



FAST FACTS 2007



EXPORT DOCUMENTATION OVERVIEW

The export of most products and services from the U.S. falls under the U.S. Department of Commerce's (USDOC) Bureau of Industry and Security or BIS (<http://www.bis.doc.gov/>). Most exports come under the regulations of the BIS. Other agencies regulate the export of materials that are used solely for defense, nuclear power plant equipment, and restricted products/services to sanctioned/embargoed countries. However, a good starting point is the U.S. Department of Commerce BIS. USDOC administers the Export Administration Regulations of the federal government to assure compliance with international standard, such as those of the World Trade Organization. With regulations and standards comes documentation. Exporters are required to provide the appropriate shipping documentation with each shipment/sale.

Most of the documentation involved, when completed properly, provides trade partners with a clear understanding of the responsibilities and liabilities involved in the export sale/shipment. For example, which party is responsible for transportation, insurance of the shipment, applicable duties, as well as payment terms?

See [VEDP FastFact-InCo Terms](#)

Freight forwarders are in the business of getting your goods to your overseas buyer. In addition to working with ocean and air carriers for lower transportation rates, freight forwarders can also prepare your shipping documentation, arrange for warehousing and, through their overseas agent or office, ensure delivery to your customer. For a first time exporter, it may be a good idea to ask the freight forwarder for assistance with the required shipping documentation. A good freight forwarder will have at least one licensed customs broker as they also are involved with import shipments. Forming a good relationship with your freight forwarder, whether they are booking a shipment for you on a vessel or are preparing documents, can be like adding a reliable partner to your export team that can troubleshoot any changes or problems that may arise while your goods are in transit.

Shipping documents detail the responsibilities of both buyer and seller. For example, the commercial invoice shows what goods sold and shipped to a customer, while a pro forma invoice benefits both the exporter and the buyer as a document to clarify the sales offer. Another example is the Shippers Export Declaration (SED) which is required by the federal government. This document is for the federal government's use in managing United States export regulations and accounting for trade data.

The United States Customs website at www.customs.gov has more information about the SED, as well as the procedure for submitting SEDs electronically via the Automated Export System (AES). This process significantly streamlines the export reporting process by reducing the paperwork burden, costly document handling and storage, and ensuring that export information is filed in a timely manner. (see: <http://www.aesdirect.gov/>)



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COMMERCIAL INVOICE

- The commercial invoice is a bill for the goods sold and shipped. It is prepared by the exporter/seller and addressed to the importer/buyer. The information on the commercial invoice includes: Product description
- Quantity
- Pricing: relevant to sales terms; it may be one price (with freight and insurance already added into the price showing for the goods), or it may show itemized pricing for product, freight, insurance, handling/special packaging, etc.
- The “ship-to” and “bill to” information
- The customer’s purchase order number
- The date: important in relation to sale terms. For example: on “open account”, the “30/60/90 days after shipment payment due date” relates to the date of the invoice which is normally issued on the date of the shipment.
- Payment terms and relevant bank information (where buyer is to send their payment)
- Any customer import license number if required in their country
- International Commercial Term (INCOTerm) used
[See VEDP FastFact-INCOTerm 2000 Terms](#)
- Diversion Statement: For example: "These commodities, technology, or software, were exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to United States law is prohibited." (This is a way to state/record that you the exporter are taking due diligence to control the shipment and abide by regulations - i.e. you cannot ship to embargoed/sanctioned countries).
[See VEDP FastFact-Quotations, Pricing and Criteria](#)
- The quantity and items listed on the commercial invoice must match with the packing list, but not necessarily match with pro forma invoice

PRO FORMA INVOICE

- The pro forma invoice is similar to a commercial invoice, but has a set date of validity.
- It is sent to the customer before the shipment, giving the customer a chance to review the sale terms and get an import license if required in their country.
- It also allows the buyer to work with their bank to arrange any financial process for payment. For example, to open a Documentary Credit (Letter of Credit), their bank will use the pro forma invoice as a source of information. The exporter/seller should not send their customer a pro forma invoice unless they have fully reviewed it and understand what they are offering to the buyer.
- If no changes are required on the pro forma invoice, the exporter can literally turn it into the commercial invoice by changing its date and title to show it as the commercial invoice.
[See VEDP FastFact-Quotations, Pricing and Criteria](#)



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- For consular invoices, a small fee is involved. Usually the exporter sends the original invoice to the relative consulate, they notarize/legalize per their requirements, a fee is paid and documents are returned to the exporter. Most freight forwarders would include this in their services for the exporter. Nevertheless, it is important to note that if consular invoices are required in your buyer's country, you need to add the time/costs for that as you forecast the shipping date/cost estimation.

PACKING LIST

- Shows the quantity and kinds of items being shipped.
- Product description and any special "marks" on the packaging required. For example, the customer may want "ABC XX" in blue letters on the side of the packaging. The packing list should also reference the customer's purchase order number and destination. A copy of it is attached to the shipment. For example: a packing list is taped to palletized cargo or on the main carton/box of a shipment so that the importer's customs agency or any transportation handlers can have access to it to know what the goods are and destination.

THE SHIPPERS EXPORT DECLARATION (SED)

- A SED is required for United States exports valued at more than \$2,500. This document is for the federal government's use in managing United States export regulations. For instance, commodities requiring an export license would have a pre-approved license number that the exporter would have noted on the SED.
- The SED is used to collect export trade data on the products, quantities, dollar value, volume and destinations of United States exports.
- To properly complete the SED, the exporter is responsible for classifying their product under the appropriate Harmonized Tariff Schedule (HTS), which is also used in applying any duty or tariff if applicable by the importer's customs agency.

[See VEDP FastFact-Determining HTS Code](#)

- The SED is not required for Canada (unless an export license is involved), nor required if exporting from the United States to a United States possession, such as the Virgin Islands. It is required for shipments to Puerto Rico.
- When it is not required because of the sale value being under \$2,500, the exporter should ensure it is noted in the Bill of Lading, simply as "No SED required, value under \$2,500." And should also ensure it is noted in the Bill of Lading, simply as "No SED required, value under \$2,500."
- At some point in the near future, all U.S. exporters will be required to switch from providing paper copies of the Shipper's Export Declaration (SED) to filing the information electronically through the Automated Export System (AES). The AES was supposed to become mandatory in 2006, but there have been delays and the date has been moved back.



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For more information on registering with AES or the penalties involved for lack of compliance, please visit the AES Direct Support Center at www.aesdirect.gov. This webpage offers links to register with AES, training on using the AES system as well as additional links to other informative government websites.

BILLS OF LADING (B/L)/AIR WAY BILL (AWB) - VIA OCEAN AND AIR

- A bill of lading is a contract between the owner of the goods and the carrier, issued by the carrier to the exporter.
- For shipments via ocean, the **bill of lading (B/L)** is signed by the captain of the ship issuing a “clean” bill of lading; that the goods onboard are without visible damage.
- The B/L is also electronically manifested to the shipping line company if an original B/L is not required.
- A “straight” B/L is non-negotiable and is consigned to the buyer, whereas a negotiable B/L can be bought or traded while the goods are in transit. Whoever holds the original negotiable B/L controls the goods.
 - For example, a negotiable B/L can be issued “to the order” of the buyer’s bank as part of a documentary credit/letter of credit stipulation so that when the buyer’s bank receives the original B/L they can endorse it over to the buyer at the time of payment for the buyer to clear the goods at customs.
 - Sometimes, the negotiable B/L may be issued as just “to order” without reference to a company.
 - In either case, the importer/buyer will usually need the original negotiable B/L to take possession of the goods or clear the goods at customs.
- Bills of lading also include a “notify party” (usually the buyer or their agent) so that when the goods arrive at the port of destination, the carrier can notify the party that the goods have arrived, are in need of customs clearing or are ready for pick up. If goods sit at a port, shipping lines charge “demurrage” (storage type fees).
- With shipments via airfreight, exporters may hear of a “**house airway bill (AWB)**.” This is issued by a freight forwarder on behalf of the actual carrier. The freight forwarder may have a contract rate with an air cargo service to expedite the documentation.
 - Just as with the ocean bill of lading, it serves the purpose of a document of title, a contract to ship the goods and as receipt of goods from the exporter.
 - Air way bills (AWB) are non-negotiable, mainly because of the time involved. The original AWB is rarely needed by the buyer at the other end of the shipment.
 - The importer is rarely going to be asked for the original AWB as proof of ownership of goods. Usually the importer can pick up the goods immediately after paying any duty. If payment is due to the exporter before the importer is to receive goods, it is best to note on the AWB who is paying the freight charges. If the total payment is due, you will note “ship collect,” depending on your sale terms.
- An **Inland Bill of Lading** is issued by a carrier (i.e. the trucking company taking the goods from the exporter’s facility to the port of embarkation) and serves as a contract with the trucker and receipt of goods from the carrier to the exporter.



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INSPECTION CERTIFICATE

- Some countries or customers will require a “pre-shipment inspection.”
- Some organizations specialize in these types of inspections. The VEDP can provide you with a listing of these organizations.
- A representative of the inspection organization checks the quantity and packaging of the shipment. Most of the time, they must be present when packaging of the goods occur, they take pictures and issue a certificate.

CERTIFICATES OF ORIGIN

- Documents certifying the country of origin of the goods in the shipment. Some countries require this certificate. Usually, the certificate of origin is made available through the original manufacturer of the goods. However, an in-house certificate can be produced and notarized by a local chamber of commerce.
- The now well-known certificate of origin for NAFTA is a specific certificate/form. It is filled out by the exporter if the goods being shipped to Mexico or Canada qualify under the terms of NAFTA.
- For specifics on the NAFTA certificate, please see: www.mac.doc.gov/nafta/5005.htm
- For exports to Israel there is a specific “Certificate of Origin for Exports to Israel” document/form to be completed by the exporter.

Uniformity and document control will help exporters prevent errors in their shipping documentation, save time in processing and create good file management. For instance, it is common for exporters to use software that allows entry of the customer’s Purchase Order into their system with the data flowing electronically to all other documents required, such as: the Packing List, Commercial Invoice, Pro forma Invoice, Certificate of Origin, and Shipper’s Export Declaration. In effect, one data entry helps create several documents and ensures that the product description, quantity, weights/measures, ship-to addresses and values are the same on each document.

ADDITIONAL RESOURCES

- VEDP Trade Managers can explain the purpose and use of each document involved in export shipments. Contact information is available at www.ExportVirginia.org
- UNZ & Co has been a publisher of Shipping Documentation for many years. Their website is: <http://www.unzco.com> and through their Basic Guide to Exporting at: <http://www.unzco.com/basicguide/index.html>. One can see samples of documents and an export process overview.
- American Association of Exporters and Importers: <http://www.aaei.org/index.asp>
- U.S. Customs SED process: <http://www.aesdirect.gov/>
- Journal of Commerce Handbook for International Trade: <http://www.joc.com/handbook/>
- Export Practitioner: <http://www.exportprac.com/>
- U.S. Department of Commerce’s International Trade Administration Information Center: www.trade.gov/td/tic and website with links to export resources and country information: <http://www.export.gov>



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TRADE EVENTS

The VEDP hosts a number of trade events which offer Virginia exporters direct access to key contacts in potential target markets. You can view all the VEDP's events at:

<http://www.exportvirginia.org>

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Last Revised: July 2007

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