***Suite 604***

# IMPORTING



## 604.01 IMPORTING – A START

Any business that brings goods or services into your country from another country is involved in importing.

From the earliest days of trading, importing has been necessary so that business can:

- Obtain material or goods that aren't available in your country.
- Obtain goods or materials from another country where they cost less than in your country.

If you intend to import goods you need to give careful consideration to the practicalities, such as how to get the goods into the country, as well as the legal requirements.

## 604.02 PLANNING TO IMPORT?

Importing goods and materials can be complex. You need to give some thought to how the different elements of the operation will fit together.

For instance, you'll have to consider:

- Drawing up contracts with your overseas suppliers – about which you might have to seek legal advice
- When and how you'll make payments for the goods or materials – bearing in mind that the exchange rate might change after you've placed your order
- Transport arrangements, storage, documentation and insurance
- Whether the imports will comply with local legislation
- The trading terms that you'll have in place with your suppliers – which again might require legal advice
- Whether you'll be affected by the principle of product liability – meaning that your business is responsible for damage caused by defective products that you've imported.

You'll also have to investigate whether you'll need a licence to import. See the section on your legal responsibilities as an importer.

In the United Kingdom: You can get advice from the DTI Import Licensing Branch Helpline on Tel 06142 533 557.

http://www.

Under the EU common customs tariff, all EU member states charge a common tariff to goods imported from outside the EU.

Read about the EC common customs tariff at the DTI website:

http://www.dti.gov.uk/

## Import duty

An import duty is a tariff paid at a border or port of entry to the relevant government to allow a good to pass into that government's territory. In medieval and ancient times, such tariffs were collected by local governments. Now this is very rare. Typically they are collected by national governments or, in a customs union, by the regional authority.

### Trade barrier

A trade barrier is a general term that describes any government policy or regulation that restricts international trade, the barriers can take many forms, including:

- Import duties
- Import licenses
- Export licenses
- Quotas
- Tariffs
- Subsidies

- Non-tariff barrier to trade

Most trade barriers work on the same principle: the imposition of some sort of cost on trade that raises the price of the traded products. If two or more nations repeatedly use trade barriers against each other, then a trade war results.

Economist generally agree that trade barriers are detrimental and decrease overall economic efficiency, this can be explained by the theory of comparative advantage. In theory, free trade involves the removal of all such barriers, except perhaps those considered necessary for health or national security. In practice, however, even those countries promoting free trade heavily subsidize certain industries, such as agriculture and steel. Examples of free trade areas are: North American Free Trade Agreement (NAFTA), European Free Trade Association, European Union (EU), South American Community of Nations.

### Non-tariff barriers to trade

Non-tariff barriers to trade are restrictions to imports but are not in the usual form of a tariff.

They are criticized as a means to evade free trade rules such as those of the WTO, the EU or NAFTA that restrict tariffs. Most common examples are dumping and countervailing duties, which, although they are called "non-tariff" barriers, have the effect of tariffs but are only imposed under certain conditions. Their use has risen sharply after the WTO rules led to a very significant reduction in tariff use.

Non-tariff barriers may also be in the form of manufacturing or production requirements of goods, such as how an animal is caught or a plant is grown, with an import ban imposed on products that don't meet the requirements. Examples are the European Union restrictions on genetically modified organisms or beef treated with growth-hormones.

Some non-tariff barriers are expressly permitted in very limited circumstances, when they are deemed necessary to protect health, safety, or sanitation, or to protect depletable natural resources.

Non-tariff barriers to trade can be:

- State subsidies, procurement, trading, ownership
- National regulations on health, safety, employment
- Product classification
- Quotas
- Foreign Exchange: controls and multiplicity
- Over elaborate or inadequate infrastructure
- 'Buy National' policy
- Intellectual property laws (patents and copyrights)
- Bribery and corruption
- Unfair customs procedures.

**Free trade zone**

A free trade zone (FTZ) or export processing zone is one or more areas of a country where tariffs and quotas are eliminated and bureaucratic requirements are lowered in order to attract companies by raising the incentives for doing business there.

Most FTZs are located in third world or peripheral countries. They are special zones where (some) normal trade barriers such as import or export tariffs do not apply, bureaucracy is typically minimized by outsourcing it to the FTZ operator and corporations setting up in the zone may be given tax breaks as an additional incentive. Usually, these zones are set up in underdeveloped parts of the host country, the rationale being that the zones will attract employers and thus reduce poverty and unemployment and stimulate the area's economy. These zones are often used by multinational corporations to set up factories to produce goods (such as clothing or shoes).

**Criticism**

The creation of special free-trade zones is criticized as giving business which set up operations undue influence over already corrupt governments, and as giving foreign corporations more economic liberty than is given ordinary citizens, who face large and sometimes insurmountable "regulatory" hurdles in most third-world nations. Because the multinational corporation is able to choose between many underdeveloped or depressed countries in setting up an overseas factory, and most of these countries do not have limited governments, bidding wars of sorts erupt between their governments. Often the government pays part of the initial cost of factory setup, loosens environmental protections and rules regarding negligence and the treatment of workers, and promises not to ask payment of taxes for the next few years. When the taxati0on-free years are over the corporation which set up the factory without fully assuming its costs is often able to set up operations elsewhere for less expense than the taxes to be paid, giving it leverage to take the host government to the bargaining table with more demands in order for it to continue operations in the country.

## 604.03 MANAGING TRANSPORTATION

One obvious consideration when thinking about importation is how you are planning to get the goods into the country.

You need to consider:

- What volume of goods or materials you need to import. This could affect the method of transport you choose. Is the volume too great to be moved by air for instance?
- When the importation will take place. For example, how long will the goods or materials take to be transported? If you're bringing raw materials into the country and they're to be used as part of a production process then you'll ned to give serious thought to timing.
- Whether you're going to import directly or indirectly. Importing indirectly means that someone else handles the process and you buy the goods from them. Importing directly means that you have personal contact with the overseas suppliers. It's potentially more profitable but means that you are vulnerable to language problems, exchange-rate fluctuations and the possibility of additional costs.

You should also bear in mind the cost of insuring the items that are being moved.

## 604.04 LEGAL RESPONSIBILITIES

If you import items into your country, you will have a number of legal responsibilities. For example, you'll have to:

- Check that the items you're planning to import are allowed in or whether they need an import licence.
- Import restrictions may be operated by other government departments. Contact the Customs and Excise department of your government.
- Consider whether you're liable, under the principles of product liability, for any harm caused by the imported items.
- Find out about any laws that may be applicable in the items' country of origin and make sure these are adhered to.
- Notify Customs and Excise by making an import entry if you're importing from outside the EC. If you're importing from within the EC you might need to complete an Intrastat declaration if the goods exceed a certain threshold.
- Pay any duty and VAT that apply under local government and EC law. See the guide to VAT on sales to EC countries.

### Importing animals, food, vehicles, medicines and dangerous goods

The import of some items is strictly controlled and special measures may apply to their import.

Imports with special controls:

- To prevent the spread of animal diseases, the import of animals is controlled by the issuing of animal health certificates and post-import veterinary inspections. Additional licensing controls apply to the import of endangered birds and animals. See the Defra website for more information on the import of animals and birds:

- The import of food products is controlled by strict requirements on packaging, labelling, and additives. The import of food containing animal products (including milk, eggs, meat dairy products and honey) is controlled by the Product of Animal Origin Regulations while the import of non-animal content food products is controlled by the Imported Food Regulations.

- Imported motor vehicles must be registered and licensed before they can be used or kept on public roads. In the UK read about the import requirements for motor vehicles on the DVLA website:

- The trade of dangerous goods is affected by a number of different regulations which control their classification, trade, transport and storage. And the movement of dangerous goods is controlled by international directives. In the UK you can read about the carriage of dangerous goods on the HSE website where you can also find information on classification, labelling and packaging.

- The import of medicinal products is subject to licensing. In the UK seek advice on the import of products for individual patients or the import or export of unlicensed medicines, contact the Medicines and Healthcare Products Agency Central Enquiry Point on Tel 020 7084 2000. For advice on wholesale dealers import licences contact the licence office of the MHRA on Tel 020 7084 2570.

## 604.05 PROTECT YOUR INTERESTS

Transporting goods from one country to another inevitably involves a degree of risk. You can minimise this if you take certain steps to protect your interests.

If you're importing directly – rather than through a third-party company that handles the process for you – you should always agree with the overseas supplier at the outset the language in which you want to commu8nicate. This should help top avoid any costly misunderstandings.

Insurance is essential to protect your potential losses. You have to decide whether this is the buyer's or the seller's responsibility. As a rule of thumb, the minimum value you should insure your goods for is the contract price plus an additional ten per cent.

You should also take advice on product liability. For example, you may be liable for any damages that might be caused by the items that you're bringing into the country.

Lastly, always make sure you inspect goods on receipt. If not, you might find that you've lost the chance to remedy any problems.

## 604.06 FINANCIAL CONSIDERATIONS

Importing involves financial considerations beyond the simple purchase of the items themselves. Bear in mind that:

- When calculating finances you should focus on the total cost of importation once you've added on elements such as packing, transport, insurance and customs duty.
- The exchange rate may fluctuate between your placing an order and paying for it – and this could either have a positive or negative effect as far as your business is concerned.
- You should make sure that, in conjunction with your supplier, you negotiate and put in place a comprehensive set of terms and conditions that cover how and when payments are made.
- You need to consider which method of payment you're going to use and which is most beneficial – for instance, will your bank charge you for making a foreign currency payment?
- You might need to give some thought to financing – for example, you might have to arrange credit facilities if a payment has to be made before you have the necessary funds in place.

## 604.07 FINDING THE RIGHT SUPPLIER

Importing directly for the first time can be daunting. So it's important that you devote time to finding exactly the right overseas supplier for your requirements.

One solution is to import directly, meaning that you use a third-party company to handle the importation process and you buy the goods from them. The disadvantage of this, however, is that it might not be so profitable and you don't have total control of the process.

If you're going to import directly, look for a supplier with a record of efficiency in supplying goods to your country and with whom there will be no language difficulties. Personal recommendation is always a good route to a reliable supplier but if that's not available you could try consulting any trade or professional organisations of which your business is a member.

Such an organisation might also be able to advise you on how to negotiate terms and conditions and methods of payment in the way that's most beneficial to your business. Alternatively you could seek legal advice on the former, and consult your bank on the latter.

National embassies can also be a useful source of help. The commercial section of a country's national embassy may be able to help you find a supplier from their country. For this information there is a list of embassies and high commissions in the Foreign and Commonwealth Office website:

http://www.info@commonwealth.int/

Helpful country sites:

**AUSTRALIA**

**http://www.sa.gov.au/**

**http://www.nla.gov.au/oz/gov/**

**http://www.gov.info.au/**

**CANADA**

**http://www.canada.gc.ca/depts/major/depind.e.html**

**IRELAND**

**http://www.irlgov.ie/**

**NEW ZEALAND**

**http://www.govt.nz/**
**http://www.ecommerce.govt.nz/**

**UNITED STATES**

**http://www.firstgov.gov/**

**http://www.export.gov/**

**UNITED KINGDOM**

**http://www.dti.gov.uk/** (regulations and law)

**http://www.businesslink.gov.uk/**
http://www.sbs.gov.uk/ (small business service)

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