Shap Talk

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In this issue:

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TRADE NEWS:

Watch Out for ISF Penalties!

Since the implementation of ISF-5 on March 15, 2019, CBP has been issuing ISF penalties left and right! We figured, the best way to avoid them, is to learn about them.

Import Security Filings (ISF): The Who, What, When, Where, and Why?

The **who** is you!

Well, it is actually the ISF Importer who is responsible for submitting the ISF information. The ISF Importer is generally defined as the party causing the goods to arrive to the U.S. by vessel. It can either be the goods' owner, purchaser, consignee or agent.

To be the "who", the ISF Importer must use their Importer of Record number when submitting an ISF. If you don't have an EIN or SSN, you are able to apply for a Customs Assigned Number (CAN). The Importer of Record (IOR) number identifies who is responsible for meeting statutory and regulatory requirements incurred as a result of importation, including the payment of duties.

The **what** will depend on where the cargo is going.

If the cargo on board is destined to enter the U.S. or Foreign Trade Zone, then the ISF 10+2 is required. If the shipment consists of foreign cargo remaining on board (FROB) or cargo moving in-bond, then ISF-5 is needed. The nice thing about these is it tells you how many data elements are required!

ISF 10+2 has **10** required elements from the ISF Importer and **2** from the Steamship line:

- Seller
- Buyer
- Importer of Record Number
- Consignee Number
- Manufacturer/Supplier
- Ship to Party
- Country of Origin
- Harmonized Tariff Schedule Number
- Container Stuffing Location
- Consolidator/Stuffer
- Vessel stow plan
- Container status message

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ISF-5 is required for all FROB and in-bond cargo, including:

- Booking party
- Foreign Port of Unlading
- Place of Delivery
- Ship to Party
- HTS Number

The **when** can be answered with a simple 24-hour rule.

The information above is required to be submitted at least 24 hours before the container is loaded on the vessel. But don't cut it close! The rule of thumb is to ensure information is sent 72 hours prior, if at all possible.

The **where** is done through the Automated Commercial Environment, known as ACE.

This automated atmosphere is helping Customs achieve their goal of a paperless environment.

Now, let's ask **why**?

We aren't asking why all this information is needed, but why have we been seeing such an increase in ISF Penalties? In the past, there was some leniency. Customs was really focused on the egregious late filers. The transition period has clearly passed, and CBP is no-longer playing Mr. Nice Guy. They have been showing no mercy in hitting importers with the $5,000 late ISF penalty for filings the same day as voyage. Fingers crossed we don't see any of the maximum penalties of $10,000 per filing.

Remember, your Bill of Lading must match the manifested bill number! If you have a bill of lading that is not matching what Customs has on file, then your ISF is considered late. Getting proper information from the carriers, co-loaders, forwarders is critical in this environment to ensure that the ISF and the Bill of Lading match **BEFORE** sailing.

If you take away one thing from this article, let it be this: the ISF Importer, you or your agent, has to send the correct ISF 10+2 or ISF-5 data elements through ACE at least 24-hours prior to avoid those pesky penalties!

Are your having trouble ensuring your forwarders comply with this requirement? Shapiro may be able to help! Please reach out to compliance@shapiro.com if we can be of any assistance.

The Current State of the Union on Section 301 List 3 Tariffs

President Trump decided to increase Section 301 List 3 tariffs on Chinese goods from 10% to 25% effective Friday, May 10, 2019 at 12:01 AM due to the slow progress in negotiations with China. In the days that have since ensued, experts are frantically trying to interpret and communicate exactly what the changes will mean for customers and supply chains moving forward.

As we wait for more guidance from CBP in the weeks ahead, here is a breakdown of the important highlights of which we are already aware:

1. How to Interpret the Date of Export

According to the Federal Notice officially posted on May 8, instead of the basis for past interpretation using the import date, importers should prepare for the additional 15% in tariffs to be imposed with regard to goods:

- Entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 AM EST on May 10, 2019.
- Exported to the U.S. on or after May 10, 2019.

This means that the additional duties will not impact goods that are imported on or after Friday, May 10th, unless they were also exported to the U.S. on Friday, May 10th. In other words, goods exported before May 10th (and imported before June 1st) will remain subject to 10% – and anything exported from May 10th or later will be subject to 25%.

2. CBP Corrected ACE Programming to Address Increase

CBP programming issues within ACE were corrected to handle the shift by programming around the implementation of a new Chapter 99 Harmonized Tariff Schedule (HTS) number.

The CSMS indicated that a mysterious end date has been added to the programming in its notice—a date not captured in the published Federal Notice. It reads as follows:

- For subject goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. eastern standard time on May 10, 2019, and before June 1, 2019, and exported to the United States before May 10, 2019, HTS 9903.88.09 should be reported. This captures 10% duty.
- The subject imports of China that are entered into the United States on or after June 1, 2019 are subject to the 25 percent rate of additional duty under HTS 9903.88.03 and 9903.88.04.

3. Exclusion Process for List 3 Tariffs Coming Soon

There may be good news on the horizon for you if you are an importer subject to Section 301 List 3 tariffs! Backtracking from his previous stance indicating there was no need for a List 3 tariff exclusion process, U.S. Trade Representative (USTR) Robert Lighthizer revealed in May that the agency has in fact "begun preparations to launch a process by the end of the month" for the third round of tariffs applied to goods from China under Section 301.

The exclusion processes for both List 1 and List 2 have already been established in recent months.

4. List 4 Has Arrived

The Office of the U.S. Trade Representative (USTR) published a new list ('List 4') containing "essentially all products not currently covered" by any of the three existing Section 301 tariff lists to be evaluated for future tariffs. Officials have asked the public to submit comments on approximately 3,805 HTS subheadings, totaling $300 billion in Chinese imports, being considered for additional 25% duties.

The list contains products such as toys, apparel, home goods, shoes, electronics, chemicals, sporting goods, etc. However, it excludes the following:

- Products previously granted exclusion from 25% tariffs
- Pharmaceuticals
- Certain chemicals made into prescription drugs
- Rare earth and critical minerals

The notice also contains a section advising on imports originating from foreign trade zones (FTZ):

"Any merchandise subject to the increased tariffs admitted into a U.S. foreign trade zone on or after the effective date of the increased tariffs, except those eligible for admission under 'domestic status' as defined in 19 CFR 146.43, would have to be admitted as 'privileged foreign status' as defined in 19 CFR 146.41, and would be subject upon entry for consumption to the additional duty."

Please refer to the schedule below for all consideration and comment deadlines:

- June 10, 2019: Submissions due to request appearance at the public hearing and summary of testimony.
- June 17, 2019: Public hearing on the Section 301 Committee in the Main Hearing Room of the U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436 beginning at 9:30 a.m.

The official Annex can be found here.

All submission requests must be sent electronically via the Federal eRulemaking Portal; the docket number is USTR–2019–0004.

For issues with online submissions related to Section 301, please contact: The Office of the United States Trade Representative, (202) 395–5725.

Shapiro will monitor the situation as the trade war with China continues, and will provide status updates on our Section 301 Tariff News page.

Brushing Up on CBP Country of Origin Marking Procedures

It's time for a quick review on proper marking and labeling procedures, following a recent U.S. Customs and Border Protection (CBP) ruling on country of origin marking (HQ H301905).

Every article of foreign origin must be **permanently** and **legibly** marked in a **conspicuous place**, with the **country of origin** written in English, according to CBP's current marking procedure for U.S. imports.

First, let's breakdown the meaning of each of these terms:

Permanent	**It cannot be removed, either accidently or on purpose, until it reaches the ultimate purchaser in the U.S.** • Acceptable forms: branding, stenciling, stamping, printing, molding • Inks must be indelible • Tags must be attached in a conspicuous place and secure, incapable of falling off
Legible	**It must be in clear, precise lettering of a size that can be read easily by the ultimate purchaser.** • To avoid confusion with consumers, ensure that the lettering of any U.S. address, city or state name that's on the marking is printed in equal or lesser size than the country of origin lettering
Conspicuous Place	**A place where it can be seen without being covered and be visible without removing, changing or disassembling the item.** • If an article will be sold in packaging, the marking must be visible through the packaging, or the packaging must also be marked • *For example:* Men's dress shirt. If the poly packaging obscures the origin marking in any way, then the country of origin must be on the front of the packaging
Country of Origin	**Refers to an article's country of manufacture, production or growth.**

If articles are not properly marked with the country of origin in English, then the Port Director may allow the importer to mark them at their premises, under CBP's supervision (possibly), issue a re-delivery or even an order to export or destroy the merchandise.

However, there are some bulk containers with outer packaging (i.e. a case of loose screws), along with items that are immediately packaged – such as cello bags, header cards or boxes – that do not require this marking procedure. For a list of all exempted items, view the "J-List Exceptions" in Part 134.33. Some of these include:

- Antiques
- Unstrung beads
- Bearings
- Eggs
- Bolts, nuts, screws, etc.
- Fragile, or those that have a possibility being damaged
- Crude substances
- Articles for the use of the importer and not intended for sale in any form

It's important to remember that CBP considers "marking" different from "labeling", as the latter concerns the labeling of different commodities, also referred to as "special classes of merchandise", and agencies. Marking is covered in Part 134 of the U.S. Customs Regulations, while Labeling is in Part 11. To view the import marking rules covered in Part 134, click here.

For more in-depth information, or any burning questions about Country of Origin Marking, contact our Compliance team (compliance@shapiro.com).

Increased Duties on Various Products from the E.U. for Large Civil Aircraft Subsidies Possible

The U.S. Trade Representative (USTR) revealed on April 12 that it's initiating an investigation under Section 301 of the Trade Act into a long-standing dispute concerning subsidies granted to the large civil industry within the EU and other member states. The investigation is underway to determine whether conduct is actionable in dispute and to protect U.S. rights in the World Trade Organization (WTO).

The Annex to this Federal Notice contains 317 HTS subheadings that are currently under investigation to evaluate whether or not additional duties should be assessed. The list represents approximately $21 billion of annual import trade value.

Be careful – these duties don't just cover aircraft parts! They also include various types of seafood, yogurt, butter, cheese, citrus/fruit, olive oil, jam, juice, non-alcoholic beer, wine, essential oils, handbags, tools, books, brochures, yarn, carpet, clothing, blankets, ceramics, glassware, silver items, iron/steel products, bike/motorcycle parts, binoculars, wall clocks, etc.

The USTR categorized the Annex by country of import. Section 1 consists of products from France, Germany, Spain and the United Kingdom that are being considered for additional import duties into the U.S., while products from any of the 28 EU member States are included in Section 2.

At this time, the USTR is requesting comments on any the following:

- The specific products subject to increased duties, including whether or not products listed in the Annex should be retained or removed, or if products not currently on the list should be added.
- The specific increase and/or level of duty rate, if any.
- The appropriate aggregate level of trade to be covered by any additional duties.
- Potentially adverse risks or effects on U.S. stakeholders as a result of the increase, including small business and consumers.

Please refer to the schedule below for all consideration and comment deadlines:

- May 6, 2019: Submissions due to request appearance at the public hearing and summary of testimony.
- May 15, 2019: Public hearing on the Section 301 Committee in the Main Hearing Room of the U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436 beginning at 9:30 a.m.
- May 28, 2019: Submission of all written comments due, including post-hearing rebuttal comments.

The official Federal Register Notice can be found here. To submit written comments via the Federal eRulemaking Portal, follow the instructions in Sections E and F; the docket number is USTR–2019–0003.

For issues with online submissions related to Section 301, please contact: The Office of the United States Trade Representative, (202) 395–5725.

E.U. Authorizes Trade Negotiations with the United States

The EU (European Union) Council has motioned to begin trade negotiations with the United States following the Trump Administration's recent threat of increased tariffs on an additional $11 billion of European goods, on top of the imposition of tariffs on European steel and aluminum implemented under Section 232 last spring.

If negotiations proceed, they will become the most substantial talks between the two since July 2018, when the EU and the U.S. agreed to seek zero tariffs. The discussions will likely be colored by the heightened tensions within the aviation industry, as each side has accused the other of unfair subsidization (Airbus, on the EU side, and Boeing, on the U.S. side).

The EU Council has outlined their own negotiation requirements, which include:

- Ending U.S. tariffs on EU steel and aluminum
- Adding a stipulation allowing the EU to suspend negotiations if the U.S. decides to impose additional tariffs on European goods

Early disagreements regarding the decision of whether or not to include the topic of agriculture may already suggest a rift in understanding between two of the world's largest trade blocs, which indicates a difficult road ahead.

U.S. West Coast Ports Suffer Volume Decline After Tariff Rush

Drewry Maritime Research recently released an analytic report that suggested U.S. West Coast ports experienced a significant cooling in activity in Q1 2019, as Transpacific imports were down nearly 20% from Q4 2018, and down 3% year over year. PIERS indicated that this chilling effect was to be expected, as the shorter ocean transit distance from Asia caused West Coast ports to become the primary beneficiaries of the Section 301 tariff rush. However, this Q1 cooling was mostly contained to the West Coast, as East Coast volumes reported a 4% year over year growth.

Vessel utilization ratios for Transpacific eastbound cargo declined in Q1, dropping from 100% in January to around 80% in February, their lowest level in two years. This put downward pressure on spot rates during the critical pre-contract negotiation period this spring, a time in which carriers traditionally seek to boost spot rates, thereby enhancing their position at the negotiating table.

As a result, carriers are now leaning on alternative methods to impact spot rates – primarily by reducing supply through blank sailings to help stem the decline in vessel utilization. With costs on the rise for carriers in the months leading up to the January 1st, 2020 IMO low sulfur mandate, carriers may be compelled to continue to rely on these measures throughout the contract season to ensure their operational costs are offset by high vessel utilization and per-container costs. This would then pass on the cost to shippers via higher spot rates or contract-wide premiums to ship over weekly container allocations.

Want to learn more about the Transpacific freight market and how it applies to your business? Or how the upcoming IMO 2020 low sulfur fuel deadline could impact your supply chain?

Subscribe to our monthly Freight Report for more information to help you understand this ever-changing industry.

U.S. Exim Bank Establishes Incentives for Exports to Angola

In an effort to boost procurement of U.S. goods by Angolan state-owned and private companies, the U.S. Export-Import Bank (U.S. Exim) signed a memorandum of understanding to partner and exchange trade data with the Finance Ministry of Angola. The agreement mainly focuses on the energy, infrastructure, agricultural, healthcare, and telecom industries.

U.S. Exim will provide support to the African nation’s medium and long-term export financing by offering loans and guarantees on U.S. exports to Angolan companies, while simultaneously working alongside the Ministry of Finance to qualify candidates.

Angola is heavily dependent upon revenue generated from its commodity exports, but has struggled to acquire import financing on foreign goods due to its current account deficiencies, a result of the country’s continuously falling commodity prices.

The partnership is part of the "Prosper Africa" initiative, a large U.S. economic development program launched in December. It was created to improve the standard of living across the African continent, as well as to combat the Chinese influence and development that's spread across the continent over the past decade.

The effort also serves as a balance to the Africa Growth and Opportunity Act (AGOA), a trade program available for eligible Sub-Saharan African states that encourages open-market policies, and provides duty-free access to the U.S. market for specified finished products, including garments and handmade goods.

Looking to expand your global exports footprint or evaluate your global sourcing strategy? Contact our marketing experts today for more information on how Shapiro can collaborate with you to build an effective global supply chain.

TRANSPORTATION NEWS

New Ocean Carrier Digital Association Established for Industry Data Standards

Maersk, Hapag Lloyd, MSC, and ONE have officially launched the new Digital Container Shipping Association (DCSA), after experiencing several delays during the Federal Maritime Commission's (FMC) approval process, a result of the U.S. government shutdown earlier this year. Established in the Netherlands, the association was created to achieve universal data standardization, advance digitalization and improve interoperability efforts to help drive industry efficiency.

Short term, the organization's first priority is to develop a common standard for data and technical interfaces that will replace the myriad of technical interfaces and standards that make integration a slow and cumbersome affair.

In the long-term, DSCA seeks to become actively involved with discussions surrounding nascent block chain technology structures to help acquire wide-spread industry standardization and adoption more rapidly.

The DCSA claims its efforts will be open-source, meaning that the blueprints and processes developed by the association will also be freely published for use within the industry and beyond.

Since its formation, other carriers have also expressed interest in future membership, thereby providing hope to existing DCSA members for potential success.

Logistics Providers Cautiously Welcome the NYC Congestion Fee

In 2021, New York City will become the first U.S. city to implement a congestion pricing scheme when it introduces a fee on vehicular traffic in lower Manhattan based on models previously created and used in London and Singapore. The plan was designed to discourage private vehicle usage, by using economic disincentives to tackle congestion in the largest and most dense city in the country.

Oddly enough, the move was welcomed by players in the logistics industry – tentatively that is. Although expenses will likely increase as a result of the new charges, the reduction in congestion and increased productivity could potentially offset any costs in the long run. Nevertheless, New York's recent state budget changes indicate that the specifics of the fee remain uncertain for the time being.

Some sources suggest that New York may not necessarily adopt the equal pricing structure used on all vehicles in London. Instead, it may opt for a model that offers more flexibility, such as varying or reduced cost options for private vehicles, which would potentially be more popular with drivers. However, it would likely limit congestion reduction in the long run as well.

Supply chain experts speculate that NYC testing could be a warning sign that other cities and states are beginning to evaluate simple tolling alternatives to balance budgets, fund infrastructure, and reduce congestion.

At this time, logistics providers do not anticipate the need for surcharges to offset the costs of the New York congestion fee, however it is likely that state or local schemes may carry a steeper cost, that will ultimately be passed on to Full Truckload (FTL) and Less-than Truckload (LTL) shippers in the future.

Indonesia Sets Sights on Global Freight Hub at Jakarta Airport

Jakarta's Soekarno-Hatta International Airport is seeking to grow its air cargo volumes through the development of a 148,000 square meter "cargo village", which will replace existing facilities currently planned for demolition with a new passenger terminal hub. Slated to be completed in 2022, the new facility will accommodate 1.5 million tons of cargo and will utilize 3 cargo terminal operators.

The Jakarta government hopes that the facility will allow for improved throughput at the airport, thereby increasing its current 4-5 tons per square meter capacity to the global freight hub standard of 10 tons per square meter. With such limited throughput at present, Jakarta has lost ground to other air hubs in southeast Asia – particularly in Singapore, Bangkok and Kuala Lumpur.

While Jakarta may seem an odd location for a global airfreight hub, both the city and Indonesia at-large have experienced rapid growth in the e-commerce sector, which has also driven demand for air freight services. Expanded cargo operations present an opportunity for Jakarta to compete for the e-commerce fulfillment business presently maintained by regional rivals, and to better serve e-commerce operations from China to the United States.

As infrastructure improves in the world's fourth most populous country, there has never been a better time to explore opportunities in Indonesia and southeast Asia! Shapiro's Global Logistics team can collaborate with you to build your supply chain in this growing region.

Contact our marketing experts today for more information on our regional network of partners.

Buongiorno, Italia!

As of May 2nd, Alitalia has started non-stop, widebody round trip flights from Washington D.C. (IAD) to Rome, Italy (FCO). The flights are currently scheduled to operate from Thursday to Monday, with no operation on Tuesday or Wednesday, via the following:

- Departure (from IAD): scheduled to depart from IAD at 4:15pm and arrive next day at FCO at 7am. Cargo cut off for loading is 10am.
- Arrival (to IAD): scheduled to depart from FOC at 9:30am (local time) and arrive same day at IAD at 1:30pm.

This seasonal flight is scheduled to last until October 19, 2019.

SHAPIRO NEWS:

Employee of the Month

As previously featured in Shap Talk, Shapiro 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 **Joseph Kagle, Import Team Lead** for his outstanding performance and contributions. Joe started as an intern at Shapiro in 2015 and became a full-time employee in 2016. He was recently promoted to Import Team Lead in January 2019! His favorite part about working at Shapiro is the relaxed dress code. Thanks for all you do, Joe!

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

Joseph Kagle
Import Team Lead

Shapiro Freight Report

This high-level, monthly review of the U.S. import freight market provides key insights into the tumultuous world of international shipping. From carrier alliances to labor strikes, Shapiro covers the pertinent information logistics managers need to know. Check back monthly to ensure you don't miss key industry insights!

Forget the NFL Draft! Watch the Panama Canal Draft!

In our industry we watch the following like a line-backer stalking an elusive QB...

Global Economy	Vessel Purchases
Carrier Consolidation	Tariff Threats
Alliances	Port Labor Contracts
Trade Policies	Blank Sailings
Seasonal Demand	Vessel Scrapping

Click here to read more....