

Madison, December 5th 2004
Final Report

Haba Na Haba Import / Export

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INTRODUCTION

The following is a report to inform Haba Na Haba about the processes of importing textile and apparel goods from Tanzania to the United States. The necessary information is intended to guide Haba Na Haba to use effective means to conduct business. More specifically, this report outlines Tanzanian export regulations, U.S. import regulations, shipping logistics and an alternative business strategy as well as some general recommendations:

- *Export / Import strategy:* With many complex regulations to pay attention to and a lot of necessary documents to fill out we feel like the best strategy is to consult the help of a professional customs broker.
- *Shipping:* Based on the information we were able to gather, air-freight is the preferable method for shipping goods from Tanzania to the US.
- *Additional business strategy:* Importing goods through Canada could be a viable alternative given the level of support from the Canadian government regarding exports from Least Developed Countries (LDCs)

EXPORT STRATEGY – RULES AND REGULATIONS

In order to export textiles and apparel, a business must apply for an export license/permit (only if apparel falls under product groups; if it does not, no license is needed). A Certificate of Origin must accompany order; refer to the Sample in Appendix III.

- (BY AIR) The following documentation must be obtained, followed by an ‘airway bill’ that must be prepared by carrier:
 - A commercial invoice;
 - An export license/permit (if required);
 - Technical documents (if required) on health, quality, weight, certificate of origin, etc;
 - Process a Single Bill of Entry (SBE) by submitting all the above documents at the customs long room. A customs release/approval is obtained;
- (By SEA) Following procedure is mandatory
 - Apply/obtain a license/permit (if required);
 - Apply/obtain technical documents for your product;
 - Obtain a single bill of entry from customs, complete it and attach all the required documents for processing the SBE at the long room;
 - A shipping company/agent will finally prepare a bill of lading after accomplishing customs verification/approval, port charges and procedures, cargo loading.

Consultation with a customs broker can make this process more clear and manageable. Customs brokers are highly familiar with the system and have experience with proper completion of documentation.

IMPORT STRATEGY – RULES AND REGULATIONS

As a sub-Saharan African country, Tanzania qualifies for certain trade benefits under the African Growth and Opportunity Act of 2000 (AGOA). More importantly, Tanzania qualifies for benefits allotted to textiles and apparels. As long as the textiles

and apparels fall under specific categories, the goods are eligible to enter the United States free of duty and free of quantitative limitations. Qualifying textiles and apparels are categorized in the following:

- Apparel made of U.S. yarns and fabrics;
- Apparel made of sub-Saharan African (regional) yarns and fabrics, subject to a cap;
- Apparel made in a designated lesser-developed country of third-country yarns and fabrics, subject to a cap;
- Apparel made of yarns and fabrics not produced in commercial quantities in the United States;
- Certain cashmere and merino wool sweaters; and
- Eligible hand-loomed, handmade, or folklore articles and ethnic fabrics.

For further detail regarding eligible textiles and benefits, refer to Section 112 of the AGOA in “What Every Member of the Trade Community Should Know About: The African Growth and Opportunity Act” in *Customs and Border Protection Informed Compliance Publication*, see link in Appendix II/3.

In order to receive preferential treatment, the articles must be imported directly into United States customs territory from Tanzania, without passing through the territory of any non-beneficiary country.

Documentation: Certificate of Origin and Declaration

When goods enter the port of entry, necessary documentation of Certificate of Origin, prepared by the exporter, must be in possession in order to make a written declaration that the articles qualify for preferential treatment. For a link to the replication of African Growth and Opportunity Act Textile Certificate of Origin and instructions, refer to Appendix II/3.

The importer:

- Must have records that explain how the importer came to the conclusion that the textile or apparel articles qualify for preferential treatment;
- Must establish and implement internal controls for periodic review of certificate of origin accuracy;
- Must have shipping papers that showed how the articles moved from Tanzania to the United States; and
- Must be prepared to explain, upon Customs and Border Protection request, justification for preferential treatment referred to in the above.

Recommendation: Customs Brokers

In order to ensure that all necessary documentation is available upon arrival of the goods at the port of entry, a reputable customs broker is highly recommended. Although there are costs of securing a customs broker, they can be very valuable since they are the most up-to-date with tariffs, regulations, codes, customs bonds, power of attorney, and security issues. In addition, having a customs broker handle the necessary paperwork ensures that goods are delivered and proper duties are applied. Customs brokers are an efficient means of conducting business involving importation of goods. For a list of Custom brokers see Appendix I/1.

SHIPPING LOGISTICS

Three possible options have been identified for shipping goods from Tanzania to the US. They are using package deliverers such as UPS and FedEx, shipping containers with air-freight carriers, and shipping containers with sea-freight carriers. The differences between the options are in price-point, speed of delivery, optimal shipment size and weights, and service level. For a contact list of shippers please refer to Appendix I/2.

Package deliverers

The package delivery companies contacted only offer an express-type service from Dar es Salaam to Chicago. The upside of this is the speed of delivery and guarantee of the shipment date. However, the price-point is rather high compared to other options. The prices include insurance of the shipment but not import duties to the US nor brokerage fees.

- **UPS:** A package of 54.5 kg (120 lbs) costs \$1,525
- **FedEx:** There is a weight limit of 31.8 kg (70 lbs) per package. The cost is \$ 718 per 31.8 kg package.

Air-freight

Two airlines offer cargo service from Tanzania to the US: KLM / North Western and Swiss Air. United, Delta, Continental and US Air do not offer cargo service out of Dar es Salaam. For air-freight shipments, the price depends upon the weight of the goods and not on their size or volume (as is the case for sea-freight, see below). For cargo shipments there generally seems to be a price-break if the shipment is over 100 kg (220 lbs).

- **KLM:**
 - \$ 4.42 per kg for shipments of 100 kg and more (Total cost for a 100 kg shipment: \$ 442).
 - \$ 7.95 per kg for shipments of less than 100 kg (Total cost for a 75 kg shipment: \$ 597).
 - \$ 5.00 flat fee per shipment.
- **Swiss Air:**
 - \$ 5.90 per kg for shipments of 100 kg or more (Total cost for a 100 kg shipment: \$ 590).
 - \$ 6.90 per kg for shipments of less than 100 kg (Total cost for a 75 kg shipment: \$518).
 - \$ 5.00 flat fee per shipment.

Sea-freight

While there are numerous shippers, many companies listed in directories under Tanzania actually do not offer export/shipping service out of Tanzania. The price depends on the desired container size, with a weight limit associated with each specific container volume. The typical 20' container has dimensions of 20' x 8'6'' x 8' and has a weight limit of approximately 40,000 lbs (or about 19,000 kg). Shared containers are generally not offered through the shippers directly; however it is possible to go through a freight forwarder to get this service. Unfortunately none of

the freight forwarders we contacted replied with a price quote. We further feel inquiries with concrete shipment details could be more successful.

- ***P&O Nedlloyd Ltd.***: Port (Dar Es Salaam) to Door (Chicago delivery) of a 20' container will cost \$ 2,350, with additional surcharges of \$ 670 (customs, etc), and \$ 411 plus 5% fuel surcharge for US rail inland delivery. Total estimated cost: approximately \$ 3,500 per container.
- ***Maersk Sealand***: Port to Door of a 20' container will cost \$ 1,350, with additional surcharges of \$ 835, and \$ 1,080 for US inland shipping. Total estimated cost: approximately \$ 3,300 per container.

Recommendation

Based on the information presented above, air-cargo is preferable to send goods from Tanzania to the US. Unless a freight forwarder with a competitive price structure can be located, shared container space will not be available without Haba Na Haba making the effort to find another company that ships from Tanzania to the US willing to share container space. Of the freight forwarders we contacted, several do not offer service to the US, and others did not respond to our inquiries.

ADDITIONAL RECOMMENDATIONS

Canada Alternative

Canada offers excellent opportunities for Tanzanian exporters. It is a useful gateway to all of North America and already imports almost every product that Tanzania currently exports. Currently trade with Tanzania is very modest; however, there are tremendous opportunities for growth. Canadian tariffs and quotas on Tanzanian products have been virtually eliminated since 2003 as part of the Market Access Initiative (MAI). Textile and apparel were formerly taxed as much as 19% and are the major beneficiaries from the MAI. Canada ranks sixth among world importers and it is a wealthy, import-friendly, and logical entry point into North America as a whole. Several advantages of importing into Canada over the United States include:

- traditional impediments faced by small producers located a great distance from markets can increasingly be overcome through use of modern transportation and distribution techniques;
- niche products often command prices high enough to offset extra costs and have their own specialized supply chains, making the market even more accessible for such products;
- Canadian importers are often willing to deal with smaller, more manageable quantities than their US counterparts.

In order for a product to be shipped into Canada and have these advantages, it is necessary for the government of the country of origin to have signed a Memorandum of Understanding, obtain a certificate of origin, and meet the apparel rules listed on pages 4-5 of the *Export to Canada Duty Free Guide* (See Appendix II). The Tanzanian government signed a Memorandum of Agreement on the 9th of May, 2003.

Canada also offers various support services for businesses from Least Developed Countries (LDCs) to increase the ease of exportation of goods. The Trade Facilitation Office Canada (TFOC) is a non-profit agency offering training and assistance to individual importers as well as to export promotion agencies. TFOC will respond to

inquiries about the Canadian market, provide market reports, publish export offers, and put exporters in touch with potential buyers free of charge to exporters from developing countries. For more detail on the TFOC refer to Appendix II/4.

Chicago Trade Association

The International Trade Association of Greater Chicago is a 'not-for-profit' organization dedicated to fostering ethical international trade management practices. Membership is \$ 150 annually. Being a member of this organization has a wide array of benefits including:

- Networking forums with international business trade and investment delegations
- Assistance during business travel abroad
- discount programs on commercial international services;
- banking, import/export documentation, medical insurance, parcel delivery; telecommunications

For more information on the Chicago Trade Organization please refer to Appendix II/1.

APPENDIX

I. CONTACTS

1. Importing

Customs Brokers

Goodship international, Inc; Bob Villiard

www.goodship.com

699 Lively Blvd

Elk Grove Village, IL 60007

Phone: 847.621.1444

Fax: 847.621.2801

E-mail: rjv@goodship.com

Henry E. Kloch & Co.

www.henrekloch.com

501 W. Ogden Ave

Hinsdale, IL 60521

Phone: 630.654.1933

Fax: 630.654.0094

E-mail: hekchicago@henryekloch.com

JDC International, Inc.

www.jdcintl.com

457 Crossen

Elk Grove Village, IL 60007

Phone: 847.228.7770

Fax: 847.228.7750

Quality Brokers, Inc. / Quality Freight Services International

www.qualitybrokers.com

Chicago Office

615 North Edgewood

Wood Dale, IL 60191

Phone: 630.766.9447

Fax: 630.766.9488

2. Shipping

Air Cargo

Swiss International Air Lines Ltd.

776 EAB Plaza

7th Floor, West Tower

Uniondale, NY 11556-0776

Tel: (1) 516.247.4136

Fax: (1) 516.247.4102

Web: <http://www.swissworldcargo.com>

Contact for Tanzania: Roderick Jeremiah (jeremiah.rodrick@swiss.com)

KLM / North Western

Chicago Office:

O'Hare International Airport

IL60666

Tel.: (1) 773.601.0521

Fax: (1) 773.601.8701

Web: <http://www.klmcargo.com>

Contact for Tanzania: Jacob (klmcargo.dar@cats-net.com)

Sea Cargo

Maersk Inc.

2021 Spring Rd. Suite 500

Oakbrook, IL, 60523

Phone: (1) 630.574.6600

Email: chisalgen@maersk.com

Web: <http://www.maersksealand.com>

Maersk Tanzania Ltd.

Nelson Mandela Road

Kurasini

P.O. Box 77264

Dar es Salaam

Phone: 255 22 2851110

E-mail: tanmkt@maersk.com

P&O NedLloyd Ltd

2001 York Road - Suite 500

OAKBROOK, IL 60523,

Tel: (1) 630.891.7700

Fax: (1) 630.891.7710

Web: <http://www.ponl.com/>

II. LINKS AND BRIEF DESCRIPTIONS

1. Exporting websites

Tanzania Chamber of Commerce, Industry and Agriculture

<http://www.tccia.com/>: This site outlines export procedures for shipping by Air and by Sea. It also has a comprehensive list of businesses in Dar es Salaam who specialize in clothing and handicrafts. (E-mail: tccia.hq@cats-net.com)

Chicago Trade Organization

The International Trade Association of Greater Chicago
4610 North Kenton Avenue
Chicago, Illinois, 60630-4020
Phone: (1) 773.725.1106
Fax: (1) 773.725.2294
E-mail: info@itagc.org

<http://www.itagc.org>: This is the site of a 'not-for-profit' organization dedicated to fostering ethical international trade management practices. Being a member of this organization has a wide array of benefits including: discount programs on commercial international services, including banking, import/export documentation, medical insurance, parcel delivery, and telecommunications

2. Shipping websites

Directories for Shippers and Freight Forwarders

<http://www.forwarders.com/> : Features an alphabetical directory of freight forwarders as well as some useful international trade links and a form to obtain free price-quotes. Our enquiries here were not successful but maybe chances are better when they are approached with complete order details rather than a general question.

<http://www.freightnet.com/c142-Tanzania/>: A smaller list of Tanzanian shippers and freight forwarders. The same problem as above applies.

Other shipping links

<https://www.cargoportalservices.com/lmsweb/signon.jsp>: Cargo Portal Services is an Internet portal for the air cargo industry. It provides neutral multi-carrier booking facilities.

3. African Growth and Opportunity Act websites

Official African Growth and Opportunity Act Website

www.agoa.gov: Website with necessary information regarding African Growth and Opportunity Act. Provides links to related sites on rules and regulations, and customs.

AGOA information from the Customs and Border Protection

http://www.cbp.gov/linkhandler/cgov/toolbox/legal/informed_compliance_pubs/textiles/icp065.ctt/icp065.pdf: Link to “What Every Member of the Trade Community Should Know About: The African Growth and Opportunity Act,” Customs and Border Protection, Revised August 2003

4. Customs Brokers websites

GoodShip International, Inc.

www.goodship.com: GoodShip International is your universal transportation link, from customs clearance to freight forwarding. We deliver your cargo economically and efficiently from every commercial shipping location in the world, while providing you with the very best in personalized service.

Henry E. Kloch & Co.

www.henryekloch.com: Henry E. Kloch & Co. Customs Brokers is family-owned and operated with over 30 years of experience in the importing business and International Freight and Federal Regulations. They specialize in providing service to those with little or no importing experience, and are able to support small and medium sized businesses.

JDC International

www.jdcintl.com: JDC International, a privately-owned customs broker and freight forwarder, has assisted importers and wholesalers with customs brokerage and forwarding for 20 years.

Quality Brokers, Inc. / Quality Freight Services International

www.qualitybrokers.com: Quality's mission is to provide unparalleled customer service to small and medium sized U.S. importers and to promote long term relationships.

5. Canada website

Trade Facilitation Office Canada

www.tfoc.ca: TFOC is a provider of information on the Canadian import market. Their goal is to assist developing and transition economy countries in exporting to the Canadian market.

Other links that may be helpful are available in the *Guide to Expanding Tanzanian Exports to Canada* (see PDF-Link below), including The Canadian Importers Database, Doing Business in Canada (a general guide to exporters) and the Canadian Association of Importers and Exporters. Also included in the appendixes of this report is information on the New Partnership for Africa's Developments, which offers a wide variety of benefits, particularly to African women entrepreneurs, including trainings and networking opportunities, which may be helpful to Haba Na Haba in the future.

http://www.intracen.org/pact/programme/Opportunity_Study_Tanzania_final.pdf