"SHAP" TALK

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TRADE NEWS

Andean Trade Preference Act Update

The Andean Trade Preference Act (ATPA)/Andean Trade Promotion and Drug Eradication Act (ATPDEA) for Bolivia, Colombia, Ecuador, and Peru is scheduled to expire February 29, 2008. It is uncertain whether or not Congress will renew ATPA/ATPDEA.

A free trade agreement with Peru has been signed but is not yet in effect. Extension of the ATPA/ATPDEA could disrupt the implementation of the Peru FTA.

Another free trade agreement with Colombia is currently working its way through Congress. Extending the ATPA/ATPDEA would remove pressure from Congress to approve the Colombia FTA.

The United States' relationship with Bolivia and Ecuador has been labeled “problematic” as these two countries are supporters of Venezuelan President Hugo Chavez, no friend to the United States.

Taking all of the above into account, the outcome of ATPA/ATPDEA renewal is unsure. If the program does expire, certain goods from the four countries would remain duty free under GSP, but the scope of covered goods is more limited than under ATPA/ATPDEA. ATPA/ATPDEA covers textiles and apparel, commodities generally not granted GSP status. Congress has recently approved a ten month extension of ATPA/ATPDEA (H.R. 5264), however it is uncertain whether this legislation will be enacted before the program expires.

Profile of U.S. Exporting Companies 2005 - 2006

The U.S. Census Bureau, Department of Commerce, has recently released a report, *A Profile of U.S. Exporting Companies, 2005 – 2006*. This report provides information on identified U.S. exporters (companies that can actually be linked to export transactions).

Census has compiled text, charts and graphs to report various aspects of export from the United States. We thought we would share with our readers some interesting facts taken from these reports.

Approximately 12 percent of the 2005 and 2006 total export value could not be linked to specific companies, so the number of exporters may be understated. This would encompass exports by individuals, governments, low-value estimates, and documentation filed with missing, unknown, or incomplete company identifiers. Export values are taken from detailed export documentation and electronic filing data on file with the Census Bureau. As more companies and individuals file electronically, or may be forced to file electronically with Census upcoming new rules, these statistics should be more accurate and timely.

In 2006, the “identified U.S. exporters” accounted for $910 billion in exports or almost 88 percent of the total value of exported goods ($1,037 billion). In 2006 the number of identified U.S. exporters was 245,900, up 2.3% from the revised 2005 estimate of 240,400. The known value of exports was $910.5 billion, up from $789.9 billion, the revised 2005 known value.

During 2006, 10 percent (24,600) of all identified exporters were multiple location companies in the U.S. which accounted for almost 79 percent of the known export value. 221,300 single location companies make up 90 percent of the export companies, which accounted for 21 percent of the known export value.

Related parties or companies that export to their foreign counterpart (i.e. parent company or sister company, where there is at least 10 percent ownership of each by the same U.S. foreign person or business enterprise) accounted for 37 percent of the known export value.

Manufacturers accounted for the largest portion of the 2006 known value, almost 64 percent with 28 percent of the identified exporters. Wholesalers accounted for 22 percent of the known export value and “other companies” accounted for over 14 percent.

The *2006 Export Concentration by Top Companies* shows the export concentration by percent of known export value. Of the known export value for 2006, 62 percent was accounted for by the top 500 companies. Over half of the total known export value was accounted for by the top 250 exporters. The top 100 manufacturers contributed over one-third of the total known export value and over one-half of all exports by manufacturers.

Among the company types, the top 50 manufacturers accounted for over 43 percent of the known export value of the manufacturing sector. The top 50 firms represented over 38 percent of the known export value for wholesalers and about 37 percent of the known value for “other companies.”

Large identified exporting companies (those employing 500 or more workers) were responsible for more than 71 percent of the known export value, but represented only 3 percent of all identified exporters. Large companies also dominated manufacturers’ exports, with 4 percent of manufacturing exporters (2,765 of 67,757) accounting for 84 percent of manufacturing export value ($487 billion of $578 billion). Similarly, large wholesalers, who comprise less than 1 percent of the wholesalers who export, accounted for more than 46 percent of the value of known exports by wholesalers. Large companies in the “other” category represented over 3 percent of the identified exporters and over 52 percent of the known value in the “other” category. Roughly 40 percent of large manufacturers’ export value was to related parties.
Small- and medium-sized exporters (those employing fewer than 500 workers) comprised over 97 percent of all identified exporters but accounted for almost 29 percent of the known export value.

Nearly 96 percent of manufacturing exporters were small- or medium-sized companies; however they contributed almost 16 percent of the sector's $578 billion in exports.

99 percent of wholesalers were small- or medium-sized companies; they accounted for nearly 54 percent of the sector’s $203 billion in exports.

Almost 97 percent of “other companies” were small- or medium-sized companies; they represented almost 48 percent of the sector’s $123 billion in exports.

The largest number of companies shipped to Canada, followed by Mexico, the United Kingdom, Germany, and Japan. Among the top 25 U.S. trading partners, the United Arab Emirates (10 percent), India (10 percent), China (8 percent), and Brazil (6 percent) showed the largest percentage increases in the number of identified exporting companies.

The Census Bureau releases data on exports by state based on the origin of movement (OM). The OM data series is based on where the goods began their movement to the port of exit as reported on the export document. In 2006, the top five states, based on the number of identified exporting companies, were California, Florida, New York, Texas, and Illinois. Exporters in these five states represented almost 41 percent of the total known export value.

• The number of identified exporting companies increased by 5,569 or over 2 percent.

To access this report and all of the exhibits, please go to the Census website at:
http://www.census.gov/foreign-trade/Press-Release/edb/2006/index.html#full

Trade Deficit Statement from the U.S. Trade Representative

On Valentines Day, U.S. Trade Representative Susan Schwab issued a statement regarding the release of the Commerce Department foreign trade data from 2007. This data shows that foreign sales of U.S. products were over $1.6 trillion in 2007. Export expansion accounted for more that 40 percent of our economic growth last year. Such trade expansion raises U.S. productivity, generates income growth, and increases the number of higher paying U.S. jobs.

“Ninety-five percent of the world’s consumers are outside our borders. Global, regional and bilateral trade agreements help assure that these consumers will have free and fair access to products and services made or grown in America,” stated Ms. Schwab.

Export growth contributed directly to a 6.2% decrease in the U.S. trade deficit between 2006 and 2007, despite another 10.8 % increase in the price of petroleum imports last year. Strong export expansion, in fact, is supporting the U.S. economy in a period of economic adjustment. Export expansion has accounted for over 40% of the growth in the economy last year.

To view the USTR Release dated February 14, 2008, go to the USTR website: http://www.ustr.gov/assets/Document_Library/Press_Releases/2008/February/asset_upload_file35_14465.pdf

Government Accountability Office Issues Status Report On Container Security Initiative

In January 2008, the Government Accountability Office (GAO) issued their first report since 2005 on U.S. Customs & Border Protection's (CBP) Container Security Initiative (CSI). The report confirms that CBP has made contributions to enhancing the security of overseas supply chains and that CBP has met its goal of having 58 sea ports in 33 countries CSI operational including operations in North America, Africa, South America, Europe, Middle East, and Asia, in such countries as Canada, China, Japan, United Kingdom, Egypt, South Africa, Brazil, and Panama. The GAO also found weaknesses in staff, processes, and examination technology of foreign governments. CBP agreed that they need to continue to enhance security measures, but they also stated that they already capture the core program functions as defined by the program criteria.

The GAO determined that the following issues and challenges remain for CBP. Note that this list is not all inclusive.

- Difficulty in finding qualified staff, relying on improperly trained temporary staff, and issues with identifying the appropriate numbers of needed staff.
- Some host governments restrict CSI officers from witnessing examinations including non-intrusive imaging x-ray, radiation detection, and manual examinations, which is the key purpose for CSI officers at CSI sea ports.
- CBP lacks a method for collecting information on host governments' examination technologies including equipment, processes, and staffing. This is a key concern because most cargo examined at a CSI port is not reexamined when it arrives in the US.
- There is infrequent host government counterpart or official interaction with CBP about potentially suspicious containers sometimes due to language barrier issues and a lack of qualified translators.
- Some governments prohibit the CSI officers' use of handheld radiation detection devices due to health concerns about their usage.
- Some governments lack the technology resources or have non-working equipment.
- Some host governments are also understaffed in assisting CBP with examinations.

The GAO makes the following recommendations for the program (Not all inclusive):

- Strengthen CSI team evaluations to include ensuring officers follow established procedures, monitor the completion of examinations, and capture all relevant data so that it can be used to make operating decisions.

CBP needs to have operational data on host governments' examination systems and technology and procedures by establishing minimal guidelines for system capabilities so that they can determine the reliability of said systems.
Enhance performance measures overall by developing more criteria for core program functions and by establishing annual performance targets.

In summary, in light of the new 9/11 Act requirement that 100% of containers will be scanned in the future at foreign ports, it's imperative to have programs to ensure that cargo exams and the equipment used are reliable regardless of the point of origin.

The GAO's full report can be viewed at http://www.gao.gov/new.items/d08187.pdf.

Exporters: New AES Reporting Requirements for BIS License Exceptions

Exporters, please be aware of new rules regarding certain License Exceptions. Effective April 28, 2008, AES reporting requirements for export license exceptions administered by the Bureau of Industry and Security (BIS) under the Export Administration Regulations (EAR) will change. Exporters and their authorized filing agents (AES filers) should follow the new reporting requirement to prevent the return of fatal errors from AES.

The Export Control Classification Number (ECCN) number will be required for License Exceptions reportable under the following License Exception codes.

C38-TSR C46-AVS
C41-RPL C47-APR
C42-GOV C48-KMI
C43-GFT C49-TAPS
C44-TSU C50-ENC
C45-BAG

Additional information on license exceptions and Export Clearance Requirements can be found under the EAR, Part 740 and part 758 of the EAR, respectively. http://www.access.gpo.gov/bis/ear/ear_data.html

This announcement can be viewed on the BIS website at:
http://www.bis.doc.gov/pdf/bis-web-announcement.pdf

New APHIS-CBP Partnership Established

A new alliance of federal and state agencies responsible for agriculture inspection, the Agriculture Quarantine Inspection Partnership Council, held its inaugural meeting January 23, 2008. The purpose of the meeting was to map out improvement plans on a number of fronts. Initial efforts will seek to establish better lines of communication between the agencies and stakeholders. Kevin Harriger, Deputy Executive Director of Agriculture Operational Oversight states; "The idea behind the partnership was to bring us together to compare notes on how we can continue to best protect America's agriculture".

In addition to establishing better communication, the council is to monitor and support progress on APHIS-CBP Joint Agency Task Force's 10 action plans. The Joint Task Force developed 10 action plans addressing structure and leadership; outreach and communication; joint agency planning; performance measures; regulatory enforcement; emergency response; information management; resources; training; and pest identification. One of the issues addressed in the action plans include stakeholders concerns that the agricultural mission was being lost or overshadowed to the primary mission of CBP.

In this recent meeting was an extensive briefing and discussion of the elements of the action plans which resulted in commitments from partnership members including the following:

- APHIS will continue to work with Florida to address plant- and pest-related issues
- APHIS and CBP will collaborate on creating a method to consistently provide plant pest information to the states
- Other government agencies, such as the Centers for Disease Control and the Fish and Wildlife Service, will be included in future outreach and communication initiatives
- CBP's assistant commissioner for field operations will participate with the U.S. Department of Agriculture and the National Association of State Departments of Agriculture in monthly conference calls
- CBP will enhance its participation on the Invasive Species Council.

(The next meeting of the Agricultural Quarantine Inspection Partnership Council is scheduled for the week of April 28, 2008.)

CBP press release dated 02/05/08 available at;
http://www.cbp.gov/xp/cgov/newsroom/highlights/agriculture_partner.xml

APHIS-CBP Joint Agency Task Force document (dated 11/01/07) available at;
http://www.aphis.usda.gov/plant_health/downloads/aphis_cbp_taskforce/TF_CurrentUpdate.pdf

TWIC Update

The Transportation Security Administration began the Transportation Worker Identification Credential (TWIC) enrollment process during the last quarter of 2007 for 12 U.S. ports, and will continue rolling out to remaining U.S. ports with a targeted completion date of September 25, 2008.

It is estimated that one million individuals will be required to participate in the TWIC program, including Coast Guard credentialed merchant mariners, longshoremen, port facility employees, truckers and other workers who require unescorted access to secure areas of facilities and vessels. TWIC is meant to ensure that any individual who has unescorted access to secure areas of port facilities and vessels has received a thorough federal background check and is not a security threat. The program includes criminal background, immigrant status and terrorist watch list screening, and is a critical component of the Department of Homeland Security's effort to enhance port security.

All owners, operators of vessels and U.S. credentialed mariners must comply with TWIC by September 25, 2008. Compliance for facilities will be phased in by zone, and the dates will be published in the Federal Register 90 days prior to the compliance date.

Customs Clarifies Use of Quota Charge Statement

U.S. Customs & Border Protection has issued a memorandum clarifying the use of the Quota Charge Statement (QCS). A QCS must be made available upon request by Customs for goods from China subject to quota and/or visa requirements. The QCS is not required to be presented at the time of entry. A QCS is not necessary for visaed goods under the African Growth and Opportunity Act (AGOA) or the Haitian Hemisphere Opportunity through Partnership Encouragement Act (HOPE). A QCS is also not required to support certificate of eligibility claims for textiles subject to Tariff Preference Levels (TPL).

The memorandum may be found on the Customs website at:
http://www.cbp.gov/linkhandler/cgov/import/textiles_and_quotas/tbts/tbt2008/tbt_08_002.ctt/tbt_08_002.doc

Local Philadelphia CBP Shows Commitment to the Port Community

Local Customs and Border Protection officials are placed in what is sometimes an unenviable position of enforcing regulations and implementing policies dictated by CBP Headquarters.

As policies are being formed in Washington, D.C., CBP takes advantage of various venues, such as the Commercial Operations Advisory Committee (COAC), to consult with the trade community, but once decisions are made, more often than not, CBP mandates pit agency officials squarely against the maritime industry at the local level.

We are very fortunate in the Delaware River port community to enjoy excellent working relationships not only with CBP, but also with the U.S. Coast Guard, USDA, FDA and the other agencies with jurisdiction over port matters.

The Exchange Maritime Operations Committee has time and again served as a forum for government and industry to come together to address problems and identify solutions in a collaborative manner. It was in this spirit of cooperation that Regional Director of Field Operations (and former Philadelphia Port Director) Michael Lovejoy, Acting Philadelphia CBP Port Director Allan Martocci, and Chief Inspector of Tactical Operations Daniel J. Sedley approached a recent request from the Port of Wilmington and agent Biehl & Co., LP to provide immigrations and other clearances services during the September arrival of the M/V Aurora. Although CBP had previously committed its already thin resources to servicing another cruise ship at an upriver facility, as well as normal cargo vessel operations, CBP took every possible step to accommodate the Aurora, Biehl & Co., and the port.

No doubt it was difficult and time consuming for CBP to coordinate the activities of its inspectors that Saturday morning. That they did so in such a cooperative and professional fashion is a testament to their belief in the partnership with the maritime industry. So, since we're never shy when we have criticism, let us be equally vocal when there are accolades to be given. They deserve it! (Source: The Beacon)

COMPLIANCE CORNER

Changes to U.S. Valuation Rules Proposed

On January 24, 2008, U.S. Customs & Border Protection (CBP) published a notice in the Federal Register proposing to change the valuation method for multi-tiered transactions (typically a first sale from the foreign manufacturer to a foreign middleman, and then a second sale from the foreign middleman to the U.S. importer). Transaction value is defined as the "price actually paid or payable for merchandise when sold for exportation to the United States." CBP's current methodology is to base transaction value on the price paid by the buyer in the first sale, provided the importer can establish this first sale was an arm's length transaction and, that at the time of the first sale, the goods were clearly destined for exportation to the United States. Applying this "first sale" principle allows the importer to declare the lower first sale value when making entry, resulting in lower duties paid.

Customs is proposing that in a transaction involving a series of sales, the transaction value will be the price paid in the last sale occurring prior to the introduction of the goods into the U.S. instead of the first (or earlier) sale. Under this proposal, transaction value will normally be determined on the basis of the price paid by the buyer in the U.S.

The reason for this proposed change is to reflect the conclusions of the World Trade Organization's Technical Committee on Customs Valuation Commentary 22.1, entitled, "Meaning of the Expression 'Sold for Export to the Country of Importation' in a Series of Sales" published in July 2007. Customs states their proposal is consistent with the provisions and purpose of the Valuation Agreement, as clarified by the Technical Committee which was established to ensure uniformity in the interpretation and application of the Agreement.

For years, importers have realized significant duty savings in the application of the first sale method of valuation, thanks to the landmark case Nissho Iwai American Corp v. United States , 982 F.2d 505 (Fed. Cir.1992). Multiple Customs valuation rulings have applied the first sale doctrine as have a number of other court cases. Customs will also need to revoke Treasury Decision 96-87. This rule will certainly have an impact on foreign, particularly Canadian, importers who act as the U.S. importer of record, as the dutiable value will be based upon the last sale to the U.S. buyer, not the price paid by the non-resident importer for goods destined to the U.S.

We certainly encourage those who will be affected by this change to submit their comments by April 23, 2008. For information on submitting comments and to view the Federal Register notice, please see:
http://a257.g.akamaitech.net/7/257/2422/01jan20081800/edocket.access.gpo.gov/2008/pdf/E8-1140.pdf
Notice extending comment period to April 23, 2008:
http://a257.g.akamaitech.net/7/257/2422/01jan20081800/edocket.access.gpo.gov/2008/pdf/E8-2198.pdf

TRANSPORTATION UPDATE

March 2008 Update

Samuel Shapiro & Company, Inc. now has a Global LCL program for both imports and exports to offer our customers competitive pricing and provide us with the technology that will support us and our customers. We can quote almost immediately and also have access from our website to sailing schedules.

FAR EAST

According to the World Bank, the Chinese economy in 2008 is expected to slow to 9.6 percent, down from an earlier forecast of 10.8 percent, as a result of the slower growth in the world economy. After six years of explosive growth, this year is expected to be the first year that the Chinese economy is expected to grow less than 10 percent. In 2007, the China economy grew by 11.4 percent, which was the highest in 13 years. The slowdown in the U.S. economy has affected Chinese exports to the U.S. For the first time in many years, exports from the U.S. have outpaced imports to the U.S. in our largest ports of Los Angeles and Long Beach. Domestic consumer demand in China is good news for U.S. exporters. For the first time in seven years, China's domestic consumer demand has been higher than the economic impact of its exports and overseas investments. Vessels leaving the United States are overbooked to China and other Asian countries with as much as a month backlog in booked cargo waiting to exit the country. As a result of increased domestic demand in goods and services in China, inflation is the most recent problem that China has to face, which increased to 7.1% in January 2008. 2008 will surely prove to be a most interesting year for the USA-China trade. Stay tuned.

Samuel Shapiro & Company, Inc. has direct service for LCL cargo from Hong Kong to Baltimore without the congestion of New York. Service moves on the MOL/HYUNDAI service and has very reliable transit time.

MEDITERRANEAN

United Arab Shipping Co. (UASC) has filed a General Rate Increase (GRI) effective March 5, 2008 for inbound shipments from all Turkey base ports to USEC base ports as follows:

$150 per TEU (20')
$300 per FEU (40')

Samuel Shapiro & Company, Inc. has direct service for LCL cargo from Italy to Baltimore without the congestion of New York. Service moves on the MSC service with very competitive rates.

As a result of the rising costs of fuel all over the world, forwarders and steamship lines in the Mediterranean region are imposing higher costs for inland moves.

SOUTH AMERICA

Please note effective March 15, 2008 the congestion surcharge for cargo sailing to & from Callao, Peru will increase to the following levels:

$192 per TEU (20')
$384 per FEU (40')

NORTHERN EUROPE

Based upon the latest monitoring of fuel prices, TACA's Bunker Adjustment Factor (BAF) will be held unchanged for a further period of thirty days, through at least March 15, 2008, at the following levels:

Traffic to/from and via:

Atlantic/Gulf Coast Ports	Pacific Coast Ports
$607 per 20ft container	$911 per 20ft container
$1214 per 40/45ft container	$1822 per 40/45ft container
W/M $61.00	W/M $91.00

The Currency Adjustment Factor (CAF), based on the latest monitoring exercise, will remain unchanged at 12% through at least March 15, 2008.

NORTH AMERICA

As the news of recalled Chinese goods continues, Mexican products are being touted as alternatives. There has been a significant request for U.S. truckers in Mexico to handle the surge in border crossings.

We have been seeing constant rail delays for MLB shipments from Asia at the present time. Weather has been a big factor (as it always is in the winter), and higher than normal volumes right before the Chinese New Year will be hitting their destination ports shortly, so this will bring problems in getting containers loaded on the rail at the U.S. and Canadian west coast ports.

Rotterdam just completed financing for a new container hub, the biggest in Europe. Completion is expected in 2013.

EXPORT

There has been an increase in exports from the U.S. in the past year which necessitates booking shipments with the steamship lines weeks in advance. The reason is due to reduced capacity on routes that are either unprofitable or with insufficient return. Many steamship lines have taken ships out of the trans-Atlantic and trans-Pacific trades to put them on more profitable lanes such as Asia-Europe. Even if space is available, it can be hard to find the equipment to get loaded.

MSC announces the following GRI Effective April 1, 2008:
Eastbound Dry Van Containers from North America (East Coast and Gulf ports) to WMED ports:
$350 per 20ft container
$500 per 40ft container

SAMUEL SHAPIRO & COMPANY, INC. – THE LATEST

Employee of the Month

As previously featured in "Shap" Talk, Samuel Shapiro & Company, Inc. has been sharing with you the names of employees who have been recognized for their exceptional efforts and contributions to our Company. At Shapiro, we continually work to develop, challenge, and inspire all of our employees to grow individually and with the Company. This month, we would like to recognize Genia Blades, Baltimore Import Account Coordinator & Best Practices Implementation Specialist, for her outstanding performance and contributions.

We encourage you to provide us with employee feedback! Please email us at hr@shapiro.com.

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.