

Import Compliance

Introduction

Living the Northrop Grumman Values and aligning our behavior with the Standards of Business Conduct is one of our most important responsibilities as employees. High ethical standards are foundational to our culture and an operating principle for every employee. When we ensure that Northrop Grumman abides by U.S. law while importing, we fulfill a legal requirement and an ethical obligation.

The U.S. Bureau of Customs and Border Protection (CBP) administer import laws and regulations. Imports are subject to prohibitions, restrictions, and product requirements. Depending upon the nature of the product, certain commodities are also subject to requirements of other federal participating government agencies. All laws and regulations are in place to protect the commerce and national security of the U.S. Therefore, it is vital that all personnel involved in the import process be aware of and fully complies with all U.S. import laws and regulations.

Imports are tangible products brought into the U.S. or its possessions from foreign countries. Receiving technical data services or business documents from a foreign company, downloading software or technical information from the internet, receiving foreign manufactured goods from a domestic reseller, or items purchased from one foreign country for delivery to another foreign country are not imports.

When and How Do Imports Occur?

- Buying products from foreign companies
- Returns of products from Northrop Grumman customers abroad
- Returns of Northrop Grumman owned material (such as tooling) from abroad
- Requesting samples from foreign companies
- Receiving products drop-shipped from a foreign company, even if ordered through a U. S. company
- Goods in transit through the U.S. to a third country

Elements of the Import Process

All imports are subject to CBP regulations. In addition, CBP enforces regulatory requirements of several other participating federal government agencies. For example, temporary imports of defense articles require a license or other authorization from the Department of State. All imports must be declared to CBP. The declaration includes a detailed description to determine

an accurate tariff classification, correct value, a country of origin (where the product was manufactured), and the actual quantity received. These factors combined determine the admissibility of the goods and the amount of duty payable upon entry into the United States.

Northrop Grumman Corporation is required to retain any documents that relate to an import and declarations made to CBP. Entry records must be maintained for a period of five years from the date of entry. Certain transactions, or Northrop Grumman internal policy, may require records to be retained for longer periods of time. Records include those documents normally maintained in the ordinary course of business. Examples include purchase orders, contracts, receiving documents and financial records and the entry documentation submitted to CBP at time of import.

Duty – a tax charged by the government on imports

Penalties

Failure to comply with import laws and regulations can result in heavy fines ranging in the millions and other significant civil and criminal penalties, including revocation of the company's import privileges and/or potential seizure of imported merchandise. Individuals found to be in violation of these laws and regulations can be fined or face imprisonment.

Through co-operative interaction and communication with many functional business areas, we achieve import compliance.

Government Agencies and related Laws and Regulations

CBP Regulations, (19 CFR, Chapter 1, Parts 1-199) – Regulations that are administered by CBP and Border Protection that detail the import process, including the procedure for the valuation and classification of merchandise.

Customs Modernization Act (Mod Act) – Shifted many responsibilities from CBP to importers, which placed new requirements on importers and levied heavy fines for non-compliance

ITAR, (22 CFR Parts 120-130) – Regulations administered by the State Department which require that all exports and temporary defense imports and services be authorized by a U.S. State Department approved license, an approved agreement, or a valid ITAR exception

Alcohol, Tobacco, Firearms and Explosives (ATF) Regulations (27 CFR Parts 447, 478, 479) – Regulations that detail the import license process for the permanent import of defense articles contained on the U.S. Munitions List

Food and Drug Administration (FDA) Regulations (21 CFR, Chapter 1) – Regulate all

imported electronic products that emit radiation or contain lasers

Federal Communications Commission (FCC) Regulations (47 CFR Parts 1-199) –

Regulate all imported digital devices, examples include: transponders, monitors, turning units with transceivers installed/radar components, alarm system devices that can transmit a signal for help

Environmental Protection Agency (EPA) Regulations (40 CFR Section 707.20) –Regulate all imported regulated chemicals

Office of Foreign Assets Control (OFAC) – Agency that controls the sanctions and embargos authorized by the U.S., which prohibit exports to, or the conduct of business with certain countries and/or governments

Other Terms

Customs Broker – a licensed company or individual authorized by a power of attorney that prepares and files the necessary Customs entries, arranges the payment of duties, taxes, and fees that are mandatory in order to allow goods to enter into the United States.

Resources

Northrop Grumman has policies, procedures, and responsible persons to support importing location. For additional information or responses to questions, contact Import Management:

Michele Dunkle, Import Manager (410) 765-7883

Randi Singer-Peach, Import Specialist (410) 993-3224

Further detail is available from the links below:

Import Management Website

<http://import.es.northgrum.com/pages/index.html?container=home>

Import Compliance Training Class

<http://import.es.northgrum.com/pages/index.html?container=training>

CBP Website

www.cbp.gov

X301 Import Controls – Customs Regulations

http://cm.md.essd.northgrum.com/cm/procs/X-Export_Management/X301.pdf

Test Yourself

- 1) Importing goods into the U.S. is a privilege.

True
False

- 2) A reseller located in Ohio sells Northrop Grumman a product manufactured in France. Northrop Grumman is required to file an entry with CBP.

True
False

- 3) The following information is needed to complete an import declaration:
 - a. Description of the goods
 - b. Country of origin
 - c. Value of the goods
 - d. All of the above

- 4) Failure to comply with CBP regulations may result in civil and criminal penalties.

True
False

- 5) A representative from an Australian company plans to give a presentation to a group of all U.S. persons on a new navigation system design. The presentation is an import since it is from a foreign source.

True
False

- 6) Northrop Grumman, as an importer, is responsible to maintain documents that support import declarations.

True
False

- 7) Northrop Grumman placed an order for 300 defense parts from a supplier in France. When the shipment arrives there are 350 parts. What quantity must be declared to CBP?
 - a. 50
 - b. 300
 - c. 350
 - d. None of the above

- 8) Duty is a tax assessed by CBP on imports.

True
False

9) When a customer in a foreign country experiences a problem with a previously shipped product that results in a product shipment to the U.S. for repair, the product is an import.

True

False

10) A company in Germany makes 200 parts and sells them to a company in Canada. Northrop Grumman buys 100 of the parts from the Canadian company. When Northrop Grumman declares the import to CBP, Germany is identified as the country of origin.

True

False

Correct Answers

1) Importing goods into the U.S. is a privilege.

True. Importing is a privilege granted by CBP. CBP as the governing federal agency can impose fines, civil and criminal penalties, including revocation of importing privileges.

2) A reseller located in Ohio sells Northrop Grumman a product manufactured in France. Northrop Grumman is required to file an entry with CBP.

False. The importer of record would be the party that introduced the goods for importation into the U.S. In this case, the purchase of the goods from the company in Ohio would be considered a domestic transaction for Northrop Grumman.

3) The following information is needed to complete an import declaration:

d. All of the above. CBP requires an accurate value, description of the goods and the country of origin in order to determine if the goods are admissible for import into the U.S. and the applicable duties and fees that may apply.

4) Failure to comply with CBP regulations may result in civil and criminal penalties.

True. CBP can impose severe monetary civil and criminal penalties for failure to adhere to CBP and other participating government regulations.

5) A representative from an Australian company plans to give a presentation to a group of all U.S. persons on a new navigation system design. The presentation is an import since it is from a foreign source.

False. Only tangible objects are considered imports. CBP does not regulate incoming information or ideas. However, if there is an exchange of information, export regulations may apply.

6) Northrop Grumman, as an importer, is responsible to maintain documents that support import declarations.

True. Documents, such as those retained in the normal course of business, are required to be maintained for five years from the date of entry. Additional recordkeeping periods apply to specific types of import as referenced in federal regulations and Northrop Grumman policies.

7) Northrop Grumman placed an order for 300 defense parts from a supplier in France. When the shipment arrives there are 350 parts. What quantity must be declared to CBP?

c. 350. The actual quantity received is required on the declaration to CBP in order to determine proper value and associated duties and fees.

8) Duty is a tax assessed by CBP on imports.

True. Duty is a tax assessed on imported goods by CBP that is dependent upon the description, valuation, quantity and country of origin of the product.

9) When a customer in a foreign country experiences a problem with a previously shipped product that results in a product shipment to the U.S. for repair, the product is an import.

True. The return of product for repair from customers in foreign countries is an import.

10) A company in Germany makes 200 parts and sells them to a company in Canada. Northrop Grumman buys 100 of the parts from the Canadian company. When Northrop Grumman declares the import to CBP, Germany is identified as the country of origin.

True. The country of origin is the country in which product was manufactured, not the country from which the product was purchased and/or shipped.