



“SHAP” TALK

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WE WANT TO HEAR FROM YOU!

TRADE NEWS

Food Imports Often Escape Scrutiny

Last year, food inspectors sampled just 20,662 shipments out of more than 8.9 million that arrived at American ports. China, which in one decade has become the third-largest exporter of food, by value, to the United States, sent 199,000 shipments, of which fewer than 2 percent were sampled.

Now, as FDA inspectors travel to China to investigate the source of contaminated pet food that has killed numerous dogs and cats and sickened thousands, critics in Washington are warning that the agency is understaffed and underfinanced to keep America's food supply safe.

Globalization and new manufacturing capabilities have changed the makeup of the food that Americans put on their table. Food processors in the United States are buying a greater number of ingredients from other countries at cheaper prices, becoming more of an assembler in the nation's food supply chain.

In an effort to safeguard what goes on our tables, FDA has a number of procedures aimed at identifying problems with imported foods. Last year the agency visually inspected over 115,000 shipments in addition to sending samples of over 20,000 shipments to a laboratory for analysis.

Still, the number of food inspections has lagged even as the number of food imports has shot up in recent years. Shipments more than doubled to an estimated 9.1 million this year from 2000, and are more than four times what they were in 1996. They have also doubled in value to \$79.9 billion since 1996, according to the United States International Trade Commission (ITC).

The FDA, which is responsible for monitoring 80 percent of the country's food, inspects barely 1 percent of the food shipments arriving annually at hundreds of ports throughout the country, according to government statistics.

After September 11, 2001, Congress authorized 600 more inspectors, increasing the total FDA field staff for food, drugs and medical devices, to about 4,000. But since then, the agency's budget has not kept pace with inflation and the staff has decreased to 3,488 — fewer than the 3,500 in 2002.

More than 130 countries ship food items to the United States. Canada, Mexico and China have led the way, with China shipping nearly five times as much in food items to the United States as it did in 1996, ITC figures show. Beverages, fish, nuts, and fresh fruits and vegetables are among the categories showing the biggest growth.

There have also been increases in categories like residues and waste from food industries; prepared animal feed; and "gums, resins and other vegetable saps and extracts," the ITC said. "Emulsifiers" or "stabilizers" found in chewing gums and

candies, for example, come from sub-Saharan Africa and Pakistan. Imports of milling industry products like wheat gluten, while still small, have more than doubled in value since 1996. Food processors use glutes to raise protein content and thicken everything from candy bars to pet food.

In contrast to the FDA, the United States Department of Agriculture (USDA), which oversees meat and poultry and monitors about 20 percent of the food supply, has about 9,000 food inspectors, more than five times that of the FDA. With more clout, the USDA can require a foreign country to duplicate American slaughterhouse practices and send inspectors to certify foreign plants.

Today the risks can be chemical, pesticide-related or bacterial in nature — none of which can be found by simply looking at the food.

Large food sellers and grocery store chains have forced importers to sign contracts guaranteeing that their food is not contaminated. Large food processors have put in place quality assurance programs in foreign-operated plants.

Large companies have already developed quality assurance systems that go across national boundaries. We need those kinds of systems that are designed for medium and small companies that want to trade. We also need to ensure that they are being enforced and audited in countries where they are originating.

Are Customs Duties Gender Biased?

Men's seamed leather gloves – 14%

Women's seamed leather gloves – 12.6%

Men's man-made fiber swimwear – 27.8%

Women's man-made fiber swimwear – 11.8%

Men's synthetic fiber swimwear – 25.9%

Women's synthetic fiber swimwear – 24.9%

Men's cotton trousers – 16.1%

Women's cotton trousers – 14.9%

Women's trousers and breeches for ski suits – 28.6%

Men's trousers and breeches for ski suits – 28.1%

Women's footwear with leather upper – 10%

Men's footwear with leather upper – 8.5%

Women's knit suit of artificial fibers with wool – 8.5%

Men's knit suit of artificial fibers with wool – Free

Women's cotton underwear – 7.6%
Men's cotton underwear – 7.4%

These are just some examples of differentiation in duty rates for men's and women's apparel. Sometimes the men's garment carries the higher duty rate, sometimes the women's garment does. There seems to be no rhyme or reason to the application of these duty rates. The New York Times has called the discrepant duty rates "the last legal form of sex discrimination in the United States." Historically, apparel duty rates have been imposed as protectionist measures to help the U.S. textile industry.

Now several apparel importers have filed lawsuits with the Court of International Trade to challenge the legality of gender-based tariff rates. Do the duty rates violate equal rights protection under the U.S. Constitution?

Some companies worry that if the lawsuits are successful, the duty rates will rise to be made equal. Changing the duty rate for an imported item is not a simple matter (which is one reason why the lawsuits were filed). There are World Trade Organization (WTO) obligations to consider and Congressional approval is needed. If the U.S. raises the duty rates on certain items, there are bound to be retaliatory measures taken by our trading partners.

This is not a new issue or unique to the United States. Several years ago, the Canadian International Trade Tribunal recommended consolidating a number of gender-specific tariff items into gender-neutral provisions in order to modernize their tariff.

Samuel Shapiro & Company, Inc. will be watching the outcome of these cases closely. We will be covering this issue in our upcoming "**Focus on Textiles**" seminar to be held in Baltimore on August 9th. Please check our website, www.shapiro.com, and future issues of Shap Talk for more details of this seminar and how to register. You can also contact us at consulting@shapiro.com for more seminar information.

EU Customs Related Security Programs

The European Union has set in place security regulations similar to the U.S. Customs Trade Partnership Terrorism (C-TPAT) called the Customs Security Program (CSP).

The CSP's goal is to enhance security through improved Customs controls, while introducing proper security controls to ensure the protection of the internal market and secure the international supply chains. The CSP program also provides facilitation to those companies that demonstrate compliant efforts in these areas.

The EU has worked on tighter security controls and has already implemented many measures of the CSP. With this new security initiative and the time line for more controls, EU Customs will be enabled to carry out more targeted controls on high risk shipments by means of automated systems as well as new technologies.

Since early 2007, a common risk management framework has been used to support improved risk based controls by Customs authorities. Two major initiatives of the CSP are the Authorized Economic Operator (AEO) and the pre-arrival and pre-departure declarations that will become effective in stages.

On January 1, 2008, the Authorized Economic Operator (AEO) will be in force. This is a certificate for companies which meet certain security controls. EU Member States will be entitled to grant the AEO-status to any economic operator that meets common criteria relating to the operators' control systems, financial solvency and compliance record.

On January 7, 2009, it will become mandatory for traders to provide Customs authorities with advance information on goods brought into, or out of the Customs territory of the European Community.

For more information on the EU Customs Security Program, refer to the Europa website under the European Commission at:

http://ec.europa.eu/taxation_customs/resources/documents/common/publications/info_docs/customs/customs_security_en.pdf

EU Customs Security Amendments FAQ's can be viewed at:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/495&format=HTML&aged=1&language=EN&guiLanguage=en>

Supply chain security management is essential for both import and export. For more information on C-TPAT controls that can be applied to your entire supply chain, contact compliance@shapiro.com.

U.S. and European Union Plan for Enhancing Economic Integration

The U.S. and the European Union took steps at their annual summit last month to further expand economic cooperation and integration. The two sides established a new Transatlantic Economic Council and adopted a framework designed to foster cooperation on reducing regulatory burdens and accelerate work on key projects in the areas of intellectual property rights, secure trade, investment, financial markets and innovation.

The U.S. and the EU will pursue the following priority projects concerning regulatory cooperation in 2007 and 2008:

- o collaborate on cosmetics regulations, reducing the need for animal tests by cooperating on alternative testing methods;
- o seek final agreement on shifting resources away from implementation of the Medical Device Annex of the Mutual Recognition Agreement to a more productive bilateral collaboration on medical devices;

- simplify the application of regulation of medicinal products;
- address common concerns in the automotive sector in the area of road safety and fuel economy in order to avoid or reduce barriers to transatlantic trade;
- expand cooperation on activities relating to risk assessment, good laboratory practices and the Globally Harmonized System of Classification and Labeling of Chemicals, study templates, and information technology for data submissions;
- exchange conformity assessment procedures for the safety of electrical equipment.

The two sides resolved to achieve progress within the next six to eight months on the following priority growth projects:

- Intellectual property rights – develop procedures for the exchange of information relating to goods suspected of infringing IPR, the exchange of customs officials; seek progress in the harmonization of the different patent regimes;
- Secure trade – develop common and accepted standards to maximize security, safety and facilitation of the international trade supply chain that could lead to mutual recognition of programs for economic operators; begin to exchange information on the validation results associated with the Customs-Trade Partnership Against Terrorism and Authorized Economic Operator programs;
- Financial markets – promote and seek to ensure that conditions for the U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards will be recognized in both jurisdictions;
- Innovation and technology – conduct a high-level conference on innovation in health-related industries and a workshop on best practices in innovation policies; develop cooperation on identification and development of best practices for radio frequency identification technologies; develop a plan to promote the interoperability of electronic health record systems; sponsor joint workshops or conferences to foster the exchange of information on nanotechnology;
- Investment – establish a regular dialogue to address obstacles that hinder economic cooperation and integration.

Both sides display continued commitment to the success of the mission.

Exports Have Grown Every Quarter Since 2003

Department of Commerce Secretary Carlos M. Gutierrez issued a statement on May 10, 2007 advising that U.S. exports have grown every quarter since 2003, creating jobs and spurring foreign companies' investments in America. In this press release, Commerce issued a *U.S. Export Fact Sheet* and an *Invest in America Fact Sheet*.

Citing Census Bureau statistics, the Export Fact Sheet was issued showing facts and figures on U.S. export growth. Some highlights of this fact sheet are listed below:

- ◆ In the first quarter of 2007, U.S. exports of goods and services grew by 9.8 percent compared to the first quarter of 2006 to \$377.0 billion, while imports increased 4.2 percent to \$557.7 billion. The largest export markets for U.S. goods and services in the first quarter were Canada (\$57.8 billion, up 2.9%), Mexico (\$32.4 billion, down 0.9%), Japan (\$15.5 billion, up 8.5%) and China (\$14.5 billion, up 15.5%).
- ◆ Among the fastest growing exports by industry sector in the first quarter of 2007 compared to the first quarter of 2006 were pharmaceutical preparations (exports of \$9.0 billion, up 20.6%), organic chemicals (exports of \$7.2 billion, up 26.3%), other private services (exports of \$47.2 billion, up 11.9%), and corn (exports of \$2.5 billion, 59.2%).
- ◆ Trade figures from the first quarter show our economy's strength through increased exports in steelmaking materials, drilling and oilfield equipment, and business machine fields. This growth highlights areas of increasing economic opportunity in America.

The full *Export Fact Sheet* can be viewed at:

http://www.commerce.gov/opa/press/Secretary_Gutierrez/2007_Releases/May/10_Fact_Sheet_March_2007_Exports.pdf

The *Invest in America Fact Sheet* contains information on promoting America as the “investment of choice,” showing total foreign direct investment figures with recent examples of Investing in America.

The complete *Invest in America Fact Sheet* can be viewed at:

http://www.commerce.gov/opa/press/Secretary_Gutierrez/2007_Releases/May/10_Fact_Sheet_Foreign_Direct_Investment.pdf

Source: *Secretary Gutierrez Press release dated May 10, 2007*

http://www.commerce.gov/opa/press/Secretary_Gutierrez/2007_Releases/May/10_Gutierrez_Export_Growth_stmtnt.htm

COMPLIANCE CORNER

CBP Issues New Informed Compliance Publication

U.S. Customs and Border Protection (CBP) has issued an informed compliance publication entitled, “What Every Member of the Trade Community Should Know About: Determining the Acceptability of Transaction Value for Related Party Transactions.” This publication was prepared by the Commercial and Trade Facilitation Division of Regulations and Rulings and is intended to educate the public regarding certain aspects of the Customs valuation requirements for related party transactions.

Through this publication CBP summarizes:

- ◆ The tests for determining the acceptability of transaction value for related party transactions;
- ◆ CBP's application of the related party tests, including information and evidence needed to substantiate claims that transaction value is acceptable under these tests;
- ◆ The relevance of Advance Pricing Agreements (APA's) and Transfer Pricing Studies to the circumstances of sale test in determining the acceptability of transaction value; and,
- ◆ The importer's obligations regarding the declaration of value in related party transactions.

For companies that import from related parties, this is an important publication. All customs or trade managers of these companies, as well as their company's tax, finance and legal departments, should be familiar with this publication.

A copy of this publication can be found at the following link:

http://www.cbp.gov/linkhandler/cgov/toolbox/legal/informed_compliance_pubs/icp089.ctt/icp089.pdf

TRANSPORTATION NEWS

Transportation Update – June 2007

Far East/ India

The New World Alliance (TNWA) and CMA-CGM today announced a new all-water service to expedite cargo moving from major Chinese export hubs to key destinations on the U.S. East Coast via the Panama Canal. The introduction of the new ESX service will enable TNWA and CMA-GGM to offer comprehensive port coverage and competitive transit times from Central and South China to Savannah and New York. From 4 June 2007, the ESX will deploy vessels ranging from 3,500-3,800 TEU (twenty-foot equivalent unit) on a weekly service operating on a 56-day rotation. TNWA member lines APL, Hyundai Merchant Marine Co., Ltd. (HMM) and Mitsui O.S.K. Lines, Ltd. (MOL) serve more than 40 ports using in excess of 100 containerships in the major East-West container trades.

- Projected Peak Season for June 15th: 20' \$300/ 40' \$400/ 40'HQ \$450/ 45'HQ \$510
- Far East Bunker Increase for export effective June 1.
- Inland Fuel Surcharge Increase effective June 1.

China has rejected a proposal by four ocean carriers for an increase in terminal handling charges in South China. This increase would have taken effect May 15th and June 7th.

In a rare event, there was a work stoppage by dockworkers in China on May 1. The workers were unhappy with wages and overtime. There was a sit-in outside the terminal headquarters.

The Port of Shanghai overtook Hong Kong to become the world's second-largest container port in the first quarter. Volumes rose 28.1 percent from the same period a year ago.

We want to alert you to space issues from the Far East. Vessels are nearly full on Trans-Pacific routes: Many of the carriers that handle the Asia inbound trade are booked solid at the present time. We expect this trend to continue as Peak Season approaches since many importers want to import as much as they can before the rates go up on June 15. The carriers are asking for a two week advance notice to secure booking/space. Importers should be requesting their shippers to give agents and carriers at least two weeks notice so that bookings are made timely. This is becoming a requirement for most carriers to provide space out of Asia to the USA.

Volume at India's ports has increased. The port of Nehru had an all time volume increase of 24%, while Mumbai's growth stood at 18%.

South America

The Brazilian government has approved a project to more than triple the capacity of the Port of Santos over the next decade. The government plans to build new terminals and improve the port's infrastructure.

Due to Maersk discontinuing service in Brazil, there are now space and equipment issues. This is not affecting all ports, but primarily Santa Catarina and São Francisco de Sul. The space issues are with MSC and Hanjin. Since MOL is using MSC's service, it, too, is having space issues. Hamburg Sud uses CSAV's service and there are space issues with them as well. The equipment issues tend to be with Hanjin. There are no concerns at this time with containers out of Rio Grande do Sul or Santos.

Starting May 28, 2007, the BAF with MSC will increase to USD 400.00 / 20' and USD 800.00 / 40'.

Northern Europe/Scan Baltic Region

Based upon latest monitoring of fuel prices, which have shown recent increases, the Bunker Adjustment Factor (BAF), will be adjusted to the following levels as of June 16, 2007 (USA).

- U.S.A. ATLANTIC/GULF DESTINATIONS
- * USD 494.00/20'
- * USD 988.00/40'

- U.S.A. PACIFIC DESTINATIONS

* USD 741.00/ 20'

* USD 1,482.00/40'

The Currency Adjustment Factor (CAF) remains unchanged.

Russian President Vladimir Putin is calling for urgent improvements to Russia's ports. Too much freight is being diverted to other foreign ports because the port of St. Petersburg has not been modernized. Shippers are experiencing up to 15 days delay there.

Domestic Cargo

PierPass, a program put in place to encourage cargo owners to move their shipments during off-peak hours, seems to be working. Some 5 million truck trips have been diverted to the off-peak hours since July 2005, according to a statement released in May by PierPass Inc. Approximately 60,000 truck trips are diverted to off-peak hours during a normal week.

US rail traffic is on the decline due to the slump in the housing and automotive markets.

Charleston broke ground on a new container port at a former Navy base. This will increase capacity by 50% once complete; it is expected to open in six years.

After many years of chassis issues, carriers are now establishing local and regional chassis pools. By summer, 22 lines should be covered in the intermodal pools in the South Atlantic region, the Midwest and Texas in the first quarter of next year, and Chicago soon after that. The West Coast will be the toughest because of the number of terminals and carriers.

Air Cargo

Air cargo carriers are raising fuel costs yet again in response to the rising price of jet fuel. Airfreight volumes are down due to high fuel costs and increased competition in sea freight. There was an increase in January, but still not any significant growth. The Middle East, according to the International Air Transport Association (IATA), had the strongest growth. IATA still expects airfreight to improve in 2007. With the world's air freighter fleet growing each year, air cargo is projected to grow 6 percent a year in the future.

British Airways announced it has set aside \$690 million to settle charges by U.S. and European anti-trust regulators that it fixed air cargo prices with other airlines.

While many shipments of fish, fruits, vegetables and other perishables are generally shipped via air, one commodity that has moved over to ocean transport is flowers. Due to advances in refrigerated technology in ocean liners, and increasing fuel costs with air, this is becoming a more viable option.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

New Director of Transportation

Samuel Shapiro & Company, Inc. is pleased to announce the addition of Jack Bashkow to its team of talented professionals.

Jack, who most recently served as the Director of BDP International's Procurement of Marine Transportation, joins Shapiro as the Director of Transportation. "I am looking forward with great anticipation to work for Samuel Shapiro & Company," said Jack. "Their values are those that will allow me to work along side a great team to provide our customers with the highest standards of customer service."

With twenty-six years experience in the transportation industry, Jack's main objective will be to mentor a team of international freight forwarders in both import and export operations (air, ocean and domestic), work with steamship lines and international partners to negotiate contracts and maintain tariffs, as well as uphold Shapiro's values and provide excellent customer service.

"We at Shapiro believe that Jack Bashkow's professionalism and broad industry knowledge are essential elements in our overall freight forwarding strategy," said Robert Burdette, Corporate Director of Marketing & Strategic Development. "He will be given great latitude to combine existing Company strengths in customized technology and compliance with creative, value driven transportation solutions for our diverse customer base."

Shapiro Hires New Baltimore Branch Manager

Samuel Shapiro & Company, Inc. is pleased to announce the addition of David Harlow to its team of talented professionals.

David, who most recently served as an International Sales Executive for Phoenix International Freight Services, joins Shapiro as Branch Manager of our flagship Baltimore office. "It's a real pleasure to join the Shapiro team in Baltimore; I've received a very warm welcome from everyone," Harlow noted. "I am excited to be a part of such an exceptional organization. My focus will be to maintain the strong commitment to excellence in customer service and compliance that Shapiro is already known for, as well as to aggressively grow our business and our presence in the market."

With nine years experience in the transportation industry, his main objective will be to maintain our outstanding levels of customer service and to further develop the success of the Baltimore branch. This is the first time a branch manager position has been available in the Baltimore office and the Shapiro management team is looking forward to his contribution to the branch and company overall.

“We are very happy to welcome David to the Shapiro team,” said Michele Dunkle, Corporate Director of Import Operations. “He has a diverse background covering import and export customer service, global pricing as well as commercial development. His leadership of the Baltimore operations lends itself to our growth initiatives while retaining our commitment to customer service excellence.”

News from our Dulles Office – Our Fourth Annual Customer Appreciation Day

The Dulles office of Samuel Shapiro & Company, Inc. celebrated its 4th Annual Customer Appreciation Day Picnic/BBQ on May 18, 2007. The weather was not on our side this day; however that did not deter our excitement in getting ready for our customers’ arrival. All employees arrived early to continue preparation of the food and decorations inside the office. As in true “customer appreciation” spirit, our office did all the cooking ourselves, while of course continuing to move the cargo. We had approximately 35 visitors though out the day to participate in our Western-themed BBQ, complete with hay bales in the office! We hope that all of our visitors had as much fun as we did and for those who could not make it...we hope to see you next year!

Are Customs Exams Hurting Your Bottom Line?

The Customs-Trade Partnership Against Terrorism (C-TPAT) program is a voluntary program developed by the Bureau of Customs and Border Protection that can help you become five to eight times less likely to be pulled for a Customs exam.

To learn more about C-TPAT, visit our website at:
<http://www.shapiro.com/./html/ctpat1.html>

Interested? Want to apply but don’t want to spend thousands?

Don’t miss out on this one-of-a-kind workshop that will empower YOU to handle your company’s C-TPAT application!

We will show you what information should be included in your security profile and help you navigate through the Customs C-TPAT portal. And better yet, if after the workshop you decide that you still need assistance with your C-TPAT application, Shapiro will deduct your seminar fee from our C-TPAT proposal.

Samuel Shapiro & Company, Inc. kicked off its 2007 C-TPAT workshop series in Baltimore on Thursday, May 3, 2007 and it was a rousing success. The next workshop will take place on June 14, 2007, from 9:00 a.m. to 3:00 p.m., at the Down Town Club in Philadelphia, PA. Shapiro will also host another C-TPAT workshop in Atlanta, GA in October 2007; date and location to be announced.

The C-TPAT workshop will provide importers with the tools to effectively evaluate the security of their supply chains, analyze the results, communicate with business partners, and develop improvement plans. We will supply you with step-by-step instructions plus the materials to create your own security profile and application for admission to C-TPAT!

Seminar Locations:

June 14, 2007
Philadelphia, PA
Down Town Club in Philadelphia, PA
6th & Chestnut Streets
Philadelphia, PA 19106
Hotel Phone: (215) 925-2040

October 2007
Atlanta, GA
(Exact date and location to be announced)

Cost (includes seminar materials, lunch, and refreshments):

\$450 per person

Click on the link below to register today!

<http://www.shapiro.com/html/SeminarCTPATWorkshop3May2007.html>

If you have any questions or would like to register by phone, please contact compliance@shapiro.com or by phone at 800-695-9465, ext. 290.

WE WANT TO HEAR FROM YOU!

Do you have suggestions for an article? Is there a topic you'd like us to cover in a future issue? Please let us know! Send your feedback to shaptalk@shapiro.com.