

International Economic Stimulus Plan:

Increase Revenue and Reduce Costs in your Supply Chain

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Supply Chain is a “TWO WAY STREET”



Incoterms

●EX-Works

One of the simplest and most basic shipment arrangements places the minimum responsibility on the seller with greater responsibility on the buyer. In an EX-Works transaction, goods are basically made available for pickup at the shipper/seller's factory or warehouse and "delivery" is accomplished when the merchandise is released to the consignee's freight forwarder. The buyer is responsible for making arrangements with their forwarder for insurance, export clearance and handling all other paperwork.

●FOB (Free On Board)

One of the most commonly used-and misused-terms, FOB means that the shipper/seller uses his freight forwarder to move the merchandise to the port or designated point of origin. Though frequently used to describe inland movement of cargo, FOB specifically refers to ocean or inland waterway transportation of goods. "Delivery" is accomplished when the shipper/seller releases the goods to the buyer's forwarder. The buyer's responsibility for insurance and transportation begins at the same moment.



Incoterms

Customs Transaction Value

Advantage of using Ex Work vs. FOB

- By reducing the Value (not including the Inland Freight & Freight Forwarding Documentation expenses), you reduce the Taxable Base for CBP, Hacienda, CRIM, etc.
- Coordinating the Freight will help you obtain better rates/discounts using the leverage of the volume of your Freight Forwarder
- Reduce transit time (equals less inventory costs)
- Better control of Documentation & Cargo, allow for the documents to flow smoothly, and obtain Pre clearance release form Customs & Border Protection (CBP)
- New 10 + 2 Importer Security Filing (ISF) can be completed by you thru your Customs Broker timely



Incoterms

Are Extremely Important for:

- **Implementation** of the contract sale
- **Transfer** of ownership
- **Property** rights
- **Breaches** of contract
- **Exemptions** from liability



EXW – Ex Work

FCA – Free Carrier

FAS – Free Alongside Ship

FOB – Free On Board

DEQ – Delivered Ex-Quai

DDU – Delivered Duty Unpaid

DDP – Delivered Duty Paid

DAF – Delivery At Frontier

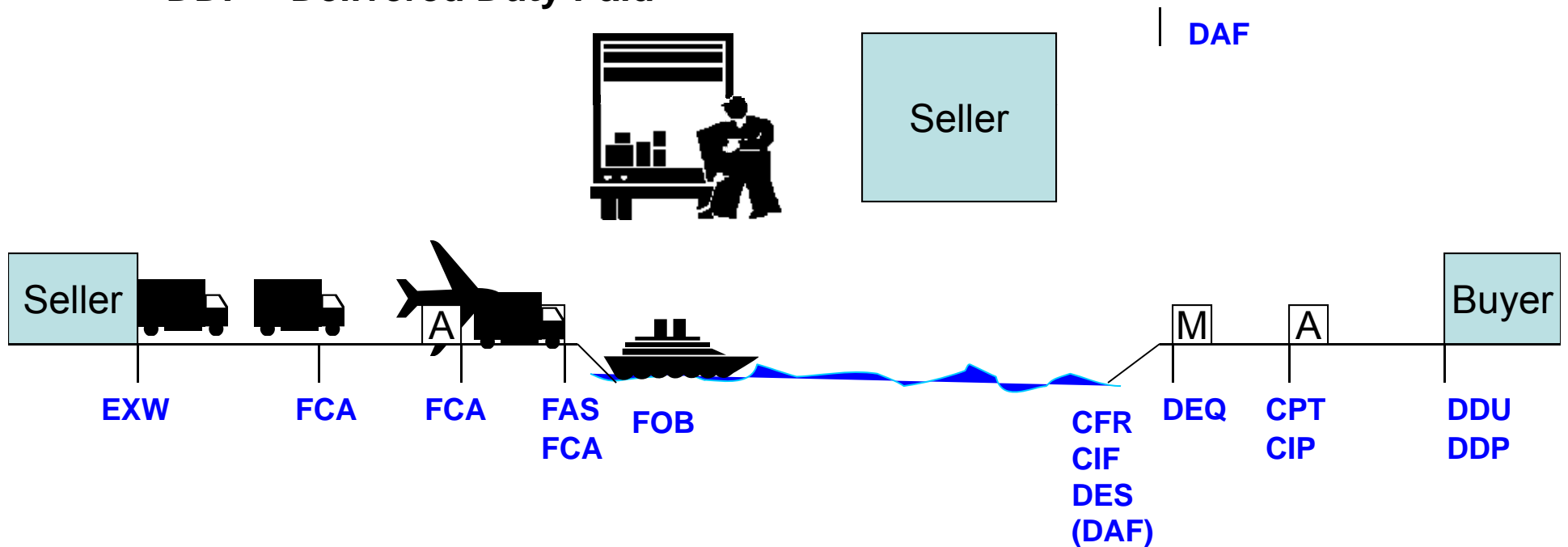
CPT – Carriage Paid To

CIP – Carriage, Insurance, Paid to

CFR – Cost & Freight

CIF – Cost, Insurance & Freight

DES – Delivery Ex-Ship



10 + 2

What You Don't Know Can Hurt You

- On January 26, 2009, the new rule titled **Importer Security Filing** and **Additional Carrier Requirements** (commonly known as “10+2”) went into effect. This new rule applies to import cargo arriving to the United States by vessel. Failure to comply with the new rule could ultimately result in monetary penalties, increased inspections and delay of cargo.
- The interim final rule included a delayed enforcement date of 12 months after the interim final rule took effect . During this 12-month period, CBP will show restraint in enforcing the rule. CBP will take into account difficulties that importers may face in complying with the rule ***as long as importers are making a good faith effort and satisfactory progress toward compliance***. The flexible enforcement period ended January 26, 2010, and a Graduated Enforcement has been implemented.



10 + 2

What You Don't Know Can Hurt You

- CBP may issue **liquidated damages** of **\$5,000 per violation** for the submission of an inaccurate, incomplete or untimely filing. If goods for which an ISF has not been filed arrive in the U.S., CBP may withhold the release or transfer of the cargo; CBP may refuse to grant a permit to unlade for the merchandise; and if such cargo is unladen without permission, it may be **subject to seizure**. Additionally, noncompliant cargo could be subject to ***“do not load”*** orders at origin or further inspection on arrival.



ISF-Graduated Enforcement

- **CBP Will Not Use Data Collected During Delayed Enforcement against Trade**
- **CBP to Look at Data from an Enforcement Perspective Starting January 26th**
- **No Liquidated Damages for 1st Quarter 2010; CBP to Issue Warning Letters, Work with Filers**
- **Those Not Filing Will See Holds on Shipments in 2nd and 3rd Quarters**
- **Liquidated Damages to Start in Third and Fourth Quarters**



10 + 2

DATA ELEMENTS

Data elements provided by the Importer of Record:

- Manufacturer name and address
- Seller name and address
- Container stuffing location
- Consolidator name and address
- Buyer name and address
- Ship to name and address
- Importer of record number
- Consignee number
- Country of origin of the goods
- Commodity Harmonized Tariff Schedule number (6 digit)

Data elements provided by the carrier:

- Vessel Stow Plan
- Container Status Messages



10 + 2

Bill of Lading – The Extra Element

- Identifier commonly known as the “**11th Element**”.
- Absolutely necessary to properly link the Importer Security Filing (ISF) to the customs manifest data.
- ISFs are to be done at the “lowest” bill of lading level. CBP will accept an ISF at either the house bill of lading level or regular (i.e. simple, straight) bill of lading level.
- However, a single ISF may cover multiple bills of lading as long as they are all going to the same importer as part of the same shipment on the same vessel voyage.
- Carriers are converting to having the booking number for straight bills of lading to convert to the actual bill of lading when you add the carrier’s SCAC code.



10 + 2

Activity Code 16 - ISF Customs Bonds

- You are authorized to issue Activity Code 16 bonds, for timely filings when it is a domestic principal as follows:
 - Singles: \$10,000
 - Continuous: \$50,000
- Prior approval is required by your bond representative if any of the following apply:
 - If the filing is late.
 - If the principal has had 5 or more ISF STBs in the past year.
 - If the principal is a non-resident.
 - If the principal has an existing CBP 301 continuous bond on file.



TREATIES

- Automatically we form part of all treaties signed by the United States such as:
 - Caribbean Basin Initiative (**CBI**) 1983
 - North American Free Trade Agreement (**NAFTA**) 1994
 - General Agreement on Tariffs & Trade (**GATT**)
 - Andean Trade Preference Act (**ATPA**) 1991
 - **CAFTA-DR 2005**



TREATIES & HTSUS Re Engineering to Reduce Duty Rates

- By selecting where to buy, we can reduce the cost of the raw materials/components or finished goods for sale & distribution
- This is often referred to as “*Country Shopping*”
- By studying how we bring the components or fully assembled goods (Machinery as example), we can reduce or eliminate the Customs Duties
- Manufacturing in PR to allow free entry to the US and most Countries subject to Agreements



Customs Bond

- There are different types of Bonds. Their use will depend on the type of transaction they will apply to. The most common are:
 - **Single Entry** – As the name implies, it will be used for one entry only. Equal to the total entered value of the merchandise plus all duties, taxes and fees for a general merchandise. **(Most expensive type of Bond.)**
 - **Term Bond** – This bond will cover transactions for one year in any port of the United States. Minimum coverage required is **\$50,000.00 (Preferred type of Bond for Regular Importers/Exporters.)**



FTZ's

"A foreign-trade zone is a restricted-access site, in or adjacent to a Customs port of entry, operated pursuant to public utility principles under the sponsorship of a corporation granted authority by the Board and under supervision of the Customs Service."

Regulations of the Foreign-Trade Zones Board (19 CFR Part 400)



FTZ's in Puerto Rico

Advantages for Manufacturing

- Inverted Tariff Provisions
- Duty Deferral – Customs Duties & Federal Taxes deferred on imports
- No duties or Property Inventory (CRIM) on Machine Spare Parts- until used
- No duties on Damaged goods or expired inventory
- **Just In Time Warehousing** using Public/Private FTZ Warehouses
- **No Property Inventory Tax “(CRIM) while in the Zone** Law 159 6/24/04
- **No Municipal Tax (Patente)** on Exports to Foreign Countries
- **Logistical Benefits** – streamlines Customs Procedures (e.g. “Weekly Entry”, “Weekly Entry for Exports”, “Direct Delivery”)



NRI FTZ GROUP

A Team of Experts for the development and operation of your own Foreign Trade Zone.

FTZ Group Services:

- **Feasibility Studies & Savings Analysis**
- **Federal Security Requirements**
- **FTZ Board Application & Operation**
- **Logistics**
- **Pre Customs FTZ Audit**
- **Customs Binding Rulings**
- **And much more!!**



ImEx Zone

Logistics, Inc.-FTZ Services for Small Business

- **An FTZ Public Warehouse provider, is a valuable resource for new exporters. A small business can expand their market share to the Caribbean and the Americas while minimizing operational costs.**
- **Exhibit Merchandise**
- **Pick, Sort & Re-Pack Services**
- **In- Bond Carrier & Island Distribution**
- **Air & Ocean Export Services**
- **www.ImExFTZ.com**



Zones

& Sub-Zones in PR - FTZ #7 Mayagüez

Grantee: Puerto Rico Industrial Development Company

- Bristol Myers Squibb Caribbean Co.
- Bristol Myers-Squibb Mfg. Co.
- Bristol Myers-Squibb PR, Inc.
- IPR Pharmaceuticals, Inc.
- José G. Flores, Inc.
- Mitsubishi Motor Sales of the Caribbean
- Motorambar, Inc.
- Multiventas y Servicios PR, Inc.
- Ochoa Industrial Sales Corp.
- Sony Puerto Rico, Inc.
- Suzuki Del Caribe, Inc.
- The Shell Company (PR) Limited
- Toyota de Puerto Rico, Inc.
- Plaza Motors Corporation (Mazda of PR)



Zones & Sub-Zones in PR

- **FTZ #7 Mayagüez**

Grantee: Puerto Rico Industrial Development Company

- Subzone 7B Commonwealth Oil Refining Company, Inc.
- Subzone 7C Bristol Myers Squibb Company
- Subzone 7D Bristol Myers Squibb Mfg. Barceloneta
- Subzone 7E Dupont Agricultural (DACI)
- Subzone 7F Caribbean Petroleum Corporation (Gulf)
- Subzone 7G Schering-Plough Products, L.L.C.
- Subzone 7H Ortho Biologics, LLP
- Subzone 7I Abbott Pharmaceuticals PR Ltd



Zones

& Sub-Zones in P.R. - FTZ #61 San Juan

Grantee: Commercial & Farm Credit & Development Corporation of Puerto Rico

Subzone 61A	*	Searle & Company (Caguas)
Subzone 61B		Searle Limited (Barceloneta)
Subzone 61C		SmithKline Beecham Pharmaceuticals (Cidra)
Subzone 61D		Merck, Sharp & Dohme Quimica (Arecibo)
Subzone 61E		Merck, Sharp & Dohme Quimica (Barceloneta)
Subzone 61F		IPR Pharmaceuticals, Inc.
Subzone 61G		IPR Pharmaceuticals, Inc.
Subzone 61H		Baxter Caribe Inc. (Guayama)
Subzone 61I	*	Sun Oil Company
Subzone 61J		PepsiCo Corporation
Subzone 61K		Pfizer Pharmaceuticals, Inc.
Expansion 61-2		Borschow Hospital & Medical Supply
Expansion 61-3		CASCO Sales
Expansion 61-4		Emerito Estrada Rivera Isuzu de Puerto Rico
Expansion 61-5		Garage Isla Verde (Mercedez Benz)
Expansion Site 1-Parcel D		Able Sales Company, Inc.
Expansion Site 1-Parcel F		GIB Development/Me Salve



Zones & Sub-Zones in P.R.

FTZ #163 Ponce

Grantee: Corporación para el Desarrollo de la Zona Libre de Ponce, C.D.

- ✳163-2 Peerless Oil and Chemicals, Inc.
- ✳163-3 Cesar Castillo, Inc.
- ✳163-C Demaco Corporation
- ✳163-4 Centro Automotriz Santa Rosa, Inc.
- ✳163-7 Umeco, Inc.
- ✳163-1 Pepsi-Cola Mfg. International Limited
- ✳163-1 Dantzler, Inc
- ✳163-5 Parque Industrial Mercedita
- ✳163-6 Industrias Vasallo
- ✳163-8 Ayala Warehouse, Inc



NRI Inc.

OUR COMPANY

- **Founded: 1973 (Over 35 years experience)**
- **3 Offices; 2 Licensed Brokers; 40+ employees**
- **Over 1,000 Offices Worldwide - Agent Network**
- **State-of-the-art Computerized System**
- **Online Shipment Tracking & Support (www.nreyes.com)**
 - **Showing Custom & FDA Release Status**
 - **Showing ISF (10 + 2) Information**
 - **Printing of all Customs Documents via a PDF File**



NRI, Inc.

QUALIFICATIONS

- **#1 Customs Brokerage Firm in PR**
- **Holder of Customs National Permit**
- **C-TPAT* certified operations**
- **New Ace Program Participants**
- **Minority Business Enterprise (Certified)**
- **Hub Zone**
- **NAFTZ** Member**

***C-TPAT – Customs-Trade Partnership Against Terrorism**

****NAFTZ – National Association of Foreign Trade Zones**





Customs & Trade Institute

- **Basic Guide for Importing into the U.S. (Regarding to PR)**
- **Exportation of Goods and Services**
- **Incoterms 2000 & Marine Insurance**
- **Import & Export Procedures and Requirements**
- **Classification, Value & Invoice Requirements**
- **Letters of Credit for Import/Export Transactions**
- **Focus Assessment for Customs Compliance**
- **How to Survive to a Customs Audit**
- **Foreign Trade Zones Program**
- **Prevent Terrorism – Protect Your Operation!: Advantages of Joining the Customs-Trade Partnership Against Terrorism**
- **Food & Drug Administration Bioterrorism Act**
- **E-Logistics & International Trade**
- **Customs Compliance**



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Bonded Warehouse

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Compliance
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National Permit

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Project Management

**C-TPAT Member &
Ace Participant**

