

Import Controls

Introduction

Living by the Northrop Grumman Values and Standards of Business Conduct is one of our most important responsibilities. We have set high ethical standards. By ensuring that Northrop Grumman abides by U.S. law while importing, we are not only fulfilling a legal requirement but also an ethical obligation.

Import laws and regulations are administered by U.S. Customs and are subject to prohibitions, restrictions, and product requirements. Certain commodities are also subject to requirements of other federal government agencies, depending on the nature of the product. All laws and regulations are in place in order to protect the commerce and national security of the U.S, so it is vital that all personnel involved in the import process are aware of and are fully compliant with all U.S. import laws and regulations.

Imports are products brought into the U.S. or its possessions from foreign countries.

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

Since the import declaration process relates to physical products, business documents and electronic transmissions are not considered imports.

Elements of the Import Process

All imports are subject to U.S. Customs regulations. In addition, temporary imports of defense articles require a license or other authorization from the Department of State. Permanent imports usually do not require a license; however they have other requirements: they must be properly declared to U.S. Customs, which includes a description, a country of origin (where the product was manufactured), a tariff classification, and the correct quantity and value. These factors combined determine the amount of duty that is paid upon entry into the United States .

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.

Government Agencies and related Laws and Regulations

U.S. Customs Regulations, (19 CFR, Chapter 1, Parts 1-199) – Regulations that are administered by U.S. Customs 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 U.S. Customs 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

OFAC (Office of Foreign Assets Control) – 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 that is authorized by a power of attorney and 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 per importing location.

For further information or questions contact Import Management:

Jeannette Goodwin, Import Manager	410-993-3684
Randi Singer-Peach, Import Specialist	410-993-3224

Further detail provided in the attached links:

Import Management Website

<http://iisprod1.md.essd.northgrum.com/gateway/import/pages/application/index.html>

Import Compliance Training Class

http://es-ehr.nges.northgrum.com/Training/courses/ct_import.shtml

U.S. Customs Website

<http://www.customs.ustras.gov/xp/cgov/import>

X300 Series Procedures: Import Controls- Customs Regulations (sector procedure) & Customs

Import Site Process (multiple site procedures)

<http://cmprod.md.essd.northgrum.com/cmprod/DocBinder?site=1&homerom=17&group=1838&docno=X301>

Test Yourself

- 1) *Are importers responsible for fulfilling federal government agency requirements?*
- 2) *You are importing a new product from a supplier in France that contains lasers. Do you need to complete paperwork for the U.S. Customs Service and the Food & Drug Administration (FDA)?*
- 3) *You are importing a defense article (product or equipment) from Canada that will only be used temporarily. Is this defense article (product or equipment) subject to U.S. Customs regulations?*
- 4) *Must duty (a tax charged by the government) be paid on all imports?*
- 5) *A business man from Australia has been asked to come to the United States to give a presentation on a new navigation system design to a group of all U.S. persons. Is the presentation considered an import since it is coming from a foreign source?*
- 6) *A small company in Mexico ordered widgets from a defense company in Canada. While in transit the widgets had to pass through the United States. Would the widgets be considered a U.S. import?*
- 7) *You placed an order for 500 defense parts (product or equipment) from a supplier in Great Britain. When you receive the shipment you find that there are actually 600 parts. Do you have an obligation to report the discrepancy to U.S. Customs?*
- 8) *A company in the Netherlands makes 100 parts and sells them to a company in Canada. Northrop Grumman then buys 50 of these parts from the Canadian company. When Northrop Grumman declares these items to U.S. Customs is it a requirement to identify the Netherlands as the country of origin?*
- 9) *If you ship a product to a customer in a foreign country and the customer has problems with the product and needs to ship it back to the U.S. to be repaired, is the product considered an import?*
- 10) *A previously exported product is damaged during shipping to Germany. A team is sent to repair that product. After the product is fixed, the team sends all the tools needed to fix the product back to the United States. Are these tools considered imports?*

Correct Answers

- 1) *Yes. Importers are not only responsible for complying with U.S. Customs, but also any other participating federal government agencies that have import requirements.*
- 2) *Yes. The FDA regulates imports of lasers, as well as products that emit radiation.*
- 3) *Yes. All imports, temporary or permanent, are subject to U.S. Customs regulations. In addition, this article is subject to the International Traffic in Arms Regulations (ITAR).*
- 4) *No. Not all imports require a duty to be paid. Some products are duty-free due to the specific tariff number, a special trade program or other special provision in the tariff.*
- 5) *No. Only tangible objects are considered imports. U.S. Customs does not regulate incoming information or ideas. However, if there is an exchange of information, export regulations may apply.*
- 6) *Yes. Goods in transit through the U.S. to a third country are considered imports.*
- 7) *Yes. U.S. Customs should be notified (through proper channels) about any discrepancies, including the quantity.*
- 8) *Yes. The country of origin is the country the product was made in, not necessarily the country the product was purchased and/or shipped from.*
- 9) *Yes. Returns of products for repair from customers in foreign countries are considered imports.*
- 10) *Yes. Tools shipped from foreign countries are considered imports.*