Shipment and Customs Procedures

Before shipping a product to the United States, the firm should make sure that the merchandise has been properly packed, labelled and documented. It should also be insured against damage, loss or theft.

As a first step toward fulfilling U.S. Customs requirements, you need to establish the tariff classification of the product or products you intend to export. Product classification can be performed by a U.S. customs broker or by a U.S. customs import specialist at a port of entry. It is also possible to seek a binding classification from U.S. Customs. It is the tariff classification that will determine the rate of duty that applies as well as, in some cases, other import requirements such as quotas. The tariff classification is also necessary to determine the origin of a product according to the rules of the Free Trade Agreement.

The Free Trade Agreement has already eliminated many tariffs on trade goods of U.S. and Canadian origin between the two countries. The FTA ensures that by 1998 all tariffs will be eliminated. In order to benefit from the preferential duty rate under the Free Trade Agreement, a certificate of origin needs to be issued for each product. The certificate is a statement by the exporter that the goods originate in Canada or in the U.S. in compliance with the rules of origin in Chapter 3 of the Agreement.

You can obtain information on the tariff, the phase-out period and the specific rules of origin that apply to your product by calling Canada Customs or EAITC, United States Tariff and Market Access Division in Ottawa. Standard certificates of origin are also available from Canada Customs and EAITC. See "Where to Find Assistance" for addresses and telephone numbers.

You should be aware that both Canada and the United States are now using the harmonized system of tariff classification for customs purposes.

At the border, customs officers now have access to a computer database containing the rules of origin applicable to each category of goods as well as information on importers, exporters, and, in some cases, on the reputation of carriers. When doubt exists as to the information provided in the certificate, the officers can request permission from the exporter to verify the information by visiting the firm's facilities.

Payment

Exporting raises questions about how to get paid in full and on time. Methods of payment in international transactions include cash in advance, documentary collection, i.e. letters of credit or drafts, and open account. Because of the proximity of Canada to the United States, cash in advance and open account sales are more frequent collection methods than letters of credit. Payments can easily be made by cheque or bank transfer.

Credit analysis is a good method of preventing collection problems. Your firm can check credit ratings with bankers, other suppliers, and private credit analysis institutions. Canada's Export Development Corporation (EDC) provides insurance coverage against non-payment by a U.S. buyer. The Insurance Policy covers up to 90 per cent of the insured loss. A processing fee which varies depending on the liability is charged to issue the policy. The terms of payment, the credit period and the credit worthiness of the buyer are among the factors that determine the applicable premium rate.

After-Sale Service

In a number of industries, Canadian exporters will have to demonstrate after-sale service capabilities to establish their credibility with U.S. customers. These services can include maintenance, repair, or even training of personnel on customers' premises. The capacity to provide appropriate after-sale service is often a major factor in choosing suppliers. Superior service can also be used as a primary sales tool and command a premium price.