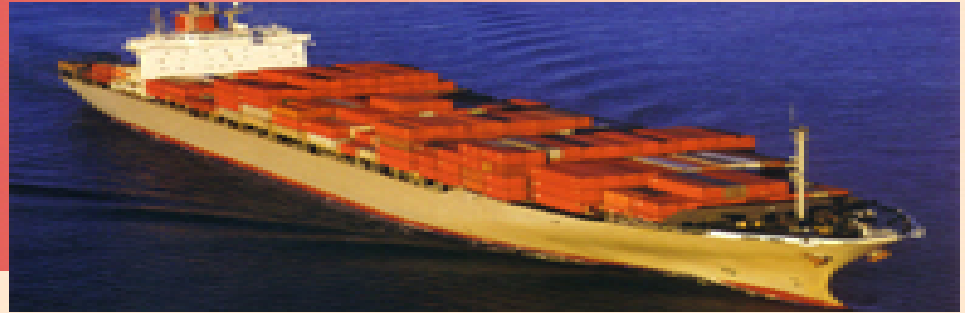


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Overview of Plastics Industry & Import Regulations in the United States



Presented by:

Said Cherkaoui, Ph.D.

<http://www.glocentra.com>



Email: saidcherkaoui@glocentra.com < > Phone: 1 + 510 - 382 - 9040

Welcome Vietnam Plastics Association to the Bay Area of San Francisco

Content of Today Presentation



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Today Seminar will provide the exporter to the United States, the U.S. importer, customs broker, and the distributor operating in the United States marketplaces the following:

- Understand how to insure compliance with the appropriate Import regulations;
- Understand the complexities of Import and the necessary related documentation requested in the United States;
- Present the various terms of sales, Incoterms and methods of payment, including the letter of credit.



Table of Contents of Today Presentation



This Seminar will cover the following Regulations, Process and Ways:

- Overview of U.S. Plastics Industry
- Import Requirements
- Arrival of Goods
- Formal Entry of Goods
- Other Types of Entry
- Classification
- Determination of Admissibility/ Customs Examination of Goods
- Examination of Goods is Necessary to Determine
- Protest
- Incoterms
- 4 Basic Payment Options for Supplier
- Types of Letter of Credit



U.S. Plastics Industry: Value of Industrial Shipments



Source: SPI. Includes plastics resin mfg., product mfg., machinery mfg., mold making, wholesale trade in materials, forms and shapes and captive plastics processing.



U.S. Plastics Industry



- The U.S. flexible **plastic** food packaging market is a highly competitive market with \$ 11.48 billion in revenues in 2005. The market has over 100 competitors.
- The U.S. plastics industry employs 1.5 million workers and provides and provides more than \$321 billion in annual shipments as of 2001.

Table: U.S. - Plastics & rubber products mfg - by Employment Size of Enterprise

<u>Employment size of enterprise</u>	<u>Firms</u>	<u>Estab- lish- ments</u>	<u>Paid Employees</u>	<u>Annual payroll (\$1,000)</u>
All firms	11,828	15,019	921,392	32,126,293

Source: Statistics of U.S. Businesses: 2003: NAICS 326 - Plastics & rubber products mfg United States
<http://www.census.gov/epcd/susb/2003/us/US326.HTM>



U.S. Plastics Industry



- The rising emphasis on improved quality and extended shelf life for packaged foods are placing greater demands on food packaging. The passing of regulations all over the world only reinforces the need for more innovative and intelligent packaging concepts."
- Many of the regulations have come into force due to rising health concerns regarding carcinogenic ingredients used in the packaging materials.
- For example, bisphenol-A used in plastic food containers is being linked to breast cancer and miscarriages. Other regulations require food packages that use biodegradable and environment-friendly material.



U.S. Plastics Industry



- The recent implementation of certain regulations have not affected deeply the plastics industry, given its increasing flexibility and its ability to design cans and containers, which makes plastics the number one choice for food packages.
- Presently, glass packages have a fierce competition from PET bottles, which are thin, lightweight, have a high resistance to breakages, and are easy to handle. They offer flexibility in producing packages of varying shapes for food and beverages.
- Food packages that offer convenience, better functionality, portability and storage are gaining popularity.
- In keeping with this trend, milk -packaging technology received a boost recently with Norwegian dairy manufacturer Elopak announcing the launch of its new 'carton with a screw cap'. The same screw cap is also introduced in the United States for Apple Juice. Another significant development is the introduction of the metal 'Dot Top' cans from Silgan Containers Corporation.



Requirements for Shipping



- Packing
- Labeling
- Documentation
- Insurance

Note : In case of chemicals both hazardous or non hazardous DO NOT USE BRAND NAME or COMPANY NAME but always USE TECHNICAL NAME.



U.S. Customs Regulations and Procedures Import Requirements





Clearance involves a number of steps:

- **Entry**
- **Inspection**
- **Appraisement**
- **Classification**
- **Liquidation.**



Arrival of Goods



-  **Imported goods may not legally enter U.S. commerce until the shipment has arrived within the port of entry and Customs has authorized delivery of the merchandise.**
-  **This is normally accomplished by filing the appropriate documents, either by the importer or by the importer's agent.**



Formal Entry



- **Formal entries are generally commercial shipments supported by a surety bond to ensure payment of duties and compliance with Customs requirements.**
- **A bond is like an insurance policy that is payable to Customs in the event that the importer does not comply with import requirements.**



Formal Entry of Goods



A 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.



A 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.



I- U.S. Customs Regulations and Procedures



- ❑ **Import Requirements**
- ❑ **Arrival of Goods**
- ❑ **Formal vs. Informal Entry**
- ❑ **Formal Entry of Goods**
- ❑ **Other Types of Entry**
- ❑ **Classification**
- ❑ **Determining Admissibility/ Customs Examination of Goods**



II- U.S. Customs Regulations and Procedures






- Examination of Goods is Necessary to Determine**
- Protest.**
- Mail Shipments.**
- Restricted Merchandise**
- Certain items in these Categories may also be Prohibited**
- Various Regulating Agencies**



Examination of Goods: Purpose



-  **Whether the shipment contains prohibited articles.**
-  **Whether the requirements of other federal agencies have been met.**
-  **Whether the amount of goods listed on the invoice is correct, and no shortage or overage exists.**



Restricted Merchandise



- A license or permit from the responsible agency may be necessary to import:
 - Alcoholic Beverages.
 - Animal and Animal Products.
 - Certain Drugs.
 - Firearms and Ammunition.
 - Fruits, Nuts.
 - Meat and Meat Products.
 - Milk, Dairy, and Cheese products.
 - Plants and Plant Products.
 - Poultry and Poultry Products.
 - Petroleum and Petroleum Products.
 - Vegetables.

- For further information see Customs Publication No. 549 U.S. Customs and Protection of Intellectual Property Rights.

- There are also restrictions on the importation of certain trademarked and copyrighted articles.



U.S. Government References on Import



- A list of Customs brokers can be found on U.S. Customs & Border Protection's web site www.customs.gov under the Ports section by clicking on the port you intend to import through.
- Importing Into The United States a 199 pages publication published by Customs and Border Protection Federal Department. Forms to clear goods can be retrieved from this web link:
The U.S. Custom & Border Protection's forms by [clicking here.](#)
- Additional information on importing can be found on the U.S. Customs web site at www.customs.gov. The CBP.gov do is an excellent website, wherein you, among a lot of updating on customs and regulation, also may find their "FAQ-pages".
- Examples of FAQ & Answers posted on the www.customs.gov or click on the following:
 - What things should I consider before importing something?
 - Do I need a license to import something?
 - Updated - What is an "Importer Number"?
 - What can I import through the mail?
 - New - How do I ask a question?...
 - Updated - Requests for Customs forms, publications, reports, manuals



Protest



- Within 90 days after the date of liquidation or other decision, an importer or consignee may protest the decision and receive an administrative review.
- The protest is filed with the port director whose decision is being protested.
 - At the time the initial protest is filed, the importer or consignee must make a request for further review if one is desired. Review of the port director's decision by the Customs Service Center or Headquarters is then automatic.
 - Notice of the denial of all or part of the protest will be mailed to the person filing the protest or to his agent.
 -
 - Any person whose protest has been denied may contest the denial by filing a civil action in the United States Court of International Trade.



I - Terms of Sale



- **Items to which the buyer and seller must agree:**
 - What is not included in the price?
 - When the seller's responsibility ends?
 - When the buyer's responsibility begins?

- **Incoterms**
 - international definitions for terms of sale by the International Chamber of Commerce (ICC)

- **Ex-Works (EXW)**
 - “price quotes that apply only at the point of origin; the seller agrees to place the goods at the disposal of the buyer at the specified place on the date or within the fixed period”



II - Terms of Sale



- EX-Works:

The seller fulfils his obligation to deliver when he has made the goods available at his premises (i.e. works, factory, warehouse, etc.) to the buyer.

In particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed.

The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination.



The 13 Incoterms



- EXW ● Ex Works
- FCA ● Free Carrier
- FAS ● Free Along Side Ship
- FOB ● Free On Board
- CFR ● Cost and Freight
- CIF ● Cost, Insurance and Freight
- CPT ● Carriage Paid To
- CIP ● Carriage and Insurance Paid to
- DAF ● Delivered at Frontier
- DES ● Delivered Ex Ship
- DEQ ● Delivered Ex Quay (Duty Paid)
- DDU ● Delivered Duty Unpaid
- DDP ● Delivered Duty Paid

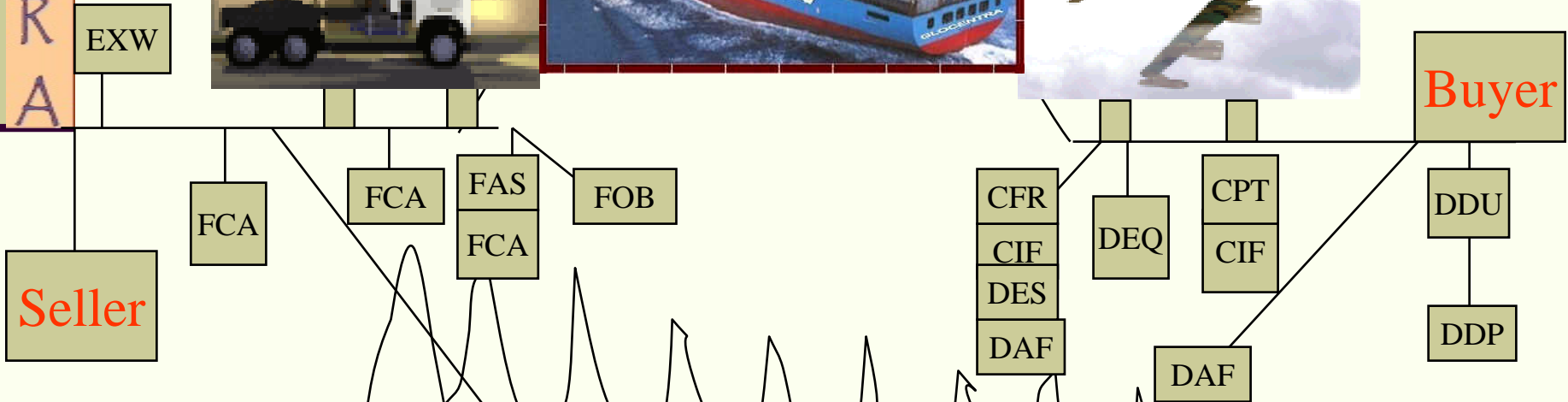


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Diagram of Incoterms



- ◆ EX-Works
- ◆ FOB (Free on Board)
- ◆ FCA (Free Carrier)
- ◆ FAS (Free Alongside Ship)
- ◆ CFR (Cost and Freight)
- ◆ CIF (Cost, Insurance and Freight)
- ◆ CPT (Carriage Paid To)
- ▶ CIP (Carriage and Insurance paid to)
- ▶ DAF (Delivered at Frontier)
- ▶ DES (Delivered Ex Ship)
- ▶ DEQ (Delivered Ex Quay)
- ▶ DDP (Delivered Duty Paid)
- ▶ DDQ (Delivered Duty Unpaid)





Four Basic Payment Options for Supplier



- **Open Account:** The seller extends credit to the buyer until the goods are received. The seller absorbs the credit risk and goods are available to the buyer before payment.
- **Documentary Collection:** Seller draws a draft on the buyer when the shipment is made. Draft and supporting documents are presented by the seller to his bank who, acting as his agent, forwards the documents to the buyer's bank in the buyer's country. This works like a C.O.D. with payment going through the banking system. If a sight draft is used, the goods are available to the buyer after payment. If a time draft is used, the goods are available before payment.
- **Cash in Advance:** Buyer goes without his funds while the goods are in transit and cannot ensure receipt of the goods. This method is not for creditworthy customers.
- **Letter of Credit:** The buyer's bank substitutes its name and credit for the buyer's in order to facilitate payment when certain predetermined documents have been correctly and promptly presented to the bank. It is a vehicle for payment. It is like a conditional bank guarantee.
- Remember too, that your supplier's price, even if it is quoted in U.S. dollars, is based on his costs in his currency. Currency fluctuation is something to be aware of in establishing pricing.

WHAT IS A LETTER OF CREDIT?



- A Letter of Credit is an undertaking to pay against document(s) specified in the credit. It is issued to a named beneficiary by a bank at the request of its customer. It can also be considered a specialized and technical instrument used to finance a shipment of goods from one country to another.
- It is both - and the way to keep it as simple and effective as possible is to be well-versed in the language and practices of international trade. In any case, its users rely on it to finance the purchase of goods and services. Its primary functions to enable the seller or exporter of goods to obtain payment as soon as possible after the dispatch of his products, and to enable the buyer or importer to arrange financing of the payment at an agreed upon term.



Letter of Credit and the Contract Agreed Upon



- A Letter of Credit deals only with the documentary aspects of trade, not with the goods themselves, and banks are in no way bound by the contracts or sales agreements upon which the credit is based, even though the merchandise may become collateral for further credit.
- The quality and quantity of the goods shipped, although possibly specified in the documents submitted to the bank as required by the credit terms, ultimately depend upon the honesty and integrity of the seller or his agent, who has manufactured, packaged, cartoned or crated and arranged for shipment of the merchandise.
- Before the credit is issued the importer and exporter must have reached agreement on all the terms and conditions in the contract of Purchase and Sale. The importer then proceeds to instruct his bank to issue the Letter of Credit in accordance with the contract agreed upon.
- However, the Letter of Credit will only contain those details which must be reflected in the documents to be submitted by the exporter. As stated in Article 3 of ICC Publication 400, credits are separate transactions from the contract(s) on which they are based and banks are in no way concerned with or bound by such contract(s), even if any reference whatsoever to such contract(s) is included in the credit.



TYPES OF LETTER OF CREDIT



- When making application for a Letter of Credit it is important to state the type, terms and concise documentary requirements.
- Irrevocable Credit
 - An irrevocable credit is a definite undertaking that the opening bank will effect payment, provided the terms and conditions stipulated in the credit are complied with.
 - It cannot be amended or cancelled without the agreement of all parties. i.e. the consent of the beneficiary, the bank that opened the credit and the party for whose account the credit was opened.
 - The bank issuing the irrevocable credit engages with the beneficiary or bona fide holders
 - of drafts drawn under the credit that payment, acceptance or negotiation will be fulfilled provided the terms and conditions of the credit are complied with.
 - The irrevocable credit guarantees payment either "at sight" or at a fixed or determinable future date, usually by means of a sight or term draft accompanied by the stipulated documents conforming with the term of the credit.



Revocable Credit



- A revocable credit should be issued only in special circumstances, generally between affiliated companies and may be amended or cancelled without prior notice to the beneficiary. Because of this, the credit is addressed to a bank and not to the beneficiary.
- It should not be assumed that revocable credits carry no obligation on the part of the bank which establishes them. The issuing bank must honor all drafts negotiated in accordance with the terms of the credit prior to receipt of notice of amendment or revocation by the negotiating bank.



Confirmed Credits



- The credit worthiness of a Letter of Credit is related to the strength of the bank which opens it. Reputable international banks, such as Bank of America or Banque Nationale de Paris, may issue a Letter of Credit which can be easily negotiated throughout the world. In cases where the financial strength of the buyer's country and/or bank is in doubt, the seller may require that another bank, preferably in the country of the seller undertake to honor the credit by adding its confirmation.
- In this way, the seller is assured that, on compliance with the terms and conditions of the credit, drawings will be paid by the confirming bank in the event the opener or opening bank cannot do so. Only the opening bank may instruct another bank to add its confirmation. This procedure applies only to an irrevocable credit as the revocable credit would become irrevocable if another bank added its confirmation.



Guarantees



- A Letter of Credit (Standby Letter of Credit) may also be used as a guarantee to support loans, bid and performance bonds, and advance payments.
- When arranging sales contracts in foreign countries it may be found that bonds, advance payments and other guarantees can only be issued by approved banks in the purchasing country.
- Reputable International bank, through its International Centers can help you to arrange the issuance of such bonds.



The Form of a Letter of Credit




- The instructions contained in a Letter of Credit may take the form of a written letter, a cable, telegram or telex. With familiarity and use, and because of the growing requirement for faster communication, the email, intranet and cable, or telex is more and more used as the operative instrument.
- However, if written confirmation is required to make the email, intranet, cable, or telex operative, it must be so stated in email, intranet, cable, or telex.

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 Website: <http://www.glocentra.com>

For Inquiries on GLOCENTRA, Partnership and Collaborative Activities, including U.S. and International Programs and Events Coordination and Speaking Engagements, please contact:

 Dr. Said Cherkaoui

E-mail: saidcherkaoui@glocentra.com

Phone: 1 + 510 - 382 - 9040