
# "SHAP" TALK

## February 2006 Issue No. 46

**In this issue:**

**TRADE NEWS**


**COMPLIANCE CORNER**


**TRANSPORTATION UPDATE**


**SAMUEL SHAPIRO & COMPANY, INC. NEWS**

## TRADE NEWS

### Phase II Enforcement for Wood Packing Material Starts February 1st

The new Wood Packing Material (WPM) rule requires WPM, such as pallets, crates, and boxes, used in international trade to support or brace cargo, to be treated to prevent the introduction of harmful insects to U.S. agriculture and forests. The approved treatments are 1) heat treatment to a minimum wood core temperature of 56C for a minimum of 30 minutes or 2) fumigation with methyl bromide. To certify treatment, the WPM must be marked with the approved International Plant Protection Convention (IPPC) logo. Unmarked WPM will be considered untreated and non-compliant. This rule is in effect for all goods arriving in the United States on or after September 16, 2005.

Customs & Border Protection has announced procedures for the implementation of the new wood packing material rules on their website. CBP started phasing in compliance starting September 16, 2005.

Phase II, beginning February 1, 2006, will continue informed compliance measures on all regulated WPM except pallets and crates. CBP will begin full enforcement of the ban on violative pallets and crates. Beginning with Phase II, reexport of all shipments containing violative pallets or crates will be ordered if the Port Director determines that it is not feasible to separate merchandise from the violative WPM. IT and T&E shipments found to contain violative WPM will not be permitted to transit. All expenses incurred for the services of CBP Officers and Agriculture Specialists involved in the separation of cargo will be billed to the importer or other party of interest. WPM and associated merchandise will be exported at the expense of the importer or other party of interest.

Detailed information on the phased enforcement may be found at:
http://www.cbp.gov/linkhandler/cgov/import/commercial_enforcement/wpm/Implementation_plan.ctt/implementation_plan.doc

### Customs 2005 Performance and Accountability Report

U.S. Customs and Border Protection (CBP) recently issued its Performance and Accountability Report for fiscal year 2005 (October 1, 2004 – September 30, 2005). The report highlighted CBP's performance goals and results for various security and trade facilitation programs as well as modernization efforts. The report also contains certain statistical data for FY 2005.

In FY 2005, Customs processed 29 million entries and collected $28.6 billion revenue. 134 million conveyances and 431 pedestrians and passengers were processed. 1.7 million illegal aliens were apprehended and 2 million pounds of illegal narcotics were seized. CBP manages 322 ports of entry. The top ports by revenue collection are Los

Angeles ($6.8 billion), Newark ($3.8 billion), Chicago ($1.4 billion), JFK Airport ($1.3 billion), and Charleston ($1.1 billion).

Goal #1 – Preventing Terrorism at the Ports of Entry. CBP measures this goal based on the performance of the Container Security Initiative (CSI). The target for FY 2005 was to have 68% of worldwide U.S.-destined ocean containers processed through CSI ports. The actual performance was 73%. The report also noted the number of examinations waived due to foreign Customs sources using their own targeting methods and collaborating with CSI personnel at foreign ports. The FY 2005 target was 10,000; actual performance was 25,222 examinations waived.

Goal #2 – Preventing Terrorism Between the Ports of Entry. This goal focuses on land border illegal activity such as illegal crossings and drug flow.

Goal #3 – Unifying As One Border Agency. Customs continues to work on its "One Face at the Border" initiative. CBP plans to measure this goal by the total number of linked electronic sources from CBP and other government agencies for targeting information.

Goal #4 – Facilitating Legitimate Trade and Travel. Among the goals in this section are C-TPAT and non-intrusive inspection technology. CBP found that 97% of validated C-TPAT members meet the C-TPAT security guidelines and have acceptable security procedures, and that C-TPAT importers average 4.1 times fewer exams than non-C-TPAT importers. 8.1% of sea containers were examined using non-intrusive inspection technology; the target was 5%.

Goal #5 – Protecting America and Its Citizens. Customs aims to meet this goal by the interdiction of illegal drugs, counterfeit goods, and other harmful materials and organisms. By random inspection of international air travelers and cargo, CBP measured 95.8% compliance with agricultural quarantine regulations.

Goal #6 – Modernizing and Managing. Customs is working to modernize its information technology (I.T.) systems and technical support services by maintaining a reliable, stable, and secure I.T. infrastructure.

The full report may be found on the Customs website at:
http://www.cbp.gov/linkhandler/cgov/toolbox/publications/admin/fiscal_2005.ctt/fiscal_2005.pdf

**Morocco Free Trade Agreement Enacted**

The U.S.-Morocco Free Trade Agreement (US-MFTA) has been implemented for goods entered, or withdrawn from warehouse, for consumption on or after January 1, 2006. The Agreement provides for the immediate or staged elimination of duties and barriers to bilateral trade in goods and services originating in the U.S. and Morocco. According to the U.S. Trade Representative, 95% of the trade in industrial and consumer goods between the two countries will be duty free. Because of the US-MFTA, Morocco is no longer considered a GSP country. The merchandise processing fee and harbor maintenance fee are required to be paid for US-MFTA entries. As with most Free Trade Agreements, there are explicit rules of origin to meet in order to qualify for the preferential duty treatment. There is no specific certificate of origin required, but the importer must be able to substantiate the claim under the US-MFTA and provide a signed declaration specifying how the good qualifies as an originating article.

Details may be found at:
http://www.cbp.gov/linkhandler/cgov/import/international_agreements/morocco_fta_implement.ctt/morocco_fta_implement.doc

http://www.ustr.gov/Trade_Agreements/Bilateral/Morocco_FTA/Section_Index.html

**FDA Invites Comments Regarding New Recordkeeping Requirements**

The Food and Drug Administration (FDA) requires persons manufacturing, processing, packing, transporting, distributing, receiving, holding, or importing food in the United States to establish and maintain records allowing for the identification of supply sources and recipients of food products.

Parties regulated under the directive must comply by December 9, 2005, June 9, 2006, or December 11, 2006, depending on the size of the business. The general compliance date is December 9, 2005. Small businesses employing 500 or fewer workers must comply by June 9, 2006, and businesses with ten or fewer full-time equivalent workers must comply by December 11, 2006. Failure to maintain a compliance recordkeeping system is a prohibited act under 21 U.S.C. 331, and the violator may be subject to monetary penalties and possibly criminal sanctions under 21 U.S.C. 333, depending on the severity of the violation.

A guidance document published by FDA entitled "Questions and Answers Regarding Establishment and Maintenance of Records (Edition 2) responds to various questions regarding the recently enacted recordkeeping regulations.

FDA invites comments either electronically or in writing. Electronic submissions may be sent to the agency's website at http://www.fda.gov/opacom/backgrounders/voice.html. FDA requests that submitters follow the instructions and, when asked on the website, identify the matter as Docket No. 2005D-0356. Written submissions, which should also list the Docket Number, may be sent to: Division of Dockets Management (HFA-305), Food and Drug Administration, 5630 Fishers Lane, Room 1061, Rockville, MD 20852.

**Source**: http://www.cfsan.fda.gov/~acrobat/fr04d09a.pdf.

**GSP's Renewal May Be Complicated**

The United States Trade Representative recently requested public comments regarding the GSP program. Some advocated a lengthy renewal with no significant changes that will delay the renewal process. Others, however, are recommending changes to the program. Brazil was the focus of some comments, suggesting that the country be graduated from the GSP either for specific categories of product or removed altogether because of its poor protection of intellectual property rights. Recommendations included Brazil be removed from GSP because of the country's disregard for intellectual property rights. Given this hot political issue, efforts to add stronger IP protections to GSP are likely. A group of apparel importers recommended that textile and apparel products be added as eligible products. Negotiations promise to be controversial.

**Singapore Now Party to the Harmonized System Convention**

On December 13, 2005, Singapore deposited its instrument of accession toe the International Convention on the Harmonized Commodity Description and Coding System (HS). Almost 98% of the internationally traded goods are now being classified in terms of the HS. Singapore's convention is effective January 1, 2006 as the 121st contracting party to the Harmonized Tariff System.

The press release dated December 16, 2005 is available on the World Customs Organization website at:
http://www.wcoomd.org/ie/En/Press/press.html

**President Signs U.S.-Bahrain Free Trade Agreement**

On January 11, 2006, the President signed legislation implementing the United States Bahrain Free Trade Agreement (FTA). The Agreement enhances the U.S. bilateral relationship with a strategic friend and ally in the Middle East region and promotes economic growth and prosperity in both nations.

The U.S.-Bahrain FTA reflects the President's commitment to opening markets and expanding opportunities for American workers, farmers, ranchers, and businesses. As the FTA opens Bahrain's market for U.S. manufactured goods, agricultural products, and services, it will also support economic reform and growth for Bahrain. Leaders in Bahrain support the pursuit of social and economic reforms in the region, encouraging foreign investment connected to broad-based development, and providing better protection for women and workers.

The Agreement is also a significant step in furthering the President's goal of creating a Middle East Free Trade Area (MEFTA) by 2013. Through MEFTA, the United States seeks to expand trade with and investment in Middle East countries to further their domestic reforms and the rule of law, protect intellectual property, and create a foundation for economic growth and prosperity. Since the President announced MEFTA in May 2003, the United States has completed free trade agreements with Bahrain, Morocco, and Oman; initiated FTA talks with the United Arab Emirates; assisted in the accession of Saudi Arabia to the WTO; and signed six Trade and Investment Framework Agreements with Middle East countries, among other initiatives.

The United States will continue to expand MEFTA as a vital tool to address the economic, social, and political challenges facing the Middle East.

**Source:** "President Signs H.R. 4340, U.S.-Bahrain Free Trade Agreement " at http://www.whitehouse.gov/news/releases/2006/01/20060111-1.html appearing on *The White House*'s website on January 11, 2006.

**Changes to Textile Regulations, Update**

We reported in our November 2005 ShapTalk issue that Customs and Border Protection made two important changes to the regulations concerning the importation of textiles and wearing apparel. The first is the elimination of the requirement for submission of a textile declaration. The second is a requirement to identify the actual manufacturer of the goods through the manufacturer identification code (MID).

http://www.shapiro.com/html/november_2005.html#Changes%20to%20Textile%20Regulations

Customs has recently issued a memorandum to clarify the MID requirements. If CBP determines that an MID is calculated from a party that did not produce the goods then the importer and broker may be subject to penalties. Importers can show that they exercised reasonable care by providing the broker with a statement naming the producer of the merchandise or including this information on the invoice. The importer should obtain a statement from their agent providing the name and address of the factory that produced the merchandise.

Source:
http://www.cbp.gov/linkhandler/cgov/import/textiles_and_quotas/tbts/TBT2005/tbt_05_031.ctt/tbt_05_031.doc

**Export to U.S. Persons in Libya without a License**

The U.S. census Bureau, Office of Foreign Trade has updated their website to show what you can now export to U.S. persons in Libya without a license.

Effective November 16, 2005, the Bureau of Industry and Security released a ruling on the "Establishment of New License Exception for the Export or Re-export to U.S. Persons in Libya of Certain Items Controlled for Anti-Terrorism Reasons Only on the Commerce Control List." The License Exemption symbol for these exports is USPL and the Export Administration Regulations were updated accordingly. The initial Federal Register notice dated November 16, 2005, pages 69432-69435 can be found at: http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-22674.pdf .

Census has posted helpful information on their website answering the questions:

What is a license exception?
What types of goods are covered under this license exception for Libya?
How do I complete the AES record?

This information can be accessed on the Census Bureau website at:
http://www.census.gov/foreign-trade/aes/documentlibrary/c52.html

**New Terminal Security Charge in Baltimore**

The Maryland Port Authority (MPA) announced the implementation of a new Terminal Security Charge at Baltimore effective January 1, 2006. The charge will be assessed at $3.25 per loaded container. This charge will apply to all import and export containers that transit through the Port of Baltimore.

**New DDTC Web Address and Web Site**

In mid January 2006, the Web address for the Directorate of Defense Trade Controls will change to www.pmddtc.state.gov. The DDTC Web site will also have a new layout. All the pertinent substance from the present Web site has been retained, and the hope is that the new presentation will make it more accessible.

## COMPLIANCE CORNER

### Enter at Your Own Risk - DDP

Terms of sale address the control of the movement of goods and are a fundamental part of understanding the entered value of imported merchandise. The terms of sale, or "Incoterms," specifically identify which party (either the buyer or the seller) is paying for and arranging each portion of the international transportation move. Each Incoterm divides the costs, risks, and responsibilities between the buyer and the seller.

One of the more frequently misunderstood terms of sale is DDP – Delivered Duty Paid. Under DDP terms, the seller bears all costs and risk for the merchandise until it is delivered to the named destination, Customs cleared and duty paid. This means the seller is responsible for all costs, including Customs clearance and duties, incurred up to the time that the goods are delivered to the buyer.

Now consider that the owner or purchaser of the goods has the right to declare and make entry of goods imported into the United States. "Owner" is defined as the party with a demonstrable financial interest in the imported merchandise. Therefore, under DDP terms, since the seller retains risk for the goods at the time of entry, the seller has the right to declare and enter the goods as importer of record.

This means that under DDP terms, the foreign seller is the party properly nominated as importer of record. Duties and clearance charges, as well as the U.S. domestic inland charges, are to be billed overseas to the foreign shipper. If you are purchasing goods on a DDP basis, it is most likely because you do not want to be involved in the Customs formalities. You have paid the seller to have the goods delivered to your door already Customs cleared with duties paid. As the purchaser of the goods, you certainly have the right to make entry, but under DDP terms, the liability as importer of record rests with the seller. If you act as importer of record on a DDP shipment, you have now assumed all obligations that being an importer brings, including the risk for additional duties, fines and penalties, and recordkeeping responsibilities. This is why we ask for your written permission prior to entering goods in the U.S. purchaser's name on DDP shipments. We want to be sure you understand the risks involved.

For more information on terms of sale and who is responsible for what under each term, please attend our Import Essentials Seminar on March 8th in Hunt Valley, MD where we'll have a session on Incoterms 2000. Seminar registration information can be found under Samuel Shapiro & Company, Inc. News at the end of this newsletter.

**TRANSPORTATION UPDATE**

**February 2006**

**Far East**
Carriers from the Far East to the USA enjoyed one of their best seasons ever with vessel running nearly 100% full on all water service to the USA east coast. Most carriers are reporting strong profits. The Peak Season Surcharge on all water shipments to the East Coast officially ended January 31, 2006. Carriers are going to try and maintain the Peak Season Surcharge in 2006 from June 15, 2006 – November 30, 2006. The published Peak Season Surcharge is as follows:

| | |
|---|---|
| 20' container | $ 300.00 |
| 40' container | $ 400.00 |
| 40 HC cont. | $ 450.00 |
| 45' container | $ 510.00 |

Bunker Surcharges from Far East ports to the USA did go up on January 1, 2006 and are effective until March 31, 2006.

| | Previous level through 12/31/05 | January 1, 2006 – March 31, 2006 | Increase amount |
|---|---|---|---|
| 20' container | $ 345.00 | $ 450.00 | $ 105.00 |
| 40' container | $ 455.00 | $ 590.00 | $ 135.00 |
| 40 HC cont. | $ 510.00 | $ 660.00 | $ 150.00 |
| 45' container | $ 580.00 | $ 760.00 | $ 180.00 |

Carriers raised the emergency rail fuel surcharge on January 1, 2006.
Previous level of $158.00 for any size container was raised to $222.00 per any size container.

For door delivery shipments the amount was raised from $ 46.00 to $64.00 per container

The Alameda Corridor Charge has gone up in 2006.

| | 2005 levels were: | 2006 levels are: |
|---|---|---|
| 20' container | $ 16.00 | $ 17.00 |
| 40' container | $ 33.00 | $ 34.00 |
| 40 HC cont. | $ 33.00 | $ 38.00 |
| 45' container | $ 36.00 | $ 38.00 |

The pendulum should start to turn in 2006. Added capacity from Asia to the West Coast will erode pricing on that trade lane. Rates are already dropping, especially to Los Angeles/ Beach where 8000 TEU vessels are becoming a regular sighting. Carriers are talking about adding capacity on all water service to the East Coast as well. Importers should be able to see a reduction in freight rates. Carriers will try to introduce a variety of surcharges to help prop up rates. The announced increases by the TSA (Transpacific Stabilization Agreement) carriers are as follows effective May 1, 2006

| | |
|---|---|
| West Coast ports | $ 150.00 per 40' container |
| Internodal rail shipments | $ 350.00 per 40' container |
| All water to East Coast | $ 400.00 per 40' container |

We anticipate that there we will not be any increases May 1, 2006, especially the West Coast from Asia.

**Northern Europe**

Bunker fuel surcharges that were increased on October 16, 2005 from Northern Europe to United States will stay the same through March 15, 2006.

Current bunker surcharges are as follows:

- East Coast Ports 20' containers $ 423.00
- East Coast Ports 40', 40' HC and 45' containers $ 846.00.
- West Coast Ports- 20' containers $ 635.00
- West Coast Ports - 40', 40' HC and 45' containers $ 1270.00

The water level on the Rhine River has been at a critical level for some time. Barge operators have had to reduce the number of containers that they have been able to use due to the river level. This should change as winter weather should help raise the level of the river.

**The Mediterranean**

The bunker fuel surcharge that went up on November 1, 2005 will remain the same through the month of February..

Bunker surcharges will remain as follows to Atlanta and Gulf ports from all Mediterranean ports.

| | |
|---|---|
| 20' container | $401.00 |
| 40', 40 HC cont | $802.00 |

Rates are starting to drop as there has been added capacity in the trade and few shipments to the United States. Rates for commodities such as ceramic tile are beginning to drop. Space is not a problem now. This is especially true from Italy.

**Air News**
Fuel surcharges are finally going down worldwide. The high rates have added considerable expense.

Effective in December the fuel surcharge from Hong Kong went down to 0.46/kg. The slack season will officially begin in February as Chinese New Year will end in early February. Rates should begin to go up as the weather warms in the United States.

Capacity from Europe and Indian sub-continent remain strong. The fuel surcharge from Europe has stabilized. The current level from all markets using the Euro is 0.45/kg.

**Export Ocean News**
Ocean carriers operating in the Westbound Transpacific Stabilization Group between the USA and China are looking to raise rates on scrap metal by $120.00 per 20' container and $150.00 per 40' container. Carriers also plan to reduce the amount of free time upon arrival at ports in China. Scrap metal is the number 2 commodity exported from the United States to China.

**Domestic USA**
Domestic fuel surcharges seem to have leveled off. Lately we have seen FSC in the 15-20% range. There is still a shortage of drivers nationwide. Port congestion is causing many truckers to back away from hauling containers.

**Carrier News**
Maersk SeaLand will change its name in February to Maersk Line and drop SeaLand from its name. They will also absorb P & O Nedlloyd into the Maersk name as well. It's the end of the road for P & O Nedlloyd. Many employees of both carriers are expected lose their job. Maersk will absorb all the P & O Nedlloy vessels and revamp their sailing schedule worldwide. They plan to drop the direct service that P & O provided from Portugal to Savannah and Houston.

Hamburg Sud will introduce a new service from Europe to the East Coast and then on to Australia and New Zealand. The Trident Service will sail every 14 days and have a port rotation beginning in Europe as follows:
Tilbury, Bremerhaven, Antwerp, Philadelphia, Savannah, Cartagenma, Auckland, Melbourne, Sydney, Timaru or Port Chalmers, Taruanga and then back again to the United States. They will have 6 vessels deployed on the service that can accommodate between 2000 and 2500 TEUs.

China Shipping and CMA/CGM are still planning their new North Atlantic service commencing in March 2006. They will begin a direct service from Northern Europe with 4 2500 TEU vessels. The vessels will call on the following ports:
Le Havre, Antwerp, Rotterdam, Bremerhaven or Hamburg, New York, Baltimore, Norfolk and Charleston.

Mediterranean Shipping Company has decided to change their port rotation on their incoming vessels from North Europe. Baltimore will now be the first port of call. Transit times from Europe will be improved. Le Havre to Baltimore will be 9 days. From Bremerhaven Germany the transit time will be 11 days.

## SAMUEL SHAPIRO & COMPANY, INC. NEWS

**News from Our Dulles Office**
***Why Dulles?***

Washington Dulles International Airport offers airlines, forwarders and shippers many advantages as an air cargo gateway including a strategic location, easy access, extensive air services, lower costs, and state-of-the-art infrastructure." Did you know that 50% of the total US Market is within 1000 kilometers of Washington Dulles International Airport?

Samuel Shapiro Dulles is gearing up for their 3rd annual Customer Appreciation Day Picnic. This year the plan is to celebrate our customers with a themed party for Cinco de Mayo. More information to follow in April but we are looking forward to a fun filled fiesta! We hope you can join us!

**Don't Miss Shapiro's Import Essentials Seminar - Registration is open!**

*What It Takes To Be a Compliant Importer*

Due to the overwhelming response to our Import Essentials Seminar held last November in Harrisonburg, VA, Samuel Shapiro & Company, Inc. is pleased to announce the program will be repeated in the Baltimore area this March. This one-day import seminar will be held on Wednesday, March 8th, 2006, from 9:00 a.m. to 4:00 p.m., at the Embassy Suites Baltimore - North in Hunt Valley, Maryland.

The Import Essentials seminar will discuss how to be a compliant importer and will feature a bonus session, "What's New with C-TPAT." The bonus C-TPAT session will include the latest information provided by Customs at the C-TPAT Supply Chain Training in Costa Mesa, California. Seminar topics will include importer responsibilities under reasonable care, how to establish a compliance program, and Incoterms, among others. This event is a must attend for experienced and novice importers alike looking to improve their import compliance program or exporters interested in learning about import opportunities.

<u>Here is what some of the Harrisonburg seminar attendees had to say:</u>

"This was very informative. Please keep doing them like this one."

"I want to thank everyone at Samuel Shapiro and Company for the continued education. The laws are always changing and Customs expects the importer to know what they are--Samuel Shapiro and Company understands this and keeps me informed."

"The Import Essentials Seminar opened my eyes to the reality of needing to establish a Compliance Program."

Seminar Location:

Embassy Suites Baltimore - North
213 International Circle
Hunt Valley, MD 21030
Tel: 410-584-1400

We have a block of rooms reserved for the evening of 3/7 at $119.00 plus tax. Hotel reservations must be made by 2/7 to take advantage of this special rate.

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

$150 per person
$125 for each additional attendee from the same company

Register Now! Click on the link below:

http://www.shapiro.com/html/import_seminar.html

For more information or to register by phone, please contact the Compliance Department at 800-695-9465 ext. 290 or by email at compliance@shapiro.com.