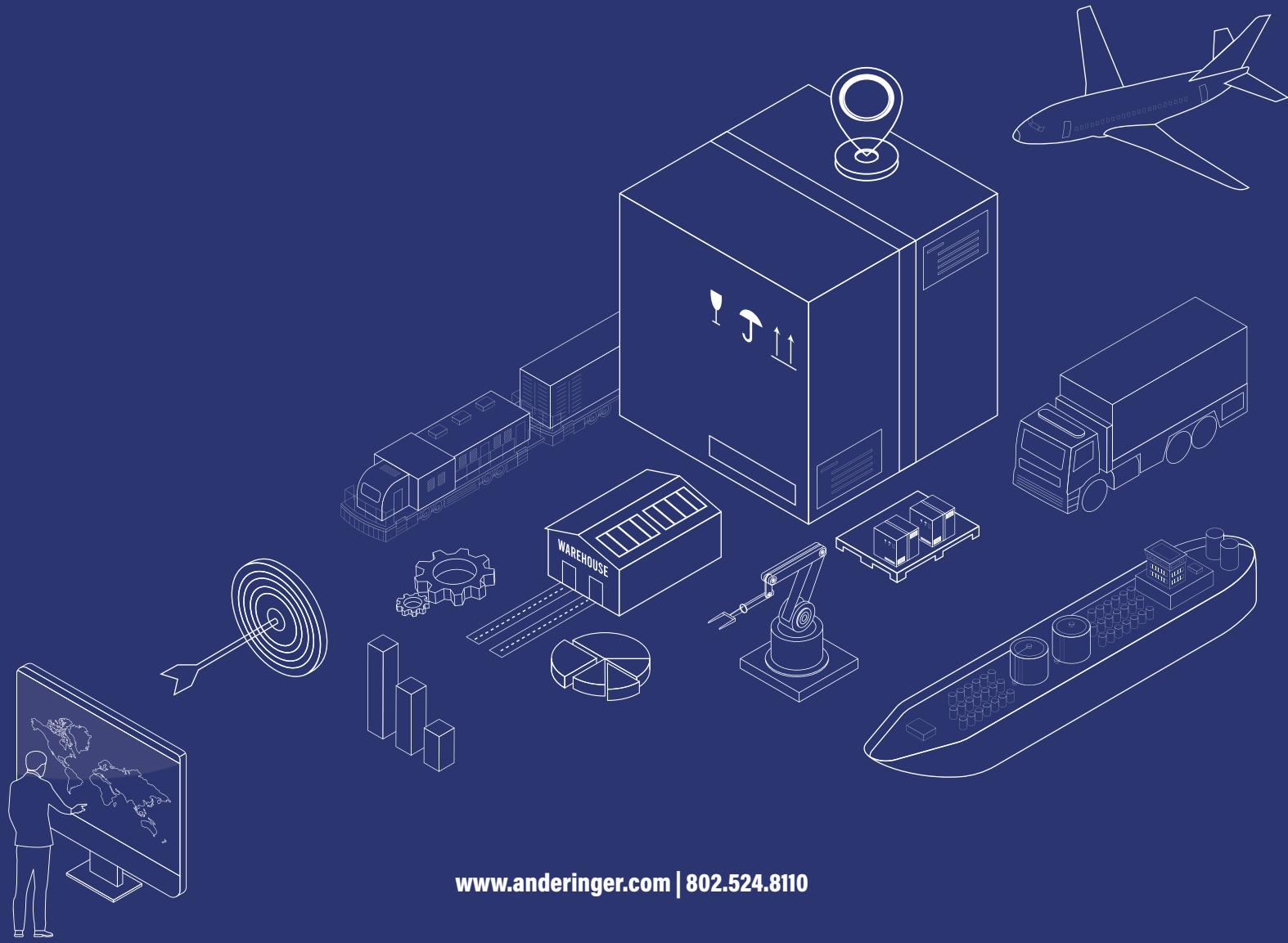


# Freight Forwarding 101

*—The Basics You Need to Know—*



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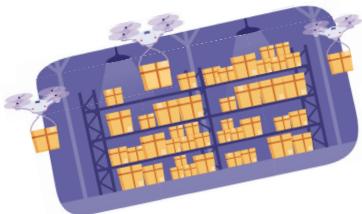
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# PRELUDE



Amid massive, unprecedented supply chain complications, there's never been a better time to get back to the basics. U.S. and Canadian importers of all sizes face complex challenges driven by a pandemic, labor and equipment shortages, port congestion, and

natural and man-made disasters. Though it's impossible to prevent certain problems like this, shippers can avoid negative outcomes with a solid foundation of fundamental practices.

If you are a small- to medium-size shipper, your obstacles include:

- *High shipping costs. Before the pandemic, shippers paid about \$1,600 to move a container from Shanghai to Los Angeles. Today, carriers charge \$8,000 to \$15,000 for the same route.*
- *Poor carrier reliability. As shippers pay more per container, reliability has dropped from 52% to 33.6% for ships coming from Asia, the lowest since 2011.*
- *Container shortages. It's tougher than ever to secure a container, many of which sit unused in inland depots, cargo ports, and onboard vessels. Carriers also give preference to high-volume customers, complicating matters further.*
- *Port congestion. At a low point, 81 vessels waited to unload at the ports of Los Angeles and Long Beach. Equipment and labor shortages at the terminal mean ships might wait weeks to unload. Once on dock, containers wait an average of 5.4 days for pickup.*
- *Detention and demurrage fees. Ports issue demurrage fines when a container moves from a ship to a terminal, but transport does not pick it up within the port's grace period. Detention fees stack up when shippers cannot return empty containers within the grace period.*

A freight forwarder can step in to calm the stormy seas of today's shipping climate, but only when smaller firms understand industry basics. This guide will help you ask the right questions and prepare for a successful partnership with an international freight forwarder.

- Clarify the roles and responsibilities of the importer and freight forwarder
- Protect yourself in a complex shipping environment
- Understand Incoterms, shipping quotes, and Free Trade Agreements
- Gain more value from your investment



# What Importers Need to Know About Today's Shipping Climate

The long-term logistical consequences of the COVID-19 pandemic continue to negatively affect shipping on a global scale.

Supply chains ground to a halt during COVID-19 lockdowns, and restarting the manufacturing machine has proven more difficult than anticipated. Natural disasters in key areas like Bangladesh, China, and India, along with man-made problems like the Suez Canal crisis, have contributed to the tough shipping situation we continue to endure today.

Amid the turmoil of the past 18 months, the shipping industry is still wrestling with COVID-19 lockdowns—a sole case among longshoremen can shut down an entire port, and a single case on a vessel can lead to port refusals. It's become a carrier's market, leaving shippers with limited options as they navigate big challenges.

## High Rates

Carriers lead the way with skyrocketing shipping rates. In April 2019, shippers paid about \$1,600 to move a container from Shanghai to Los Angeles. Today, they can pay upward of \$15,000 per container.

## Poor Reliability

With an ever-shifting shipping landscape, carriers will not commit to transit times. Port congestion and COVID lockdowns continue to impact carrier reliability, which dropped from 52% to 33.6% in August for ships coming from Asia, the lowest since 2011.

## Container Shortage

As the world emerges from its pandemic cocoon, we're seeing a surge in consumer demand. If demand skyrockets, so does the need for containers—a finite resource, as the industry only has so many to go around: half a million containers sit off the coast of Southern California alone. Further, a mere 40 out of every 100 containers that arrive in North America get returned to Asia. The others sit on ships and in warehouses and inland ports. Container production also remains lower than demand. Carriers are scrapping containers faster than manufacturers can build new ones.

## Tight Capacity

The current shipping capacity remains extremely tight. Sea carriers now position available containers and equipment on the most profitable sea lanes between Asia-Europe and Asia-United States. Smaller shippers lament their inability to secure containers or space on vessels at ports of origin, as demand for ocean freight outstrips supply, keeping ports congested and prices high.

## Booming Cargo Volumes

Unprecedented cargo volumes further strain resources at U.S. ports, particularly in Long Beach, Los Angeles, New York, and New Jersey. Supply chains are bursting at the seams as carriers, terminals, trucking companies, and rail systems struggle to keep pace.

Two of the nation's top ports—the Port of Long Beach and the Port of Los Angeles—provide a glimpse into a common situation at most U.S. ports. Imports through Los Angeles-Long Beach spiked 41.1% percent in the first six months of 2021. From July 2020 through June 2021, Los Angeles and Long Beach terminals handled an average of 855,411 TEU per month in 2021 versus 697,892 TEU in 2019.

## Trucking Delays

Because congested ports lack sufficient equipment to manage the increasing volume, heightened demand adds to delays. Truck drivers sit idle as they wait for a chassis to become available. The average truck turn time in the Los Angeles-Long Beach port complex has risen from 58 minutes to several hours.

Companies are behind the 8-Ball in this shipping climate. Hasbro found itself in a shipping pickle during the 2020 holiday rush, but the toy giant teamed with the port director to get its containers moving. However, a small to midsize company lacking internal or outside support and shipping clout may struggle to do the same.



## 2 An Incoterms Primer



Shipping products without fully understanding how Incoterms affect your freight creates a risk that can cost several thousand dollars and potentially bankrupt your business.

Incoterms, also known as International Commercial Terms, define the terms of trade for the domestic and international sale of goods. These rules dictate when

purchase orders are cut, covering everything from liability to duty responsibility.

Eleven Incoterms exist. Not all apply to your unique situation. Every business is different, as are its shipping needs. Getting to know these Incoterms is a crucial step toward ensuring your shipping process always goes smoothly.

# INCOTERMS

### Ex Works (EXW)

The seller is responsible for freight until it's loaded on a vessel. The buyer assumes responsibility from that point forward.

### FCA (Free Carrier)

The most popular Incoterm, used in 40% of international trade operations. Allows you to note the delivery destination of goods, whether it is a port, an airport, a container freight station, or the seller's address.

### CPT (Carriage Paid To)

The seller pays carriage costs to a destination agreed upon by both parties.

### CIP (Carriage and Insurance Paid To)

The seller pays freight and insurance until delivery to the first carrier. When the carrier assumes control, the buyer takes on all risks, but the seller must cover carriage costs and provide all-risk insurance until freight reaches its destination.

Though Incoterms detail who pays what, they do not replace a contract. A contract should break down each international move and who handles each part of the process. Let's say an export gets picked up in Shanghai City, leaves on a vessel in the Port of Shanghai,

### DAP (Delivered at Place)

This Incoterm replaced DAT (Delivered at Terminal) in 2020. It allows the buyer to determine the place of delivery, which can span beyond the terminal. Here, the seller assumes all risks until the shipment arrives at a predetermined destination.

### DDP (Delivery Duty Paid)

The seller bears all responsibility for the cost of the shipment, duty included.

### FAS (Free Alongside Ship)

Implies that the seller has delivered the shipment once they place it alongside the pre-established vessel.

### FOB (Free on Board)

The seller must deliver goods on board the vessel of the buyer's choosing at their named port. The responsibility for loss or damage transfers from seller to buyer once goods get loaded on a vessel.

### CFR (Cost and Freight)

The seller pays all costs and freight for the shipment up to the named port of destination.

### CIF (Cost, Insurance, and Freight)

The seller covers CFR and minimum insurance coverage on freight up to the port of destination.

arrives at the Port of Los Angeles, and gets trucked to San Diego. Each move involves charges and payments, duties, and electronic filings. Incoterms determine who pays each charge and where risk transfers.

# 3 Clarifying a Shipper's Responsibilities



Even if a shipper contracts with a freight forwarder, the law holds them accountable for the shipment. This means Customs will hold importers responsible for shipping mistakes, even if they are unaware they violated the law or their freight forwarder caused the error.

A freight forwarder helps shippers move products from Point A to Point B. They arrange air or ocean freight, truck or rail transport, and act as brokers and intermediaries between shippers and carriers.

However, while a freight forwarder takes on the heavy lifting, companies must understand their own roles. Freight forwarders can move shipments, prepare documentation, and help you comply with Customs, but they cannot perform these tasks without the right information.

## Know Your Terms of Sale

Knowing your Incoterms (or terms of sale) provides a framework that determines the nature of your transaction. When discussing Incoterms in your contract, include your name, place of sale, and the amount you will pay. It's important to determine who is responsible for each part of the shipping process before hiring a freight forwarder. This information will help your freight forwarder arrange the shipping.

## Determine Your Shipping Method

Shipping by rail or over-the-road works well when transporting goods domestically, but what if you must import or export cargo across the globe? You have two main options for international shipping:

- **Air freight**—Air freight loads goods on a plane and flies them to another country. Though faster and more dependable, air freight can cost up to 10 times that of ocean freight. Airlines also have strict regulations for shipping hazardous materials, and they base freight prices on weight and size.
- **Sea freight**—Sea freight is the cheapest method of global shipping, but it takes longer. Ocean freight provides more capacity; however, port congestion and Customs issues can delay shipments. Ocean carriers base their prices on shipment size.

## Identify the Correct Country of Origin

The country of manufacture, production, or growth is considered the Country of Origin. It's not enough to simply inform Customs of the Country of Origin. Shippers must prove they've done their due diligence to list the Country of Origin correctly.

## Know Your HTS Codes

Knowing your HTS codes prevents problems down the road. HTS codes classify and define internationally traded goods. Every good shipped internationally must have an HTS code that corresponds with the Harmonized Tariff Schedule of the Country of Import. Importers must supply correct HTS classifications on import entries and/or importer security filings (ISF). It's your responsibility to provide this information to freight forwarders unless you pay them for classification services.



# 3 Clarifying a Shipper's Responsibilities

## Understand Hazmat Requirements

When shipping hazardous goods, you must adhere to specific rules and regulations. For example, only cargo planes, not commercial aircraft, can carry lithium batteries. Shippers must also follow specific rules when transporting lithium batteries via truck—and this is just one example!

### You can find guidelines for shipping hazardous goods in two places:

1. The International Maritime Dangerous Goods Code, which provides guidelines for safely shipping goods on a vessel.
2. The International Civil Aviation Organization, which standardizes safety procedures for shipping dangerous goods by air.

Companies must also determine the correct UN Rating for containers shipping hazardous goods. UN numbers dictate the container types used to ship and store hazardous materials.

## Deliver the Right Documentation

While a freight forwarder can guide you through the complexities of moving goods across the globe, a shipper must provide all documents needed by the Country of Origin and destination.

Shippers must provide a commercial invoice and packing list. These detailed documents list product and packaging details for each shipment. Shippers must share this document with freight forwarders, shipping lines, importers, and other parties along the supply chain.

An export packing list notes the seller, buyer, shipper, invoice number, date of shipment, mode of transport, and carrier. It itemizes quantity, description, and packaging types, such as boxes, crates, drums, or cartons. Further, it details package quantities, total net and gross weight, and package marks and dimensions.

## Do PGAs Apply to Your Goods?

Partner Government Agencies (PGAs) regulate commodities imported into the U.S. Each PGA regulates specific commodities. For example, the Food and Drug Administration (FDA) regulates food and drug manufacturing, storage, shipping, and Customs clearance, whereas the Drug Enforcement Administration (DEA) regulates imports of controlled substances. The National Highway Traffic Safety Administration (NHTSA) regulates and enforces vehicle safety standards, to name a few. Knowing how each PGA works and applies to your goods will improve your Customs compliance.



# 4 Know What's Required for an Accurate Quote

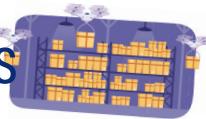


Before soliciting a freight quote, make sure to gather all the information you'll need to secure the most accurate quote possible. The more information you can provide, the better. Once you've gathered your information, receive multiple quotes and review them before entering a contract. Provide your freight forwarder with the following.

## What's Required for an Accurate Quote

- Product name and commodity.
- Hazardous material status. Shipping dangerous goods requires adhering to specific rules and regulations.
- Volumes and dimensions. Provide exact specifications about your goods, including the quantity, dimensions, and dimensional DIM weight (a pricing technique for commercial freight transport that uses an estimated weight calculated from a package's length, width, and height).
- Cargo Incoterms.
- Country of Origin. The country of manufacture, production, or growth. Shipping a product through another country does not change the Country of Origin. For example, if you purchase Cuban tobacco from Canada, the product is not suddenly "Made in Canada."
- The port of loading. Where goods come from.
- The port of delivery. The destination port or location of your warehouse.
- Shipment date. The date when your product will be ready to ship.
- HTS Code. A 7-to-10-digit code that is unique after the 6th digit and is determined by the country of import. These codes identify tariff and duty rates and help countries track international trade.
- Mode of Transport. Do you plan to ship by air or sea? Rail or trucking services may take goods from the factory to ports or from ports to warehouses. Share relevant transportation information with your freight forwarder.

# 5 How to Read a Quote—A Breakdown of Common Fees



To ensure you are getting the best bang for your buck, gather multiple quotes and compare them. Remember to pay attention to the fine print—a low-cost quote may include hidden fees. In today's global shipping landscape, you should always expect surprises!

And don't forget: every word in a contract—including fine print details—is part of a binding legal agreement

## Double Check the Incoterms

A knowledgeable freight partner can help you select the right Incoterm, but it's your responsibility to ensure the rule is listed correctly in the contract. The person who prepared your quote may assume it's a port-to-door instead of a door-to-door shipment, or a contract may make a shipper responsible for door delivery when it should actually fall on the carrier. You will not know the details of your situation if you don't take the time to look.

## Understand the Charges

Carriers charge a per-container size/type charge known as sea freight for each container. But they also add in other fees, as well. Protect yourself by learning how to recognize these charges.

**Bunker Adjustment Factor (BAF):** Carriers charge BAF to cover fuel costs as they move containers from port to port. They express BAF as a percentage of the freight applicable per container size or type – such as 2% of the freight – or as a variable quantum per container size or type – such as \$100 per 20-foot container or \$200 per 40-foot container.

**International Ship and Port Security (ISPS):** Carriers issue ISPS charges to cover the implementation of the International Ship and Port Security Code. They charge ISPS as a rate per container size/type.

### IMO 2020 Surcharge:

This fee covers the implementation of the IMO 2020 regulation, which limits sulfur content in ship fuel. Every carrier uses a different formula to calculate this fee.

**Perishable Cargo:** When perishable cargo requires a reefer container, additional charges, such as PTI, cold treatment, and plug-in fees, apply.

**Out-of-Gauge Cargo:** Carriers charge fees to cover lost slots and special equipment needs. They may even charge a deposit when moving containers to border countries.

## LCL vs. FCL

LCL and FCL refer to two types of container shipments.

**Full-Container Load (FCL)** refers to a shipment that fills the entire container.

**Less than Container Load (LCL)** refers to shipments that share container space with other merchandise because your load only fills part of a container.

## Ancillary Charges

Other shipping movements, such as door-to-door, pier-to-pier, and intermodal or multimodal movements, lead to ancillary charges that include:

**Pre-Carriage**—Movement that happens before carriers load containers onto the vessel.

**Carriage**—Movement that happens when the container is on the ship.

**On-Carriage**—Movement that happens after carriers discharge the container from the vessel.

**Consol/Deconsol**—Charges for combining loads into a consolidated shipment or deconsolidating shipments.

**Chassis Usage**—Carriers assess a chassis fee when a shipment travels by truck to a destination.

## New Surcharges

Container lines are adding port congestion surcharges that range from \$350 to \$5,000. They may appear on your quote as GRIs (general rate increases), PSSs (peak season surcharges), and value-added. If you see these charges on a quote, ask questions to identify what they are, why they are necessary, and when to pay them.



# 6 Documentation Errors and How to Avoid Them



Erroneous paperwork can lead to Customs inspections and delays that rack up costly fees and fines. Common documentation mistakes include:

## Incorrect HTS codes

The Harmonized Tariff Schedule classifies your goods in order to calculate the correct duty rate. Using the wrong code can cause you to under- or overpay your duties and taxes. Customs may issue monetary penalties and legal action for incorrect classification.

## Wrong Country of Origin

It's critical to list the Country of Origin on documents correctly. Do your due diligence to learn where your goods originated.

## Invalid Certificate of Origin

Under the United States-Mexico-Canada Agreement (USMCA), only importers with a valid Certificate of Origin can claim preferential tariff treatment for originating goods. An invalid certificate or incomplete certificate can delay goods and lead to costly fines and penalties.

## Vague content description

The description must be detailed and accurate. For example, simply listing "parts" instead of "automobile parts" is insufficient. Your documentation must include those words along with the brand name, model, and serial number of the parts.

## Incomplete shipment documentation

Documentation with missing values, quantities, or pages can cause Customs holdups.

## Failing to write the invoice or description in English

Commercial invoices and goods descriptions must always be in English. Failing to do so can lead to Customs delays.

## Improper quantity or value

If goods are deliberately undervalued to avoid duties or taxes, you can end up paying far more in penalties and fines—so make sure your goods are valued correctly.

You can avoid some documentation errors by knowing the rules that apply specifically to your goods. The binding ruling program allows importers to have their goods assessed with binding pre-entry classification prior to import.

A simple CROSS (Customs Rulings Online Search System) search can uncover this information. This Customs database allows users to search past binding rulings by keyword, HTS codes, and more.

# 7 Protect Your Company with Insurance

 DERINGER

Accidents happen. Many factors pose a risk to cargo on its journey. A container ship can sink. A long-haul truck might crash. A container may even slide off a vessel into the ocean. Without cargo insurance, your company absorbs the cost of lost goods.

The primary benefit of cargo insurance is minimizing the financial effects of cargo loss. The small premium you pay provides peace of mind as goods leave the warehouse.

## When is Cargo Insurance Needed?

It's best to add cargo insurance even when it's not required. The shipping process exposes freight to risks along its journey. Even if carriers assume liability for the load, insurance generally costs less than the total value of the shipment. Ocean freight carriers pay \$500 per package/shipping unit or the value of the goods—whichever is less. Air freight carriers will pay up to \$24 per kilogram.

Knowing your Incoterms helps you determine when your load needs insurance protection and when it does not. There may also be points in the journey where the burden falls on the seller, not the buyer.

## What Types of Cargo Insurance Exist?

*There are a variety of cargo insurances.*

**Land Cargo Insurance:** This insurance protects cargo that moves by land, whether long-haul trucks or small delivery vans. It covers theft, collision, damages, and other risks. The insurance scope falls within a country's boundaries.

**Marine Cargo Insurance:** This insurance safeguards cargo moving by air and ocean during international shipping. It covers loading/unloading damages, weather damages, piracies, and other risks. There are several types of marine cargo insurance:

## How Do Shippers Make a Claim?

Providing the following information when submitting your claim will expedite the process:

- Inventory number
- Location of goods before packing
- Description of goods
- Damage description
- Age of goods and date of purchase
- Original cost and replacement cost
- Claim amount

**Open Coverage:** Covers freight for a set time (usually a year). Importers can put multiple shipments under one policy. Two kinds of open coverage exist:

*Renewable.* Here, you renew your policy after a shipment gets delivered. Works well for single shipments.

*Permanent.* Enforced for a set time frame and allows unlimited shipments during that period.

**Single Coverage:** Covers cargo on a per shipment basis. Best for businesses that ship infrequently.

**All Risk Insurance:** This insurance safeguards cargo damaged or lost in transit if goods are new and are not prone to spoilage or damage. This insurance should cover:

- Damage from natural disasters
- Loss and damage from war, civil unrest, strikes, riots, etc.
- Delays and rejections at Customs
- Unpaid goods
- Transport issues like train derailment, truck crashes, etc.
- Improper stowage by shipowners

**Free From Particular Average:** These insurance policies cover major damage or loss to cargo in most cases, except when losses occur during stranding, sinking, burning, or collision. It covers risks not included in an all-risk policy. Shippers are only liable for part of the damaged or lost shipment.

**General Average:** This insurance is required for marine freight, and it covers partial shipment losses. Insurers base this policy on the idea that all cargo owners with freight on a vessel must pay for cargo losses if part of the cargo gets lost at sea. For example, if a container falls into the ocean, all cargo owners (even those unaffected by the loss) cover the cost.

**Warehouse to Warehouse:** This coverage insures freight once it gets unloaded from a vessel and begins transport to a customer's warehouse.

## What Does Cargo Insurance Not Cover?

Cargo insurance does not cover losses that shippers can control. These policies exclude coverage for:

- Damage from inadequate packaging
- Faulty products (those damaged before transport)
- Hazardous, high-value, and fragile products (some insurers will not cover these, but others do)
- Some policies only cover freight on a specific mode of transportation

# 8 How to Move Freight



The most commonly used modes of transport are air and ocean freight. How do you decide which to use? There are many factors to consider.

## Cost

Cost is often the No. 1 factor when deciding between ocean or air transportation. Air freight can cost up to 10 times more than ocean freight. But if you need goods quickly, air freight may be the best option.

Either way, shippers must understand how carriers bill for air versus ocean freight. Air carriers bill by chargeable rate, calculated by combining the weight and size of the shipment. Ocean carriers price cargo by container, charging a flat rate for a full standard container and billing by cubic meter for less than container load (LCL).

Shipping by ocean makes sense with large, heavy shipments. But as load size decreases, price margins between air and ocean tighten, and you'll need to weigh other factors to make the best decision for your shipment needs.

## Time

It is also important to assess your timeline when moving goods. Ocean freight is less reliable and takes more time than air freight. Most air shipments arrive within 1-2 weeks, whereas ocean freight can take 8-10 weeks from door to door.

Shipping by air makes sense when you have a drop-dead delivery date. Port congestion, weather, and COVID outbreaks can delay ocean freight for weeks.

## Reliability

Air freight is more dependable than ocean freight. Though flights routinely experience weather delays, the airline industry has a history of bouncing back

quickly. Ocean carriers often fall off schedule—even more so since the pandemic began.

Shipping by air makes more sense when reliability is a concern. A delay by air will correct itself within hours or days, while a delay by sea can take weeks to fix.

## Sustainability

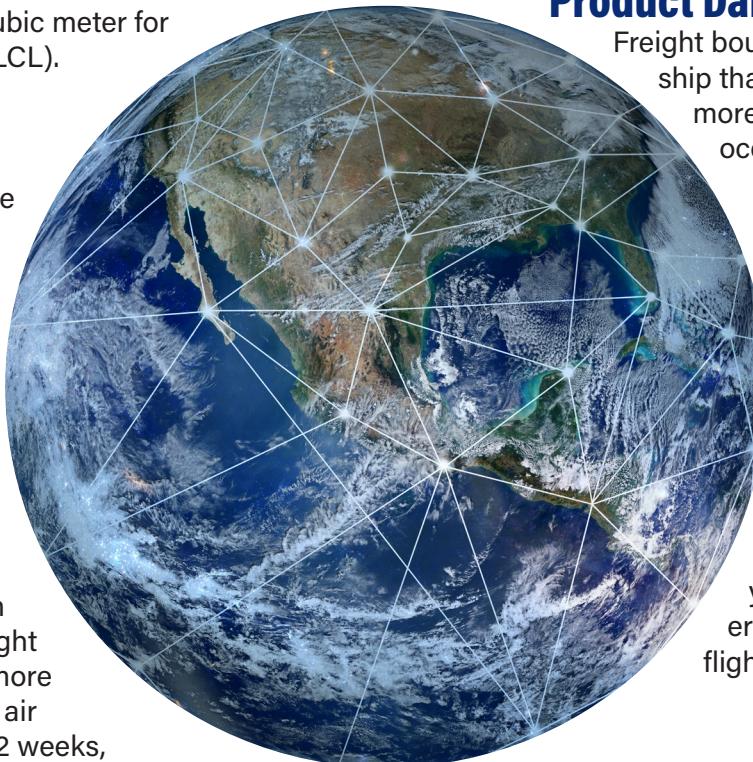
As governments across the globe increase environmental protections, shippers may seek more sustainable shipping options. It's worth noting that air transport creates more CO2 emissions than ocean transport.

## Product Damage Concerns

Freight bounces around more on a ship than inside a plane, making it more prone to damage during ocean transport.

## Hazardous Goods

Freight shipments classified as hazardous have limited options. Airlines often pose quantity limits on products containing batteries or magnets. Large shipments of hazardous goods must go by sea unless you break them into smaller loads to put on separate flights.



# 8 How to Move Freight



## Rail and Truck Transport

Shippers must often choose between truck and rail transport. Both options offer a set of positives and negatives.

### Rail

Rail shipping connects inland ports within the U.S. and Canada and represents a vital part of every supply chain.

#### *Shipping by rail:*

- Is up to four times more fuel-efficient
- Emits 75% fewer GHG emissions
- Can transport far more than truck transport: one rail car holds up to four truckloads
- Is cheaper for long hauls, but frequent stops can add more time
- Rail shipping works best when moving large volumes of freight across long distances. But a trend called "metering" can impact when goods arrive. Railyards are limiting the number of containers that move inland when inland depots get congested.

### Truck

Truck transport works well for short distances and smaller loads. Trucks can load and unload quickly and operate efficiently.

#### *Shipping by truck:*

- Is cost-effective when moving freight short distances
- Offers predictable schedules
- Is better for perishable foods, medicines, and other sensitive products
- Offers just-in-time delivery and door-to-door service

## Transloading and Transshipping

As challenges occur en route, shippers may need to consider transloading or transshipping.

**Transload:** Transloading occurs when cargo transfers from one mode of transportation to another. Transporters employ this option when they cannot use one transit mode for the entire trip. For instance, transloading may occur to ship goods from one inland port to another.

**Transshipping:** In a transshipment, your container moves from one shipping vessel to another while in transit to reach its destination overseas. This method of moving cargo can introduce delays. It's best to use it when there are no direct shipping routes to your destination.

## Final Mile Challenges

The most pressing final mile challenges are equipment shortages. Ports assign a chassis for the freight as it comes in. But there are not enough chassis for current freight volumes, and freight must sit until a chassis becomes available. Once a chassis becomes available, freight may sit on it until labor becomes available to unload it or a warehouse becomes vacant. Port congestion also causes problems, as truckers wait up to an entire day to pick up a load once it becomes available. This factor has pushed trucking rates up by thousands of dollars. Truckers now ask for a 30-day notice on arriving loads, but there is no guarantee that loads will arrive at their scheduled time.



# 9 The Basics of Free Trade Agreements

Free Trade Agreements (FTAs) are contracts between two or more countries wherein countries agree on certain obligations that affect trade in goods and services, as well as protections for investors and intellectual property rights. Their main goal is to reduce barriers to U.S. exports, protect U.S. interests abroad, and enhance the rule of law with trade partners.

## FTAs can:

- Eliminate or reduce tariffs and other provisions on qualified goods.
- Create a more predictable, transparent trading and investment environment.
- Protect and enforce U.S. intellectual property rights in partner countries.
- Enforce consistent product standards from country to country.
- Make it easier and cheaper for U.S. companies to export and import products and services to trading partner markets.

The United States currently has 14 FTAs with 20 countries. Shippers can find a full list of free trade agreements [here](#).

## USMCA

The United States-Mexico-Canada Agreement (USMCA) went into effect on July 1, 2020, to replace the North American Free Trade Agreement (NAFTA). The new trade agreement alters the rules of origin for automobiles, information technology, communications equipment, pharmaceuticals, healthcare, cosmetic products, and chemicals.

USMCA requires a Certificate of Origin listing specific information to claim a duty reduction. Customs will not accept existing NAFTA Certificates. New rules of origin can affect whether a product qualifies under USMCA. The new agreement adds exemptions for products to meet before they can qualify for reduced duty. The change impacts HTS codes with headings 04.01 through 04.10.

USMCA allows an importer, exporter, or producer to complete a Certificate of Origin and claim preferential tariff treatment. A completed Certification of Origin confirms:

- Importers have researched the products.
- The products meet USMCA rules of origin.

- Importers can prove they meet the rules of origin.
- Importers must now show origination is based on a valid Certification of Origin and possess the certification before shipping.

*NOTE: Importers who do not ask for preferential tariff equipment at the time of shipping can request preferential tariff treatment up to one year after import. To do so, they must have transported goods directly from the Country of Origin or prove the goods remained in Customs' control as they traveled through regions outside the FTA.*

The USMCA also puts additional obligations on importers, including:

- Providing documentation on the shipping route and all points of shipment and transshipment before import.
- Providing documents that prove goods remained under Customs control while outside the territories of both parties. When a claim for preferential tariff treatment is based on a Certification of Origin completed by a producer that is not the exporter, the importer must prove goods did not undergo further production or any other operation other than unloading, reloading, or operation needed to preserve or transport them.

## Tariff Freight Quotes and Absolute Quota

Know the difference between quota types that could affect your shipment. Import quotas control the amount or volume of specific goods that you can import into the United States over a period of time.

### Three types of quotas exist:

**Absolute Quotas:** Limit the quantity of goods that can enter the United States over a specific period.

**Tariff Rate Quotas (TRQs):** Permit a specified quantity of imported merchandise to enter the U.S. at a reduced duty rate during a quota period. Once a company reaches the tariff-rate quota limit, they may still import goods but will pay a higher duty rate.

**Tariff Preference Levels (TPLs):** Preferential tariffs established in FTAs that are administered by Customs-like tariff rate quotas.

# 10 B2B or B2C, Amazon, and Big Box Shipping

Shippers new to international shipping should understand the difference between B2B and B2C fulfillment. B2B: Business-to-business fulfillment (B2B) ships products directly to a business or retail store.

Since these businesses will then be selling to consumers, B2B transactions typically include more inventory than B2C. Companies place orders in advance and order in bulk. Because these orders are larger, they cost more and take longer to deliver. Shippers must be familiar with air and sea freight differences, tariffs, taxes, and subsidiaries to properly gauge the reliability of logistics partners and carriers, which is essential to overall success. Your freight partners can help you receive goods on time and limit penalties and losses.

B2C: With business-to-customer (B2C) fulfillment, orders come from a single customer, and order volumes are typically smaller than B2B. Deliveries are simpler and less affected by rules and regulations. Here, it's essential to ensure orders arrive damage-free.

## Importer of Record for Amazon

All inventory shipped to Amazon fulfillment centers must include an importer of record (IOR) for all shipments that enter the United States from another country. The IOR:

- Ensures the import complies with local laws and regulations.
- Files an entry declaration and associated documents.
- Pays import duties, taxes, and fees for the shipment.

Amazon also may require the IOR to get a Customs bond to cover all duties, taxes, and fees owed to the government.

The company may refuse shipments that do not comply with specific product preparation requirements, safety standards, and product restrictions. Amazon may also block future shipments to the fulfillment center or charge for additional preparation and non-compliance.

You can prevent problems by not allowing a manufacturer to manage your supply chain and shipping, adhering to Amazon's strict acceptance policies, purchasing cargo insurance, and developing packaging that withstands the rigors of shipping.

## Pay Attention to "Big Box" Requirements

Big box stores like Wal-Mart and Target have an accessible book that details their routing guide for retailers. The book includes compliance rules importers must follow to avoid fines. There's no shortage of fines in these routing guides. You must use a certain carrier, specific pallets, boxes of exact dimensions, and labels printed in the proper format and displayed in a specific place.

A startup business running out of its own warehouse without a best-in-class shipping system may struggle to meet these regulations. Missteps will reduce your revenue.

Using a freight forwarder can help you avoid these penalties. Freight forwarding professionals are familiar with routing guide specifications for big box stores.

They also have the logistics infrastructure and partnerships to make quick turnarounds to avoid unnecessary delays.

## Looking for a Freight Forwarding Solution?

Finding the right logistics solution for shipments—large and small—is what we do.

We offer:

- Outstanding communication
- Competitive pricing
- Flexible routing and contingency planning
- Expert Customs consulting
- Trade compliance program assistance

Whether you require unique intermodal support or fast delivery, we have the network and expertise to deliver the results you seek, even in today's complex and volatile shipping environment.

