

THE IMPORTANCE OF EXPORT DOCUMENTATION

Thomas Cook & Kelly Raia

American River International

Documentation is the engine of exports in global trade. Documentation facilitates the movement of freight, transfer of title, processing of payment, and customs clearance.

Without documentation, the shipment is at a standstill. Even with the continuing advances in technology playing a greater role in international business, documentation is still required by all parties involved in global trade.

Why is this so? The answer is surprisingly simple. On an average, customs authorities worldwide physically inspect only 4 to 8 percent of the cargo that moves through their borders.

There are some exceptions, such as Saudi Arabia, but as a general rule, the local customs authorities do not physically inspect most import shipments.

If this statistic is correct, then how does customs manage their affairs in all the gateways of the world? How do customs authorities control the merchandise crossing the border and entering into commerce? They do this

through the documentation provided by the importer and the importer's customhouse broker. Importers receive their import documentation from the exporter, thereby making documentation the engine that moves the freight through the borders.

*We cannot stress enough that **Export Documents are Import Documents.***

In the United States, exporters create their documentation at the time the freight is being exported. For a typical export shipment, the only export document actually required by the Bureau of Export Administration, in conjunction with U.S. Customs, is the Shipper's Export Declaration (SED) or a validated Export License. The other documentation created — such as the commercial invoice, packing list, certificate of origin, health and sanitary certificate, bill of lading, certificate of conformance, and certificate of analysis — are all for the account of the importer to meet the customs clearance requirements in their country, thereby making export documentation into import documents.

Customs clearance and required import documentation are governed by local laws and vary from country to

country. What Korean customs may need to clear a pharmaceutical from the United States is very different from what customs in Brazil, Nigeria or Germany may require.

To the U.S. exporter this means it is crucial to have more than one set of criteria for your export documentation needs. The exporter must implement a standard operating procedure (SOP). This SOP must be flexible, particularly for those exporters that ship to numerous destinations. This flexibility allows the exporter to meet and identify the specific documentation requirements for each country to which it is exporting.

Here are the factors that can vary significantly depending on the country to which you are shipping:

- Number of copies
- Notarization
- Legalization/consularization
- Language
- Originals vs. copies
- Format of documentation
- Valuation

- Commodity descriptions
- Product labeling
- Other government agency requirements
- Black ink/blue ink

Standard operating procedures are somewhat arduous to create. However, once the standard is created, it will only require updating. Through the utilization of a database (and there are many available to choose from) a company can electronically store the documentation requirements for each country. Once a shipment is packed and ready for export to a specific country, the document requirements can be retrieved from the database with all of the nuances in place that are unique for the particular destination.

Import shipments accompanied by incomplete documentation are held in storage areas until such time that proper documents are presented to authorities. These delays can be costly in terms of storage fees. The very nature of these time delays can expose the shipment to other factors such as bad weather, theft, damage, and/or loss.

Additionally, incomplete documentation moves the importer into a reactive position with the local customs authorities. Overseas, as in the United States, the importer is responsible for all declarations made to customs. No importer wants to have customs reject their shipment due to incomplete documentation. Repeated offenses may cause customs to put a “black mark” against the importer.

Your buyers’ measure of you as a long-term supplier will be dictated by the quality of your documentation capabilities.

Your overseas customers will favorably receive complete and accurate documentation. Their customs clearance headaches will have been eased, their shipment delivered timely and safely.

EXPORT COMPLIANCE

Another critical factor in understanding the importance of export documentation is the role it plays in export compliance management.

Since the Export Administration Act of 1994, the Bureau of Export Administration (BXA) and other federal agencies have been in a mode of enforced compliance. Exporters have always been subject to the Export Administration Regulations, but with the 1994 act, U.S. companies have been subject to an increased scrutiny of their shipments by both physical inspections and document review upon export of their shipments.

Export documentation advise the federal agencies that oversee it, should include:

- Correct valuation
- Correct classification
- Accurate of written statements and affirmations
- Verified license requirements
- Correct SED information
- Accurate reporting of of “Denied Party” status
- Legitimate claim of export readiness

The BXA, U.S. Customs, and the Department of Defense (through ITAR) are but a few of the federal agencies that utilize a review of the export documents to determine the validity of the export transaction, exporter, consignee, and end-use.

The fines and penalties can be expensive. More severe than expense of fines and penalties is the loss of export privileges. Additionally, negative publicity can be terribly damaging to the reputation of a large corporation.

There is even legal exposure to the

individual signing the export documentation. The bottom of the Shipper’s Export Declaration contains the statement “I certify that all statements made and all information contained herein are true and correct. I understand that civil and criminal penalties may be imposed for making false or fraudulent statements herein.” The individual signing this document, even though it is on behalf of his or her employer, must be knowledgeable of the export regulations, as the signer can be held liable for the accuracy of the documentation.

It is in every exporter’s best interest to make sure that export documentation is done correctly. It will not only keep your customer satisfied, it will also keep you out of hot water with the Bureau of Export Administration.

Everyone wins with quality export documentation.

For guidance on proper export documentation, call the Trade Information Center at (800) USA-TRAD(E) and speak to a trade specialist. ■

Kelly Raia and Tom Cook are seasoned veterans of global trade. Their firm is involved in both compliance management and import/export logistics. They can be reached at 1-800-524-2493.