

ASK THE TIC

HUMANITARIAN SHIPMENTS

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Many U.S. businesses engage in humanitarian efforts around the world. From shipping used computer equipment to a university in Mali, to sending blankets to hurricane victims in Mexico, humanitarian shipments involve special handling and logistics.

HOW DO HUMANITARIAN SHIPMENTS DIFFER FROM COMMERCIAL SHIPMENTS?

When exporting from the United States, humanitarian shipments follow the same procedures as other shipments and require a commercial invoice, a packing list, and a Shipper's Export Declaration (for shipments valued more than \$2,500). Nevertheless, there can be additional requirements for humanitarian shipments, depending on the destination country and the merchandise. Goodwill shipments should also include a "gift certificate," which is a notarized letter stating that no money has been exchanged between the donating and receiving organization and detailing the contents of the shipment.

Often, the importer of humanitarian shipments is a not-for-profit organization, church, or even a local government office. However, like commercial trade transactions, when undertaking a humanitarian shipment an exporter must conduct proper due diligence on the importer or receiving organization to ensure it is reputable, well established, and has the capacity to handle the shipment.

HOW DO I DETERMINE WHAT SPECIAL PROCEDURES A COUNTRY REQUIRES FOR HUMANITARIAN SHIPMENTS?

Every country varies with respect to handling humanitarian shipments. Some countries, like Russia, have very specific and well-documented procedures for humanitarian shipments, with efforts coordinated through its State Commission on Humanitarian Aid. Other governments, like Mexico, do not facilitate humanitarian shipments through a central government authority. Therefore, each humanitarian shipment goes through

the regular customs procedures and is handled on a shipment-by-shipment basis. Ecuador requires that a humanitarian shipment be legalized through an Ecuadorian consular office in the United States before shipping. The U.S. exporter drafts a letter to be notarized by the consul detailing the donating organization's contact information, the contents of the shipment, and the receiving organization's contact information in Ecuador. Furthermore, the receiving organization must then take the notarized letter along with the shipping documentation to the Corporacion Aduanera Ecuatoriana (Ecuador's Customs Authority) to obtain authorization for the shipment before the shipment leaves the United States.

Due to the varying requirements for humanitarian shipments in each country, it is critical that the U.S. exporter follows a few general rules when working with humanitarian shipments:

- Allow ample time to coordinate all logistics for humanitarian shipments (usually a couple of months). Do not expect to collect goods and ship them in a week.
- Ensure that the goods in your shipment are actually needed in the country and that they are culturally appropriate.
- Conduct proper due diligence on the receiving organization and work closely with the staff to determine the specific customs procedures and documentation necessary for that country. As the importers, they should become familiar with the customs process and documentation procedures necessary to bring the shipment into their country.
- Research freight forwarders and customs brokers in the United States who can be invaluable assistants in ensuring the safe arrival of humanitarian shipments. Often, freight forwarders and customs brokers have special rates for humanitarian shipments, so it is worthwhile to inquire.

WILL I HAVE TO PAY DUTIES AND TAXES ON A HUMANITARIAN SHIPMENT?

Humanitarian shipments are not automatically duty- and tax-free. U.S. exporters should work with the receiving organization to exempt the shipment from duties and taxes, if permitted. The receiving organization will most likely have to work with the country's customs office and



possibly a government ministry before the shipment leaves the United States. If the receiving organization drafts documents in the country's official language, it can speed up the customs process. The receiving organization should try to obtain a pre-clearance from government authorities stating the shipment's exemption from duties and taxes.

Q DO I NEED TO PLACE A VALUE ON A HUMANITARIAN SHIPMENT?

Yes, but shipment valuations for humanitarian goods are very difficult, especially when the goods are used. The U.S. exporter is ultimately responsible for accurately valuing the shipment. The commercial invoice should also read, HUMANITARIAN SHIPMENT: VALUE FOR CUSTOMS PURPOSES ONLY.

Q DOES THE UNITED STATES RESTRICT HUMANITARIAN SHIPMENTS TO CERTAIN COUNTRIES?

Yes. The United States has a trade embargo in place with certain countries, including Cuba and Iran. However, in certain circumstances, exports of humanitarian items may be approved. When donating to embargoed countries, U.S. exporters of humanitarian aid shipments must apply for an export license or follow particular procedures.

Cuba: Humanitarian shipments to Cuba fall primarily under the licensing jurisdiction of the Bureau of Industry and Security (BIS, the former Bureau of Export Administration or BXA). A license is required from the BIS for the export of any item subject to the Export Administration Regulations (EAR; 15 CFR, 730-774), including most humanitarian items. However, certain items may be eligible for export to Cuba without a license from the BIS pursuant to one of two license exceptions contained in Section 740 of the EAR:

- **License Exception "GFT"** (Section 740.12: Gift parcels and humanitarian donations): U.S. individuals can use license exception GFT for exports of gift parcels to Cuba, provided they contain only items specified in Section 740.12(a)(2)(i), e.g., food, clothing, vitamins, medicines, and personal hygiene items. Such gift parcels, which must be donated, cannot be valued at more than \$200, excluding food items on which there is no value limit. Donors must comply with certain packaging requirements, and non-food parcels may only be sent once per calendar month to the same recipient.

U.S. charitable organizations may use license exception GFT to export most donated humanitarian items to meet basic human needs. Eligible items can be found on the list of "items that may be donated to meet basic human needs," located in Supplement 2 to Section 740. Note, however, that U.S. charitable organizations must apply for a license to export medicine and other medical items to Cuba. Section 740.12(b) also includes additional eligibility and record keeping requirements.

- **License Exception "AGR"** (Section 740.18: Agricultural commodities): In addition to the foregoing, exports of agricultural commodities, defined for the purposes of the EAR to include such items as food, livestock, tobacco, bottled water, vitamins and food additives, may be made pursuant to the requirements set forth under license exception AGR. License exception AGR provides a streamlined interagency process for reviewing proposed exports of agricultural (food and non-food) commodities to Cuba. The AGR requirements include notification of the BIS prior to the export based on procedures set forth in Section 742.18(c), and exportation of the items within 12 months of the date of BIS notification of approval. (Note that sales of agricultural commodities require a written contract between the U.S. exporter and the Cuban importer and exports must be made within 12 months of the signing of the contract.) To begin this process, submit the BIS Multipurpose Application Form 748P, which can be obtained through U.S. Department of Commerce Export Assistance Centers. Call (800) USA-TRAD (E) or consult www.export.gov to find your local Export Assistance Center. If the U.S. exporter has previously required an export license for any export transaction, it can use the SNAP (Simplified Network Application Process) found on the BIS Web site, www.bis.doc.gov.

Transactions involving Cuba may also trigger certain licensing requirements maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), particularly with respect to transportation and travel incident to humanitarian transactions. Exporters are advised to review the OFAC's licensing requirements prior to undertaking any shipment or transaction involving Cuba.

North Korea: The comprehensive embargo maintained by the United States with respect to North Korea was partially removed as of June 19, 2000. As a result, humanitarian items generally do not require a license for shipment to North Korea, unless a proliferation concern is present.

Libya, Iran, Iraq, and Sudan: For these embargoed countries, licensing of shipments from the United States is required by the OFAC. Humanitarian shipments to Iraq are also handled by the United Nations (UN) under the Oil for Food program and require both OFAC and UN approval. Information on the Oil for Food program and OFAC can be obtained through OFAC's licensing division at (202) 622-2480 or the OFAC Web site, www.treas.gov/offices/enforcement/ofac/.



ARE CERTAIN GOODS EASIER TO SHIP THAN OTHERS?

Humanitarian shipments often include used clothing, medicines, medical equipment, and food. Each of these items has its own set of import restrictions in many developing countries.

Medicine: Pharmaceuticals are among the most difficult items to ship because of strict regulations in many countries. Additionally, most countries require a letter from an institution in the importing country requesting the pharmaceutical supplies. Most drugs need at least a certificate of analysis and a certificate of conformity from the importing country, but others require special, individual licenses. Major pharmaceutical companies are best equipped to handle shipments of donated drugs and are most familiar with the complex importing procedures.

Clothing/Used Clothing: Many poor countries have regulations on used clothing and do not want to be overrun with such shipments. Used clothing usually must be certified as cleaned, sorted, billed, and fumigated. For large shipments, a fumigation company will fumigate the container with a special device that remains in the container during shipment and is removed upon arrival. For smaller shipments, a fumigation company can fumigate the clothing before shipment and include a certified letter verifying the fumigation process. Some used clothing shipments may also require a Food and Drug Administration certificate for imports from the United States.

Food: The donating organization must be sensitive to a number of issues with food shipments. It should be culturally aware of food preferences in the receiving country. The American Red Cross' Logistics Division in Washington, DC, recommends that, whenever possible, food be purchased in the country

where the U.S. exporter wishes to donate. Often receiving country governments do not want to import food that is already produced in the home country because it can flood the market. Additionally, food and agricultural products often need special documentation, such as a certificate of analysis, certificate of conformity, certificate of origin, and a phytosanitary certificate.

Additional Contacts

The Trade Information Center can be reached at www.export.gov/tic, or (800) USA-TRAD(E). For information on Russia and the former Soviet Union, see www.bisnis.doc.gov, or call (800) USA-TRAD(E), ext. 24655. See www.export.gov/ceebic or call (800) USA-TRAD(E), ext. 22645, for information about Central and Eastern Europe. Information about licenses for Cuba can be obtained at the Bureau of Industry and Security's Web site, www.bis.doc.gov, or by calling (202) 482-4811. For information on licenses for Iran, Iraq, Sudan, and Libya, see the Web site of the U.S. Treasury's Office of Foreign Assets Control, www.ustreas.gov/ofac, or call (202) 622-2480. Information regarding food shipments is available from the Foreign Agricultural Service of the U.S. Department of Agriculture, www.fas.usda.gov or (202) 720-7420. ■

FOR MORE INFORMATION

The Trade Information Center (TIC) is operated by the International Trade Administration of the U.S. Department of Commerce for the 19 federal agencies comprising the Trade Promotion Coordinating Committee. These agencies are responsible for managing the U.S. government's export promotion programs and activities. You, too, can "Ask the TIC" by calling 1 (800) USA-TRAD(E) toll free, Monday through Friday, 8:30-5:30 EST. Or visit the TIC's Web site at www.export.gov/tic.