

Be a Procurement Superpower in Import Compliance

Reduce Cost, Risk, and Delays

Import Compliance for Supply Chain & Procurement Professionals

Agenda: Cost, Risk, and Speed in Import Compliance

1. **Who Owns Compliance and Why It Matters**
   Importer liability; cost, risk, and delay drivers

2. **Five Levers: What Procurement Controls**
   HTS, origin, Incoterms, valuation, special programs

3. **Procurement Risks by Lever**
   Where sourcing decisions create customs exposure

4. **Tips & Tricks & Q&A**
   Key takeaways and time for discussion

WHAT LEADERSHIP SHOULD TAKE AWAY

Lower landed cost
Duty savings and avoided penalties

Reduced risk and delays
Fewer detentions, audits, and supplier surprises

Faster sourcing decisions
Trade input built into supplier selection

The ask: bring Trade Compliance in during sourcing strategy, not after the decision.

Who Owns Import Compliance?

Importer of Record

Legally responsible for using “reasonable care” on every entry — classification, origin, value, and program claims

You can outsource the task — not the liability.

Procurement

Chooses suppliers, countries, prices, and terms

Supplier

Provides product data, origin, and invoices

Customs Broker

Files the entry using the data you provide

Trade Compliance

Sets policy, classifies, and audits

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Procurement Decisions Drive Import Outcomes



COST

Duty rates, tariffs, and fees are set by what you buy, where it's made, and how you buy it



RISK

Penalties, back duties, False Claims Act exposure, and seized or detained goods



DELAYS

CBP holds, exams, and information requests that stall production and customers

Every international contract or purchase order is a future customs declaration.

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Five Levers



HTS Classification

What is it?

Duty rate & tariff exposure



Country of Origin

Where is it made?

Tariffs, eligibility & marking



Valuation

What is it worth?

The base duty is charged on



Special Trade Programs

Can we pay less?

Legal duty savings



Incoterms

Who does what?

Control, cost & risk

Where Procurement and Trade Create the Most Value



PROCUREMENT

Chooses who, where, and how we buy

- **Supplier selection**
- **Cost optimization**
- **Sourcing strategy**
- **Supplier relationships**



TRADE OPERATIONS

Protects what we import and what we pay

- **Compliance assurance**
- **Tariff optimization**
- **Origin validation**
- **Trade risk mitigation**

SHARED OUTCOME	Lower landed cost	Reduced risk	Supply chain resiliency	Faster sourcing decisions

The biggest opportunity: Move Trade Compliance from a transactional review after a sourcing decision to a strategic partner during sourcing strategy, supplier selection, negotiations, and manufacturing footprint decisions.

HTS Classification



WHAT IT IS

The 10-digit Harmonized Tariff Schedule code that identifies your product at the U.S. border

1. First 6 digits are global (HS); last 4 are U.S.-specific
2. Classified by what the product is — using the General Rules of Interpretation
3. Sets the duty rate and triggers Section 301, 232, AD/CVD, and other agency rules
4. Binding rulings from CBP can lock in certainty however also carry risk

Procurement's role: provide accurate descriptions, specs, materials, and function — and flag product changes.

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Discussion Point



Let's Discuss

Share what you've seen in your own supply chain

Q1 Have you had a shipment "stuck at Customs"? What happened, did it end, and how long did it take to resolve?

Q2 How do you communicate to your own suppliers what expectations are on product information – material breakdown, metal content, etc? Do you have supplier contracts that clarify this or do you specifically call out requirements on Purchase Orders?

Q3 When you source a new or changed part, who picks the HTS code — and do you know the importing country's duty rate before or after the PO is placed?

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Country of Origin



WHAT IT IS

Where the product was wholly obtained or last “substantially transformed” — not simply where it shipped from

1. Substantial transformation = a new name, character, or use
2. Free trade agreements use their own rules (tariff shift, regional value content)
3. Goods must be marked with origin for the ultimate purchaser
4. Origin triggers Section 301 / 232 tariffs, AD/CVD, and forced-labor (UFLPA) scrutiny

Procurement’s role: know where goods and key components are actually made — before you move or add a supplier.

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Country of Origin: Procurement Risks

“Moving” production that doesn’t move

Simple assembly, kitting, or repacking in a new country usually doesn’t change origin

Transshipment

Routing goods through a third country to disguise origin — a top enforcement priority

Mixed-origin inventory

Suppliers that commingle components can’t support their origin claims

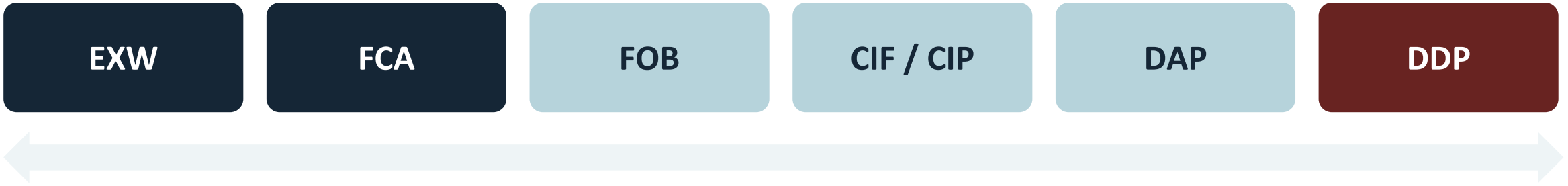
Forced labor & traceability

Goods detained if the supply chain can’t be traced back to raw materials

Impact: Back duties & penalties • Detained or excluded goods • Criminal / FCA exposure

Incoterms® for Procurement

ICC rules (Incoterms® 2020) that define who arranges and pays for transport, bears risk, and handles export / import clearance



Incoterms do NOT transfer title, set payment terms, or determine customs value.

Procurement's role: choose terms deliberately and keep PO, invoice, and entry consistent.

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Incoterms: Procurement Risks

DDP = lost visibility

The seller (often a non-resident importer) clears your goods — you may not see the classification, origin, or value

Costs buried in the price

CIF / DDP prices include freight, insurance, or duty — undocumented, you overpay or misdeclare

Terms that don’t match reality

PO says FOB, invoice says DAP, broker pays freight — inconsistencies draw questions

Tariff surprises

When new tariffs hit, the terms and contract decide who pays

Impact: Loss of control • Unexpected landed cost • Liability for others’ errors

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Discussion: Incoterms



Let’s Discuss

Share what you’ve seen in your own supply chain

Q1 Has a supplier offered DDP pricing to make things “easier”? What did you gain — and what visibility did you lose?

Q2 When new tariffs took effect, how did your Incoterms and contract language decide who paid? Any surprises?

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Customs Valuation

Duty is usually a % of declared value — normally the **price actually paid or payable** for the imported goods (transaction value)

Price paid or payable

+ Additions

- Packing
- Assists (tooling, molds, materials, engineering)
- Royalties & license fees
- Selling commissions

– Deductions*

- International freight & insurance
- Buying commissions
- U.S. duties & post-import costs

= Customs value

**If separately identified and documented. Related-party prices must be at arm's length.*

Procurement's role: capture everything paid or provided for the goods — not just the invoice price.

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Valuation: Procurement Risks

Undeclared assists

Free molds, tooling, dies, materials, or engineering given to the supplier are dutiable

Split or incomplete invoicing

Components, tooling, or software paid separately and left off the commercial invoice

Price changes after import

Retroactive increases, rebates, tariff surcharges, and true-ups may require corrections

Related-party pricing

Transfer-pricing adjustments change the declared value

Impact: Underpaid duty & penalties • Overpaid duty • Audit findings

Discussion: Customs Valuation



Let’s Discuss

Share what you’ve seen in your own supply chain

Q1 Does your company provide tooling, molds, or materials to suppliers? How is that cost tracked and shared with compliance or your broker?

Q2 Have you negotiated price adjustments, rebates, or tariff cost-sharing after goods shipped? How was it handled with customs?

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Special Trade Programs

WHAT THEY ARE

Legal ways to reduce, defer, or eliminate duty — if you qualify and can prove it

No documentation = no benefit.

Free Trade Agreements

USMCA and FTAs with 20 countries — goods must meet the rules of origin

Chapter 98 Provisions

e.g., U.S. goods returned or assembled abroad (9802)

Foreign-Trade Zones

Defer, reduce, or eliminate duty on goods in the zone

Duty Drawback

Refund of up to 99% of duties on goods later exported

Procurement's role: build program savings into sourcing — and collect the proof.

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Special Trade Programs: Procurement Risks

Claiming without support

Preference claimed on assumptions — no certification or bill-of-materials analysis

Unverified supplier certifications

Stale or blanket certificates the supplier can’t back up in a CBP verification

Sourcing changes break eligibility

A new component source or price change can disqualify the product

Money left on the table

Eligible goods never claimed; programs ignored in sourcing decisions

Tips and Tricks

1 Criticality

- Criticality for Revenue, Materials, Risk Exposure
- What components or products are critical to company effectiveness?
- High Revenue Draws Internal Attention, High Risk Draws External Attention

2 Visibility

- Into the Overall Internal Processes (Procurement & Supply Chain)
- Sufficient to Withstand External Scrutiny (Customs Authorities)

3 Connectivity

- Are your systems connected enough to plan and trace for today's needs?
- Are your people connected enough to anticipate problems and develop solutions together?

4 Flexibility

- Change will continue
- What is working, where is room for improved processes?


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Questions?