SHAP TALK

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In this issue:

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TRADE NEWS

India's Trade Program Strikes Barriers

India's 15th Prime Minister, Narendra Modi, took office on the platform of improving infrastructure and eliminating bureaucratic burdens to trade. Modi's economic expansion plans seek to turn India into a hub for global manufacturing, even spearheading the Make in India initiative to attract foreign direct investment. In order to turn economic dreams into reality, Modi believes the key lies in infrastructure and logistics development. His vision to double capacity at India's major ports through a privatization policy has already met strong opposition and left the Prime Minister scrambling to find alternative options to fund port expansion projects.

On September 2nd, trade unions won the battle against India's planned port corporatization initiative after a nationwide dockworker strike. As reported in our September Issue, labor groups held a national, industry-wide labor protest against the government's decision to privatize terminals. Labor groups across the industry including dockworkers, truckers, seafarers, shipyard workers, rail employees and portions of the public sector joined in the protest. Union members and labor groups within the port system see privatization as a threat to their jobs and their benefits.

India's 12 major public sector ports, including Jawahrlal Nehru (the nations' largest container gateway), are run by the central government and have been losing market share since the Indian economy liberalized in the 1990s. Direct competition from the 200 minor private ports has resulted in a 36 percent drop in market share at major ports from 1991 to 2014.

Almost a month after their first successful strike, truckers are proceeding with another nationwide strike led by the All India Motor Transport Congress (AIMTC) in protest of a new electronic shipment-by-shipment toll system set to roll out by December. The AITWC proposed an alternative fixed annual toll fee as a lower barrier alternative to the original proposal. Union Road Transport and Highways Minister Nitin Gadkari asserts the scrapping of the originally proposed toll systems is not possible and labeled the fixed annual toll fee plan as 'irrational' and 'highly flawed.'

While the U.S. and India attempt to strengthen trade ties, India's government has shown no sign of removing Indian import barriers. The U.S. Senate Finance and House Ways and Means committees, in a rare show of solidarity between Democrats and Republican members, expressed concern over India's tariff and non-tariff trade barriers to US exports. India has already violated the World Trade Organization's Information Technology Agreement by raising tariffs on information tech products this year. Among the larger list of complaints, inadequate intellectual property rights protection and a dragging food approval system continue to thwart India's trade relationships, especially with the U.S.

GSP Gets Its First Round of Edits

While the Office of the US Trade Representative continues its ongoing review of the newly reauthorized Generalized System of Preferences (GSP), President Obama has issued a proclamation to clarify the first round of revisions:

Countries Removed:

Seychelles, Uruguay and Venezuela have become high-income countries as defined by the official statistics of the World Bank and will thus be removed from GSP eligibility effective Jan. 1, 2017.

Products Removed:

The competitive need limitation waivers for the following products have been revoked, removing them from GSP eligibility, as of Oct. 1:

- *Plywood sheets not over 6 mm thick (HTSUS 4412.31.40) from Indonesia*
- *Copper, stranded wire (HTSUS 7413.00.10) from Turkey*
- *Copper, cables, plaited bands and the like (HTSUS 7413.00.50) from Turkey*

Products Added:

- *Effective Oct. 1, the following cotton products are being added to the list of GSP-eligible goods when imported from least-developed beneficiary developing countries.*
- *Cotton, not carded or combed, having a staple length under 28.575 mm (1-1/8 inches), not harsh or rough, not elsewhere specified or included (HTSUS 5201.00.18)*
- *Cotton, not carded or combed, harsh or rough, staple length of 29.36875 mm or more but under 34.925 mm & white in color, not elsewhere specified or included (HTSUS 5201.00.28)*
- *Cotton, not carded or combed, staple length of 28.575 mm or more but under 34.925 mm, not elsewhere specified or included (HTSUS 5201.00.38)*
- *Cotton card strips made from cotton waste having staple length under 30.1625 mm and lap, sliver and roving waste, not elsewhere specified or included (HTSUS 5202.99.30)*
- *Cotton fibers, carded or combed, of cotton fiber processed, but not spun, not elsewhere specified or included (HTSUS 5203.00.30)*

Benefits Reinstated:

- *The 50 percent CNL is being waived for two products from Thailand, thus reinstating them to GSP eligibility.*
- *Coconuts, otherwise prepared or preserved, not elsewhere specified or included (HTSUS 2008.19.15)*
- *Copper alloys (other than brass, cupro-nickel or nickel-silver), wire, coated or plated with metal (HTSUS 7408.29.10)*

Re-designations:

The following products that had previously exceeded the applicable CNL are re-designated as GSP-eligible effective Oct. 1.

- *Oilcake and other solid residues resulting from the extraction of vegetable fats or oils, of sunflower seeds (HTSUS 2306.30.00) from Ukraine*
- *Rare gases other than argon (HTSUS 2804.29.00) from Ukraine*
- *Insulated ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships (HTSUS 8544.30.00) from Indonesia*
- *Parts of railway/tramway locomotives/rolling stock, axles (HTSUS 8607.19.03) from Ukraine*

Competitive Need Limit (CNL) Waivers:

- *The CNLs are being waived, thus maintaining GSP eligibility, for 100 products from 13 countries as of Oct. 1. These include certain flowers, vegetables, nuts, fruits, grains, chemicals, hides and skins, fabrics, carpets, sport gloves and mittens, ceramic tiles, jewelry, audiovisual equipment, brooms and smoking pipes*

NCBFAA Teams up with ITA to Promote Foreign Trade

The National Customs Brokers and Forwarders Association of America (NCBFAA) and the International Trade Administration (ITA), the trade unit of the U.S. Department of Commerce, signed a Memorandum of Agreement joining resources in an effort to promote foreign trade and investment in the U.S. marketplace. The official NCBFAA press release states that the "collaboration seeks to increase awareness of the economic benefits of international trade, educate the public on trade activities as a job creator and development strategy, as well as encourage U.S. businesses to accelerate their exporting operations while simultaneously generating interest from foreign companies to coordinate with ITA regarding importing valuable commodities."

The agreement was announced nearly three months after the closure of the Export-Import Bank, which, aside from financing trade, was also envisioned to stimulate interest in U.S. exports, both domestically and internationally. The new partnership between the NCBFAA and the ITA, with its primary goal of export-oriented education, will likely serve as the new knowledge center for all things export, as the agreement combines the resources of the nearly 1,000 member companies of the NCBFAA with the ITA's extensive base of export knowledge experts. The ultimate goal is to help as many U.S. businesses as possible broaden their appeal with a non-U.S. consumer base, who account for over 96% of the current global consumer population.

No official marketing plans have been announced as of yet, though the official press release mentioned the specific targeting of U.S. educational institutions and small to medium-sized businesses. The partnership also plans to bring greater focus to existing export initiatives, such as the National Export Initiative (NEXT), the National Travel and Tourism Strategy, and the Select USA Initiative. Concrete plans for the partnership should start to take shape over the next three months for a grand release in 2016.

Trans-Pacific Partnership Members Reach Trade Deal

Ministers of the 12 Trans-Pacific Partnership (TPP) countries concluded trading negotiations on October 4th, completing one of the most ambitious multilateral trade deals of the last two decades and paving the way for lower tariffs and increased trade standardization throughout the Pacific Asia region. While the complete details of the 30 chapter agreement have not yet been released to the public, the Office of the U.S. Trade Representative (USTR) has released a summary of key changes of which exporters and importers of goods from Pacific Asia should be aware.

- *Tariffs throughout the TPP region will be reduced or eliminated for both agricultural and industrial goods and non-tariff trade barriers in both the goods and services sectors will be reduced to generate new opportunities and investment.*
- *Rules of origin requirements will be standardized for cross-TPP trade.*
- *TPP-wide standards of customs service transparency will be developed.*
- *Technical Barriers to Trade (TBT) will be reevaluated for their conformance with a TPP-peer standard and a public comment period will be mandated for any technical regulations.*
- *TPP markets will be made more open to foreign investment, with certain investment enumerated industries remaining under the discretion of member countries.*
- *Neutral and transparent international arbitration of investment disputes will be implemented with safeguards to protect members from frivolous claims.*
- *Mechanisms for measuring the competitiveness of TPP will be implemented.*
- *A special committee of small and medium-sized enterprises will be developed to ensure that they are able to benefit from the agreement via capacity building activities and export counseling.*

With the multilateral agreement completed, TPP awaits ratification in the U.S. Congress before implementation can begin.

TPP Member Countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam.

OFAC Issues Further Amendments to the Cuban Assets Control Regulations (CACR)

On September 21, 2015 The Department of the Treasury's Office of Foreign Assets Control (OFAC) published a final rule in the Federal Register to the Cuban Assets Control Regulations, 31 C.F.R. part 515 (the "CACR"), to implement additional revisions with the policy changes announced by President Obama on December 17, 2014.

These changes are intended to further engage and empower the Cuban people by easing more sanctions related to travel, telecommunications and internet-based services, business operations in Cuba, and remittances. The changes are effective September 21, 2015 and the Frequently Asked Questions pertaining are updated accordingly.

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FDA Increases Surveillance for Products from Tianjin, China's Binhai New Area

The Food and Drug Administration (FDA) has increased surveillance of FDA-regulated products imported from the industrial center Binhai New Area in China. A chemical explosion at a port warehouse killing at least 139 people on August 12, 2015. Tianjin Dongjiang Port Rui Hai International Logistics Co. Ltd. is the storage and distribution center that housed the hazardous chemicals (including sodium cyanide (NaCN), toluene diisocyanate (TDI) and calcium carbide (CaC2), all of which pose direct threats to human health on contact) which lead to the deadly explosion. In order to identify contaminated cargo, FDA will be requiring submission of entry and shipping documents (bills of lading, air waybills, commercial invoices, etc.) for entries of human and animal food products, human and animal drug products, and medical devices which are indicated as having originated from, stored in, or transited through the industrial center Binhai New Area in Tianjin, China. FDA will review the documents to determine if the shipment was in the Tianjin, China area on or after August 12, 2015. Products that departed Tianjin before August 12, 2015 will only be subject to routine FDA admissibility review and may be required to provide additional information to determine safe admissibility.

FDA may request importers (or their entry filers) to submit the following information related to the products they are importing:

- *If you are not the end commercial user of the product, provide information identifying all known recipients of the product.*
- *Explain the physical disposition of the product at the time of the explosion and for the time between the explosion and when it left the city of Tianjin, including the following:*
    - *Where was the product located (geographical location) at the time of the explosion and in the aftermath of the explosion through the present?*
    - *How was the product packaged (primary, secondary packaging, wrapped pallet, shipping container, etc.) at the time of the explosion and in the aftermath through the present?*
- *Explain whether your firm conducted a risk assessment to determine the impact of the August 12 explosion on the safety of your product. And, if so, explain your methodology and the outcome of your assessment.*
- *Explain what testing has been conducted or is planned to be conducted on the product to identify contamination associated with the August 12 explosion?*

Importers are advised that it may speed FDA's review process if entry documentation is provided in a timely manner; and, for those shipments indicated for examination or sampling, if location and availability information is provided in a timely manner. To facilitate receipt and review of information, FDA strongly recommends submission of documents via electronic means. FDA's Import Trade Auxiliary Communication System (ITACS) is designed to improve communication between FDA and the import trade community and facilitate the electronic submission of documents to FDA.

Questions regarding this action by FDA can be directed to Division of Import Operations, 12420 Parklawn Drive, ELEM Room 3109, Rockville, MD 20857 telephone: (301) 796-8969. Questions related to the entry processing of specific entries should be directed to the FDA District covering the port of entry.

ACE Exporter Portal-Additional Information

The Department of Commerce, Bureau of Census, Automated Export System (AES), is moving the AES Direct function to the New AES Direct Portal in ACE or the Automated Commercial Environment.

Theresa Gordon, the new Trade Ombudsmen in the International Trade Management Division (ITMD) at the U.S. Census Bureau, announced this month that they will begin beta testing the new AESDirect Portal in ACE. It is expected that the new AES Direct Portal will be live and run concurrently with the legacy Census AESDirect portal this fall.

In our August 2015 Edition of Shap Talk, we advised ACE Secure Data Portal is open to Exporters to obtain ACE Trade Export Reports, however, there have been issues with some exporters gaining access to the portal. While over 200 applications have been received, only 40 have been approved. Exporters are advised to answer Census inquiries in a timely manner as accounts will be vetted for accuracy and proper ownership.

In an effort to assist exporters, Census Outreach and Training, together with U.S. Customs and Border Protection (CBP), hosted a webinar on September 17, 2015 for the trade community with detailed information on how to apply for an ACE Exporter account and how to run ACE trade export reports. The copy of the Automated Commercial Environment/Automated Export System Export Reports Webinar is available in both presentation slides and recorded formats.

If you are still having trouble accessing your export portal account, contact the Trade Outreach Branch at 1-800-549-0595, option 5 or via email at exportreports@census.gov.

TRANSPORTATION NEWS

October 2015 Update

INDUSTRY NEWS:

ILA and USMX Meet to Discuss ILA Contract Extension for USEC and USGC Ports

Representatives from the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) are committed to working out an East Coast and Gulf Coast port labor contract that would extend through 2025.

Both the ILA and USMX met the week of September 21 to start discussions on a possible seven-year extension beyond the current contract that expires in 2017. Demand for a long-term deal increased after the West Coast strike last year. Both sides were careful not to over promise anything but feel that, given that the current contract has three years remaining, they have the time to sit down and negotiate and get the contract right for both sides.

ILA and USMX want the long-term deal to include a change in management process to allow adjustments as the industry develops and advances. The deal would also address developments in healthcare, technology and automation.

One of many benefits of having a 10-year-deal would help companies plan their third party capital investments. Another benefit would be to proving to shippers, ocean carriers, labor, and customers that the East Coast and Gulf Coast are reliable port systems with which to work.

U.S. West Coast Ports Rebound

Cargo volumes from Asia to U.S. West Coast ports came roaring back in the month of August. On the heels of a year-long labor dispute between the ILWU and Ports Management, the U.S. West Coast ports saw a three percent gain in market share in the Asian import market while the U.S. East Coast ports saw their share drop by three percent. The month of August had the highest monthly volume for Asian/U.S. imports in the past 10 years.

The recent surge in imports at the U.S. West Coast ports is great news after the gridlock we saw in January and February of 2015 that caused importers to divert cargo through Canada or through the U.S. East or Gulf Coasts. As many of you are well aware, this congestion lasted through the early summer months but saw a breakthrough in the month of August. West Coast ports report unusually strong year-over-year increases in import volumes as follows: Seattle and Tacoma; 21.6 percent; Long Beach 23.3 percent and Los Angeles at 3.8 percent.

The August surge in West Coast cargo suggests that shipping patterns are starting to return to normal for the fall peak-season in the Trans Pacific market. There are some importers that still feel wary of the problems that existed on the West Coast; analysts believe that roughly half of the diverted cargo to the U.S. East Coast may be permanent. For larger importers with time/cost-sensitive supply chains, shorter transit times and lower IPI costs are enough reason not to ignore using West Coast ports as their gateway.

The widening of the Panama Canal, and the introduction of larger vessels, is seen by the railroads as a threat to their business volumes. They are keenly aware of the potential need to adjust the pricing of IPI moves from the West Coast in order to keep market share.

South Korea Faces Significant Export Slump as Global Demand Plummets

As China's relative anemic growth and volatile stock market continued to grab news headlines on September 1st, fellow G-20 member South Korea reported similarly disappointing economic news. According to the country's Ministry of Trade, Industries, and Energy, the economy experienced a stunning 14.7% drop in exports, its largest decline in six years.

This suggests hard times ahead for the export-driven economy, as exports account for roughly half of the country's GDP. The drop was driven by a series of factors. Weaker Chinese demand for Korean exports has been particularly difficult for the country, as the world's second largest economy is the country's largest partner and recipient of a quarter of the country's exports. Similarly, as a large producer of refined oil products, the global trend of low oil prices has been responsible for a drop in the value of exports for the country.

While the South Korean government was quick to suggest that the falling value of the yuan in China and a subsequent uptick in Chinese exports would help bolster the country's own exports of intermediate goods to China, third party economic observers have expressed concerns that South Korea's economic issues are a glimpse into the future of the global market as a whole. South Korea's economic performance has long been viewed as an early indicator of the health of the global economy, due to the country's reliance on the export of intermediate goods utilized in the production of higher end finished products, such as personal electronics. A dip in demand for these intermediate goods suggests a bearish production outlook by companies in the face of market uncertainty, pointing to lower global growth in the short and medium-term.

OCEAN FREIGHT

Carrier Profits Rise Despite Falling Rates- But for How Long?

While freight rates continue to drop, and as attempts to pass General Rate Increases (GRI) and Peak Season Increases (PSI) have failed, several ocean carriers are surprisingly seeing their profits jump in 2015.

CMA CGM reported 66.7% percent increase in profits for the second quarter. The increase can be attributed at least in part to the lower cost of fuel and higher volumes in the first half of the year. Carriers such as CMA are also shipping with larger vessels which enable them to maximize the volume of containers on each ship. Despite reporting a drop in average revenue per container, CMA still managed to raise net profits with these economies of scale.

Other carriers are also experiencing the similar performance. As an example, Maersk Line, the second largest container line, reported a 20 percent increase for the same reasons as CMA.

Unfortunately for the carriers, the increased profitability numbers are not expected to last as we enter the fourth quarter. Despite the continued decrease in fuel costs, carriers will struggle to maintain profitability comparable to the success of the first half of the year. Not only is the highly anticipated "peak season" in question, but whether the carriers will be able to pass along the normal peak season increases remains to be seen.

Due to the uncertainties in the market, many large importers have fulfilled their inventory demands earlier in 2015. As a result of this, carriers will struggle to fill the increased number of larger capacity, fuel-efficient ships during what is typically known as "peak season". As carriers struggle to fill the ships, the rates will decline.

This has proven true thus far this year: a September 15 GRI of $600 per 40' container was announced for Trans Pacific cargo from Asia to U.S. It hit the market at about $200 per container and has since deteriorated. Similarly, an October 1 GRI was imposed in the amount of $480/20', $600/40', and $675/40' high cube; it has now been delayed until October 15, 2015 due to the flat market.

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DOMESTIC NEWS

Is Picking and Peeling Off a More Efficient Container Strategy?

As mega-vessels bring more cargo capacity to ports, managing the staggering increases reveals a dire need for new methodologies to help avoid congestion and delays. One such method that may provide an answer, albeit shortsighted, is the peel off method. This approach, first implemented at the peak of the LAX/LGB port congestion crisis last year, continues to be utilized and preferred by terminal operators and truckers alike. In fact, the peel off method is believed to have already increased terminal handling and pick up efficiency by approximately 50 percent.

Peel off works by grouping cargo belonging to the same Beneficial Cargo Owner (BCO), or multiple smaller BCO's who agree to share space in a single stack; this dramatically saves time during the handling and unloading processes. Peel off minimizes the use of a trainstainer, the machine used to reposition surrounding containers in order to access a particular container that is ready for pick up. In typical operations, two to three containers can take between two to five minutes each to reposition in order to gain access to a particular container ready for pick up. With the peel off method, no container repositioning has to take place, and this allows terminal operators to utilize the top pick machine which is much faster and more efficient than a trainstainer but cannot typically be used because of its ineffectiveness at repositioning containers.

While port efficiency gains are significant, the primary advantage of the peeling off method is the reduced wait time for truckers. A single "stack" must be comprised of at least 250 containers to be financially feasible, and once a "stack" is achieved a BCO's truckers are called and allowed to enter the yard immediately for pick up. Drivers do not receive a specific container, but rather the container that is on top of the single stack at the time of pick up. The drivers then take the containers to an off-dock yard where they drop the container. Subsequently, they return to the terminal and continue the pickup process until the single stack has been moved. If distribution centers or receiving locations are close enough to the port, this system can also work without the complication and cost of an off-dock yard as well.

Peel off can typically eliminate thirty to forty minutes from wait times, often longer during periods of significant congestion. Truckers certainly won't complain about the possibility of returning to multi-trip days. Drivers are paid per trip to the port, the drayage industry has been struggling to attract labor since congestion from mega vessels has placed so much stress on port infrastructure and efficiency.

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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 Kim Devoe, Credit & Collections Manager in Baltimore for her outstanding performance and contributions.

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.