC – containers and chassis
- Markings and Labeling: Designation, Language & Documentation

# Packing and Labeling For International Shipments

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## Risk Management

### To Avoid Pilferage:

- ✓ Secure & seal all products, cartons, & containers
- ✓ Mark shipping cartons with minimum information to ensure delivery.
- ✓ Do not include description or value on the box



# Non-Regulatory Packing Requirements

## Packaging Materials:

- Pallets (wood or synthetic)
- Cases or crates
- Protective packaging within containers
- Waterproofing

## Types of Containers:

- Dry storage
- Refrigerated
- Other types of containers



# Resources

Although product packaging, shipment packing and containerized shipping can pose special challenges, depending on the product, there are many resources available to help exporters and importers make good choices.

- Freight Forwarders and Import Brokers
- National Custom Brokers & Forwarders Association of America, Inc. ([NCBFA](#))
- USDOC-[ITA](#)
- USDOC-ITA [Trade Associations](#)
- NASBITE

# Insurance, Transportation Liability Regimes and Demurrage

Exporters should consult with a freight forwarder to ensure that adequate coverage is obtained, but coverage is generally 110 percent of the CIF (Cost, Insurance, and Freight) value of the shipment.

## Transportation Liability

- Ocean cargo liability – Rotterdam Rules
- Air cargo liability – Montreal Convention of 1999
- Cargo insurance and cargo liability insurance – General Average

**Detention and Demurrage** – Cost stemming from delays in unloading cargo at either end

- Import cargo
- Export cargo

**Note: Additional Insurance discussion under section 3.4**



# Supply Chain Disruptions - Strategies

- Diversification of Supplier Base
  - Multi-Sourcing
  - Friendshoring/Nearshoring
- Inventory Management Strategies
  - Safety Stock/Inventory Buffers
- Strengthen Supplier Relationships
- Flexible Manufacturing & Dual Product Sites
- Alternative Logistics and Transportation Routes
- Financial and Contractual Contingencies
  - Force Majeure
  - Risk Sharing
  - Credit Risk Insurance

# Supply Chain Implications of Incoterms

**Incoterms** determine who is paying the freight directly to the carrier and is controlling the freight

**Note:** in reality, buyer is always paying because supplier will add cost into product.

Important to consider the costs of freight when determining which incoterm to use and if supplier is routing or you are. It may be less expensive to route the freight and pay directly to the carrier yourself.

# Key Performance Indicators – Environmental Sustainability

Dimension	Key KPIs	Goal
Carbon Efficiency	CO <sub>2</sub> per ton-km, % low-carbon transport	Decarbonize logistics
Resource Efficiency	Waste diversion %, water use per unit	Optimize sustainability
Supplier Engagement	% green-certified suppliers	Ensure sustainable sourcing
Compliance & Innovation	Environmental audit score, ESG R&D spend	Foster responsible trade
Circularity	Recycled content ratio	Build sustainable value chains

# Supply Chain Disruption Contingencies

<u>Step</u>	<u>Action</u>	<u>Tools/Resources</u>
<b>1. Risk Identification</b>	Map critical suppliers, transport routes, and choke points	Supply chain mapping tools, risk heat maps
<b>2. Impact Assessment</b>	Evaluate financial and operational consequences of disruption	Scenario analysis, Monte Carlo simulation
<b>3. Prioritization</b>	Rank suppliers/products by strategic importance	ABC / Pareto analysis
<b>4. Contingency Design</b>	Develop mitigation plans and backup processes	Business Continuity Plans (BCP), SOPs
<b>5. Implementation</b>	Train teams and formalize procedures	Supplier scorecards, crisis playbooks
<b>6. Testing</b>	Simulate disruptions (e.g., “tabletop” exercises)	War-gaming, drills
<b>7. Review &amp; Update</b>	Continuously monitor risks	AI risk dashboards, external audits

## Task. 3.2

Evaluate and select the potential intermediaries (e.g., carriers – all modes, third party logistics providers [3PL's], forwarders, brokers, contract carriers) necessary to support the international business plan (including evaluation of outsourcing alternatives and/or partners)

- i. Major Transportation Modes
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- vii. Other Resources





# Major Transportation Modes

- **Road** – A highly popular mode of shipping, mainly because of the speed and flexibility (for pickup and drop-off) that is possible when goods can be moved entirely by land.
- **Rail** – The least expensive form of ground transportation and railcar chassis are available to handle shipping containers.
- **Ocean Freight** – Ocean freight is quite inexpensive and many ocean routes have frequent and regular service, making shipping by ocean a very popular mode of transport for most international shipments.
- **Air Freight** – Air shipping is the fastest way to ship cargo, but it is extremely expensive in comparison to other modes of transport.
- **Contract Carriers** - Carriers that act exclusively under contract and serve shippers with whom they have a continuing contract.
- **Consolidators** – Consolidated freight services are offered by companies that serve clients by combining multiple LCL shipments destined for the same location into a single container.

# Third Party Logistics Providers (3PLs)

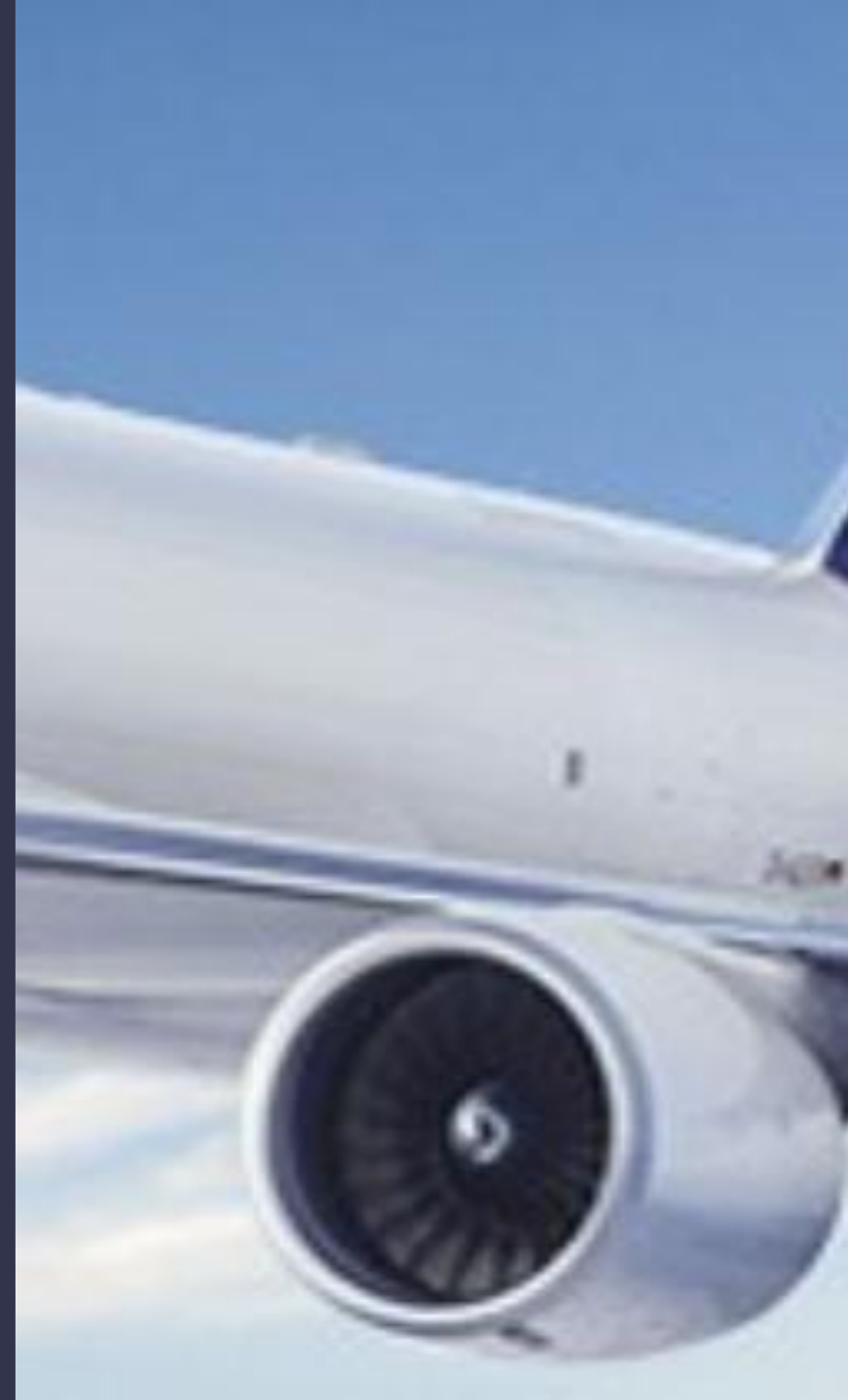
A 3PL is a company that offers logistics services to manufacturers and producers. 3PL services can involve the outsourcing of one or more elements of the supply chain management activities of a company, such as procurement and fulfillment (e.g., warehousing, shipping and delivery).



# Freight Forwarders

A freight forwarder is a person/company that organizes shipments for companies to coordinate the movement of their goods to the final destination.

- Freight forwarders can be thought of as professional shipping assistance. They generally act as an intermediary and expeditor between a shipper and various asset based transportation providers (e.g., ocean carriers, trucking companies, air freight, rail carriers, etc.).
- Freight forwarders also organize and monitor port-related activities and help exporters understand and navigate costs and transportation-related regulatory hurdles.



# Customs Brokers

Customs brokers are professionals who work at border locations around the world to help companies by expediting their shipment when customs officials need anything related to the specifics of the shipment.

- They can assist exporters with the preparation of import or export documents and they are experts in the assignment of Harmonized System classification codes (which are used to determine the duty payable on a shipment).
- Can also assist with rules and regulations related to the clearance of imported or exported goods. Customs brokers submit information and payments to the customs authority on behalf of the exporter.

# Customs & Forwarder Powers of Attorney

A **Power of Attorney (POA)** is a legal instrument that permits one person to authorize another person to act on their behalf for a specified legal purpose for a fixed time period.

- A typical POA used in shipping is for an exporter to grant a **freight forwarder** the authority to handle legal and financial aspects of delivering the goods, such as to prepare documentation, select the carrier, negotiate rates, and book cargo.
- Similarly, companies that are using a customs broker to clear goods through customs (across any border) typically give POA to the **customs broker** who is handling the shipment, so they have authority to act on behalf of the company, even though they are not a company official.

# Services to Evaluate



## **Warehouse Facilities**

Buildings, loading docks, racking/storage systems, inventory moving machinery, staff

## **Technology Systems**

Inventory management, shipping, receiving, EDI, billing & reporting

## **Picking & Packing**

Order processing, shipping, labeling, billing

## **Transportation**

Owned & operated or contracted, scheduling system

## **Insurance**

Coverage for structures, inventory, and services



# Databases

Intermediaries can be found in various free online databases and directories, including Yellow Pages or a Google search by type of intermediary, industry association membership lists (e.g., NCBFAA Membership Directory), and specialized functional directories.



# Other Resources



Several organizations can help with intermediary identification and referral, but they are generally “neutral” as to their members and will not recommend any particular provider.

- WTC - [World Trade Center](#)
- USDOC – [Commercial Service](#)
- USDOC – [International Trade Administration](#)
- ASBDC – [America’s Small Business Development Center](#)
- SIDO – [State International Development Organizations](#)
- EXIM – [Export-Import Bank of the United States](#)

## Task 3.3 - Complete the documents required for international movement of products and services



- i. Standard Export and Import Documents for Goods and Services
- ii. U.S. Export Regulations for Involved Countries and Seller Buyer Document Requirements
- iii. U.S. Import Regulations and Sources for Involved Countries
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# Standard Export and Import Documents for Goods and Services



**Electronic Export Information (EEI)** – Required U.S. Government filing for all exports valued at \$2,500 or more, or \$500 or more if shipped by mail.

- Proforma Invoice
- Commercial Invoice
- Export Packing List
- Dock Receipt
- Bills of Lading
  - Ocean Bill of Lading
  - Airway Bill of Lading
  - Truck Bill of Lading
- Consular Invoice
- Certificate of Origin
  - USMCA Certificate of Origin



# U.S. Export Regulations for Involved Countries and Seller Buyer Document Requirements

Knowledge of U.S. export regulations for involved countries and seller/buyer document requirements (e.g., Bureau of Industry and Security [BIS], Office of Foreign Asset Control [OFAC]) are also important export information for the business to be aware of.

- USDOC – [BIS](#)
  - Export Administration Regulations ([EAR](#))
  - Commercial Control List ([CCL](#))
- USDT – [OFAC](#)
- **Specially Designated Nationals and Blocked Persons List** ([SDN](#)) – a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries.
- **Consolidated Sanctions List** – a compilation of all [non-SDN](#) sanctions lists in a consolidated set of data files

# U.S. Import Regulations and Sources for Involved Countries

Lastly, international businesses should be knowledgeable of U.S. import regulations and sources for involved countries (e.g., Customs and Border Protection, Animal and Health Inspection Service [APHIS]).

- Customs and Border Protection ([CBP](#)) mission is “to safeguard America’s borders thereby protecting the public from dangerous people and materials while enhancing the Nations’ global economics competitiveness by enabling legitimate trade and travel” (CBP, 2019).
- Importers must therefore assure that merchandise complies with other agencies requirements (e.g., FDA, EPA, DOT, CPSC, FTC, Agriculture, etc.) and obtained licenses or permits, if required, from them.

# Incoterms

**Incoterms®**  
2020 by the International  
Chamber of Commerce (ICC)

TRANSPORT OBLIGATIONS,  
COSTS AND RISKS

Blue indicates seller's  
Gold indicates buyer's  
Green indicates mixed or shared

## RULES FOR ANY MODE OR MODES OF TRANSPORT

**EXW**

Ex Works  
(Insert named place of delivery)  
Incoterms® 2020



**Seller** **Buyer**



**FCA**

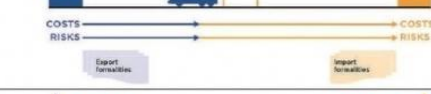
Free Carrier  
(Insert named place of delivery)  
Incoterms® 2020



A) **Seller** **Buyer**



B) **Seller** **Buyer**



**CPT**

Carriage Paid To  
(Insert named place of destination)  
Incoterms® 2020



**Seller** **Buyer**

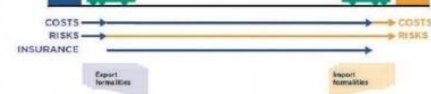


**CIP**

Carriage and Insurance Paid To  
(Insert named place of destination)  
Incoterms® 2020



**Seller** **Buyer**



**DAP**

Delivered at Place  
(Insert named place of destination)  
Incoterms® 2020



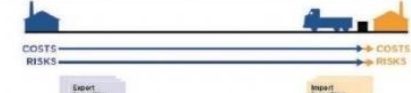
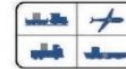
**Seller** **Buyer**



Blue indicates seller's  
Gold indicates buyer's  
Green indicates mixed or shared

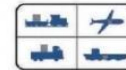
**DPU**

Delivered at Place Unloaded  
(Insert named place of destination)  
Incoterms® 2020



**DDP**

Delivered Duty Paid  
(Insert named place of destination)  
Incoterms® 2020



## RULES FOR SEA AND INLAND WATERWAY TRANSPORT

**FAS**

Free Alongside Ship  
(Insert named port of shipment)  
Incoterms® 2020



**Seller** **Buyer**

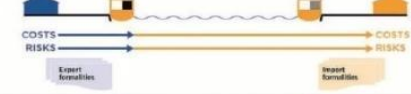


**FOB**

Free on Board  
(Insert named port of shipment)  
Incoterms® 2020



**Seller** **Buyer**



**CFR**

Cost and Freight  
(Insert named port of destination)  
Incoterms® 2020



**Seller** **Buyer**

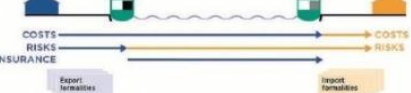


**CIF**

Cost, Insurance and Freight  
(Insert named port of destination)  
Incoterms® 2020



**Seller** **Buyer**



**ICC** INTERNATIONAL  
CHAMBER  
OF COMMERCE  
The world business organization  
ICC Publication: 803E  
EIRN: 978-92-942-0384-1  
ICC Knowledge 2.0: 2go.knowledge

**WARNING:** This chart is not intended to be used alone, and should always be used in conjunction with the Incoterms® 2020 rule book.

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# INCOTERMS® 2020

## CHART OF RESPONSIBILITY AND TRANSFER OF RISK

	Any Transport Mode		Sea/Inland Waterway Transport				Any Transport Mode				
	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
Incoterm®	EX Works	Free Carrier	Free Alongside Ship	Free on Board	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered At Place	Delivered At Place Unloaded	Delivered Duty Paid
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place	At Named Place Unloaded	At Named Place
Charges/Obligations											
Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty & Taxes	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Charges	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	**	**	**	**	**	Seller	**	Seller	**	**	**
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
sales@bgiworldwide.com			<b>BGI WORLDWIDE LOGISTICS, INC.</b> 2453 Lewis Ave., Signal Hill, CA 90755 Tel: 562.597.5671 / 800.987.4244 www.bgiworldwide.com						*Seller is responsible for loading charges, if the terms state FCA at seller's facility. **Negotiable between Buyer and Seller		

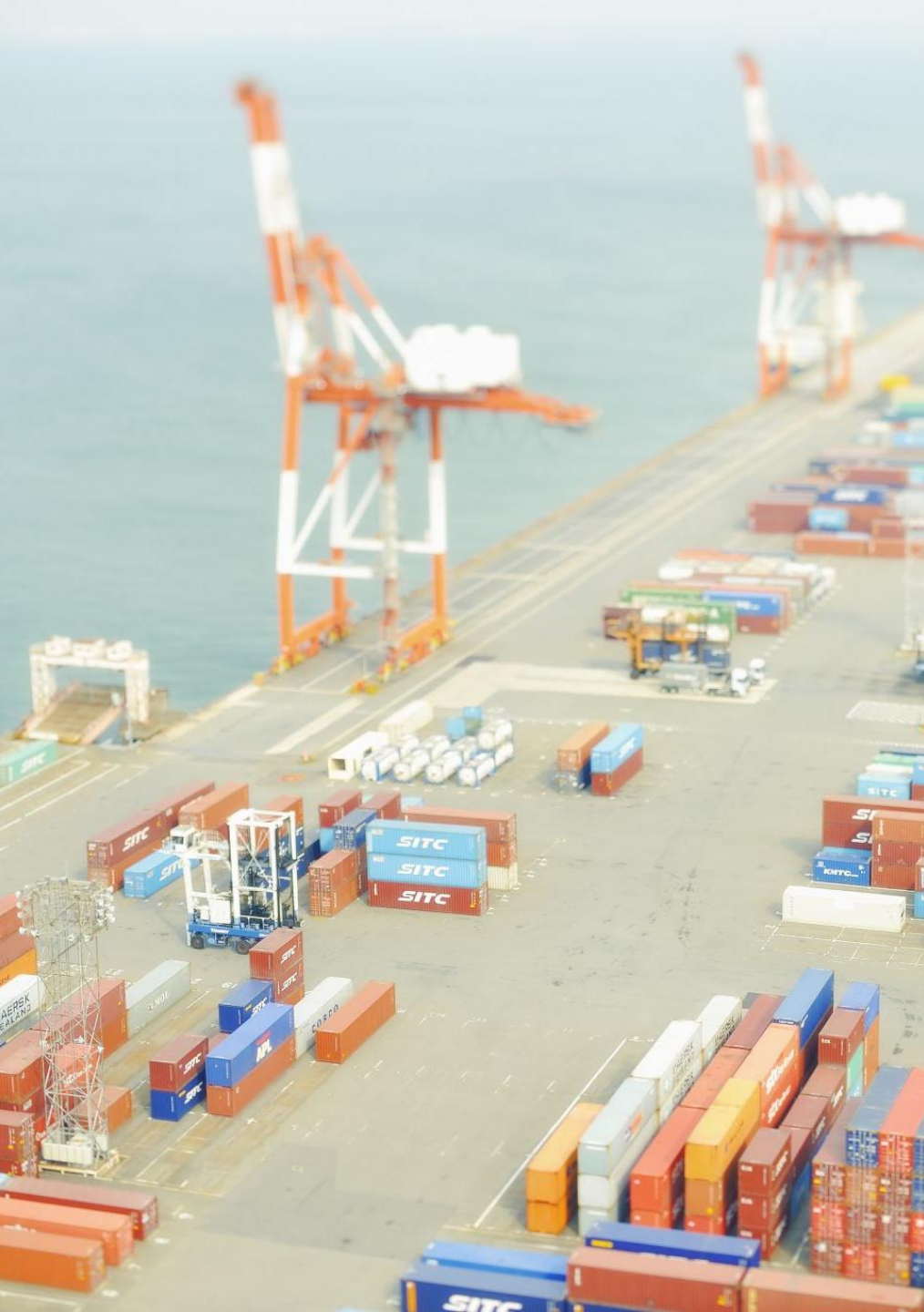
\*\*\*THIS CHART IS FOR INFORMATIONAL PURPOSES ONLY. BGI WORLDWIDE LOGISTICS, INC. IS NOT LIABLE FOR THESE CONTENTS, REFER TO THE FULL VERSION OF INCOTERMS® 2020 FOR FULL DESCRIPTION.

# Basics of Understanding Incoterms

- The First Letter Matters - E, F, C, D.....The order starts with the least responsibility of the exporter to the greatest!
- Incoterms specify what the Exporter must do
- Must have a named place following Incoterm
- E/F terms do not include international freight, C/D terms do
- Mode of Transport Matters
- Must state in contract which version of incoterms you are using
- Ultimately, the buyer is paying all costs (directly or indirectly)

# Ex-Works

- The least of all responsibilities for the seller/exporter.
- Seller makes product available at specified location, usually their dock, and buyer arranges for all transport and all export paperwork
- Technically, the buyer is responsible for export clearance but this is subject to export regulations in each country - and not so clear in the US.
- Most buyers do not want the responsibility of export clearance or paperwork and ask seller to do it. Risk of diversion exists in this scenario but US regulations state that if buyer won't do it, the US PPI is responsible.
- Seller is still the US PPI no matter what and still must comply with regulatory requirements.



# C Terms – Contradictory and Confusing

- The C-group Incoterms make up a situation whereby risk and obligations shift from the seller to the buyer at **two different physical places**.
  - Delivery is defined as where the risk shifts from seller to buyer, typically the port of origin
  - Transportation to destination is still the responsibility of the seller even after risk transfer.

# U.S. Documentation Requirements

This USDOC – [ITA](#) page outlines the Documentation requirements for Export Compliance. For reporting purposes, the US Census Bureau places this responsibility of *The U.S. Principal Party in Interest (USPPI)* which is the person in the United States who receives the primary benefit, monetary or otherwise, of the export transaction.

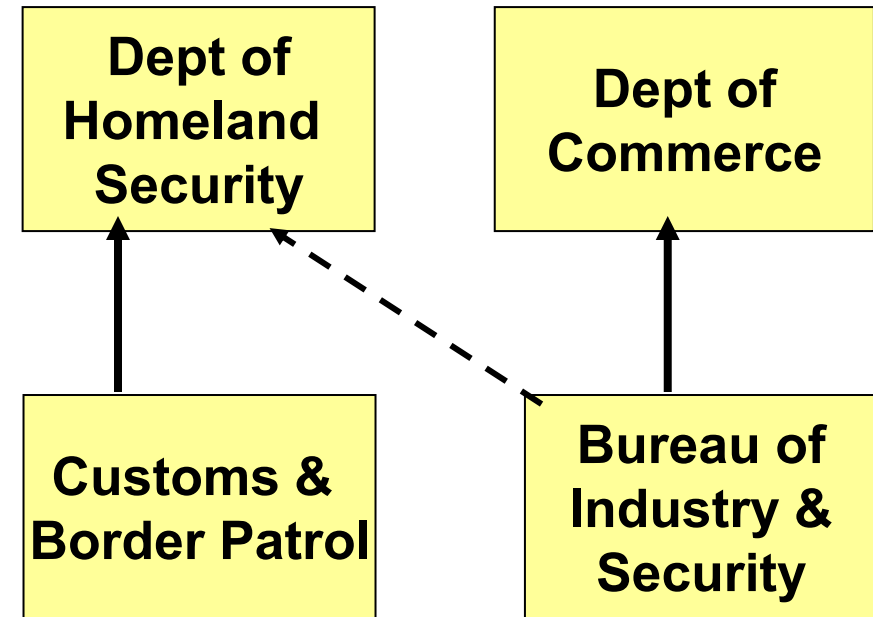
**U.S. Export Licenses** – Issued by the Department of Commerce’s Bureau of Industry and Security ([BIS](#)) for dual use items; the State Department’s Directorate of Defense Trade Controls ([DDTC](#)) for defense articles); the Nuclear Regulatory Commission ([NRC](#)) for nuclear materials); and the U.S. Drug Enforcement Administration ([DEA](#)) for controlled substances and precursor chemicals.

**Required Documents for Import Compliance** – Required import documents are mainly to enable the U.S. to compile accurate import statistics (total and by product) and to prevent entry of dangerous or unsafe goods. Documentary compliance is a two-part process: (1) filing documents needed to determine if Customs & Border Protection ([CBP](#)) can release the goods from customs; and (2) filing the documents needed for duty assessment and statistical purposes. Both can be done electronically via the Automated Broker Interface ([ABI](#)) program of the Automated Commercial System ([ACS](#)).

# U.S. Export Regulations



- Every product leaving the U.S. for an overseas destination must be approved for export by U.S. Customs and Border Patrol a branch of Homeland Security
- The CBP works very closely with the Bureau of Industry and Security a branch of the Department of Commerce
- Most products leaving the U.S. are exported under a general license NLR – No License Required, while a limited number of products require a validated export license.

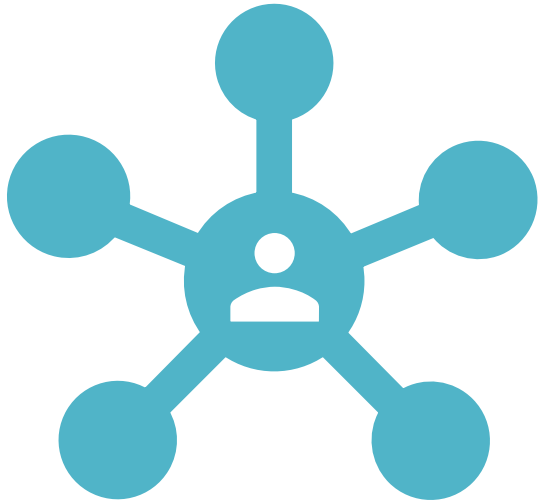




# Foreign Language Documentation Requirements

Lastly, it should be noted that many countries have specific language requirements that are legal or regulatory requirements that must be met. To determine what those requirements are for the target market where your goods are being shipped, exporters should consult with the importer who is buying the goods and also contact The U.S. Commercial Service ([CS](#)) which has more than 70 international offices in the country of interest.

# Document Completion Technology



The primary U.S. compliance systems are the Automated Export System (AES), and the Simplified Network Application Process Redesign ([SNAP-R](#)).

SNAP-R allows users to electronically submit export license applications, commodity classification requests, reexport license applications, and license exception AGR (Agricultural commodities) notifications.

- **Automated Commercial Environment ([ACE](#))** is the system through which the trade community reports imports and exports, and the government determines admissibility.
- **The Automated Export System ([AES](#))** is the system used by U.S. exporters to electronically declare their international exports, known as Electronic Export Information (EEI), to the Census Bureau to help compile U.S. export and trade statistics.

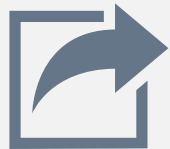
# Offshore Documentation Requirements



**Certificate of Origin** identifies the country where the export product was originally manufactured in whole or in part. A company must determine and state the product's country of origin so that the appropriate tariff rate can be applied when a product is being processed by customs officials.



**Sanitary or health certificates** are required by some countries to import animals, animal products, fish, plants and food products. These generic certificates may also have different names for different products (e.g., Phytosanitary Certificates).



**Export/Import Control documents** generally refer to licenses (for export or import) required for national security purposes. An export license is a government document that authorizes the export of specific goods in specific quantities to a particular destination.

# Country of Origin Determination

A **Certificate of Origin** identifies the country where the export product was originally manufactured in whole or in part. A company must determine and state the product's country of origin so that the appropriate tariff rate can be applied when a product is being processed by customs officials.

The critically important country-of-origin determination is largely governed by a system of Rules of Origin. Basically, there are two criteria under the Rules to determine country of origin:

- “wholly obtained”
  - Avocadoes
- “substantial transformation”
  - Automobiles



# Reasonable Care and Due Diligence

## Reasonable Care (U.S. Customs Concept)

Under U.S. Customs and Border Protection (CBP) regulations (19 U.S.C. §1484), **importers of record** are legally responsible for using *reasonable care* to ensure:

All documentation submitted to CBP is **complete, accurate, and timely**

Goods are **properly classified, valued, and declared**

All applicable **duties, taxes, and fees** are paid correctly

Compliance with **partner government agency (PGA)** requirements (FDA, USDA, EPA, etc.)

## Due Diligence:

In trade compliance, *due diligence* means taking **proactive, documented steps** to verify the accuracy and integrity of information — especially regarding:

Suppliers, customers, and intermediaries (Know Your Customer/Supplier)

Product origin and composition

Export control and sanctions compliance

Documentation integrity and recordkeeping

## Why it matters:

Failure to exercise reasonable care can result in CBP penalties, shipment delays, seizure, or even criminal liability for false declarations — even if unintentional.

# Reasonable Care and Due Diligence – Practices to Manage Risk

Key Area	Reasonable Care Practice	Outcome
Classification	Maintain evidence-based HS code records	Accurate duties, fewer audits
Documentation	Cross-verify all commercial data	Smooth customs clearance
Supplier Vetting	Conduct denied-party screening	Avoid regulatory violations
Training	Continuous compliance education	Competent staff, lower risk
Audit	Periodic self-assessment	Early detection of errors

## Task 3.4 - Coordinate with other departments to calculate the true cost, benefits, and risks of proposed transactions in order to implement risk management policies

- i. Marine Insurance
- ii. Transportation Options and Documents
- iii. International Conventions
- iv. Product Packaging and Shipment Packaging
- v. Insurance Companies and Brokers
- vi. Impact of Geopolitical challenges
- vii. Options for Mitigating costs, unclaimed cargo
- viii. Crisis Management strategies



# Marine Insurance

Marine Insurance broadly refers to the insurance coverage on goods shipped via ocean. Policies may be purchased from commercial insurers for an individual shipment, multiple shipments or as needed through the freight forwarder's policy.

Typical coverage is for 110% value of the cargo, freight and marine insurance. Policies generally cover goods while in transit (including during routine delays) and cover losses related to specific events, such as damage to cargo from bad weather, rough handling, collision, overturn, theft, or non-delivery.



# Insurance Coverage



## Marine Insurance

Covers cargo being shipped via

- Air (max standard AWB coverage = \$20/kg)
- Ocean (max standard OBL coverage = \$500/BL)
- Land (variable based on NMFC classification)

Purchased to cover 110% CIF/CIP value

- Loss or damage of goods
- General Average – used to calculate value of coverage if multiple containers lost (average of cargo value lost)

# Types of Insurance



- **Customized Cargo Policies** – Additional coverage to protect cargo based on special needs.
- **Special Risk Cargo Policy** – Coverage for high risk cargo (high value) or for high risk destinations such as Russia.
  - Includes political risk coverage against expropriation, nationalization or confiscation.
- **Open Cargo Policy** – General policy covering shipments over a specified period of time to specified destinations.
  - Rates are based on the cargo, destination and time frame.
  - Can be purchased by a shipper
  - Can be purchased by a freight forwarder and offered to their shippers.
- **Export Credit Risk Policies** – Insures payment of open account transactions in the event of customer default.
- **ATA Carnet** – Insurance policy/bond which guarantees the payment of duty and fees should a product not be re-exported.

# Transportation Options and Documents

Most of the export shipping and compliance documents commonly needed for air and sea transport are the same (e.g., Commercial Invoice, Export Packing List, Electronic Export Information (EEI), and Certificate of Origin). Some form of a Bill of Lading will also be needed, depending on air versus sea shipment.

Each carrier issues a document to the exporter or to their designated representative which includes the carrier's name, date of accepting the cargo, a description of the cargo, the quantity and the name of the buyer or consignee. The terms for these documents are:

- **For Ocean Shipment—Ocean Bill of Lading**
- **For Air Transport—Air waybill**
- **For Truck Transport—Truck Bill of Lading**
- **For Rail Shipment—Railway Bill of Lading**
- **Combined/Multiple Transport Means—Multimodal or Port to Port Bill of Lading**

# International Conventions



The **United Nations Convention on Contracts for the International Sale of Goods (CISG)**; also called the Vienna Sales Convention, governs the rights and responsibilities of the sellers and buyers of goods to avoid misunderstandings between the parties.

The **Warsaw Convention** of 1929 establishes international standards for the transport of goods by air.

**Force Majeure** (French for “major force”) is defined as a major event outside the control of the contractual parties.

## International Contractual Disputes:

- **Arbitration** is a more formal process where the parties select an arbitrator to preside over the case in which each side can present evidence, witnesses and question those of the opposing company.
- **Mediation** is a less formal process where a neutral, yet third party mediator is acquired in order to help resolve the dispute.

# Product Packaging and Shipment Packaging



Product packaging and shipment packing are particularly important for international business. Shipping containers are typically handled by many pieces of equipment and moved many times on an international journey, which means that normal packaging and packing may not be adequate for cargo protection and loss prevention.

- The exporter and importer should agree to packaging and packing details when discussing payments, pricing, delivery, INCOTERMS and shipping details.



# Insurance Companies and Brokers

Insurance covers the contingencies stated in the policy, but it is not a blanket guarantee of reimbursement if the goods are damaged or destroyed no matter the circumstances. Therefore, the policy may have exclusions, deductibles and waiting periods while requiring proof of value and loss.

- **Consultants** who specialize in a geographic region, certain industry or products, documentation, financing/insurance or process (product certifications, standards, inspections) may be helpful to new or established exporters at a defined fee or percent of the shipment value.
- **Freight forwarders** may arrange for the drayage (shipment from the exporter to the port), ocean or air shipment and even shipment to buyer.

# Geopolitical Issues and Disruptions

## Geopolitical Impact

### A. Strategic Decoupling and Realignment

Tensions between major powers (U.S.–China, Russia–West, Iran–U.S., etc.) are driving “**friendshoring**” — relocating production to politically aligned countries.

Trade is becoming **multipolar**, with regional blocs (USMCA, EU, RCEP, BRICS+) emerging as new centers of gravity.

Sanctions, export controls, and technology bans (e.g., semiconductors, AI chips) are fragmenting global supply chains.

### B. Trade Corridors and Alliances

**New corridors** like the **India–Middle East–Europe Corridor (IMEC)** and **North American nearshoring routes** are counterweights to China’s Belt & Road Initiative.

Governments are reshaping trade around **national security** rather than market logic — especially in energy, defense, and tech sectors.

### C. Risk and Investment Shifts

Political instability increases **country risk premiums**, affecting FDI decisions.

Companies invest more in **geopolitical risk mapping** and **dual-sourcing** to hedge against shocks.

# Regulatory Impact

## Regulatory Environment Impact

### A. Rise of Protectionism and Industrial Policy

Governments are reasserting control via **subsidies, tariffs, and “Buy National” policies.**

The U.S. Inflation Reduction Act (IRA) and EU’s Green Industrial Plan promote **domestic manufacturing** but complicate global trade compliance.

Trade fragmentation increases compliance burdens — especially for SMEs.

### B. Expanding Non-Tariff Barriers (NTBs)

Even when tariffs are low, differing **technical standards, safety certifications, and sustainability rules** act as hidden barriers.

Examples:

*EU’s CBAM (Carbon Border Adjustment Mechanism) taxes high-carbon imports.*

*Data privacy and localization laws (GDPR, China’s PIPL) restrict cross-border digital trade.*

*Dual-use export controls limit technology flows.*

#### **C. Compliance Costs and Complexity**

Businesses face rising costs for documentation, certification, and reporting (especially ESG-related).

Regulatory uncertainty leads firms to **delay expansion** or **regionalize operations.**

Firms that master compliance and traceability gain a **competitive edge.**

# Cost Mitigation – Unclaimed Cargo etc...

Challenge	Mitigation
<ul style="list-style-type: none"><li data-bbox="163 576 912 629">• High demurrage/detention</li><li data-bbox="163 748 657 801">• Unclaimed cargo</li><li data-bbox="163 919 647 972">• Cost uncertainty</li><li data-bbox="163 1090 626 1143">• Hidden charges</li><li data-bbox="163 1262 703 1315">• Compliance delays</li></ul>	<ul style="list-style-type: none"><li data-bbox="1284 539 2288 664">• Negotiate longer free time, pre-clear customs</li><li data-bbox="1284 711 2094 835">• Verify buyer capacity, include abandonment clauses</li><li data-bbox="1284 882 2150 1006">• Use landed cost calculators and forwarder estimates</li><li data-bbox="1284 1053 2277 1178">• Request itemized freight quotes and conduct post-shipment audits</li><li data-bbox="1284 1225 2339 1349">• Engage licensed brokers and automate document submission</li></ul>

# Crisis Management Strategies for Unforeseen Events (Natural Disasters etc..)

Dimension	Strategy	Outcome
Preparedness	Risk mapping, supplier diversification, training	Reduced vulnerability
Agility	Pre-negotiated alternatives and clear protocols	Faster recovery
Technology	Visibility and AI prediction tools	Proactive response
Collaboration	Supplier, government, and trade association partnerships	Shared intelligence
Adaptation	Integrate lessons into SOPs and KPIs	Long-term resilience



## **Task 3.5 – Facilitate the Offshore Procurement Process**

- i. Advantages of Global Sourcing
- ii. Importance of building In-Country relationships
- iii. Cultural Considerations affecting Supplier/Buyer Relationships
- iv. Impact of Trade Policies Affecting Procurement
- v. Terms and Conditions of Purchase or Sale
- vi. Quality Considerations
- vii. Calculation of Landed Costs
- viii. U.S. Customs Regulatory Compliance
- ix. Import Documents
- x. Customs Brokers and Customs Management tools
- xi. Geopolitical and Supply Chain Factors in Offshore Sourcing

# Advantages of Global Sourcing



While global sourcing strategies were once reserved for sophisticated multinational companies, today even small companies may consider a global sourcing strategy for raw materials, components and various services.

The manufacturing process typically involves the assembly of multiple inputs -- components, ingredients, parts, or other intermediates -- into a finished product. Most manufacturers cannot produce all the needed inputs internally and so must procure them from other suppliers, either domestically or globally.

- **Sourcing** globally is primarily driven by economic considerations but outsourcing to foreign suppliers can put the company's reputation at risk as well.
- **Outsourcing** is often equated with job losses at home, but cost reductions for some inputs may actually protect profits and allow some companies to survive and prosper.

# Building In-Country Relationships

## How In-Country Relationships Support Trade Operations

### A. Supply Chain Resilience

Local partners identify alternate suppliers or routes during disruptions.

Enable faster decision-making during geopolitical or natural crises.

### B. Regulatory Compliance

Local agents interpret laws, certifications, and customs procedures correctly.

Help adapt product labeling, language, and safety standards to local norms.

### C. Market Responsiveness

Shorter feedback loops from customers and distributors.

Early awareness of regulatory or consumer trends.

### D. Sustainable & Ethical Trade

Building transparent local networks improves supply chain traceability.

Enables due diligence for ESG, labor, and environmental compliance.

# Cultural Considerations Affecting Supplier/Buyer Relationships

- Prior to engaging with potential overseas suppliers, the buyer is well-advised to learn about the seller/manufacturer, his/her country, customs and culture.
- This preparation signals both the buyer's seriousness and sensitivity in building a relationship with the manufacturer.



# Impact of Trade Policies on Procurement

- Duties are lowered or eliminated by HTS codes when sourcing products in countries that have Trade Agreements with the US
- US has Trade Agreements with 20 countries
- Canada and Mexico are closest, but there are 18 other countries to source products from at lower or zero duty rate.
- Besides lower or zero duty rate, customs procedures, inspections and quarantines may be simplified or harmonized in these Trade Agreements
- Visit USDOC-ITA Free Trade Agreements ([FTA](#)) for more details

# Terms and Conditions of Purchase or Sale

- Both domestic and international purchase or sales contracts are necessary to define the business relationship between buyers and sellers.
- These terms and conditions are typically specified in the initial Request for Quote (RFQ) or proforma invoice and, following negotiation and agreement between the two parties, they are formalized in legally binding contract.



# Quality Considerations



Quality is important to manufacturers not only to differentiate themselves from competitors, but also for compliance with domestic and international quality standards. Quality considerations are especially critical in selecting a foreign supplier for offshore procurement.

Many manufacturers can and often do make claims of quality, but the best proof is if they can meet either or both types of recognized industry standards

- Standards that attest to the quality and safety of their manufactured products (e.g., CE, UL)
- Standards that attest to the quality of their management systems (e.g., ISO)



# Landed Cost



Cost per unit



Shipping and handling charges



Customs duties, tariffs, or taxes



Risk



Overhead

---

= Landed cost



# Landed Cost Calculator



## Landed Cost Calculator — How and Why to Use It

A **Landed Cost Calculator** helps determine the *true total cost* of importing or exporting goods by incorporating every variable.

### Formula:

Landed Cost = Product Cost + Freight + Insurance + Duties + Customs Fees + Port Charges + Inland Transport + Handling + Documentation Fees

### Benefits:

Reveals hidden costs before the deal is signed

Prevents underquoting or overpricing

Supports pricing decisions for international customers

Enhances profitability analysis by route or supplier

# U.S. Customs Regulatory Compliance



Offshore procurement can be risky if the foreign supplier is not fully aware of and/or fails (knowingly or unknowingly) to comply with U.S. Customs regulations. Simply put, the goods will be held up at the entry point until fixes are made, or worse, not allowed entry at all.

Most problems can be avoided by consulting with freight forwarders on the export side and customs brokers on the import side to assure that all regulatory and shipping documents required at both ends are properly filled out and submitted.





# Custom Brokers and Custom Management Tools

**Customs Brokers**, are licensed by the government, and who specialize on imports, can provide crucial advice on all aspects of regulatory compliance, including strategies, methods, and programs to minimize import duties. Unlike freight forwarders, who specialize on exports, customs brokers must pass a national exam to become licensed.

- National Customs Brokers & Freight Forwarders Association ([NCBFFA](#))

## Alternative to Customs Entry and Bonded Facilities

- Bonded Warehousing / In-Bond Movements
- Free Trade Zone ([FTZ](#)) -- known as Foreign Trade Zone in the U.S. -- are secure areas considered outside the Customs territory of the importing country.
- A duty drawback is a refund on duties, taxes, and fees paid on imported goods that are later re-exported in their original or value-added form.

# Geopolitical actions that affect sourcing

## GOVERNMENT RESTRICTIONS

1. Exporting to controlled countries
2. Export of foreign made items with minimum US content
3. Reexport and export from abroad of the foreign produced direct product of U.S. technology and software (Foreign-Produced Direct Product Reexports).
4. Engaging in actions prohibited by a denial order.
5. Exporting to a prohibited End User
6. Exporting to an Embargoed Destination
7. Support of Proliferation Activities
8. Transit of cargo thru Restricted Countries
9. Violation of any order, term or condition of the EAR and proceeding with a transaction with knowledge of a violation