



*Optimal***Ship**



International Shipping Series  
by OptimalShip

# INTERNATIONAL SHIPPING 101



OPTIMALSHIP.COM



# Welcome!

The international shipping process is quite complex, with many moving parts, both literally and figuratively. We are here to help this new process go more smoothly for you so that your business can achieve even greater success. This guide helps demystify the international shipping process and set up a foundation of knowledge for you to get you started.

# Imports vs. Exports

Whether something is an import or an export depends on what end of the shipment you are on. For example, if you ship something to China, for you it is an export but for China it is an import.

## What is an Import?

Importing consists of bringing goods or services into a country from abroad for sale. The U.S. is a larger importer than it is an exporter and imports over \$250 billion of goods and services a *month*.

## What is an Export?

Exporting consists of shipping or sending goods or services to another country for sale. There are three different type of exports: permanent, temporary, and repair/return.

**Permanent exports** are commodities that will remain in the final destination and are subject to import duties and taxes.

**Temporary exports** are shipments leaving a country for a set time period, falling within Customs regulations, and then is returned to the exporting country.

**Repairs and Returns** are when you send a shipment back to the original shipper for repair or permanent return. These types of shipments can sometimes be sent tax and duty free.

## License or Permit

For minimal exporting and importing, it is rare that you'll need a license. However, if importing and exporting is part of your business, there are some goods and services that will require a license. You can read more about these on the resource for all things shipping: [Export.gov](https://www.export.gov/).

If you wish to become an importer or exporter, the U.S. Customs and Border Protection Department ([help.cbp.gov](https://help.cbp.gov)) recommends you follow several guidelines as you begin:

(1) “Familiarize yourself with CBP policies and procedures prior to actually importing/exporting your goods.”

(2) “You should also be aware of any entry requirements specific to the particular commodity you are importing/exporting, including those of other federal agencies” (CBP, 2018). For example, if you import goods, you must ensure your goods comply with agencies such as the “FDA, EPA, DOT, CSP, FTC, Agriculture, etc.)” (CBP, 2018).

Because laws and regulations are so different from country to country, it's important that you do your research on importing and exporting. Here are some resources for you to explore. In addition, you can give us a call with any specific questions.

**INCOTERMS**

**EXPORT.GOV**

**CBP.GOV**

**USA.GOV**

**DHS.GOV**

**USITC.GOV**

**OPTIMALSHIP**

Importing and exporting is complicated and extensive, so make sure you familiarize yourself with all of the rules before you start.



# Shipping Terms

As you begin importing and exporting, you will also need to learn the language of shipping. And we do not mean the language of sailors -- at least not in the traditional sense of the expression! The International Chamber of Commerce has a list of Incoterms® rules, which impact the language of trade. You can find them at [iccwbo.org](http://iccwbo.org). Here are 21 of the most common shipping terms and their definitions.

**Dimensional weight:** Dimensional weight uses an estimated weight that is calculated from the length, width and height of a package to calculate shipping cost.

**Volumetric weight:** The volumetric weight of a shipment is a calculation that reflects the density of a package. A less dense item generally occupies more volume of space, in comparison to its actual weight. The volumetric or dimensional weight is calculated and compared with the actual weight of the shipment to ascertain which is greater; the higher weight is used to calculate the shipment cost.

**Pro Forma invoice:** An abridged or estimated invoice sent by a seller to a buyer in advance of a shipment or delivery of goods. It notes the kind and quantity of goods, their value, and other vital information such as weight and transportation charges. Pro forma invoices are commonly used as preliminary invoices with a quotation, or for customs purposes in importation. They differ from a normal invoice in not being a demand or request for payment.

A pro-forma invoice must be used when the goods are being supplied free of charge to the consignee, for example: samples, gifts or inter-company material. (DHL, 2018).

**Forma invoice:** The commercial invoice is a legal document between the supplier and the customer that clearly describes' the sold goods, and the amount due on the customer. The commercial invoice is one of the main documents used by customs in determining customs duties.”

**Waybill:** Official shipping document that travels with a shipment, identifies its consignor, consignee, origin and destination, describes the goods, and shows their weight and freight.

**Tracking number:** Tracking numbers are assigned to packages when they ship. As a package is moved from location to location, the tracking number allows you to know where your package is in transit.

**Duties:** A tax levied on imports (and, sometimes, on exports) by the customs authorities of a country to raise state revenue, and/or to protect domestic industries from more efficient or predatory competitors from abroad.

Customs duty is based generally on the value of goods or upon the weight, dimensions, or some other criteria of the item (Business Dictionary, 2018).

**Customs:** A government department that administers and collects the duties levied by a government on imported goods. They are responsible for collecting tariffs and for controlling the flow of goods, including hazardous goods, into and out of a country.

**B2C or Business to Consumer:** Business to consumer (B2C) refers to the transactions conducted directly between a company and consumers who are the end-users of its products or services.

**B2B or Business to Business:** Business-to-business (B2B) refers to transactions conducted between businesses.

**Ecommerce:** Commercial transactions conducted electronically on the Internet. It's the activity of selling or buying products or online services over the internet.

**Ad Valorem:** This is a Latin term meaning “according to the value.” All duties and taxes are calculated based on the value, so you may see this used quite often (DHL, 2018).

**Transit Time:** Typical time for a shipment to be delivered when all conditions are met. Shipments may be impacted by weekend and holidays.

**Fuel Surcharge:** Changes in fuel prices result in fluctuating costs for the transport industry, necessitating a variable fuel surcharge which may rise, fall or be removed, in line with movements of fuel prices.

**Manufacturer:** A person or company that made, produced, built or constructed goods for purchase.

**Incoterms/“Terms of Trade”:** “Incoterms” is a trademark of the International Chamber of Commerce. Incoterms® rules and trade terms are recognized and accepted as the standard for international trading and are regularly updated as commercial conditions change. Terms were last amended in 2010.

**Document:** Many commodities shipped in a letter envelope are considered simply a “Document” for shipping prices, packaging, and services.



# Your Shipments

## Freight vs. Package/Parcel

Depending on the size of your shipment, you have different shipping options. Determine if your product is freight or a package. **Items under 150 pounds are considered “packages” while items over 150 pounds are considered freight.** If you are shipping packages you have the ability to have your shipments delivered more quickly, with many express shipping services offered by different mail couriers. If you are shipping freight, you still have options when it comes to shipping, but typically less “express” options as freight shipments take more time to transport. If you're shipping domestically, you can ship freight via truck, plane, rail, or even air. However, these options are not as varied when it comes to international freight shipments. Typically, you can choose either air or ocean, with ocean being the cheaper but much slower option.

If you are shipping a package or a parcel, your options are still ocean or air, but smaller packages almost always travel more quickly than freight.

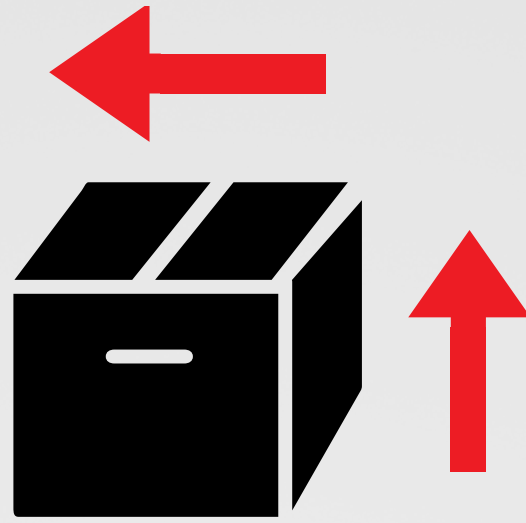
## Documents

If you aren't shipping anything but documents, these are not considered freight or packages. In fact, unless you are shipping a commodity with your documents, documents do not count as imports or exports and while they do travel through customs, they arrive much more quickly because they go through less rigorous tax assessment.



## Weight, Size, and Pricing

All carriers require weight and size measurements before they can provide a quote or shipping price details. Here is some information you'll need each and every time you prepare a shipment and what will determine the pricing of shipping.



The height and width of your package will determine the bulk of your costs.



Weight also comes into play. Packages that can be carried easily are cheaper to ship.



The faster you want your package to arrive, the more expensive it will be.



Are you looking to insure your package? Require a signature upon arrival? Every extra service will cost extra money, so make sure you take those costs into consideration when you ship your package.

## Restricted Commodities

Almost all countries have restricted and prohibited commodity lists. Typically, you must meet a country’s requirements before shipping “dangerous goods”, or commodities that are considered dangerous to that country. In addition, some countries are embargoed, and no shipments are allowed into that country from other countries.

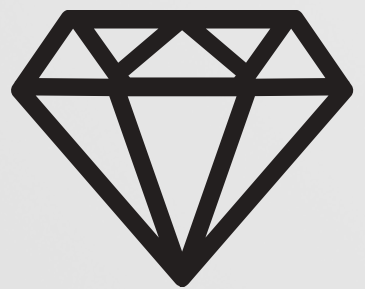
**Typically, the following are restricted from being shipped.** Some can't be shipped in certain ways and some are allowed in special circumstances or with a permit, but know you'll need to jump through some hoops if you want to import and export the below.



Live animals of any kind



Human or animal remains, including ashes, animal parts, or animal byproducts not intended for human consumption



Bullion of any precious metal, cash, or loose precious and semi-precious stones



Firearms, ammunition, explosives/explosive devices



Illegal goods, such as counterfeit items, narcotics, or stolen goods



# Customs, Duties, & Taxes

Customs departments are responsible for collecting taxes on imports and exports (you'll also see these taxes called “duties”, or even “taxes and duties”).

Each item that is exported must go through two customs departments — one for the exporting country and one for the importing country. This means you'll need to comply with both your own country's export rules and the receiving country's import regulations.

This can be ruthlessly confusing, especially since every country is different. They have different taxes, rules on when things get taxed, and how long things can be held in customs. Many customs departments can open boxes to examine goods and hold packages until duties are paid.

Customs can be difficult to navigate, so make sure you have a good shipping company, 3PL, or freight forwarder on your side for when your package is stuck for 15 days and no one is answering the phone (we have seen it happen). For more information on customs, visit the [cbp.gov](https://www.cbp.gov) website.



# International Shipping Carriers

## DHL

DHL is exclusively an international shipper; they have no domestic services available. Because of this, they are often very accurate and fast because they are an expert with international shipping. DHL can get into some parts of countries where other shippers are not welcome. DHL specializes in express and, in some cases, same-day deliveries.

## FedEx

FedEx is also a very dependable international shipper and they have an extensive and useful online quote tool that can be used to retrieve and save detailed quotes. You can either ship without an account number (meaning you are subject to their regular rates) or quote a shipment with an account number that has special rates attached.

## UPS

UPS is another option for international shipping. Like FedEx, you can log-in and get an accurate quote with your personal rates, or simple do a generic one based on the weight and dimensions of your package or shipment. UPS offers 1 – 3-day services as well as UPS Ground, which can take several weeks to arrive.

## USPS

USPS will only work when you are shipping exports from the United States. In addition, their services end once the export has cleared customs on the US side, meaning that another partner carrier handles the package once it gets to its destination country. Tracking does not continue once it is out of the United States.

USPS is often the cheapest way to ship something, especially if you do not have exclusive discounts with the other carriers. If you're going for speed, choosing any other carrier may be a better option, even if there is an added expense.



# Document Prep

Where and how you'll complete your documents is based primarily on the service you are using. DHL, FedEx, and UPS all have their own international document portals and have different processes for completing paperwork. However, the forms that they use, while branded for their company, are more or less the same and will generate the same type of document that includes the HS information, value information, postage, weight, and shipper/receiver information depending on the product and the reason it's leaving the country.

The commercial invoice or pro-forma invoice is by far the most commonly needed piece of paperwork for a package, parcel, or commodity leaving the country. We talk more about them on our blog, and you'll be able to download a sample form as well to see what you're in for.

**Honesty is the best policy.** Make sure you disclose all of the contents and that you do it properly so that you can continue to ship in and out of the country.

Depending on the specific product you're shipping and the country or territory you're shipping to, you may need to include:

Commercial Invoice/Pro-Forma Invoice

Packing List

Certificate of Origin

North American Free Trade Agreement Certificate of Origin

Electronic Export Information

Shipping Label (packages)

Bill of Lading (freight)

Every country is different. For more details, you can visit our website or give us a call. We'll be able to figure out if your commodity needs certain documents. Our blog also has some helpful resources on the matter.

## Package Tracking

Tracking numbers, also referred to as waybill numbers, are used to identify and follow your shipments' movement. Check the status of your shipment. We strongly advise you to make a record of your tracking number.

As a reminder, packages sent through USPS do not track overseas as they are handed to a third-party carrier once they clear customs on the US side. If you want to track a package all the way to its destination, choose another service.

Comments? Questions? Let Us Know.

