Introduction

As the world moves to a single global economy, international trade, specifically the importation and exportation of goods, will increase in importance exponentially. The agricultural markets throughout the world will be greatly affected by the increase of international trade and the decrease of existing trade barriers. International trade has steadily increased over the entire history of the United States and has exploded to all time highs in the past 30 years. In 2002 the United States imported $1,163.6 billion and exported $693.5 billion worth of goods.

International Trade Participants

Importer

The importer is the party that receives the goods from the foreign firm. They are responsible for paying all duties and taxes to U.S. Customs office. Importers are also responsible for assuring the availability of all export or import permits that are required for the transactions to take place. If information is recorded incorrectly or fraudulently they are required to pay all fines or penalties. Therefore, the importer should secure all
information on the product and the shipment of the product from the exporter prior to the actual shipment of the goods (Livingston).

**Exporter**

The exporter of the goods, which is usually the seller of the goods, is responsible for organizing the shipment and transportation of the goods to the importer. They are required to supply the carrier with the appropriate permits or documentation for the transaction (Livingston). The required information for documentation is:

- Name and address of exporter
- Name and address of producer
- IRS number of company the product is delivered to
- IRS number of purchaser
- Product description, including value, quantity, weight, currency of sale

**Carrier**

The carrier is the company that is responsible for the actual transportation of the goods. They are responsible for reporting the shipment to the U.S. Customs office. Upon arrival in the United States the carrier must present all documentation to the customs official (Livingston).

**Customs Broker**

Many importers hire customs brokers to handle all customs related problems that may occur. A customs broker is a licensed company that acts as an intermediary between the U.S. Government, Customs Department, and the importer. Importers provide a legal document giving the customs broker power to act on their behalf. This legal documentation is called U.S. Power of Attorney (Livingston). Customs broker’s responsibilities may include:
Preparing documentation
• Obtaining release of goods from U.S. Customs custody
• Paying duties on behalf of the client
• Paying carrier charges on behalf of the client

_U.S. Customs Agency_

The importer must comply with all regulations set forth by the United States Customs Agency. The U.S. Customs office:

• Assesses and collects duties, taxes, fees, penalties
• Has right to deny access, and to search imported goods
• Enforces import restrictions
• Collects accurate import and export data for trade statistics

Customs Clearance

All goods being imported into the United States must clear U.S. Customs. The five parts of clearance are:

• Customs Entry
• Inspection
• Appraisement
• Classification
• Liquidation

_Customs Entry_

Customs entry is the process of presenting documentation for clearing goods through Customs (Livingston). Imported goods must be claimed within 5 days of their arrival at the shipping yard, if not, they are warehoused at the expense of the importer. If goods are unclaimed for 1 year they are sold at auction or destroyed by the Customs office. The customs entry is a two part process. The first step includes the release of the
goods from U.S. Customs custody and the second step is the accounting of the goods to the U.S. Customs (Livingston).

The release of the goods is an authorization by U.S. Customs to deliver goods to the U.S. destination. There is, however, documentation that must be completed before this authorization takes place. The information required must be included in the Inward Cargo Manifest, which is prepared by the carrier, and the U.S. Customs Invoice, which is prepared by the exporter (Livingston). These documents include:

- Name and address of exporter
- Name and address of producers
- IRS numbers of companies involved with the transaction
- Product and shipment information

The importer may also be required to show permits or licenses for the importation of certain goods. These can include NAFTA certificates or U.S. departmental certificates.

**Release Methods**

The three primary methods of having goods released include the Border Cargo Selectivity, Line Release, and Pre-arrival Processing System. Truck shipments are released within minutes or hours of arrival at the U.S. borders, but ocean shipments may take a few days to be released, so a 5 day window should be accounted for by importers (Livingston).

*Border Cargo Selectivity*

Border Cargo Selectivity is the standard release method for goods entering the United States. The carrier gives the Inward Cargo Manifest and the correct customs documentation to the Customs broker. The customs broker then reviews the information
and transmits the release package to U.S. Customs. The carrier then proceeds to the U.S. Customs office and presents the shipment and the correct documentation. The Customs officer then decides if the shipment should be released or if it should be physically inspected before it is allowed to enter. When the shipment has been released it is allowed to continue towards its final destination (Livingston).

*Line Release*

The line release method is meant to increase the efficiency of the process. The importer must submit a Line Release application to the Customs for each different product they are receiving. The exporter can then attach a bar code that allows the Customs inspector to quickly identify the shipment. The goods can then be released for shipment to its final destination (Livingston).

*Pre-Arrival Processing System*

This processing system is meant to speed up clearance process. It allows for advance customs clearance of truck shipments before the shipment physically crosses the border. The carrier can request this release by forwarding required documentation to the customs broker so that when the goods physically enter the border custom officials, upon review, can release the shipment for import. This allows shipments to proceed without getting held up in congestion at inspection stations (Livingston).

*Entry Summary*

The entry summary is a form that must be completed within 10 days from the date of release. The imported goods are not legally entered until the goods have been release by Customs and estimated duties and taxes have been paid. The filing must include
information for duty assessment and statistical purposes. This document is usually completed by the customs broker (Livingston).

Types of Entries

There are three main types of entries that differ based on the value of purpose of import, these include, informal, formal, and temporary importation bond entries. These classifications help expedite the customs process.

Informal Entry

Informal entries include personal shipments. In most cases informal entry can be used if the total value of the products is less than $2,000. Textiles, footwear, and other goods that are subject to quota restrictions cannot be classified as informal regardless of value (Livingston).

Formal Entry

Formal entries are usually commercial shipments. Shipments filed under formal entry have to be backed by a surety bond to ensure payment of duties. This is necessary because the Customs office may revise estimated duties and by requiring surety bonds they guarantee payment of duties (Livingston).

Temporary Importation Bond Entry

Some goods that enter the United States do so only on a temporary basis. This may be the case because goods need to be repaired, altered, or processed in the U.S. and then return to the country of origin. If this is the case, then duties do not have to be paid on the goods being imported, so a Temporary Importation Bond is issued to the parties involved in the transaction (Livingston).
Inspections

The U.S. Customs office has the right to search and seize any products enter the country. The inspection and examination of goods is often required to accurately depict the goods value for taxation, to insure that shipment does not include prohibited items, to determine if invoice in correct, and to make sure the products include a country of origin label.

Appraisement and Classification

The Customs office determines the final worth of the goods being imported and assesses the correct rate of duty. The dutiable value of the merchandise is the value at which the products can be taxed. The rate is determined by the classification of the goods so it is vital that the importer accurately classifies the products.

Liquidation

Liquidation is the final step in the entry process. When the U.S. Customs is feels that all obligations have been met, which includes payment of duties, the entry is liquidated. This usually takes place within 314 days after the entry was filed, but some entries are liquidated much earlier.

International Trade Mechanics

The process of importing and exporting products can be intimidating, but once the mechanics of the process are overcome it can be very rewarding. As international trade increases we will likely see an increase in the efficiency and effectiveness of the entire process. The U.S. customs will more than likely seek ways to make the process easier and more efficient.
United States Agriculture International Trade

The United States agriculture is continually looking to expand overseas. U.S. agriculture is twice as dependent to international trade as the general economy (export.gov). This dependency is also increasing at a much faster rate than the rate of dependence of general economy on foreign trade. In 2003, the United States Department of Agriculture is estimating an all time high for agricultural exports (export.gov). The number is approaching $56 billion. One out of every three acres of production in the United States is shipped overseas or other North American countries (export.gov).

Ambassador Robert B. Zoellick made the statement:

The importance of exports to American agriculture is certain to rise in the future. Ninety-six percent of the world’s consumers live outside the United States. Population and food consumption are expanding quickly in the developing world, and consumers overseas are increasingly demanding the high-value products in which the United States has a comparative advantage.

United States Pork Industry

U.S. exports of pork and pork products tripled in the past nine years. In 1993 the U.S. exported 228 thousand metric tons of pork worth over $558 million (www.ustr.gov). Today, the United States exports over 700 thousand metric tons of pork worth $1.5 billion. Growth in the export pork market has surpassed growth in other meats and all agricultural products in the past 10 years (www.ustr.gov). Recent trends in lowering trade barriers have played a significant role in the explosion in the pork market. Since the implementation of NAFTA pork exports have increased 230 percent. In the past 5 years alone exports to Japan have increased 100 percent (www.ustr.gov).
Limiting Risks/Problems

International trade can be a risky venture if precautions are not taken to insure against these uncertainties. It is extremely important to properly classify your merchandise. If products are improperly classified higher duties may have to be paid if the goods are confused with other goods by custom officials. Peter Quinter, an expert in international trade, recommends that importers and exporters obtain binding “Advance Rulings” whenever possible. These will provide important answers to classification questions directly from the U.S Customs service (Quinter). Another problem that importers face is complication from not knowing the exact quota for certain goods (Quinter). If the quota is full the importer must wait a year before entering the country, which can be very expensive. Many importers also are not aware of all the rule and regulations about importing goods into the U.S. This can be a problem if they are paying...
duties on goods that do not require payment. It is also important to properly determine the country of origin, and then correctly marking the product with the correct country of origin label. Problems at ports can arise if the country of origin label is not in English or in a difficult place to find, increasing time and inefficiency at customs. Importers also have to be aware of counterfeits, if products are counterfeits the will be seize by the customs official resulting in a great loss for the importers. Finally, damage to goods is an inevitable part of importing goods so insurance on products is absolutely necessary (Quinter).

Financial Risks

Commercial Risk

Commercial risk arises from customers in foreign countries not paying their liabilities. This can be the case because they do not have funding or certain contract disputes can arise. Insurance can be purchased to protect against these risks (Arizona D of C).

Political Risk

Another major problem in dealing with foreign countries is the lack of stability in governments around the world. Foreign governments have restricted or prohibited commercial payments due to economic downturn. Again insurance products can be purchased to protect against these risks (Arizona D of C).

Currency Risk

Foreign and U.S currency movements can play a huge role in the profitability of foreign trade. To protect against these risks traders must continually monitor currency
rates. Risks can be lowered by keeping contracts and payment terms only in U.S. dollars or by offsetting risks at currency exchanges (Arizona D of C).