

## Importing is an Option

Written by Steve Marr

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The Rules of the road in foreign country differ from those in the United States. Everything from speed limits to the simple location steering wheel can be different. Not knowing the rules could land you on the "wrong" side of the road (and the law), while a little knowledge ahead of time makes the driving safe and end easy.

Likewise, many American entrepreneurs are venturing into direct importing, and by learning a few basic "rules of the road," they are reaping both profits and growth from independently importing and marketing foreign products. Finding your way in direct importing focuses on three areas: transportation, US Customs requirements and international finance. Become familiar with these, and you'll keep your business on the right side of the direct import road every time.

### Getting Started

Just as in any sales contract, determining the terms of sale is an essential first step in direct importing. Three terms of sale typically apply to direct importing.

The first, CIF (cost, insurance, freight) Delivered, requires the least hands-on involvement by you. The goods are delivered directly to your door, with Customs and import fees paid by the buyer. It is an easy delivery method, but it has drawbacks. As the buyer you can often end up paying higher costs, because the seller selects the carriers based on their convenience, not yours, and you can lose control of the transportation. Insurance can be a problem, too. Although the seller pays insurance, you still assume the risk and must file a claim if goods are damaged or lost, facing obvious language and distance difficulties in collecting from an overseas insurance company.

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Fortunately, exporter-arranged transportation is only one option. The other terms of sale-CIF Port of Export (buyer-arranged transport from a port of export to the United States) and Ex Factory (buyer-arranged transport from an overseas factory)-ultimately give you more control over the direct-import process. Once you've chosen one of these hands-on import options, you'll find that arranging international transportation is surprisingly simple.

## Arranging International Transportation

Freight Forwarders-travel agents for merchandise-can do much of your legwork and are found in most cities. Check with other business contacts for referrals or simply check your local directory, then take bids from several companies to arrange transportation. Referrals for freight forwarders are also available from the National Customs Brokers and Forwarding, Association of America at (202) 466-0222. Ocean shipping is the most cost effective international transportation. Air transportation, although more expensive, may be your best option for products with a short shelf life or in other cir- circumstances.

To prepare a bid, a freight for- warder will need to know the weight, cubic measure, merchandise description, port of export and US destination. There are important questions you also need to ask any freight forwarder:

Do they maintain offices or use agents in the foreign country? Company-owned facilities usually provide better communications and accountability.

Do they provide a shipping schedule? You should be furnished with a shipping schedule. If the shipping date is missed, the next ship may be in two or three weeks, causing delay. Access to many ships or aircraft each month allows more flexibility and reliability of service. A freight forwarder should commit to a shipping schedule.

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How are shipments traced? Good tracing systems allow on-line access by you or the freight forwarder.

Are charges payable in US dollars or foreign currency? Freight charges payable in foreign funds will require a bank draft in foreign currency, or you may pay a conversion charge to the company.

Are there additional packing fees? Large shipments will be packed in 20, 40, or 48-foot shipping containers and delivered to your door for unpacking, while smaller shipments will be transferred to trucks.

Finally, insist that the delivery schedule and all shipping costs be detailed in writing before you agree to book cargo with any freight forwarding company, and ask up-front about potential hidden costs, such as document and handling fees.

## **Customs Hurdles**

Once you've selected transportation, you must bring your goods into the United States, which means facing Customs. The complexities of Customs requirements can seem overwhelming, even to experienced importers. Meeting with a licensed Customs Broker to evaluate your perspective import plan, especially concerning duty rates and import value, will save you money and headaches down the road.

Generally, the valuation for duty is determined by the price you pay for the merchandise, but exceptions do occur. For example, a foreign company may be contracted to produce a product to meet your specifications. If you furnish engineering, tools, or other assistance from non-US sources, this can add to the dutiable value. On the other hand, some duty rates can be reduced

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based on the country of origin and trade agreements, such as NAFTA. A customs broker can assist in determining the correct duty rate, and can help obtain a binding ruling.

Products entering the country must be marked clearly and precisely. If a product enters the country without valid marking, US Customs officials will make certain the marking is complete, regardless of cost. Some clients absorb large expenses marking goods that could easily have been marked by the seller at little or no cost. Import shipments must also contain an original commercial invoice, packing list, and other additional product specific documentation. Many government agencies, including the Food & Drug Administration, the Federal Trade Commission, the Department of Agriculture and a host of others, may have additional requirements for entry. Again, a Customs Broker can offer guidance in import requirements.

## International Payments

One final consideration is paying your overseas supplier. Payment can be made with cash in advance or cash collect, but most commonly it is made with an International Letter of Credit, which protects the buyer by insuring that an exporter meets all requirements before being paid. Most banks have an international department that can assist with letters of credit and confirming details with a Customs Broker is helpful. The key to remember is that a Letter of Credit is a binding contract, which cannot be altered without the agreement of both parties. Specifications, quality, quantity, shipping date, terms of sale and other details must be carefully written.

In direct importing, as with many things in business, the devil is often in the details. One US firm directed an international manufacturer to make gloves with five fingers. When the shipment arrived, each glove had five fingers and a thumb. Inattention to this little detail cost the firm \$50,000.00, but it offers us an invaluable lesson: On the road of direct importing, knowledge and care can keep you in the right lane-and can help you avoid costly potholes.

Steve Marr, Your Christian Coach

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