

Industrial Machinery: Understanding the International Customs Process

U.S. industrial machinery manufacturers will continue to lead the nation in export sales, with HSBC Bank forecasting international sales to account for 25 percent of all export growth through 2030. Regardless of where in the world a shipment is headed, it must comply with rigorous customs mandates and processes. A product must satisfy export requirements of the country it is traveling from and import mandates of the country it is entering.

Purolator International has released a new white paper, "To Canada and Beyond: Understanding and Managing Industrial Machinery Customs Issues," that sheds light on some of the regulations and documentation requirements an exported industrial machinery shipment may face.

The U.S. Export Process

Before a business begins the process of sending a shipment to an international buyer, care must be taken to ensure full compliance with all U.S. export requirements.

First, is the product eligible for exportation?

The U.S. government closely monitors products related to national security or products deemed to have a military purpose.

Through the International Traffic in Arms Regulations (ITAR), administered by the Department of State, the Export Administration Regulations (EAR), administered by the Bureau of Industry Security, located within the Commerce Department, and the [Office of Foreign Assets Control \(OFAC\)](#), administered by the U.S. Treasury Department, the U.S. government controls exports of any product considered to be related to national security or highly sensitive.

If a product is determined to fall within the scope of any of these government agencies, a business must apply to the appropriate agency for an export license to proceed with the transaction.

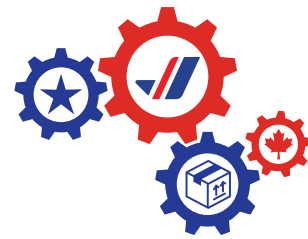
Schedule B – Proper Product Classification Essential

Every product that crosses the U.S. border – either entering or leaving – must bear an identifying classification code. The U.S. export classification system is called Schedule B and is administered by the Foreign Trade Division of the U.S. Census Bureau. The 10-digit Schedule B number is used for a variety of purposes including:

- To enable proper collection and analysis of U.S. export statistics
- For use in completing shipping documents
- For submission of Electronic Export Information in the Automated Export System (AES)

Automated Export System (AES)

The [Automated Export System \(AES\)](#) is an integral part of the process. The AES allows all exported-related data to be filed electronically and is a joint venture between multiple U.S. government agencies, including Customs Border Protection (CBP), the U.S. Commerce Department/Census Bureau, and the Department of Homeland Security. In general, a business wishing to export, or its authorized agent, transmits the required electronic export information (EEL) via the AES.



Understanding customs requirements can help a business succeed.

Industrial Machinery: Understanding the International Customs Process

Documentation

A manufacturer will be responsible for completing all required paperwork as part of the export process. Although specific requirements may vary, the [U.S. Commercial Service](#) provides a list of frequently required documents:

- Commercial Invoice
- Consular Invoice
- Certificate of Free Sale
- Certificate of Conformity
- Certificate of Origin
- NAFTA Certificate of Origin
- Inspection Certification
- Export License
- Export Packing List
- Insurance Certificate
- Electronic Export Information (formerly known as Shipper's Export Declaration)

International Customs Clearance

Before an industrial machinery shipment arrives at an international border, great care must be taken to ensure that it is in full compliance with that country's specific customs requirements.

Most businesses enlist the services of a customs broker that has the depth and resources necessary for detailed knowledge about a specific country's customs requirements.

Following is a list of procedures and considerations that apply to all exports:

- **Proper Tariff Classification:** Any mistake in assigning the proper code could result in a product being charged a higher tariff rate than what is actually owed.
- **Compliance With All Local Restrictions:** Many shipments have been waylaid at the border due to failure to comply with local requirements. Canada, for example, requires [bilingual](#) labeling (English and French) for most products. Many U.S. businesses must adapt electrical products to meet specific electrical voltage requirements and conform to international environmental standards.
- **Advance Filing Of All Pre-Entry Manifests And Paperwork:** Technology has allowed governments to facilitate the customs compliance process, most notably by enabling electronic filing of documents previously completed by hand, cross-referencing of data between intragovernment agencies, and better tracking who and what is crossing the border.

Industrial Machinery - "Special" Situations

• Trade Shows – "Temporary Imports"

Most countries make accommodations for industrial machinery entering the country temporarily for trade show purposes. In most cases, duty and taxes must still be paid, which can later be reimbursed. A business has a number of choices available:

- Duties and taxes can be paid to the country "hosting" the trade show and then returned after the materials leave the country.
- A business can obtain a temporary bond.
- An [ATA Carnet](#) can be obtained through a customs broker.

• Goods-In-Transit

In some situations, industrial equipment will pass through a country while en route to its ultimate destination, triggering "goods-in-transit" requirements and customs obligations unique to that country. The [European Union](#), for example, suspends in-transit shipments from having to comply with customs mandates. A business, or its logistics provider, will need to ensure full compliance with all in-transit requirements.

To learn more about these and other supply chain innovations, visit www.purolatorinternational.com/whitepapers to download Purolator International's white paper: *To Canada and Beyond: Understanding and Managing Industrial Machinery Customs Issues*.