

## **An Overview of Export Documentation**

by Jennifer Gothard, CEEBIC

Does talking to your shipping department leave your head spinning? Thinking of starting an export business? Confused by forms and acronyms such as EXW, SED, ECCN, and CFR? This issue of the *Central and Eastern Europe Commercial Update* will focus on export documentation, which export documents are critical to your business transactions and how to complete them.

### ***What is a harmonized system number and why do I need it?***

The harmonized tariff system (HTS) is a universal classification system that is used to provide duty rates for virtually every export commodity. Every item that is exported is assigned a unique 10-digit identification code, commonly called a schedule b or harmonized system number. Every 10-digit item is part of a series of progressively broader product categories. For example, the harmonized system number for concentrated frozen apple juice is: 2009.70.0010. The concentrated frozen apple juice is assigned a 10-digit identifier that is aggregated into a broader category assigned a 6-digit identifier described as apple juice (2009.70.) The 6-digit identifier described as apple juice is aggregated into a broader category assigned a 4-digit identifier (2009) described as fruit juices and vegetable juices, etc. The 4-digit identifier is further aggregated into a broader category assigned a 2-digit identifier (20) described as preparations of vegetables, fruit, nuts etc. The first 6-digits of the classification number are universal, the last four vary from country to country.

In order to determine duty rates for each individual country you must first obtain the schedule b/harmonized system number. CEEBIC can provide unofficial tariff rates for nonagricultural products for most of the countries in Central and Eastern Europe as well as contact information for foreign customs authorities. Certain express carriers may also require you to list

the schedule b number on their airway bill or the commercial invoice.

To obtain your schedule b number, visit the U.S. Census Bureau's web site at [www.census.gov/foreign-trade/www](http://www.census.gov/foreign-trade/www). The harmonized tariff system is published on this Web site and you can classify your own product through a keyword search. If you need assistance in classifying your product, call the Census Bureau's Foreign Trade Division at (301) 457- 1084.

### ***How do I calculate duties and taxes?***

Duties and taxes need to be paid at customs to clear the goods into a country. Duties vary by the good that is exported. Customs valuation is based on the negotiated purchase price denominated in the foreign currency. The dutiable value is assessed on cost, insurance and freight (CIF). Once you obtain a harmonized system number, CEEBIC can provide unofficial tariff rates for nonagricultural products for most countries in Central and Eastern Europe as well as contact information for foreign customs authorities.

U.S. exporters should also be aware that most sales transactions in Central and Eastern Europe are subject to a value added tax (VAT), which is similar to a U.S. sales tax. VAT is assessed on all goods sold by domestic and foreign manufacturers in most countries. VAT is assessed on the cost, insurance, freight, and duty. VAT rates for Central and Eastern European countries can be found on CEEBICnet in the "Taxes and Tariffs" section.

Additionally, some countries assess an import tax and/or a customs handling fee. These rates can also be obtained from the "Taxes and Tariffs" section of CEEBICnet. Please note that the U.S. government will  
(Continued on page 3)

### **Inside this Issue...**

Eye on Southeast Europe	2
Commercial Opportunities	4
Calendar of Events	7

# Eye on Southeast Europe

## Stabilization and Association Agreements

by Jennifer Gothard, CEEBIC

The European Union (EU) has undertaken the initiative of encourage economic development and prosperity in Southeastern Europe. The Stabilization and Association Agreements (SAAs) form the engine for this initiative.

### What is a Stabilization and Association Agreement?

In May 1999, the European Commission laid the foundation for establishing SAAs with five countries of Southeastern Europe (Albania, Croatia, Bosnia and Herzegovina, FR Yugoslavia, FYR Macedonia). Each SAA is tailor-made to fit the country's specific reform and reconstruction needs, as well as incorporating overall EU membership requirements stipulated in the Treaty on European Union and the 1993 Copenhagen criteria. In doing so, the EU is working to integrate these countries at their own pace. The agreements do not have a timetable for EU accession. The EU has signed SAAs with FYR Macedonia and with Croatia; the EU has opened negotiations on a SAA with

Albania, and Bosnia & Herzegovina and FR Yugoslavia may be invited in the future to negotiate a SAA.

A critical component of the SAA is a preferential trade agreement. The preferential trade agreement allows Southeastern Europe products to enter the European Union duty free. The agreement also provides for a gradual (10 to 12 years) reduction of duty rates for European Union products.

### How Does the Stabilization and Association Agreement affect U.S. companies?

At present, FYR Macedonia and Croatia enjoy duty free access for some of their products entering the EU market. Once Albania and FR Yugoslavia sign SAAs with the EU they will also receive duty free access for some products; currently Bosnia & Herzegovina enjoys limited duty free access for industrial products to the EU. Specifically, companies manufacturing within FYR Macedonia and Croatia face no tariffs on most industrial goods that they export to the EU. This duty free access increases the market size for industrial products to 378 million people and is an impetus for foreign direct investment by U.S. companies. This combined with a highly skilled workforce, and Southeastern Europe's location as a natural crossroad to Russia and the Newly Independent States (NIS) makes Southeastern Europe an attractive location for foreign investors.

---

**On April 18, 2002 U.S. Business Representatives Will Have the Rare Opportunity to Meet with CEEBIC's Southeast Europe Team at the 2002 CEEBIC Open House**

**Attendees Will Have an Opportunity to Discuss Commercial Opportunities and Issues with CEEBIC Overseas Staff from:**

Albania  
Bosnia-Herzegovina  
Bulgaria  
Croatia  
FR Yugoslavia  
FYR Macedonia  
Romania  
Slovenia

To learn more about CEEBIC's 2002 Open House, go to [www.mac.doc.gov/ceebic/OpenHouse2002.htm](http://www.mac.doc.gov/ceebic/OpenHouse2002.htm)

## Documentation (Continued from page 1)

only provide tariff information for U.S. origin goods.

### **Commercial Invoice: Your Bill of Sale**

A commercial invoice is a bill for the goods from the seller to the buyer. Commercial invoices are utilized by customs officials to determine the value of the goods in order to assess customs duties and taxes.

In general there is not a standard form for a commercial invoice. However, it tends to contain many of the following features:

- seller's contact information
- buyer's contact information
- consignee's contact information (if it is different from the buyers)
- invoice date
- a unique invoice number
- sales terms (usually in incoterm format)
- payment terms
- currency of sale
- full quantities and description of merchandise (Generally this includes unit price and total price. Product descriptions should be consistent with the buyer's purchase order. Including the Harmonized System commodity codes can be helpful, especially in countries that are WTO members.)
- certification that the invoice is correct (Standard language is "We certify that this invoice is true and correct.")

For country specific requirements, please visit CEEBICnet and review the "How to Export Guide" for the destination country.

### **What is a certificate of origin?**

A certificate of origin is a document, required by some foreign governments, declaring a shipment's country of origin. Even though the commercial invoice usually includes a statement of origin, some countries require that a separate certificate be completed. Customs offices will use this document to determine whether or not a preferential duty rate applies on the products being imported and whether a shipment may be legally

imported during a specific quota period.

A certificate of origin is a signed statement as to the country of origin of the exported products for a particular shipment. The country of origin is NOT the country from where the product is shipped. The country of origin is the country where the product was manufactured or last underwent a substantial change or modification. For World Trade Organization (WTO) members, goods have undergone significant change if the final product shifted two or more chapters in the harmonized tariff system. For example, the country of origin for t-shirts that are manufactured in China and then shipped to the U.S. and have a logo or slogan placed on them, and are then exported to Poland, would be China. However, if cotton knit fabric manufactured in China is shipped to the United States where the fabric is transformed into t-shirts that are in turn exported to Poland, the country of origin would be the United States. This is because the cotton fabric shifted more than two chapters in the harmonized system when it became cotton t-shirts.

The certificate of origin must be signed by the exporter and be certified by a local chamber of commerce. The chamber must have access to the commercial invoice in order to verify that the exporter claims the goods originated in the United States. Local chambers of commerce can only certify goods that originate in the United States. Goods from other countries will need to be certified in their country of origin.

### **What are incoterms and why should I use them?**

Incoterms are 13 internationally used terms of sale. Incoterms standardize the terminology used in international trade to identify who is responsible for different activities in the delivery process. Incoterms define each element of the delivery process for both the seller and the buyer. The scope of incoterms is limited to matters relating to the rights and obligations of the parties to the contract of sale with respect to the delivery of goods sold, but excluding "intangibles" like computer software. Incoterms should be listed on your commercial invoice and in your contract. Every incoterm has its own unique three character abbreviation; every incoterm must be accompanied by the name of a geographic place or range of places.

(Continued on page 5)

## Central and Eastern Europe Commercial Opportunities

### Czech Republic

A major Czech importer and distributor of service and garage equipment is available for sale. The company imports and distributes equipment for garages and car services, chassis diagnostic centers, mechanical garages, services for motorcycles, tire services, body shops and painting shops. It has 10 years of experience in the Czech market, an established distribution and service network throughout the Czech Republic and a very good knowledge of the market and its key players.

The company represents major foreign automotive suppliers such as CORGHI S.p.A., SAICO S.p.A., AGM Cosmet s.r.l. and other firms in the Czech market. It delivers to major Czech vehicle producers including Skoda Auto, Ford Motor Company Czech Republic, Peugeot Czech Republic, tire services Barum, Michelin, Pirelli, Good Year, Sava, Nokia and through its partner Elit CZ to 400 other Czech firms. Since its establishment the firm has increased its turnover by 10 percent annually. In 2001 the turnover reached \$1 million. Through expansion the firm plans to further increase its turnover to \$1.7 million in 2002 and to \$2 million in 2003.

Despite the decline in Europe and the US, the Czech automotive market continues growing. The Czech Republic produces the largest volume of cars in the Central/Eastern European region. It is an attractive market because of its excellent connectivity with Europe's motorway network as well as having a track record of successful R&D and quality production. At the end of 2001, PSA Peugeot Citroën and Toyota Motor Corporation decided to build a new plant to produce a new class of automobiles in the Czech

Republic. This will make the Czech Republic one of the biggest European automobile makers with production of around 800,000 vehicles per year. This will further increase demand for auto repairs and garage services.

#### Contacts:

Jana Ruckerova  
U.S. Embassy Prague, Commercial Service,  
Tel.: +420 (2)-5753-1162, ext. 2310  
Fax: +420 (2) 5753-1165,  
E-mail: [jana.ruckerova@mail.doc.gov](mailto:jana.ruckerova@mail.doc.gov)

### Slovakia

Chladiace veze Bohunice is a private company with 196 employees founded in 1994. Its main activities are construction, repair and refurbishing of cooling towers; industrial construction; steel construction assembly; pre-fabricated framework assembly; and complex construction engineering. It's turnover in 2000 was \$5.7 million. They are interested in setting up a joint venture in the area of construction goods production and in providing special construction work. The company is also interested in American technology, licenses and know-how.

#### Contact:

Mr. Stanislav Viskupic  
Commercial Manager  
Chladiace veze Bohunice, s.r.o.  
919 30 Jaslovske Bohunice 171  
Slovakia  
Tel: +421 (33) 559-2402  
Fax: +421(33) 559-2521

## Documentation (Continued from page 3)

Further information on incoterms can be found on the International Chamber of Commerce Web site at [www.iccwbo.org](http://www.iccwbo.org).

### **Does the U.S. government require any forms in order to export?**

The shipper's export declaration (SED) (sometimes referred to as form 7525-V) is the only form the U.S. government requires from companies in order to export. The SED is used to compile trade statistics and help in interdicting illegal exports. The SED must be filled out for any shipment valued at \$2,500 or above. Anytime an export commodity control number (ECCN) is required, a SED must be filled out.

Shipments valued at less than \$2,500 do not require an SED. However, the exporter must include one of the following statements on the bill of lading, air waybill, or other loading document he/she provides to the carrier: "No SED Required--Section 30.55 (h) FTSR." or, "No SED Required--Valued \$2,500 or Less."

If the shipment is valued at over \$2,500 but is made up of various commodities falling under several schedule B numbers none of which is valued at \$2,500 or higher, no SED is required. However, the exporter must include the following statement on the bill of lading, air waybill, or other loading document the exporter provides to the carrier: "No SED Required-No Individual Schedule B Number Valued \$2,500 or Higher."

For merchandise that was imported for repairs or alterations where the value of such repairs is \$2,500 or less, no SED is required. However, the exporter must include the following statement on the bill of lading, air waybill, or other loading document: "No SED Required--Value of Repairs \$2,500 or Less."

Shipper's Export Declaration (SED) forms are available for on-line review and downloading. You can fill out the

form using an Internet browser or Adobe Acrobat and then print it. If you download and print the SED to use it to complete your documentation requirements for exporting, the following guidelines must be followed:

1. The complete document MUST be printed on standard weight 8 1/2" by 11" paper.
2. All information on the form must be included on the printed copy in the exact location and must be readable.

The SED may be downloaded from the internet at [www.census.gov/foreign-trade/regulations/forms/index.html](http://www.census.gov/foreign-trade/regulations/forms/index.html). Generally a freight forwarder has the SED form or can tell the exporter where to get one. Copies of this form may be purchased from the Superintendent of Documents, Government Printing Office, Washington D.C. 20402 or from a local U.S. Customs office.

In many cases U.S. companies are able to file this form electronically through the automated export system (AES). AES can be used by U.S. principal parties in interest (USPPIs), forwarders, or anyone else responsible for export reporting. For information on the automated export service and other items, visit [www.aesdirect.gov](http://www.aesdirect.gov).

### **Central and Eastern European Commercial Update**

The *Central and Eastern European Commercial Update* is produced by the Central and Eastern Europe Business Information Center (CEEIBC). For more information or to subscribe contact CEEIBC at: tel. (202) 482-2645, fax (202) 482-3898, or e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov).

<b>Director:</b>	Jay Burgess
<b>Associate Director:</b>	Jennifer Gothard
<b>Editor:</b>	Michael Rogers
<b>International Trade Specialists:</b>	Andrea Lupo, Cristina Marine, Michael Rogers, Silvia Savich
<b>Webmaster:</b>	Gedlom Tesfazion
<b>Interns:</b>	Andrew Herron, Leah Markowitz, Jennifer Schaller
<b>Contributors:</b>	Jonathan Kimball, Laurie Molnar, Melissa Wilson

**Mark Your Calendar!**

**2002 CEEBIC Open House  
April 18, 2002  
Washington, DC**

**The Central and Eastern Europe Business Information Center is pleased to announce a full day of events for U.S. business representatives.**

**On April 18, you will have the rare opportunity to meet with CEEBIC's Washington-based trade specialists and CEEBIC's overseas network of specialists, who are based in Central and Eastern Europe.**

**Event Highlights Include:**

9:30 – 11:30	One-on-One Meetings with CEEBIC Specialists
12:30 – 2:00	Business Seminar – <i>European Union Expansion: Benefits and Barriers for U.S. Companies</i>
2:00 – 5:00	2002 CEEBIC Open House
5:00 – 6:30	Reception

For a more detailed description of the day's events, go to CEEBICnet ([www.mac.doc.gov/ceebic/openhouse2002.htm](http://www.mac.doc.gov/ceebic/openhouse2002.htm))

For more information or to attend, contact Bryan Lopp at tel. (202) 482-2645, fax (202) 482-3898, or e-mail [CEEBIC@ita.doc.gov](mailto:CEEBIC@ita.doc.gov).

## Useful Web Sites for U.S. Exporters

### CEEBICnet

[www.mac.doc.gov/eebic/ceebic.htm](http://www.mac.doc.gov/eebic/ceebic.htm)

### U.S. Government Export Portal

[www.export.gov](http://www.export.gov)

### International Trade Administration

[www.ita.doc.gov](http://www.ita.doc.gov)

### Buy USA

[www.buyusa.com](http://www.buyusa.com)

### Bureau of Export Administration

[www.bxa.doc.gov](http://www.bxa.doc.gov)

### U.S. Commercial Service

[www.usatrade.gov](http://www.usatrade.gov)

### Foreign Agriculture Service, U.S. Department of Agriculture

[www.fas.usda.gov](http://www.fas.usda.gov)

### Export-Import Bank

[www.exim.gov](http://www.exim.gov)

### U.S. Trade and Development Agency

[www.tda.gov](http://www.tda.gov)

### U.S. Census Bureau Schedule B Search Engine

[www.census.gov/foreign-trade/schedules/b/](http://www.census.gov/foreign-trade/schedules/b/)

### Small Business Administration

[www.sba.gov](http://www.sba.gov)

## Calendar of Events

### April

**4/17 – 4/25** U.S. Department of Commerce Information Technology and Telecommunications Trade Mission; Warsaw, Poland; Prague, Czech Republic; Budapest, Hungary; optional stops in Bratislava, Slovakia, and Ljubljana, Slovenia.

Contact: Jon Boyens, U.S. Department of Commerce, tel. (202) 482-0573 or fax (202) 482-0952. For more information, go to [www.ExportIT.ita.doc.gov](http://www.ExportIT.ita.doc.gov).

**4/18** European Union Expansion: Benefits and Barriers for U.S. Companies, U.S. Department of Commerce Auditorium, 1401 Constitution Ave. NW, Washington, DC. (12:30pm – 2:00pm).

Contact: Bryan Lopp, CEEBIC, tel. (202) 482-2645, fax (202) 482-3898, e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov).

**4/18** 2002 CEEBIC Open House, U.S. Department of Commerce Main Lobby, 1401 Constitution Ave. NW, Washington, DC. (2pm – 5pm with reception to follow.) Contact: Bryan Lopp, CEEBIC, tel. (202) 482-2645, fax (202) 482-3898, e-mail [ceebic@ita.doc.gov](mailto:ceebic@ita.doc.gov).

### May

**5/13 – 5/21** U.S. Department of Commerce Medical Equipment Trade Mission to Budapest, Hungary, Prague, Czech Republic, and Warsaw, Poland.

Contact: Valerie Barth, U.S. Department of Commerce, tel. (202) 482-0975, fax (202) 482-3360, e-mail [Valerie\\_Barth@ita.doc.gov](mailto:Valerie_Barth@ita.doc.gov). For more information, go to [www.ita.doc.gov/td/mdequip](http://www.ita.doc.gov/td/mdequip).

**For a more complete list of events, go to CEEBICnet, [www.mac.doc.gov/eebic/ceebic.html](http://www.mac.doc.gov/eebic/ceebic.html).**

*This notice is provided solely as an informational resource and does not constitute U.S. Department of Commerce endorsement of these events. All information published in the Commercial Update regarding trade events is subject to change without notice by the organizers of those events.*

Sender CEEBIC  
U.S.A. Trade Center  
U.S. DEPARTMENT OF COMMERCE  
Stop R-CEEBIC  
Washington, D.C. 20230

PRESORTED  
FIRST-CLASS MAIL  
POSTAGE & FEES PAID  
ITA/DOC  
PERMIT No. G-54

**OFFICIAL BUSINESS**  
Penalty for Private Use, \$300

