**A Guide to Conducting Business Along the Houston, Texas-San Antonio, Chile Trade Corridor**

**Abstract**

*A Guide to Conducting Business along the Houston, Texas-San Antonio, Chile Trade Corridor* describes both the logistics chain and steps that need to be taken to conduct business between the United States and Chile along the sea corridor joining the port of Houston, Texas and the port of San Antonio in Chile. To that end, the *Guide* is structured in three general sections. The first section provides an overview of Houston-San Antonio trade and describes the network of physical, commercial, and service infrastructure that exists in each port. The second section describes the logistics chain (southbound) along which goods move from the U.S. to Chile through the port of Houston, including a description of the steps involved in exporting to Chile as well as the actors and services involved. The third section describes the logistics chain (northbound) along which commodities are transported from Chile to the U.S. through the port of San Antonio including a description of the steps involved in importing into the United States. It specifies the actors, services, and requirements for importing into the U.S. using the Houston-San Antonio, Chile trade corridor. The corridor study is especially relevant now that the United States and Chile have signed a free trade agreement which is expected to increase the volume of trade and investment between the two countries, especially via maritime. The final chapter of this *Guide* provides an overview of the recent U.S.-Chile free trade agreement.

**Key Words**

Trade Corridor, Transportation Corridor, Logistics, Texas-Chile Trade

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A Guide to Conducting Business Along the Houston, Texas-San Antonio, Chile Trade Corridor

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Mr. Jose Martinez, Sales Representative, Jarvis International Freight, Inc., Houston, Texas.
ABSTRACT

*A Guide to Conducting Business along the Houston, Texas-San Antonio, Chile Trade Corridor* describes both the logistics chain and steps that need to be taken to conduct business between the United States and Chile along the sea corridor joining the port of Houston, Texas and the port of San Antonio in Chile. To that end, the *Guide* is structured in three general sections. The first section provides an overview of Houston-San Antonio trade and describes the network of physical, commercial, and service infrastructure that exists in each port. The second section describes the logistics chain (southbound) along which goods move from the U.S. to Chile through the port of Houston, including a description of the steps involved in exporting to Chile as well as the actors and services involved. The third section describes the logistics chain (northbound) along which commodities are transported from Chile to the U.S. through the port of San Antonio including a description of the steps involved in importing into the United States. It specifies the actors, services, and requirements for importing in to the U.S. using the Houston-San Antonio, Chile trade corridor. The corridor study is especially relevant now that the United States and Chile have signed a free trade agreement which is expected to increase the volume of trade and investment between the two countries, especially via maritime. The final chapter of this *Guide* provides an overview of the recent U.S.-Chile free trade agreement.
EXECUTIVE SUMMARY

On December 11, 2002, the United States and Chile signed a free trade agreement that, if implemented, will liberalize the bilateral exchange of goods and services. Already, the U.S. and Chile enjoy a dynamic commercial relationship. In 2002, two-way trade totaled U.S. $8.8 billion. The U.S. is Chile’s largest single-country trading partner, representing 20.7 percent of exports and 17.8 percent of imports. Chile is the U.S.’s 34th largest export destination. In 2002, the U.S. exported U.S. $2.6 billion to Chile, which represents 0.38 percent of U.S. exports worldwide. On the import side, Chile ranks 36th among all nations from which the U.S. imports. In 2002, the U.S. imported U.S. $3.8 billion from Chile, accounting for 0.33 percent of all imports.

The exchange of goods between Chile and the U.S. occurs by either maritime or air transport. Maritime transportation is the dominant mode of transport for moving cargo between the two countries. During 2001, Chile transported an estimated 8.5 million metric tons of cargo to the U.S. by vessel. On the export side, 23 percent of the total volume of Chilean waterborne exports was destined for the United States, second only to Japan which accounted for 24 percent of total export volume. When measured in value, however, the U.S. was the number one market destination for Chilean export products transported by vessel, accounting for 17.4 percent of total export value.

The commodities traded between the U.S. and Chile travel along certain routes from origin to destination, depending upon what mode of transportation is used. There are two types of transportation corridors along which trade flows between the U.S. and Chile: air and sea. Air corridors are used by airlines to transport air-freight and are linked by networks of airports and general aviation facilities. Sea corridors are used by vessels and shallow-water barges. They are linked by a network of ports and inland waterways. If more than two different modes are used to transport a commodity, the corridor is referred to as intermodal.

A significant amount of trade between the U.S. and Chile flows through the ports of Houston and San Antonio. Houston is one of the main ports of entry and exit for goods traveling to and from Chile by vessel. In 2002, 10.37 percent of total Chilean
waterborne exports to the U.S. entered through Houston. The port of San Antonio, which has overtaken the port of Valparaiso in cargo handling and efficiency, also plays an important role for Chilean international trade. Easy access to the capital city of Santiago, and infrastructure investments have made the port of San Antonio a strategic port of entry for goods being imported from the United States and destined to different locations within its sphere of influence. This report provides an overview of trade between the ports of Houston and San Antonio as well as the network of physical, commercial, and service infrastructure in each port.

The report offers readers a description of the logistics involved in the export and import process as it relates to the Houston-San Antonio trade corridor. The chapter describes the flow of goods from the point of view of the U.S. exporter interested in moving cargo by sea to San Antonio from the port of Houston to the port of San Antonio, and will focus on several logistics functions including: labeling and packing of merchandise, transportation, pricing and terms of sale, licensing and documentation requirements, risk and insurance, as well as terms of payment.
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Chapter 1. U.S.-Chile Trade and Transportation

On December 11, 2002, the United States and Chile signed a free trade agreement that, if implemented, will liberalize the bilateral exchange of goods and services. Already, the U.S. and Chile enjoy a dynamic commercial relationship. In 2002, two-way trade totaled U.S. $8.8 billion. The U.S. is Chile’s largest single-country trading partner, representing 20.7 percent of exports and 17.8 percent of imports. Chile is the U.S.’s 34th largest export destination. In 2002, the U.S. exported U.S. $2.6 billion to Chile, which represents 0.38 percent of U.S. exports worldwide. On the import side, Chile ranks 36th among all nations from which the U.S. imports. In 2002, the U.S. imported U.S. $3.8 billion from Chile, accounting for 0.33 percent of all imports. Figure 1.1 shows trade between the U.S. and Chile between 1990 and 2002.

Figure 1.1 U.S.-Chile Trade (in millions of U.S. $)


Major U.S. products exported to Chile include: machinery (31 percent of exports), particularly computers, office machinery, and industrial equipment such as gas turbines.
and bull dozers; electrical machinery (16 percent) including television and radio
transmission apparatus, telecommunications equipment, spare parts, integrated circuits,
and sound recording equipment; vehicles (8 percent) including motor trucks and
passenger cars; aircraft and parts (5 percent); and optical/medical instruments (5
percent).³

Chilean exports to the United States totaled U.S. $3.6 billion in 2002.⁴ Major
products exported to the U.S. are natural resource-based goods. These products account
for more than 50 percent of total exports to the U.S. and include: refined copper (17.6%);
fish (13.8%); fruits (20.3%), most of which are grapes; forestry products (15%), mostly
wood; and wine. Industrial products account for 10.7 percent of exports to the U.S.

The exchange of goods between Chile and the U.S. occurs by either maritime or
air transport. Maritime transportation is the dominant mode of transport for moving
cargo between the two countries. During 2001, Chile transported an estimated 8.5
million metric tons of cargo to the U.S. by vessel.⁵ On the export side, 23 percent of the
total volume of Chilean waterborne exports was destined for the United States, second
only to Japan which accounted for 24 percent of total export volume. When measured in
value, however, the U.S. was the number one market destination for Chilean export
products transported by vessel, accounting for 17.4 percent of total export value.⁶

On the import side, the U.S. was second to Argentina in volume of imports,
accounting for 8 percent of Chile’s total waterborne imports in 2001. When waterborne
imports were measured in value, the U.S. was the number one importing country,
accounting for 17.3 percent of total imports.

Concerning the type of cargo, Chile’s maritime trade with the U.S. corresponds
predominantly to four cargo types: bulk, break bulk, liquid bulk, and refrigerated cargo.
Bulk cargo is free-flowing and is loaded onto a vessel by shovel, pump, bucket or scoop,
is in free form, and must be contained. Products like petroleum, grain, coal, iron ore,
phosphates, and sulfur are examples of bulk cargo.⁷ Break bulk cargo, which is also
known as general or packaged cargo, moves in smaller quantities than bulk cargo, and
travels on regularly scheduled routes between ports. Break bulk cargo is typically
containerized. Refrigerated cargo is carried in specialized vessels known as reefers.
Reefers carry mostly produce, and commonly transport grapes from Chile to the U.S. in fully refrigerated containers.

In terms of trade with the U.S., bulk freight exports accounted for the highest share of Chilean export volumes to the United States, totaling 4.7 million tons, followed by break bulk or general cargo exports, liquid bulk, and refrigerated cargo. Imports from the U.S., on the other hand, saw a larger proportion of break bulk and refrigerated cargo which together accounted for more than 70 percent of import volume. Table 1.1 shows the volume and value of Chile-U.S. maritime trade in 2001.

Table 1.1 Volume and Value of Chile-U.S. Maritime Trade, 2001

<table>
<thead>
<tr>
<th>Type of Cargo</th>
<th>Exports</th>
<th>FOB (U.S.$ thousands)</th>
<th>Imports</th>
<th>FOB (U.S.$ thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tons</td>
<td></td>
<td>Tons</td>
<td></td>
</tr>
<tr>
<td>Bulk</td>
<td>4,731,782</td>
<td>94,021</td>
<td>358,034</td>
<td>56,781</td>
</tr>
<tr>
<td>Break Bulk</td>
<td>1,528,388</td>
<td>1,742,819</td>
<td>420,810</td>
<td>1,209,361</td>
</tr>
<tr>
<td>Liquid Bulk</td>
<td>1,519,239</td>
<td>215,366</td>
<td>433,516</td>
<td>98,919</td>
</tr>
<tr>
<td>Refrigerated</td>
<td>705,801</td>
<td>593,516</td>
<td>4,516</td>
<td>8,764</td>
</tr>
<tr>
<td>Total</td>
<td>8,485,210</td>
<td>2,645,722</td>
<td>1,216,876</td>
<td>1,373,825</td>
</tr>
</tbody>
</table>


Chile ranks 30th among nations that receive U.S. exports by vessel, accounting for 0.87 percent of all U.S. exports transported via maritime in 2001. Data from the World Trade Atlas reveal that the United States exported U.S. $3.1 billion to Chile in 2001. Of these exports, 55.3 percent were transported by vessel, representing a total value of U.S. $1.7 billion. The states with the largest share of exports to Chile were, in descending order, Florida, Texas, California, Illinois, and Washington. All these states, with the exception of Washington, delivered more than 40 percent of their exports to Chile using maritime transport, the highest being Texas and Illinois whose percent share of maritime exports were 66 and 73 percent, respectively.⁸

The U.S. imported U.S. $3.8 billion from Chile in 2002. An estimated 83 percent of those imports (U.S. $3.2 billion) were transported by vessel, demonstrating that maritime transportation dominates U.S. trade with Chile. Comparatively, only U.S. $590
million were imported into the U.S. by air from Chile. The main points of entry (customs districts) for Chilean goods imported into the U.S. by vessel are listed in the table below. Ports in the East and Gulf coasts of the U.S. attract the majority of Chilean exports. Ports in Philadelphia, New Orleans, and Houston alone handled 48 percent of incoming imports in 2002.

Table 1.2 Imports by Vessel to U.S. Districts from Chile (millions of U.S. $)

<table>
<thead>
<tr>
<th>District</th>
<th>Millions of U.S. $</th>
<th>Percent Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2002</td>
</tr>
<tr>
<td>Philadelphia, PA</td>
<td>511.36</td>
<td>603.84</td>
</tr>
<tr>
<td>New Orleans, LA</td>
<td>425.29</td>
<td>575.90</td>
</tr>
<tr>
<td>Houston, TX</td>
<td>331.74</td>
<td>326.88</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>355.26</td>
<td>300.92</td>
</tr>
<tr>
<td>Baltimore, MD</td>
<td>318.27</td>
<td>257.69</td>
</tr>
<tr>
<td>New York, NY</td>
<td>263.47</td>
<td>234.15</td>
</tr>
<tr>
<td>Charleston, SC</td>
<td>224.24</td>
<td>224.17</td>
</tr>
<tr>
<td>Miami, FL</td>
<td>143.16</td>
<td>147.30</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>124.79</td>
<td>113.73</td>
</tr>
<tr>
<td>Total</td>
<td>2,967.6</td>
<td>3,150.86</td>
</tr>
</tbody>
</table>


The commodities traded between the U.S. and Chile travel along certain routes from origin to destination, depending upon what mode of transportation is used. There are two types of transportation corridors along which trade flows between the U.S. and Chile: air and sea. Air corridors are used by airlines to transport air-freight and are linked by networks of airports and general aviation facilities. Sea corridors are used by vessels and shallow-water barges. They are linked by a network of ports and inland waterways. If more than two different modes are used to transport a commodity, the corridor is referred to as intermodal.

Transportation corridors are often confused with trade corridors. Transportation corridors are used to describe the route along which goods move from origin to destination. Its definition includes the physical infrastructure (such as highways and bridges) that is used by businesses and industries conducting trade between two geographic areas. The definition of trade corridors goes beyond just physical
infrastructure to include commercial and technological infrastructure as well as a body of
business professionals, all of which add value to the traded commodity as it moves along
a geographic route. ¹⁰

For trade to take place along a corridor there needs to be a well-developed
physical infrastructure including highway, rail, and sea linkages as well as border ports of
entry to facilitate transportation. There also needs to be an established commercial
infrastructure that encourages trade, including distribution and warehousing facilities,
foreign trade zones and industrial parks, a harmonized regulatory environment, and other
trade incentives. A trade corridor would also include a well-developed network of
business professionals offering services to promote trade development and assure its
seamless operation. Such professionals would include attorneys, freight forwarders,
customs brokers, associations, and financial institutions, among others.
Notes


6. Ibid.


9. Ibid.

Chapter 2. Houston-San Antonio Trade and Transportation

A significant amount of trade between the U.S. and Chile flows through the ports of Houston and San Antonio. Houston is one of the main ports of entry and exit for goods traveling to and from Chile by vessel. In 2002, 10.37 percent of total Chilean waterborne exports to the U.S. entered through Houston. The port of San Antonio, which has overtaken the port of Valparaiso in cargo handling and efficiency, also plays an important role for Chilean international trade. Easy access to the capital city of Santiago, and infrastructure investments have made the port of San Antonio a strategic port of entry for goods being imported from the United States and destined to different locations within its sphere of influence. This chapter provides an overview of trade between the ports of Houston and San Antonio as well as the network of physical, commercial, and service infrastructure in each port.

General Overview: Port of Houston

Trade with the world

In terms of volume, the port’s top five trading partners are, in descending order, Mexico, Venezuela, Saudi Arabia, Iraq, and Algeria. The main commodities by volume include petroleum, organic chemicals, cereals, crude fertilizers and minerals, and iron and steel. The table below lists the port of Houston’s leading partners and commodities by tonnage for 2001.
Table 2.2 Port of Houston: Leading Trade Partners and Commodities by volume (short tons)

<table>
<thead>
<tr>
<th>Trading Partners</th>
<th>Tonnage</th>
<th>Commodities</th>
<th>Tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>34,799,673</td>
<td>Petroleum</td>
<td>92,809,593</td>
</tr>
<tr>
<td>Venezuela</td>
<td>11,349,462</td>
<td>Organic Chemicals</td>
<td>9,137,236</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>10,198,552</td>
<td>Cereals</td>
<td>6,597,620</td>
</tr>
<tr>
<td>Iraq</td>
<td>7,828,746</td>
<td>Crude Fertilizers</td>
<td>5,287,994</td>
</tr>
<tr>
<td>Algeria</td>
<td>4,799,765</td>
<td>Iron and Steel</td>
<td>4,807,224</td>
</tr>
</tbody>
</table>


In terms of value, the most important trading partners are, in descending order, Mexico, Germany, Brazil, Venezuela, and Saudi Arabia, while the leading commodities by value are petroleum and petroleum products, machinery, organic chemicals, iron and steel, and electrical machinery. Table 2.2 shows the port of Houston’s leading partners and commodities by value for 2001.

Table 2.3 Port of Houston: Leading Partners and Commodities by value

<table>
<thead>
<tr>
<th>Trading Partners</th>
<th>Value (U.S. $)</th>
<th>Commodities</th>
<th>Value (U.S. $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>$5,159,968,314</td>
<td>Petroleum</td>
<td>$13,429,404,936</td>
</tr>
<tr>
<td>Germany</td>
<td>$3,101,492,230</td>
<td>Machinery</td>
<td>$7,247,697,457</td>
</tr>
<tr>
<td>Brazil</td>
<td>$2,461,848,826</td>
<td>Organic Chemicals</td>
<td>$5,059,261,268</td>
</tr>
<tr>
<td>Venezuela</td>
<td>$2,283,053,087</td>
<td>Iron and Steel</td>
<td>$2,609,703,529</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$2,050,068,336</td>
<td>Machinery</td>
<td>$2,345,077,434</td>
</tr>
</tbody>
</table>


Port Traffic

The port of Houston is ranked first in the U.S. in foreign waterborne commerce, having moved $44.5 billion in foreign trade in 2001. The port traded with 201 foreign countries and 1,013 foreign ports during 2001. That same year the port handled a total tonnage of 192 million short tons, making it the second ranked U.S. port in terms of tonnage and sixth worldwide. Container handling has doubled in the past decade.
reaching 1.2 million TEUs (twenty foot equivalent units) in 2002. Annually, the port handles an estimated 141 million tons of cargo.\textsuperscript{13}

**Port Infrastructure**

The port is a 40 kilometer-long complex of public and private facilities located in the southeast of Texas and only a few hours sailing time from the Gulf of Mexico. The public facilities are owned and operated by the Port of Houston Authority. The port of Houston’s facilities include the following:

- **Turning Basin Terminal**: general cargo facility located about 11.2 kilometers from downtown Houston. The terminal’s 37 docks are equipped to handle break bulk, containerized, and heavy-lift cargo;
- **Barbours Cut Terminal**: intermodal container handling facility has 6,000 feet of continuous quay, twelve wharf cranes, and a Ro-Ro platform;
- **Jacintoport Terminal**: terminal is located on a 125 acre site on the north side of the Houston Ship Channel. It provides 1,836 feet of quay and 18,580 square meters of refrigerated and covered storage space;
- **Bulk Materials Handling Plant**: dry bulk export-import facility;
- **Bayport Terminal**: chemical and chemical specialty complex with facilities owned by more than 70 U.S. and foreign companies;
- **Woodhouse Terminal**: general cargo handling and warehousing facility providing 235,000 square feet of covered storage and two acres of open storage space;
- **Care Terminal**: terminal equipped to handle project and heavy-lift cargo.\textsuperscript{14}

The port’s terminals are designed for handling general cargo, containers, grain and other dry bulk materials, and heavy-lift cargo. The public facilities include 43 cargo wharves and two liquid cargo wharves. The port also operates and manages a 700 acre foreign trade zone (FTZ) site. Some of the services provided by the Houston FTZ are general purpose warehousing, liquid bulk storage and blending, steel and pipe storage,
and bagging and packaging operations. For more information on the port of Houston’s facilities, visit the port’s website at http://www.portofhouston.com.

**Port Hinterland**

Between 80 and 85 percent of the cargo arriving at the port of Houston has its final destination within the state of Texas, primarily to large population centers such as Houston, Dallas/Fort Worth, Austin, and San Antonio. The remaining 15 to 20 percent of cargo is mostly transported to surrounding states, primarily Oklahoma, Arkansas, and New Mexico.

With respect to merchandise moving outbound from Houston, the major sources of cargo are similar to the inbound destinations, with the exception of the last three months of the year when the port hinterland extends further. During these months there is a strong flow of products such as beans, peas, lentils, fruits, dates, and raisins originating in California and Washington and moving through the port of Houston to Mexico, Central America, the Caribbean, and the North and East coasts of South America.

**Sea and Land Access**

The port has access to 14,000 miles of U.S. intracoastal and navigable inland waterways. In terms of land access, there are extensive highway and rail linkages joining the port to its hinterland. Two railroads (Burlington Northern-Santa Fe and Union Pacific) and 150 trucking lines link Houston to locations within the U.S., Mexico, and Canada. The port is also in close proximity to two major airports, George Bush Intercontinental and Hobby, as well as dozens of private terminals.

**General Overview: Port of San Antonio**

**Port Traffic**

In 2001, the port of San Antonio ranked first among Chile’s ports for cargo throughput. The port handled 7,410,982 metric tons of cargo, representing 10 percent of the total cargo handled by the country’s port system during that year. Figures for 2002
show even greater growth in cargo handling. Cargo volumes at the port, including containerized cargo, reached 9,274,509 tons. The port also ranks first among ports in Chile for container throughput, which has grown consistently over the past decade. In 2002, the port handled 4,724,405 tons of containerized cargo, up from 251,678 in 1990.18

**Port Infrastructure**

The port of San Antonio is under the administration of the Empresa Portuaria de San Antonio, a decentralized entity that manages the common areas of the port. Each of the port’s four terminals is operated by private firms under a hybrid system. The Molo Sur container terminal is run by a private company, San Antonio Terminal Internacional (STI), as a “mono-operator” system according to which a single company or consortium is responsible for operating and maintaining a terminal, and for all investments in equipment and infrastructure. The Terminal Norte is similar to Molo Sur since one concessionnaire, Puerto Panul S.A., administers and operates this grain terminal. The Policarpo Toro terminal also works under the mono-operator system and is administered by Vokap Terminal San Antonio. The Espigon Terminal, on the other hand, works under a “multi-operator” system according to which the state provides the infrastructure and port equipment while private operators provide the cargo-handling services. Some of the infrastructure specifics of these terminals are listed below.

- **Molo Sur Terminal**: container terminal with 537 meters of continuous quay for vessel loading and unloading. Additionally, the terminal has 11,000 meters of covered storage space, 480 reefer plugs for refrigerated containers, four container gantry cranes, and easy access to railway lines for cargo distribution;

- **Espigon Terminal**: general cargo and liquid bulk facility with four berths, two on each side of its docking area. Berths 4 and 5 have 341 meters of docking space, while Berths 6 and 7 have 370 meters. The terminal is also equipped to handle containerized cargo;

- **North Terminal**: grain and bulk cargo facility with a draft of approximately 11 meters and with capacity to transfer between 400 and 450 tons of cargo per hour;
• **Policarpo Toro Terminal**: liquid bulk terminal operated by the Dutch firm, Vopak. The terminal has a liquid storage capacity of 18,300 cubic meters and handles mostly chemicals and petroleum products.

**Port Hinterland**

The port’s area of influence or hinterland within Chile includes the Central Valley region and the capital city of Santiago. Chile is divided into thirteen regions organized, in ascending order, from north to south. The port’s hinterland covers the fifth and sixth regions of Chile and the metropolitan region where Santiago is located. It also extends to the Argentine province of Mendoza.¹⁹

**Sea and Land Access**

The port of San Antonio is located approximately 100 kilometers from the capital and largest city and population center, Santiago. Direct access to the capital is provided by a double-lane highway known as Autopista del Sol. The port is also 60 kilometers south of Valparaiso, Chile’s third largest city. Land access to the south-central region is provided by a highway known as Camino de la Fruta. The port also offers intermodal railway access.

**Houston-San Antonio Trade**

Data from the Journal of Commerce’s Port Import Export Reporting Service (PIERS) indicates that trade between the ports of Houston and San Antonio totaled 69,146 short tons and 2,295 TEUs in 2002. Table 2.3 shows trade between the two ports between 1999 and 2001.
### Table 2.4 Port of Houston Trade with San Antonio

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th></th>
<th>2000</th>
<th></th>
<th>2001</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tons</td>
<td>TEU</td>
<td>Tons</td>
<td>TEU</td>
<td>Tons</td>
<td>TEU</td>
</tr>
<tr>
<td>Imports</td>
<td>85,353</td>
<td>1,649</td>
<td>59,583</td>
<td>365</td>
<td>11,957</td>
<td>87</td>
</tr>
<tr>
<td>Exports</td>
<td>88,797</td>
<td>2,440</td>
<td>57,616</td>
<td>503</td>
<td>57,189</td>
<td>563</td>
</tr>
<tr>
<td>Total</td>
<td>174,150</td>
<td>4,089</td>
<td>117,199</td>
<td>868</td>
<td>69,146</td>
<td>650</td>
</tr>
</tbody>
</table>

Source: Journal of Commerce, Port Import Exporting Reporting Service (PIERS), *Port of Houston Trade Statistics 2000/01* compiled from the Port of Houston Authority.

With respect to the leading commodities traded between these two ports, table 2.4 lists top ten commodities imported and exported between these two ports for 2001 in terms of volume.

### Table 2.5 Port of Houston Trade with San Antonio by Commodity

<table>
<thead>
<tr>
<th>Rank</th>
<th>Commodities</th>
<th>Imports</th>
<th>Tons</th>
<th>Commodities</th>
<th>Exports</th>
<th>Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Copper; anodes, bars</td>
<td>42,375</td>
<td>Sodium Hydroxide</td>
<td>12,871</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Electric components</td>
<td>4,966</td>
<td>Fertilizers</td>
<td>10,476</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Film; plastic, resin</td>
<td>2,989</td>
<td>Potassium Sulfate</td>
<td>6,346</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Boards; bristol, chip</td>
<td>2,390</td>
<td>Sodium</td>
<td>5,493</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Hydrosulfide</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Pipe; cast iron, steel</td>
<td>1,660</td>
<td>Chemicals</td>
<td>5,442</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Wine</td>
<td>1,321</td>
<td>Polyethylene Resin</td>
<td>2,653</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Residue, waste, scrap</td>
<td>1,101</td>
<td>Miscellaneous</td>
<td>1,875</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Wood; lumber; logs</td>
<td>363</td>
<td>Phenolic Resins</td>
<td>1,112</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Fruit</td>
<td>347</td>
<td>Potassium Hydroxide</td>
<td>1,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Cranes, derrick</td>
<td>271</td>
<td>Phosphates; crude</td>
<td>949</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>11,957</td>
<td></td>
<td>57,189</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Journal of Commerce, Port Import Exporting Reporting Service (PIERS), *Port of Houston Trade Statistics 2000/01* compiled from the Port of Houston Authority.
Houston-San Antonio Transportation

The all-water route joining Chile and the United States is served by several regularly scheduled liner services. They include Maersk Sealand, Lykes Lines, Compania Sudamericana de Vapores (CSAV), Hamburg Sud, Mediterranean Shipping Company, and Compania Chilena de Navegacion Interoceanica (CCNI). Most of these liner services have a weekly or ten-day frequency.

CCNI’s Americas Service, with one sailing per week, offers a fully containerized express service calling at ports in Chile, Peru, Ecuador, Colombia, Panama, and the United States. It departs northbound from the Chilean ports of San Antonio, Lirquen, and San Vicente and travels through the Panama Canal to the East Coast of the U.S., calling at ports in Miami, Charleston, Baltimore, and New York.

CSAV offers a similar service to CCNI’s along the West Coast South America-East Coast North America route. Also with one sailing per week, CSAV’s Americas Service travels from the port of San Antonio to ports in Miami, New York, Baltimore, and Charleston, although with fewer port calls.

Lykes Lines introduced a direct service between the port of Houston and Peru, Ecuador, and Chile via the Panama Canal on September 20, 2002. Five 1,500-TEU ships operate on the route once every ten days. The maritime voyage takes 24 days to complete northbound from the port of Valparaiso in Chile to Houston.

There are several regularly scheduled all water services between the ports of Houston and San Antonio. A listing of carriers and contact information is provided in the table below.

Table 2.6 Houston-San Antonio: Regularly Scheduled All-Water Services

<table>
<thead>
<tr>
<th>Carriers</th>
<th>Contact Information</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mediterranean Shipping Co.</td>
<td>713-681-8880</td>
<td><a href="http://www.mscgva.ch">www.mscgva.ch</a></td>
</tr>
<tr>
<td>Compania Sudamericana de Vapores (CSAV)</td>
<td>800-722-7447</td>
<td><a href="http://www.csav.com">www.csav.com</a></td>
</tr>
<tr>
<td>Compania Libra de Navegacao</td>
<td>713-861-0601</td>
<td><a href="http://www.libra-usa.com">www.libra-usa.com</a></td>
</tr>
<tr>
<td>Columbus Lines</td>
<td>713-690-7200</td>
<td><a href="http://www.columbusline.com">www.columbusline.com</a></td>
</tr>
<tr>
<td>Maersk Sealand</td>
<td>281-297-7200</td>
<td><a href="http://www.maersksealand.com">www.maersksealand.com</a></td>
</tr>
</tbody>
</table>
There are several web-based resources from which to obtain carrier schedules for the Houston-San Antonio corridor water route. One alternative is to use the Port of Houston Authority’s All-Water Services Guide, excerpted above, which gives the names of carriers to specific countries, the local agent, contact information, and frequency. For a printed copy of the Guide call 1-800-688-DOCK. Another alternative is to search the online version of The Gulf Shipper magazine at http://www.gulfshipper.com which provides export sailing schedules from ports located in the U.S. Gulf Coast to international destinations, including San Antonio. The Journal of Commerce online also provides a user-friendly online shipping schedule in the Tools and Guides section of its main homepage, http://www.joc.com.
Notes


16 Email from Rainer Lilienthal, General Manager, Trade Development, Port of Houston Authority, “Preguntas sobre Estudio,” to Carolina Freire, May 1, 2003.


19 Ibid.
Chapter 3. Exporting to Chile from Houston to San Antonio

International Trade Logistics

Export and import transactions involve the production and movement of cargo from its point of origin or manufacture to the point of use or consumption. In any international commercial transaction, exporters are interested in selling their products abroad in a cost-effective manner, while importers are concerned with timely and safe delivery of the goods they acquire. Logistics is the term used to describe a system designed to control the flow and storage of materials as they move from production centers to consumers. Logistics covers a wide range of functions, some of which include: demand forecasting, documentation flow, inter-plant movements, inventory management, materials handling, order processing, warehouse site selection, packaging methods, purchasing, transportation, and distribution management.

The scope of logistics functions can be divided into three channels that describe some of the steps involved in the physical movement and distribution of goods to a foreign buyer: transaction, distribution, and documentation. The transactions channel is related to the buying, selling, and collection of payment. The distribution channel deals with the physical movement of a product and the documentation channel concerns the paperwork and documentation requirements of moving goods across international boundaries. These channels illustrate that logistics is not only concerned with moving products, but also involves activities ranging from inventory management to paperwork.

Every step along the chain of moving cargo overseas can be facilitated by logistics intermediaries, many of whom can help first-time exporters and importers save time and money. Some of the logistics intermediaries involved in international logistics are: freight forwarders, customs brokers, consultants, and banks. Shipping goods by vessel requires additional services like stevedoring, container leasing, and export packing. For these and other functions, there is a wide array of available companies and services.

The following two sections offer readers a description of the logistics involved in the export and import process as it relates to the Houston-San Antonio trade corridor.
The chapter describes the flow of goods from the point of view of the U.S. exporter interested in moving cargo by sea to San Antonio from the port of Houston to the port of San Antonio, and will focus on several logistics functions including: labeling and packing of merchandise, transportation, pricing and terms of sale, licensing and documentation requirements, risk and insurance, as well as terms of payment.

**Exporting to Chile**

The decision to export can be challenging, especially if a company is new to the activity and is unaware of the practical steps involved in shipping a product to a foreign location. Commercial experts recommend that, before exporting, companies should develop an export plan and conduct market research to determine their product’s likelihood of success in a foreign market. Once a firm decides to sell its products abroad, however, it must consider the technical or logistical aspects of moving those products overseas.

**Methods of Exporting**

The first of these aspects is for a firm to determine whether it will export its goods directly or hire an intermediary to manage the export-import operation. The most common methods of exporting are indirect selling and direct selling.

**Indirect Exporting**

When exporting indirectly, a sales intermediary such as an export management company or an export trading company assumes responsibility for marketing and shipping the product overseas. There are several advantages to hiring the services of intermediaries. While they are helpful in reducing costs, they also offer expertise and trade contacts which are especially valuable to firms with little experience in foreign trade. The main disadvantage of turning these functions over to an export trading company is that often manufacturers lose control over the marketing of their products and miss out on developing commercial relationships with foreign customers.
Exporting Directly

Exporting directly also has its benefits and drawbacks. Exporting directly has the potential for being more costly and time consuming since this method of exporting requires that the exporter use his firm’s resources to handle every aspect of the exporting process from market research and planning to transportation, foreign distribution, and collection of payment. Despite the costs, direct exporting offers producers the opportunity to retain control over sale of their products abroad and obtain higher profits. The most common form of direct export selling is that in which a firm sells its product or services directly to end users in foreign countries. However, producers can also use representative agents or distributors overseas to facilitate direct marketing. This Guide is designed to provide information for firms or exporters involved in direct exporting.

Representatives

Overseas representative agents are independent sales representatives who reside in the country where the export product is sold. Using agents can be advantageous when firms are selling to small markets with few channels for distribution or when products are being sold to an individual customer.

Distributors

Unlike agents, foreign distributors purchase goods directly from a U.S. exporter and resell it for profit. Distributors take responsibility for the marketing and promotion of the product as well as keeping inventory of the product and sufficient supply of spare parts. The main advantage of distributors is that they save the manufacturer the time and effort involved in marketing a product overseas.

Export Assistance

Exporters in the United States interested in shipping to Chile have a variety of resources available to help them locate clients, foreign representatives, and trade shows which may useful in facilitating trade.
Department of Commerce

The U.S. Department of Commerce has a variety of programs and publications available to help U.S. exporters identify potential customers, foreign distributors, and commercial partners abroad. Some of these resources and their descriptions are listed below. For more information, exporters should visit the U.S. Commercial Service website at: http://www.usatrade.gov.

Trade Information Center

The Trade Information Center (TIC) offers information on all U.S. federal government export assistance programs. Available through the worldwide web at http://www.trade.gov/td/tic/ or by phone at 1-800-USA-TRADE, the TIC is a comprehensive resource for exporters. It provides general and country-specific export counseling, sources of international market research and trade leads, calendars of overseas trade events, sources of export finance, and information on tariffs, taxes, customs, and other regulations.

Houston Export Assistance Center

The Houston Export Assistance Center is part of a network of over 100 offices in the U.S. and representatives in 70 countries and 142 embassies and consulates. Export assistance centers help exporters identify markets for their products and locate appropriate representation in those markets, while also providing information on trade events as well as federal, state, and private resources in the U.S. and abroad. The Center also provides reports and trade statistics as well as customized market analysis to help exporters assess their product’s potential in international markets.

The Houston Export Assistance Center is located in Houston’s Intercontinental Center at 15600 John F Kennedy Blvd. and can be reached by phone at 281.449.9417.

National Trade Data Bank (NTDB)

The NTDB offers trade data from 25 federal agencies and includes 190,000 documents such as market research reports, trade leads, contacts, and statistics. It is available on CD-Rom for purchase or at http://www.stat-usa.gov/ntdb. Recently, the
Commerce Department developed a Global Trade Directory, a searchable database with information on 61,500 unique products and services intended to help buyers and sellers find partners who meet their specific requirements. The Directory is accessible on the NTDB website.

**NTDB Publications**

Other resources available through NTDB are:

- Census data on exports;
- Industry Sector Analysis: reports provide comprehensive country information on specific industries and their business potential as well as business contacts overseas for specific markets. Further information is available through commercial specialists of the U.S. Foreign Commercial Service located in the U.S. Embassy in Santiago, accessible on-line at: [http://www.usembassy.cl](http://www.usembassy.cl);
- International Market Insight: provides market and country research reports;
- Country Commercial Guide (CCG): CCGs are prepared by US Embassy Staff once a year and contain information on the business and economic situation of foreign countries including topics such as marketing, trade regulations, investment climate, and business travel. The latest Chilean CCG can be found in U.S. Department of Commerce's site ([http://www.usatrade.gov](http://www.usatrade.gov)). The Department of Commerce posts new CCGs as they are released;
- Basic Guide to Exporting: last published in 1998 by the U.S. Department of Commerce, this book familiarizes first-time exporters through all the steps involved in an export transaction—from marketing a product abroad to shipping and payment.

**Customized Market Analysis**

Through Export Assistance Centers such as the one located in Houston, exporters can access custom-tailored research reports that assess the market for a specific product or service in a specific foreign market. These customized reports offer information on
sales potential, competitors, distribution channels, potential buyers, quotas, duties, and regulations.

**Business Contact Programs**

The Department of Commerce also has programs aimed at helping exporters find distributors, agents, representatives and customers. This is by no means an exhaustive list, and more information is available through Export Assistance Centers and the U.S. Commercial Service website: [http://www.ita.doc.gov/uscs](http://www.ita.doc.gov/uscs).

**BuyUSA.com**

BuyUSA.com is a one-stop web portal providing U.S. exporters with thousands of qualified, prescreened export leads, international business contacts, and personalized trade counseling. The purpose of the website, accessed via the internet at [http://www.buyusa.com](http://www.buyusa.com), is to help exporters initiate and expand their sales by identifying foreign prospects. In that regard, the website lists 17,794 foreign companies with a combined purchasing power of $76 billion.26

**International Partner Search**

The International Partner Search is used to locate foreign agents, distributors, and representatives of U.S. firms. Commercial officers abroad conduct a custom search to identify up to five interested and qualified foreign representatives on behalf of a U.S. exporter. The exporter is given the names and contact information of the foreign firms and their stated interest in the business proposal. The service is priced at $600.27

**Commercial News USA**

Commercial News USA (CNUSA) is an illustrated catalog-magazine and electronic bulletin board designed to market U.S. products and services. The catalog-magazine is available in other countries through embassies and consulates and also at trade events. Listings in CNUSA describe the major features of an export product or service. It also features a U.S. Export Directory with the name, address and contact
information of U.S. exporters. An on-line version of CNUSA is also available at the following website: http://www.cnewsusa.com.

Gold Key Service

The Gold Key Service, offered by the Commercial Service in countries of the world, provides assistance to exporters who travel abroad in search of business opportunities. Some of the services include pre-scheduled business appointments and commercial briefings at the foreign embassy or consulate, in addition to an interpreter and driver. Fees vary from $50 to $600 per day.

Trade Events

The Department of Commerce also organizes events which give companies the opportunity to present products in different export markets and meet potential buyers. These include: trade shows, fairs, trade missions, matchmaker delegations, and catalog exhibitions.

Certified Trade Missions

The Department of Commerce supports, or “certifies,” appropriate missions organized by state and private-sector trade promotion agencies. The advantage to exporters of enrolling in the Certified Trade Missions Program is that it arranges market briefings, business appointments and meeting with government and industry officials.

Matchmaker Trade Delegations

These delegations are especially organized by the Commerce Department for first-time exporters or business entering into a new market. Commercial specialists evaluate the potential of U.S. participating products and services, and try to match them with foreign clients by setting up one-to-one business meetings.

Trade Fair Certification Program

This program is designed to assist U.S. firms in promoting their products at trade fairs abroad. Private show organizers who are certified by the International Trade
Administration of the U.S. Department of Commerce are authorized to recruit and manage a U.S. pavilion at the trade show, and can help small and medium size firms to arrange for the shipping of their product, customs clearance, exhibit design and other services.

**U.S. Agency for International Development (USAID)**

USAID is an agency of the U.S. government charged with the responsibility for managing most of the U.S. foreign economic assistance programs. In the area of international trade, USAID offers export opportunities to U.S. suppliers in aid-recipient countries.

**Global Trade and Technology Network**

Recently, USAID developed a new program in partnership with International Executive Service Corps (IESC) called Global Trade and Technology Network (GTN). GTN assists small and medium-sized enterprises (SMEs) all over the world to build trade linkages, identify investment opportunities, and access new technologies. Participating firms interact through an Internet-based trading platform, which matches registered companies via technology and product codes. In the U.S., a business development specialist helps U.S. companies with trade and investment leads. GTN also promotes and develops relationships through a network of partnerships with state trade offices, chambers of commerce, trade associations, and other organizations.

**Chambers of Commerce**

**The Chilean-American Chamber of Commerce**

The Chilean-American Chamber of Commerce, also known as Amcham-Chile, is a non-profit organization dedicated to promoting trade and investment between Chile and the United States. The organization, with over 500 corporate members and over 1,000 individual members, is active in hosting trade events and conferences as well as publishing directories, economic studies, and its monthly magazine “The Journal” for the
benefit of the U.S.-Chilean business community. For more information on the American Chamber of Commerce of Chile visit their website at: http://www.amchamchile.cl.

**Free Trade Agreement**

There are several web-based resources with updated information concerning the recent free trade agreement signed between Chile and the United States. The Chilean Commercial Directorate (Direccion General de Relaciones Economicas Internacionales, DIRECON), the government agency in charge of leading trade negotiations, has information on all of Chile’s free trade and cooperation agreements as well as commercial statistics and research reports. Direcon’s website is http://www.direcon.cl. Prochile, Chile’s trade promotion agency, maintains an English-language website (http://www.chileusafta.com) with general information about the FTA, including the finalized text of the agreement, research reports, and trade statistics. Additional resources are available on the U.S. Embassy’s website (http://www.usembassy.cl) and on the website of the U.S. Foreign Trade Representative (http://www.ustr.gov).

**Order Processing**

The first step in any export-import transaction is related to order processing. Once an order is placed for merchandise to be exported to a prospective buyer, the exporter (seller) confirms receipt of the order and commits to fill the order based on the agreed upon terms and conditions. The seller’s acceptance of the terms of sale creates a binding contract between the two parties. An exporter may also prepare a pro forma invoice which details the terms and conditions of the sale, and when accepted by the foreign customer may also serve as a contract.

The terms of sale in international trade transactions are intended to define the method of delivery of the goods sold and clarify the financial responsibilities of each party. The terms of sale also help the buyer and seller determine the final price of the transaction. From a legal standpoint, each country has laws governing the terms of sale in international transactions. In the United States, the Revised American Foreign Trade Definitions and the Uniform Commercial Code govern the terms of sale. Since 1980,
the former recommends the use of Incoterms, which are published by the International Chamber of Commerce, and are accepted widely throughout the world. Some common examples of Incoterms which will be used in this chapter to explain the terms of sale are: free on board (FOB); cost, insurance, freight (CIF); and free alongside ship (FAS).

When choosing the terms of sale, exporters and importers must look at the distribution channel and determine when and where to transfer the following between them:

- The physical goods
- Payment for the goods
- Legal title to the goods
- Responsibility for insuring the goods
- Paying for the transportation of the goods

The exporter, or seller of the merchandise, has several options when quoting a price to an overseas buyer:

- At the seller’s dock
- Loaded aboard carrier that will take it to the port of export
- Delivered next to the ship, ready for loading
- Loaded aboard the ship
- Crossed ocean
- Unloaded at the port of import
- Passed through customs and other inspections
- Loaded aboard surface carrier that will take it to the importer
- Delivered to the importer’s receiving dock

Some of the most frequently used terms of sale for waterway transport are CIF, CFR, FOB, FAS, and Ex Works and its variants.

**Cost, Insurance and Freight (CIF)**

- Term of sale in ocean transportation meaning that the price quoted includes the cost of the goods, freight charges for the shipment to the named port of destination (for example, CIF San Antonio), and insurance coverage;
• The seller is also in charge of preparing documentation such as the invoice, bill of lading, and insurance policy;
• Title to the goods is transferred to the buyer upon delivery, or when he or she receives the bill of lading, which certifies ownership.

**Cost and Freight (CFR)**

• Pricing term meaning that the price stated includes the cost of the goods and freight charges to the point of destination.

**Free on Board (FOB)**

• Pricing term indicating that the quoted price covers all the expenses up to and including delivery of the goods;
• Once the seller delivers the goods aboard the ship, the buyer is responsible for all subsequent charges including freight, marine insurance, unloading charges, import duties, and other expenses due on arrival at the port of destination;
• Title to the goods is transferred to the buyer when the merchandise is onboard the vessel.

**Free Alongside Ship (FAS)**

• Pricing term according to which the price quoted includes delivery of the goods alongside the vessel;
• “Alongside a vessel” means that the seller is responsible for the cost of wharfage. However, the buyer must cover the costs of loading, ocean transportation, and insurance;
• Title to the goods is transferred to the buyer once the merchandise is delivered alongside the ship at the exporting port.
**Ex Works, Ex Warehouse, Ex Store**

- Pricing terms according to which the seller places the merchandise at the buyer’s disposal and at a specified place. The overseas buyer is in charge of collecting the goods at the seller’s work, warehouse, or store.

**Ex Quay and Ex Ship**

- Ex Quay is a pricing term in which the seller is responsible for the goods until they are delivered at the quay of the overseas port of destination. As a result, the seller pays for unloading charges, import duties, port charges, and dock dues.
- The Ex Ship pricing term requires the seller to arrange for shipment of the goods to the port of destination and subsequent delivery of the goods to the buyer.

**Shipping a Product**

The second step in an export-import transaction is the shipping of the product. Once the terms of sale have been accepted by the overseas customer, the exporter prepares the transportation of the merchandise to Chile.

There are generally three methods an exporter can use to ship from inland Texas to Chile. First, the exporting company may elect to arrange the necessary documentation and establish contracts with individual service providers for shipment of the cargo. Second, it may use a freight forwarder that provides all the necessary services and experience for shipping cargo. Third, the exporter may use only some freight forwarding services while making all other necessary arrangements in house.

**Freight Forwarders**

Freight forwarders are agents, or trade intermediaries, who assist exporters in moving cargo to an overseas destination, including Chile. In the case of a company with little experience in shipping cargo between Texas and Chile, it is to their advantage to use the services of a freight forwarder who is licensed by the Federal Maritime Commission (FMC).
Freight forwarders are familiar with the rules affecting cargo movements such as the import rules and regulations of Chile and the export regulations of the U.S. government. They are also familiar with methods of shipping, and can reserve the necessary space on a vessel, truck, or train for the shipment of cargo. They also ensure that goods are properly labeled, packed, and that they meet all customs documentation regulations so that cargo is cleared without delays at the port of destination. With regard to documentation, freight forwarders are familiar with forms and regulations related to international trade, and have contacts overseas that allow them to manage transportation both in Texas and abroad. It is estimated that over 90 percent of export firms in the U.S. use the services of an international freight forwarder.33

For a referral to international freight forwarders in Texas, contact the National Customs Brokers and Freight Forwarders Association of America at 212.432.0050 or visit their website at http://www.ncbfaa.org.

A company that is more experienced in export-import transactions may choose to manage all shipping logistics from within instead of relinquishing control of the process while incurring fewer costs for each service provided.

Prior to arranging for the goods to be picked up and delivered to the carrier vessel in the port of Houston, exporters or freight forwarders must ensure the proper packing and labeling of the product, and prepare the necessary documentation.

**Packing**

There are four potential problems that exporters or their agents should watch out for when packing merchandise for export: breakage, moisture, pilferage, and excess weight. Improper packing may result in delays in the delivery of the goods and even entitles the overseas customer to reject the goods or claim damages. For a list of export packers in the Houston area, see the Port of Houston Authority’s Business Directory available online at the following web address: http://www.portofhouston.com.

In its “Basic Guide to Exporting,” the Department of Commerce lists specific guidelines to help exporters avoid damage that could result from inappropriate packing. Some of the tips for packing merchandise are:
• Pack in strong and adequately sealed containers;
• Weight inside containers should be evenly distributed;
• Goods should be packed on pallets and containerized;
• Moisture resistant material should be used in packaging;
• To prevent goods from getting stolen, avoid writing brand names on the packages;
• Make sure hazardous material conform to special packing requirements.

Although these general guidelines can be helpful, the way goods are packaged varies depending on the type of cargo being shipped. Containers are one of the most popular methods of packing and shipping goods. Containers vary in size, material, and construction, and as such, can accommodate most cargo, including cargo that requires refrigeration. Containers can be leased or bought from container leasing and sales companies. For a list of container leasing and sales companies in the Houston area, see the Port of Houston Authority’s Business Directory. An exporting firm can containerize its cargo at the shipper’s location or at a consolidator’s. There, the cargo is loaded onto an 8 x 8 x 20 to 40-foot-long container and tendered to the vessel line as a full container.

Labeling

Labeling shipping cartons and containers is necessary in order to meet shipping regulations, ensure proper handling, conceal the identity of the contents, help receivers identify shipments, and insure compliance with environmental and safety standards. Exporters need to put the following markings on the carton to be shipped:

• Shipper’s mark
• Country of origin (USA)
• Weight marking (in pounds or kilograms)
• Number of packages and size of cases (in inches and centimeters)
• Handling marks (international pictorial symbols)
• Cautionary markings, such as “This side up” or “Use no Hooks” (in English and the language of the country of destination)
• Port of entry (San Antonio)
• Labels for hazardous materials
• Ingredients (if applicable, also included in the language of the country of destination).

Imported consumption products, especially cans and packaged foodstuffs, must also have a label showing the country of origin (USA) before being sold in Chile. The labels of these products must be in Spanish and should include information on the quality, purity, ingredients or mixtures, and weight of the contents (these must be converted to the metric system).³⁵

In Chile, imported products must comply with any applicable labeling or standardization requirements imposed by the National Standards Institute (Instituto Nacional de Normalizacion, INN). In general, standards are not mandatory. Certain imported products such as those related to industrial safety, building and construction materials, and the gas and electrical industries, however, must comply with specific resolutions imposed by the supervising government agency. For more information on Official Chilean Norms (Normas Oficiales Chilenas) visit the INN website at: http://www.inn.cl.

Documentation

Preparing the appropriate documentation is essential for the completion of an export-import transaction. Which documents are used in any particular transaction depends on the requirements of the U.S. government and the government of the importing country, in this case Chile.

The following documents are required by Mexican authorities at the point of importation.

• **Commercial invoice:** four copies are required in English or Spanish. The commercial invoice should include the following information: name and address of importer/exporter; type of transportation; destination port; number of packages; date of shipment; unit price on each item; weight; FOB, FAS, or CIF value; insurance covering shipment;
• **Bill of Lading**: a bill of lading is a contract between the owner of goods and the steamship company. For vessels, there are two types: a *straight bill of lading* which is non-negotiable and an order bill of lading which is negotiable and can be bought, sold, or traded. For intermodal transportation, meaning when different modes of transportation are used, a *through bill of lading* is issued by the first carrier;

• **Certificate of origin**: a certificate of origin is a signed statement as to the origin of the export merchandise;

• **Registration certificate**: Chile’s Central Bank requires importers to obtain a registration certificate for goods valued over U.S. $3,000. Exporters must fill out a registration certificate when exporting goods valued over U.S. $2,000 FOB for statistical purposes;

• **Packing list**: itemizes the material in each individual package, describing the type of package (crate, carton or box) and its size, and showing net and gross weights of each package. It is used by customs in the exporting and importing country to verify that the right product is being shipped, and its total weight and volume as declared by the seller;

• **Insurance Certificate**: form certifying that shipment is insured.

The following are documents required by U.S. Customs at the port of shipment.

• **Shipper’s Export Declaration** (SED) is the source document for compiling official U.S. export data. SED is required only for shipment valued over $2,500.

• **Export packing list** should be placed on the outside of a package, where it is visible to customs authorities.

**Prohibited Products**

The Chilean government prohibits the import of used passenger and cargo transportation vehicles with the exception of ambulances, armored cars, mobile homes, prison vans, street and highway cleaning vehicles, and cement-making vehicles.36
Special Requirements

According to information available from the International Trade Administration, Chile has a simple and transparent regulatory system under which virtually all goods, with the exception of a few sensitive items, can be freely traded. One special requirement, however, is the use of import and export license permits which are required mostly for statistical purposes. Import permits, called certificados de importacion, are required for all shipments valued over U.S. $3,000 and can be applied for at the Central Bank. Chilean importers must also inform the Central Bank of shipments valued over U.S. $10,000 FOB. Forms can be downloaded from the Central Bank’s website at http://www.bcentral.cl and can be found under the link “Otros Servicios” and the subheading “Servicios al Importador.”

Several products are also subject to special restrictions for health and safety reasons. For the import of animal and plant based products, Chile applies animal health and phytosanitary requirements. The latter are applied to wheat, fresh fruit, and poultry. The importation of firearms also requires a special permit from a military authority in Chile. The import of pharmaceutical products, cosmetics, and most biological and bio-chemical products require prior registration with the Institute of Public Health (Instituto de Salud Publica, ISP), an independent public agency applying the norms of the Ministry of Public Health.

Transportation

After the necessary packing, labeling, and documentation requirements are completed, the exporter or freight forwarder arrange for the transportation of the merchandise to the port of San Antonio. Traffic management involves planning, arranging, and buying the international transportation services necessary to move a firm’s freight from one location to another. Logistics experts agree that traffic management is the most important element of international logistics. Traffic management is concerned with freight consolidation, carrier selection, materials handling, and loss and damage claims.
Carrier Selection

First, the freight forwarder contacts a regularly scheduled carrier service calling at the port of San Antonio to schedule an export and book the necessary space for the cargo. Cargo specifics such as dimensions, weight, hazardous classifications, and transportation requirements must be available to the freight forwarder at the time of booking. At this point, the forwarder might also contact a container leasing company to reserve the containers needed for shipment.

The role of the freight forwarder in transport should not be confused with that of non-vessel operating common carriers (NVOCC). NVOCCs are international ocean carriers that do not own or operate their own vessels. NVOCCs guarantee a steamship line a certain amount of freight per week or month and purchase the necessary space on a wholesale basis for shipment of cargo to and from a given port. These trade intermediaries also consolidate cargo belonging to different shippers for transportation to the same port.37

Secondly, the freight forwarder confirms the booking with the seller/supplier, who will in turn confirm with the overseas customer.

Freight Transportation and Consolidation

Third, the freight forwarder must arrange for the merchandise to be picked up and moved from the exporter’s warehouse or factory to the port of Houston. If a full containerload of cargo is to be shipped, the freight forwarder arranges for the container to be delivered to the shipper’s premises. Once the container is fully loaded, it is transported by truck to the port of Houston to be loaded onto a vessel. Cargo can also be packed by a packing company or by a terminal handler at the port itself.

If the shipment fills less than a containerload, the cargo can also be consolidated, meaning that many small shipments are assembled into a smaller number of larger shipments. This way, the carriers charge less per pound for handling larger shipments because less individual handling is involved. A customer’s daily orders to a certain country can be either consolidated into a single weekly order, or into the orders of several different customers whose cargo is bound for the same destination. Thus, the cargo can
be handled as a single shipment to a specific destination and then broken down for delivery to each of the customers upon arrival. 

**Terminal Handlers**

The fourth step in the transportation process occurs when the merchandise is delivered to the marine terminal. There, a terminal handler confirms proper documentation and unloads the cargo or container from the truck. The terminal handler is the shipping line’s first contact with the goods being exported. It represents the steamship line by receiving the cargo for loading onto a vessel. At the port of Houston, most containers are received at the Barbours Cut Terminal.

Once in the port’s terminal, cargo does not always move directly from the truck aboard the ship. Instead, it arrives early and waits. If it is break-bulk cargo, it can be stored in a transit shed (a warehouse next to the dock). If it is containerized, the containers are kept in an export yard near the vessel.

**Stevedores**

A stevedoring company is engaged in loading the cargo on the ship. Once this step is completed, a packing list with the description of the shipment’s content will be presented with the Shipper’s Export Declaration required by U.S. Customs. Once all required documentation is completed, the steamship line will ship the cargo the port of San Antonio on the scheduled date.

**Insurance**

Insurance is indispensable for international shipments. Its primary purpose is to cover the losses associated with the risk of theft and damage during transportation. Arrangements for insurance may be made by either the buyer or the seller, in accordance with the terms of sale.

The most common form of insurance policy for exporters and importers is marine insurance. Insurance policies can be written for a single shipment (voyage policy), for a specified period which is usually one year (time policy), or for an indefinite period (open
policy). The majority of cargo policies are written on open contracts. An open marine policy is an insurance contract that remains in force until it is cancelled by the shipper and as a result it is not necessary to purchase insurance for every individual shipment. It has the added advantage that it automatically covers shipments made and reported under it.

There are three types of policies: 1) all risks (AR); 2) free of particular average (FPA); and 3) within average (WA). All three policies generally cover the following:

- Total loss of cargo by loss of vessel or while loading or discharging;
- Stranding, sinking, or burning of vessel;
- Damage from fire, explosion, or collision.

The policies, however, do not necessarily cover delay in delivery, strikes, riots, war, and civil commotion, unless added by endorsement.

Product Entry

The third step in an export-import transaction is related to the arrival of the goods in the port of San Antonio and its passage through Chilean Customs.

After the goods arrive at the port of San Antonio, the freight forwarder in the U.S. sends the necessary documentation, meaning the commercial invoice, packing list, bill of lading, and certificate of origin, to the customs broker in Chile who clears goods for the customer at the port of San Antonio. In order for goods to be unloaded from the vessel and undergo customs clearing procedures, the merchandise must first be presented to the Customs authority by the customs broker.

Customs Broker

A customs broker acts as an agent for importers for activities involving: 1) the entry and admissibility of merchandise; 2) its classification and valuation; and 3) the payment of duties and other charges assessed by customs. Typically, the Chilean importer hires the customs broker.
**Chilean Customs Service**

The Chilean Customs Service is responsible for collecting duties and overseeing the export and import process. There are nine regional agency directorates and offices in 36 border crossings across the country.

After the goods have been presented to Customs, they are placed in *Recintos de Deposito Aduanero* or customs warehouse. The importer is financially responsible for damages while the goods are in the warehouse. Next, the consignee or customs broker informs Customs of the destination of the merchandise and all import duties and taxes are paid. A Customs Declaration prepared by customs broker must also be presented to the Customs authority. It is the customs brokers’ responsibility to ensure that the information provided by the seller on the Customs Declaration is accurate and that the seller has met all importation requirements. While the merchandise is in the customs warehouse, it can be physically inspected by the Customs Service before being withdrawn. Once this process is completed and the goods approved, the merchandise can be taken from the warehouse and transported to its final destination.

Most entry documentation can be filed on-line at the Customs website ([http://www.aduana.cl](http://www.aduana.cl)). Chilean Customs recently introduced Project Isidora (Proyecto Isidora) through which subscribed users can file entry documents and pay dues electronically.

**Delivery to Consignedee**

After the customs broker obtains the release of the merchandise, the fourth step in the export transaction is the delivery of the goods to the consignee. If the terms of sale provide for the seller/exporter to obtain release of the merchandise from customs and delivery them to the buyer, the freight forwarder must arrange for delivery of the goods to the consignee. However, the way in which this step is managed depends on the terms of sale.
Land transport from the port

One of the last stages of the import process involves the transportation of the goods between the port of import and the inland point of destination. For most shipments arrangements must be made to haul the goods from the port, usually by truck or rail.

Intermodalism

Intermodalism involves the use of two or more modes to handle a shipment. Containerization has greatly simplified the transport process, and increased the importance of intermodal transport. Containers can be transferred between ship and rail, and moved by truck from the railroad’s intermodal ramp to the consignee.

In the case of the Houston-San Antonio trade corridor, shipments arriving at the port of San Antonio and bound for commercial centers like Santiago can be transported inland by truck. Access from the port to the hinterland is a crucial factor in conducting trade. In the case of Chile, land transportation to Santiago is key because it is the area of most cargo generation and consumption. There is direct highway access from the port of San Antonio to Santiago along a double-lane super highway known as the Autopista del Sol. The approximate distance by land is 100 kilometers.

Methods of Payment

The final step in the export process is related to collecting payment for the sale of merchandise. One of the major concerns for exporting firms engaged in international transactions is receiving payment for the goods sold. There are a number of ways in which exporters can receive payment when selling their products abroad. Some mechanisms are riskier than others, and it is up the seller to determine the trustworthiness of the client when choosing the terms of payment. The basic methods of payment are:

- Cash in advance;
- Letter of credit;
- Open account;
- Other payment mechanisms such as consignment sales
Cash in Advance

Some export-import transactions are paid using cash, checks, or credit cards. A wire transfer is commonly used and the advantage to the seller is immediate payment. Checks can also be used, although this method of payment may have a longer collection delay. Credit cards can also be used in payment for exports of consumer and other products, generally of a low value, and which are sold directly to the end user.

Cash in advance, in these forms, is advantageous for the seller because payment is received immediately. However, for the buyer, this method may create cash flow problems as well as increase risk.41

Letter of Credit

An exporter significantly reduces the risk of non-payment by asking a customer, the buyer in Chile, to pay under a letter of credit (L/C). A letter of credit is an agreement between the buyer’s bank and the seller’s bank to guarantee payment provided that the exporter has met all the terms and conditions of the letter of credit. This way, the risk of non-payment shifts from the customer to their bank. The foreign buyer applies for issuance of a letter of credit from the buyer’s bank to the exporter’s bank and is called the applicant. The exporter or seller is called the beneficiary.

Payment under a letter of credit is based on documents, not on the terms of sale or the physical condition of the goods. The letter of credit specifies the documents that are required to be presented by the exporter, such as the ocean bill of lading, commercial invoice, and insurance policy. Before payment, the bank responsible for making payment verifies if all the documents conform to the letter of credit requirements. A letter of credit may be irrevocable, meaning that it cannot be changes without the consent of both parties. A revocable letter of credit, on the other hand, may be changed unilaterally by either party. Any change made to the letter of credit is called an amendment and is subject to a fee.

The steps involved in a letter of credit transaction are specified below:
1. Once the exporter and buyer in Chile agree on the terms of sale (CIF, FOB, FAS), the buyer arranges for its bank to open a letter of credit that lists the documents required for payment. The buyer determines which documents will be required.

2. The buyer’s bank issues an irrevocable letter of credit and includes all instructions to the seller concerning the documents relating to shipment.

3. The buyer’s bank sends its irrevocable letter of credit to the U.S. bank and requests confirmation. The confirmation means that the U.S. bank adds its promise to pay to that of the foreign bank.

4. The U.S. bank prepares a letter of confirmation to forward to the exporter along with the irrevocable letter of credit.

5. The exporter reviews the letter of credit and contacts his freight forwarder to make sure the shipping date specified in the letter of credit can be met.

6. The exporter arranges with the freight forwarder to deliver the goods to the port of Houston.

7. Once the goods are loaded, the exporter or the freight forwarder presents the documents showing compliance with the letter of credit to the U.S. bank.

8. The U.S. bank reviews the documents and if they are complete, sends them to the buyer’s bank for review which, in turn, sends them to the buyer.

9. The buyer or the Chilean customs broker uses the documents to claim the goods.

**Open Account**

An open account is generally used as a method of payment in cases in which the purchaser has a well established record of payment and has been checked for creditworthiness. The way an open account works is that the exporter simply bills the customer, who agrees to pay under agreed terms at a future date. The greatest risk concerning open accounts is that, since no documents are used, it is difficult to pursue legal enforcement of claims.
Other Payment Mechanisms

Other methods of payment, like consignment sales, can be used in international transactions. With a consignment sale, the goods are shipped to a foreign distributor who sells them on behalf of the exporter. The exporter retains title to the goods until they are sold, at which point payment is sent to the exporter.

Generally, letters of credit are the most common and recommended method of payment in export-import operations. As a bank’s promise to pay upon satisfactory compliance with the L/C terms and conditions, the L/C is the least risky of all payment methods. Additionally, the terms and conditions of an L/C are recognized internationally, and the document is therefore not subject to change according to a country’s particular laws. Banks charge a fee for issuing a letter of credit, which is usually a percentage of the sales value.

Delivery to Consignee

The final step in the export-import process is the delivery of the goods from the port of San Antonio to its final destination within Chile. The country’s geographic characteristics pose challenges for transportation. Chile has a 4,300 kilometer north-south extension while its average east-west width is only 180 kilometers. The country has a population of 15 million, 40 percent of whom are concentrated in the central metropolitan region. It also generates 39.5 percent of the country’s GDP, making it the most important commercial and industrial center. Other regions are dominated by a regional center which is usually the region’s capital. Thus, merchandise is distributed from the principal cargo entry points located in the central region, i.e., the ports of San Antonio and Valparaiso, to the north and south of the country. Most of the cargo arriving in San Antonio will be transported to its final destination by truck through the main connecting highway, the Autopista del Sol. The Pan American Highway, another major road linkage, is operated by a private company from the fourth region southwards to the tenth regions and tolls are due. The Ministry of Public Works, Transportation and Telecommunications (Ministerio de Obras Publicas, Transporte y Telecomunicaciones, MOPTT) has toll and road information available on its website, http://www.vialidad.cl.
Notes


21 Ibid., p.4.


23 Ibid., p.22.

24 Ibid., p.29.


26 Ibid.

27 Ibid.


31 Ibid., p.130.


36 Ibid.


42

40 Ibid., p.336.


Chapter 4. Exporting to the U.S. from San Antonio to Houston

The steps a shipper must take when shipping from Chile to Houston are similar to the steps taken when exporting from Houston to Chile. Logistics procedures as well as regulatory and documentary requirements differ in the shipment of cargo northbound between Chile and the U.S. This section is written from the point of view of an exporter in Chile interested in shipping cargo to the U.S. from the port of San Antonio to Houston.

Export Assistance

Chilean exporters interested in shipping to the United States have a variety of resources available to help them locate clients, foreign representatives, and trade shows which may useful in facilitating trade.

ProChile

The Chilean Trade Commission, also known as ProChile, was established in 1974 under the Directorate of International Economic Relations of the Ministry of Foreign Affairs to promote export development and the internationalization of Chilean firms. ProChile has a regional representative office in each of Chile’s thirteen regions, and offices across the globe. ProChile’s offices in the United States are located in Los Angeles, New York, Washington, D.C., and Miami, Florida. Chilean consulates and embassies throughout the U.S. also act as ProChile Trade Offices abroad and can provide valuable information.

Chilean exporters should search ProChile’s website (http://www.prochile.cl) thoroughly for information on the export and import process, trade statistics, international trade news and developments, market research studies, trade shows, and other information related to trade. ProChile also has an international website (http://www.chileinfo.com) directed at foreign importers with information about Chile’s export products and regulations. Additionally, ProChile Trade Offices offers exporters and importers the following resources:
• Exporter Database;
• Export Directory published annually with information on export products, firms, and international trade services;
• Product Catalog specifying product characteristics;
• Attendance at trade missions and shows is organized for Chilean exporters under a unified “Chile-Country” concept;
• FonoExport (011-562-675-5700) is an export orientation hotline directed at first-time exporters or other local entrepreneurs with questions about the export process;

ProChile’s North America office can be reached at 011-562-565-9117 and is located at the following address:

**ProChile-Gerencia International America del Norte**

Alameda 1315, Piso 2  
Santiago, Chile

**Shipping a Product**

After the terms of sale have been established between the exporter and importer, the seller in Chile must arrange the shipment of the goods to the United States.

**Packing**

It is the exporter’s responsibility to appropriately pack merchandise in order to avoid delays at the moment of the product’s entry into the United States. The U.S. Customs Authority recommends that the following guidelines be used in order to allow Customs to examine, weigh, measure, and release goods promptly:

• Show the exact quantity of each item of goods in each box, bale, case, or other package;
• Put marks and numbers on each package;
• Show marks and numbers on the commercial invoice opposite the itemization of goods contained in the package that bears those marks and numbers.  

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Another aspect that facilitates inspections by Customs is how the cargo is loaded in a container. If cargo is “palletized,” meaning that it is loaded onto pallets or other consolidated units it can be removed quickly using a forklift compared to the time it would take manually. Containers can also be loaded in such a way that there is space left at the top of the container and along an aisle down the center to allow access by narcotics inspectors who physically examine cargo when it arrives at the port in the U.S.

**Documentation**

In exporting to the U.S. from Chile, Chilean authorities require that the following documents be presented to Customs before shipment abroad.

- **Informe de Exportacion**: general form presented by the exporter to the Chilean Customs Service prior to the date of shipment. As of January 14, 2002 the form must be filled out and approved by the Customs Service on-line at the following address: [http://www.aduana.cl/sna/tramitaciones/comp_informes.htm](http://www.aduana.cl/sna/tramitaciones/comp_informes.htm) or under the link “Tramitaciones en Linea” on the Custom’s home page. In order to access this service, users have to register to receive an access code from the agency. Exporters without internet access can file the form through their freight forwarding company or a commercial bank. Merchandise valued under U.S. $3,000 is exempt from this requirement. Shipments valued over U.S. $3,000 are required to present the Informe de Exportacion. From the date of the form’s approval, exporters have 90 days to ship the merchandise;

- **Mandato**: document issued by the exporter certifying a specified freight forwarding company as its representative in export transactions;

- **Bill of lading**;

- **Documento Unico de Salida (DUS)**: official document issued by the Customs Service certifying the legality of the export shipment. The DUS can be prepared by the exporter’s freight forwarder but must be certified by the Customs Service. The information contained in the DUS includes: name and address of exporter, the terms of sale, date of shipment, country of destination, and mode of transport. If any inconsistencies are found, Customs will reject the document and return it to
the exporter for correction. If the DUS is approved by Customs, exporters have 25 days from the date of approval to ship the merchandise. At this point, the Customs Service notifies the Central Bank of the export transaction for statistical purposes;

- **Autorizacion de Salida**: exit authorization issued by Customs once the DUS is accepted.

Once the exit authorization is granted, the merchandise is ready to be shipped to the United States. When goods are transported by vessel, the exit authorization must be accompanied by a confirmation of the space reserved for shipment in a vessel.

The following documents must be presented to the U.S. Customs Service within 15 days of arrival of the shipment at the Port of Houston:

- Entry Manifest (Customs Form 7533) or Application and Special Permit for Immediate Delivery (Customs Form 3461) or other form of merchandise release required by the port director;

- Evidence of right to make entry: since goods may only be entered by their owner, purchaser, or a licensed customs broker, a bill of lading, properly endorsed by the consignor, serves as evidence of the right to make entry. A customs power of attorney made in the name of the customs broker is also evidence of the right to make entry;

- Commercial invoice or pro forma voice when the commercial invoice cannot be produced. The commercial invoice, signed by the seller or shipper, must provide the following information:
  - The port of entry to which the merchandise is destined
  - Names of buyer and seller
  - Detailed description of the merchandise, including the name by which each item is known, the grade or quality, and the marks, numbers, and symbols under which it is sold
  - Quantities in weights and measures
  - Country of origin

- Packing lists;
• Other documents necessary to determine admissibility of the merchandise

If goods are entered for consumption, an entry summary for consumption (Customs Form 7501) must be filed and estimated duties deposited at the port of entry within 10 working days of the date of importation.

Importers should be aware that the Customs Modernization Act (Title VI of the North American Free Trade Agreement Implementation Act which became effective on December 8, 1993) has altered the relationship between importers and the Customs Service by shifting to the importer the legal responsibility of declaring the value, classification, and duty applicable to the imported merchandise. The Mod Act, as it is known, establishes that Customs and the import community share the burden of responsibility in the entry process. This relationship, known as informed compliance, holds Customs responsible for effectively communicating its requirements to the trade community, while the people and businesses subject to those requirements conduct their activities in accordance with U.S. laws and regulations. The importer, thus, is expected to exercise reasonable care when conducting import transactions.

Since informed compliance requires that the importer know what Customs’ requirements are, the importer should also be aware that agencies other than Customs may have special requirements for the entry of certain goods. For example, questions about products regulated by the Food and Drug Administration should be forwarded to the nearest FDA district office. The same is true for alcohol, tobacco, firearms, wildlife products (furs, skins), motor vehicles, and other products and merchandise regulated by other federal agencies for which Customs enforces entry laws. The following section describes how special requirements should be conformed with.

Special Requirements

Certain kinds of merchandise are prohibited from entry into the U.S. for reasons of economic protection or national security, as well as to safeguard health and well-being, and to preserve animal and plant life. Many products are subject to restrictions not only imposed by the Customs Service but by other federal agencies. Some examples of sensitive products and their special requirements are provided.
Cheese, Milk, and Dairy Products

Cheese and cheese products are subject to requirements of the Food and Drug Administration (FDA) and the Department of Agriculture (DOA). Most importations of cheese require an import license and are subject to quotas administered by the Department of Agriculture’s Foreign Agricultural Service. Likewise, the importation of milk and cream is subject to requirements of the Food, Drug, and Cosmetic Act and the Import Milk Act. Permits from the Department of Health and Human Services, FDA, Center for Food Safety and Applied Nutrition, and the Office of Food Labeling, and the Department of Agriculture, are required in order to import these goods.

Meat and Poultry

All commercial shipments of meat and poultry arriving in the U.S. are subject to laws and regulations administered by several federal agencies. These include the U.S. Customs Service, the Animal and Plant Health Inspection Service (APHIS), and the Food Safety and Inspection Service (FSIS). Although a license is not required for importing meat or poultry into the U.S., FSIS requires that an Import Inspection and Application Report (FSIS Form 9540-1) be presented to the Customs Service upon entry of a meat or poultry shipment:

Additionally, FSIS’ Labeling and Consumer Protection Staff (LCPS) checks that meat, poultry, and egg shipment meet the agency’s labeling requirements. For more information on FSIS and its labeling requirements, visit their webpage http://www.fsis.usda.gov.

Plant and Plant Products

Plants and plant product imports are regulated by APHIS. These products include: fruits, vegetables, plants, bulbs, roots, seeds, cut flowers, sugarcane, and certain cereals. APHIS has an online Import Authorization System (IAS) which allows customers to submit an application to import fruits and vegetables online or check the status of an existing application. More information on APHIS is available at the agency’s website http://www.aphis.usda.gov.
**Consumer Products**

The U.S. Consumer Product Safety Commission regulates the importation of consumer products like toys and children’s articles, bicycles, fireworks, and household appliances. These products must meet safety standards in order to be allowed into the U.S. market and comply with labeling and certification requirements.

**Hazardous Substances**

Substances that are considered dangerous, caustic or corrosive are regulated by the Hazardous Substance Act, the Caustic Poison Act, the Food, Drug, and Cosmetic Act, and the Consumer Product Safety Act. The marking, labeling, packaging, and transportation of hazardous materials, substances, and wastes are regulated by the Office of Hazardous Materials Transportation of the Department of Transportation (DOT).

**Transportation**

After the necessary packing, labeling, and documentation requirements are completed, the freight forwarder in Chile arranges for the transportation of the goods to the United States. Since a lot of the cargo that leaves the port of San Antonio bound for the U.S. originates in Santiago, the freight forwarding company must first arrange for the transport of the merchandise by land to the port of San Antonio, where it will be loaded onto a vessel, and then for the movement of the goods by vessel to the port of Houston, the U.S. port of entry. The general steps for completing this process are as follows:

1. Freight forwarder books necessary space for the cargo on a regularly scheduled carrier calling at the port of Houston.
2. Freight forwarder confirms the booking with the seller/supplier in Chile who in turn notifies the U.S. buyer.
3. Freight forwarder arranges for the goods to be picked up at seller’s warehouse or factory in Santiago and transported to the port of San Antonio. Transporting merchandise from Santiago to San Antonio is done mostly by truck.
4. The cargo is delivered to the marine terminal where it will be loaded onto the vessel for transport to the port of Houston.
5. A few days before the shipment arrives at the terminal in Houston, the customs house broker in the U.S. prepares the necessary documentation and arranges for the containers to be unloaded.

**Product Entry**

When the shipment arrives in the United States, the importer of record (i.e., the owner, purchaser, or licensed customs broker designated by the owner or purchaser) will file entry documents for the goods with the port’s director at the port of Houston.

**Customs Procedures**

Customs brokers are the only persons authorized by the tariff laws of the U.S. to act as agents for importers in the transaction of their customs business. Customs brokers are agents for importers who are authorized by the U.S. Customs Service to prepare and file the necessary Customs entries, arrange for the payment of duties, and obtain release of the goods. When entry is made by a customs broker, a Customs power of attorney is made in the name of the customs broker who is acting as the agent. Foreign corporations may also issue a power of attorney to a customs broker to act in the U.S. on behalf of the firm.

Imported goods are not legally entered until after the shipment has arrived within the port of entry, delivery of the merchandise has been authorized by Customs, and estimated duties have been paid.

Goods may be entered for consumption, entered for warehouse at the port of Houston, or they may be transported in-bond to another port of entry and entered there under the same conditions as at the port of arrival. Prior to the good’s arrival, arrangement must be made for entry at the port where documentation will be filed.

Merchandise entered for warehouse is usually placed in a Customs bonded warehouse. Such merchandise can remain in the bonded warehouse for up to five years from the date of importation. At the bonded warehouse, goods may be manipulated by cleaning, sorting, repacking, or otherwise changing their condition by processes that do
not amount to manufacturing. After manipulation, the goods may be withdrawn for consumption, at which point duties must be paid.

In some cases, importers may not want to enter merchandise at the port where it arrives, but rather, at a different location in the United States. If this is the case, then merchandise can travel in a bonded status from the port of arrival (Houston) to the intended port of entry. This process is known as traveling under Immediate Transportation procedures and requires the filing of Customs Form 7512 (Transportation Entry and Manifest of Goods Subject to Customs Inspection and Permit). The merchandise is placed with a carrier who accepts it under bond for transportation to the intended destination, where the entry process will be completed.

**Inspection**

Customs will examine goods and documents to determine the following:

- The value of the goods for customs purposes and their dutiable status;
- Whether the goods are marked with their country of origin;
- Whether the shipment contains prohibited articles;
- Whether the shipment contains illegal narcotics.

Following presentation of documentation and after completing inspections at Customs, the shipment may be examined, or examination may be waived. The shipment is released if no legal or regulatory violations have been found.

Entry of products into the U.S. must be done within 15 calendar days after their arrival at the port of entry. If not, the goods may be placed in a general-order warehouse at the risk and expense of the importer. If the goods are not entered within six months from the date of importation, they can be sold at public auction.

**Duty Assessment**

All goods imported into the U.S. are subject to duty or duty-free entry in accordance with their classification under the Harmonized Tariff Schedule of the United States. However, rates of duty vary depending on the country of origin. In the case of trade between Chile and the United States, duties will be assessed based on the provisions
of the new free trade agreement. Once the agreement comes into effect, all goods traded between the two countries will receive duty free access. Fully 85 percent of bilateral trade in consumer and industrial products would become duty free immediately, with others receiving reduced tariff treatment over time. Eventually, all quotas would be eliminated. For the U.S., 90 percent of its exports to Chile will be liberalized immediately, while only 4 percent are expected to fall into the 10-12 year phase-out period. For Chile, 95 percent of its exports will enter the U.S. duty free and only 1.2 percent would fall into the longest phase-out period.\footnote{48} Chapter 5 describes the FTA in further detail.

Nonetheless, U.S. Customs recommends that importers should make no assumptions regarding the dutiable status of their commodity.\footnote{49}

**User Fees**

Customs charges a users fee according to the Consolidated Omnibus Budget Reconciliation Act of 1985. In 1986, the legislation was expanded to include a merchandise processing fee. The merchandise processing (MPF) is a 0.21 percent ad valorem fee on imported merchandise (usually entries valued over $2,000), subject to a minimum fee of $25 per entry and a maximum fee of $485 per entry. Since June 30, 1999, goods imported directly from Mexico are exempted from the MPF if the goods conform to country of origin requirements.
Notes


45 Ibid.

46 Ibid., p.113.


Chapter 5. U.S.-Chile Free Trade Agreement

After two years of negotiations, Chile and the United States completed a free trade agreement (FTA) on December 11, 2002, that, if implemented, will eliminate all tariffs and quotas on goods within a maximum period of twelve years. Upon its entry into force, 85 percent of bilateral trade in consumer and industrial products will acquire duty-free status, with other sensitive products’ tariff rates being reduced over time. The agreement is the culmination of a process that began in the 1990s when the negotiation of Chile’s accession to the North American Free Trade Agreement (NAFTA) was stalled due to Congressional impasse over passage of fast track or trade promotion authority. Currently, the agreement is undergoing a Congressional approval process that began on January 30, 2003 when President Bush notified the 108th Congress of his intention to sign the agreement.

For both Chile and the U.S., the agreement’s primary benefit is increased market access. Although the impact of the agreement on the U.S. economy is expected to be negligible, American exporters will now have duty-free access to the Chilean market, a competitive advantage their Canadian and Mexican counterparts have been enjoying since they negotiated agreements with Chile in the 1990s. Prior to the agreement, U.S.-made products faced a uniform 6 percent tariff. The erosion of U.S. market share is expected to increase as a result of the Chile-European Union agreement which came into effect on February 1, 2003.

Imports from Chile, on the other hand, faced low tariffs under normal trade relations or under the Generalized System of Preferences (GSP), a preferential trade arrangement made by developed countries for developing country imports and with which Chile had been favored for eight years. However, GSP is only approved for one or two years, after which it must be reauthorized by Congress. Chile’s last GSP authorization extended between July 1, 1999 and September 30, 2001. Although the Generalized System of Preferences provided Chile obvious advantages, its revision by Congress introduced a dose of uncertainty in the commercial relationship. Chile’s Commercial Directorate considers that many Chilean products could have lost their privileges under
GSP if the system continued to be used as a means of gaining market access. One of the FTAs benefits is that Chilean exports will no longer rely on periodic congressional reauthorization of the GSP for special tariff treatment.

**Tariffs and Market Access**

Once the agreement comes into effect, all goods traded between the two countries will receive duty free access. Fully 85 percent of bilateral trade in consumer and industrial products would become duty-free immediately, with other receiving reduced tariff treatment over time. Eventually, all quotas would also be eliminated. For the U.S., 90 percent of its exports to Chile will be liberalized immediately, while only 4 percent are expected to fall into the 10-12 year phase-out period. There are many sensitive products, mostly agricultural, that will require longer periods of protection. However, 75 percent of U.S. farm exports will enter Chile duty-free within four years, with the maximum phase out period set for 12 years.

For Chile, 95 percent of its export products are set to enter the U.S. duty free and only 1.2 percent would fall into the longest phase-out period. Other important market access provisions include the phase out of Chile’s “luxury tax” on automobiles over four years, and the elimination of subsidies to U.S. farmers on agricultural products destined for the Chilean market. The agreement was negotiated on a product-by-product basis in order to establish a schedule that would define the timetable to eliminate tariffs on both sides. A summary of the tariff provisions for several product types are described below.

*Industrial and Mining Products*

Fully 97 percent of industrial products exported to the U.S. will be exempted from duty immediately, with only 0.4 percent falling into a maximum phase out period of 10 years. More importantly for Chile is that copper, its principal export to the U.S., will face zero tariffs upon the agreement’s entry into force.


**Agricultural Products**

Fully 82 percent of Chile’s agricultural exports will enter the U.S. duty free. Only 4.8 percent of agricultural products fall into the maximum phase-out period of 10-12 years. For the U.S., 20 percent of its agricultural exports to Chile fall into the maximum phase out period of 8 to 12 years.

Although the agreement provides for the elimination of export subsidies on U.S.-Chilean farm trade, the U.S. reserves itself the right to respond if third countries use export subsidies to displace American products in the Chilean market. Also, an agricultural safeguard provision is designed to protect U.S. farmers and ranchers from sudden surges in imports from Chile.

Particular agricultural industries, such as the meat industry, are likely to expand their share of the export market. Due to high import tariffs (as high as 26 percent), Chile does not export meat to the United States. The agreement provides for the elimination of tariffs on Chilean meat but maintains an annual quota of 1,000 tons.

**Textiles**

Textiles and apparels will be duty-free immediately if they meet the Agreement’s rules of origin. Additionally, a limited yearly amount of textiles and apparel containing non-U.S. or non-Chilean yarns, fibers of fabrics may also qualify for duty-free treatment.

The agreement is a comprehensive one in that it also consolidates the rules governing the openness of trade in services, e-commerce, customs procedures, government procurement, intellectual property rights, and labor and environmental standards.

**Services**

The commitments in services cover both the cross-border supply of services (such as services supplied through electronic means, or through the travel of nationals) and the right to invest and establish a local presence. Chile has committed itself to providing substantial market access across its entire services sector, including: banking, securities, and asset management; distribution; e-commerce; education; energy; express delivery; healthcare; insurance; professional (accounting, legal, consulting, architectural, and
engineering services; telecommunications and information technology; transportation; and travel and tourism.53

Investment

Foreign direct investment is important for trade in services because many services required the commercial presence of a company in a foreign market. The FTA’s chapter on investment covers all forms of investment, including direct ownership of companies, real estate, intellectual property rights, concessions, permits, and debt instruments. U.S. investors have the right to establish, acquire, and operate investments in Chile in all but some sectors, and on equal footing with Chilean investors, and investors from other countries.

Movement of People

The FTA also contains provisions for the temporary movement of people. Similar to investment, movement of persons is one of the most important ways by which services are traded. The agreement provides for the temporary entry of businesspersons in four categories: business visitors, trade and investors, intra-company transferees, and professionals.

In the case of Chilean professionals entering the U.S. under this provision, there will be a special professional visa which will be based on proof of nationality, purpose of entry, and evidence of professional credentials (i.e. four-year degree). The U.S. will limit the number of visas granted to Chilean professionals annually to 1,400.54

Financial and Insurance Services

The financial services chapter includes obligations of non-discrimination, most-favored nation treatment, and additional market access obligations. American banks and securities as well as insurance firms may establish branches and subsidiaries in Chile. The U.S. will also be allowed to offer services cross-border to Chileans in areas such as financial information and data processing, and financial advisory services.55
Electronic Commerce

The U.S.-Chile FTA contains an innovative electronic commerce chapter. The chapter assures non-discriminatory treatment of digital products, prevents the application of customs duties on electronically delivered digital products, and provides commitments to cooperate on electronic commerce policy (i.e., consumer confidence, cyber security, electronic signatures, and electronic government).

Customs Procedures

The U.S.-Chile FTA is one of the first U.S. trade agreements with specific, concrete obligations on how customs procedures are to be conducted. The agreement requires transparency and efficiency in customs administration, with commitments on making rules and procedures available to the public via the internet, and ensuring the 48-hour release of goods. The Customs provisions are designed to facilitate trade. Trade facilitation consists of simplifying the procedures and information flows that control the international movement of goods.

Government Procurement

The government procurement chapter of the agreement opens for Chile the opportunity to participate in the sale and purchase of U.S. government projects and services. Currently Chile has no stake in this market due to restrictions imposed by the Buy America Act, according to which the U.S. government is limited to the acquisition of national goods provided by American contractors. Countries like Jordan, Israel, Mexico, and Canada are exempted from this restriction for having negotiated trade agreements with the U.S. The FTA with the U.S. will now give Chile access to the procurement activities of all federal agencies in addition to 37 state governments.

For American investors, this chapter covers the purchases of most Chilean central government agencies, 13 regional governments, 11 ports and airports, and more than 350 municipalities. For both countries, the chapter imposes rules of non-discrimination and transparency on procurement procedures, such as requiring advance public notice of purchase and effective bid review procedures.
Intellectual Property Rights

The agreement provides for the protection of copyrights, patents, trademarks, and trade secrets. For the United States, the world’s leading producer and exporter of copyrighted material this is an important chapter in the agreement. For copyrights, it ensures that only authors, composers and other copyright owners have the right to make their works available online. The Chilean government commits itself to enforcing tougher penalties on piracy and counterfeiting, guaranteeing the seizure, forfeiture, and destruction of pirated goods and the equipment used to produce them.

Labor and Environment

Chile and the U.S. incorporated labor and environmental obligations as part of the core text of the agreement. These provisions have been incorporated into trade agreements in the past, although they are usually a contentious issue. Part of the controversy arises over whether differences in environmental and labor standards between countries with different levels of development create social and economic issues that should be addressed in trade agreements. Concern also arises from developing countries who regard the inclusion of these provisions in trade agreements as infringing upon their sovereignty if the agreement endorses higher standards, and if the provisions are used to disguise protectionism.

As part of the agreement, Chile and the U.S. committed themselves to ensuring that their domestic environmental laws provide for high levels of environmental protection. In addition, both countries agreed to pursue cooperative projects to promote environmental protection.

With respect to labor rights obligations, both countries assert their obligation to enforce their domestic labor laws and ensure that the core labor standards of the International Labor Organization (ILO) are recognized and protected under domestic law.
Notes


51 Ibid., p. 53.


54 Ibid., p. 7.

55 Ibid., p. 5.

56 Ibid., p. 6.

57 Ministerio de Relaciones Exteriores, *Tratado de Libre Comercio Chile-Estados Unidos: De que se trata?* (online).

58 Ibid., p. 24.


Bibliography


# Website Directory

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## Glossary

### A

**Agent**
A person authorized to transact business for and in the name of another.

**Alongside**
Point of delivery beside a vessel.

### B

**Bill of lading**
Transaction document between the owner of the goods and the carrier setting forth a contract for carriage. There are negotiable and non-negotiable bills of lading. Types of bills of lading include: Straight Bill of Lading, Shippers Bill of Lading, Ocean-Marine Bill of Lading.

**Bonded warehouse**
Warehouse approved by the Treasury Department in which imported goods are stored or manipulated without paying duty until the goods are removed and entered into the country for consumption.

**Booking**
Arrangement with a steamship company for the carriage of freight.

**Broker**
Agent who arranges for the movement of goods by other carriers.

### C

**Cargo**
Freight transported in a vehicle.

**Carrier**
Individual or company who provides transport of goods or passengers for a fee.

**Cash in advance (CIA)**
Method of payment in which goods are paid for in full before shipment.

**Cash before delivery (CBD)**
Method of payment in which seller assumes no risk because he is paid for the goods before shipment.

**Certificate of origin**
A document required by customs officials for tariff purposes indicating the country producing the goods.

**Cost and Freight (CFR)**
Term of sale used in ocean transportation indicating that the price quoted includes the cost of the goods and transportation charges to the point of destination.

**Cost, Insurance, Freight (CIF)**
Term of sale indicating that the seller will pay insurance and freight charges to the point of destination.

**Commercial Invoice**
List issued by seller/exporter describing goods (quality and
quantity), showing price, terms of sale, and weight, and identifying seller and buyer (full names and addresses).

**Consignee**  
Person who receives goods shipped from owner (consignor).

**Consignor**  
Person or firm that ships goods to customers (consignees).

**Consolidation**  
Practice of combining less-than-containerload (LCL) shipments.

**Container Load**  
A loading which does not use the full capacity of a container.

**Container Ship**  
Vessel which is specially designed for the transport of containers.

**Containerization**  
Shipping system based on large cargo-carrying containers (20 or 40 feet in length) that can be interchanged between trucks, trains, and ships without discharging the contents.

**Customs brokers**  
An individual or firm licensed by the Treasury Department to enter and clear goods through Customs on behalf of a customer for a fee.

**Customs**  
Government authority charged with the responsibility to collect duties levied by a country on imports and exports.

**Customs bonded warehouse**  
See bonded warehouse.

**D**  

**Devanning**  
The discharging of cargo from a container.

**Double-stack**  
Railcar movement of containers stacked two high.

**Duty**  
A tax levied on imports by the customs authority of a country. Duties are levied according to the value of the goods (ad valorem), weight or quantity (quota), or a combination of value and other factors (compound duties).

**E**  

**Ex**  
From. When used to denote terms of payment, it means that the seller agrees to place the goods at the disposal of the buyer at the specified place in a given period of time (i.e. Ex-quay, Ex-ship).

**Export declaration**  
document required by the Department of Commerce specifying the nature and value of export activity. See also Shipper’s Export Declaration.

**Export license**  
Document required by the U.S. Government authorizing the export of specific commodities.

**Export management company**  
Private firm acting as an export department for several producers by taking title to the goods or transacting export
business on their behalf for a fee.

Export packing list

Document itemizing the merchandise inside each individual package and showing the package’s weight and measurements. Used by shipper or forwarding agent to determine total shipment weight and volume.

**F**

Free Alongside Ship (FAS)

Term of sale indicating the quoted price includes the cost of delivering the goods alongside a vessel.

Free on Board (FOB)

Term of payment indicating that the price quoted covers all expenses up to and including delivery of goods upon a vessel provided by or for the buyer.

FOB Destination

Freight cost is paid for by the seller to the point of destination.

FOB Factory

Title to the goods and responsibility for the transportation of freight transfers from the seller to the factory.

FOB Vessel

Title to the goods and transportation costs are the responsibility of the buyer until the goods are delivered on vessel to the buyer.

Forwarding Agent

Firm specializing in shipping goods abroad.

Free Trade Zone (FTZ)

An area designated by the government of a country for duty-free entry of nonprohibited goods. Goods may be stored in the FTZ and reexported without paying duty. Duty is levied only when goods leave the FTZ into an area of the country subject to customs authority.

Freight Forwarder

Freight forwarders are agents, or trade intermediaries, who assist exporters in moving cargo to an overseas destination.

**H**

Harmonized System

Universal classification system according to which every product is assigned the same 6-digit number regardless of country of origin or language used to describe it.

**I**

Import License

A document required by some governments authorizing the importation of goods.

In Bond

Storage of goods in custody of the government.

In Transit

Cargo being transferred along a route between home terminal and point of destination.

Incoterms

Terms of international sale issued by the International Chamber
Irrevocable letter of credit  A letter of credit in which the payment is guaranteed by the bank if all terms and conditions are met.

Letter of credit (L/C)  A document, issued by a bank upon instruction of the buyer, authorizing the seller to withdraw a specified amount upon receipt by the bank of certain documentation within a given period of time. L/Cs can be revocable or irrevocable.

Liner service  International water carriers offering fixed routes through published schedules.

Marine insurance  Insurance that compensates the owners of goods for loss or damages suffered by a shipment during overseas transport.

NAFTA certificate of origin  Type of certificate of origin required for products traded among the NAFTA countries (Canada, U.S., and Mexico).

Non-vessel operating common carrier (NVOCC)  International ocean carriers that consolidate small shipments but do not operate their own vessels. NVOCCs guarantee a steamship line a certain amount of freight per week or month and purchase the necessary space on a wholesale basis for shipment of cargo to and from a given port.

Open insurance policy  Marine insurance policy that covers all shipments for an exporter during a specified period of time.

Packing list  A list, normally prepared by shippers, describing the type and quantity of goods being transported.

Phytosanitary certificate  A certificate issued by the U.S. Department of Agriculture to satisfy import regulations for foreign countries. It certifies that the U.S. shipment has been inspected and is free from pests and diseases.

Pilferage  In transportation, refers to breaking into cartons or containers and removing items.

Port authority  A state or local government that owns and operates terminals at a port.

Port charges  Charges assessed for services performed at ports, including pilotage, towage, harbor dues, dockage, and wharfage.
| Pro forma voice | Invoice sent by supplier to the buyer prior to shipment describing the type and quantity of merchandise, value, and terms of sale and payment. |
| Q | Quantity restriction on a certain imported goods. |
| Quota | Manmade docking area for loading and unloading vessels. |
| Quay | |
| R | A type of letter of credit that can be cancelled or changed by the buyer of its bank after it has been issued. |
| Revocable letter of credit | |
| S | Representative of a liner company who facilitates ship arrival, loading/unloading of cargo, and fee payment at the port. |
| Ship agent | |
| Ship broker | A firm that serves as a go-between for the ship owner and the exporter or consignor. |
| Ship broker | |
| Shipment | Merchandise being transported in one or more containers to a single destination. |
| Shipper’s bill of lading | A bill of lading that can be bought, sold, or traded while the goods are in transit. |
| Shipper’s bill of lading | |
| Shipper’s Export Declaration | Document required by the Treasury Department and completed by the shipper listing value, weight, destination, consignee, and other information. |
| Stevedore | Individual or firm in charge of loading/unloading vessels. |
| Stevedore | |
| Straight bill of lading | A non-negotiable bill of lading in which goods are consigned directly to a named party. |
| Straight bill of lading | |
| T | Bill of lading covering goods moving from point of origin to final destination, even though transfers are made to different carriers in transit and different modes of transportation. |
| Through bill of lading | |
| Title | Document conferring right of ownership. Can be in form of a bill of lading or warehouse receipt. |
| V | Craft used for waterborne transportation. |
| Vessel | |
**W**

Warehouse  
Area used for storing goods or merchandise.

Wharf  
Loading/discharging terminal built parallel to shoreline.